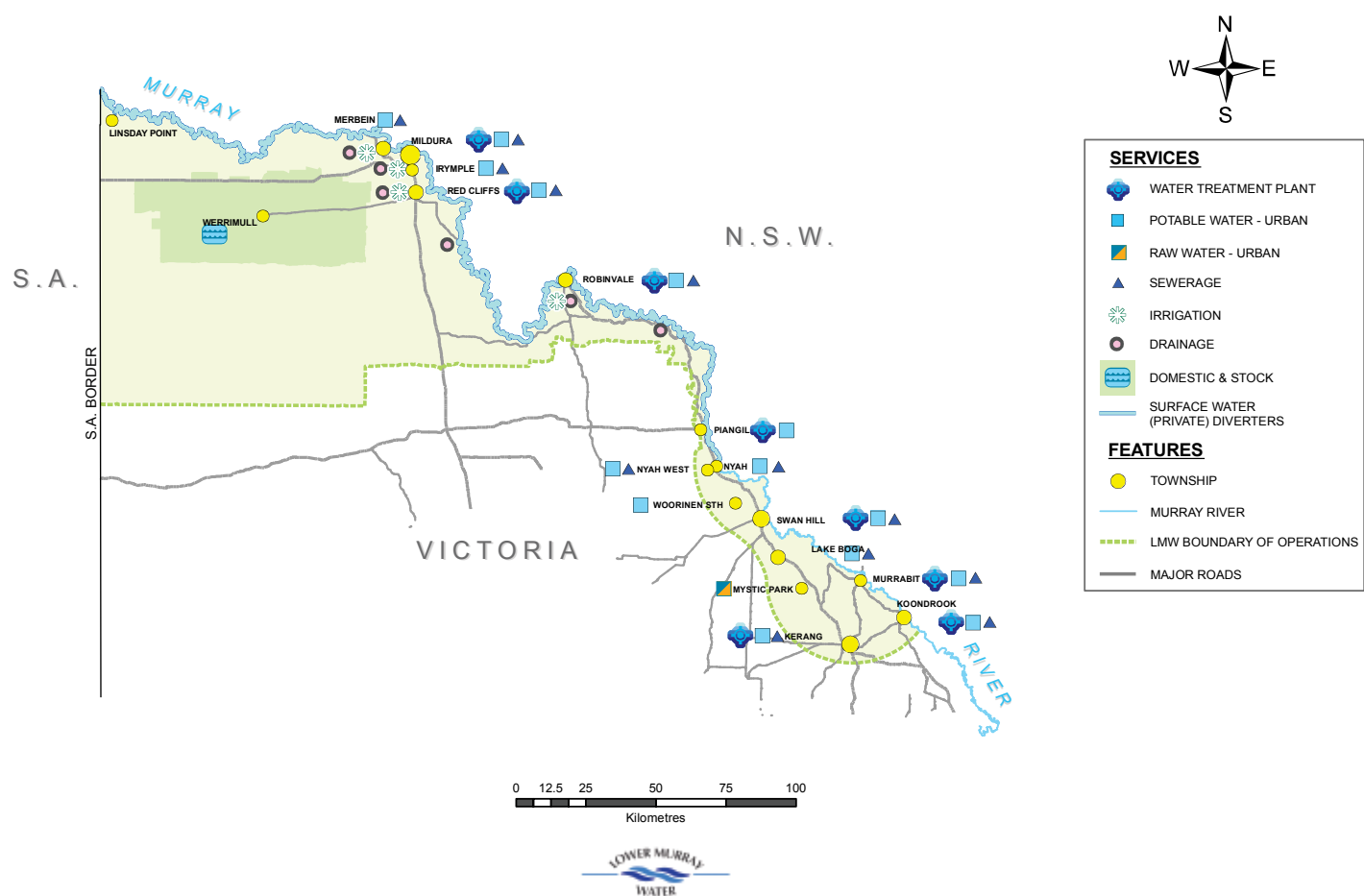




Annual Report 2010/11

Lower Murray Water Operating Area



Our Profile	2
Our Objectives	3
Our People	7
Our Customers	13
Our Commitment to our Environment and our Region	15
Our Financial Management and Performance Reporting	20
Our Water Transfers and Licences	32
Our Statutory Information	40
Our Financial Report	44

Our Profile

Our Establishment

Lower Murray Urban and Rural Water Authority was created under the provisions of the *Water Act 1989* via order in Council effective 1st July 2004. It assumed the whole of the property, rights, liabilities, obligations, powers and functions under the *Water Act 1989* of the Lower Murray Region Water Authority and Sunraysia Rural Water Authority. The Water Governance Act varied the form and title of Lower Murray Water and established new governance arrangements effective from 1st July 2007. By statute under the *Water Act 1989* Lower Murray Urban and Rural Water Authority became Lower Murray Urban and Rural Water Corporation.

On 19th August 2008 Minister for Water The Hon. Tim Holding issued a determination for Lower Murray Water to take over the whole of the functions, powers and duties of the First Mildura Irrigation Trust (FMIT).

During the reporting period the Minister for Water was The Hon. Tim Holding MP (1st July 2010 – 2nd December 2010) and The Hon. Peter Walsh MP (2nd December 2010 – 30th June 2011).

Our Services

We provide:

- urban water services to 14 townships via nine treatment plants to approximately 60,000 customers along the Murray River in Victoria from Kerang to Mildura;
- wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants;
- river quality water services to 4,728 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura, the Millewa rural district and some areas of the waterworks districts of Carwarp and Yelta;
- management of the region's rural water entitlements
- the collection and disposal of subsurface drainage water from the four pumped irrigation districts, and Nangiloc, Robinvale and Boundary Bend diverters;
- ensuring drainage design in new agricultural developments conforms with salinity management plan development guidelines;
- management of the private diversion licences of 1,085 water users along the Murray River in Victoria between Nyah and the South Australian border;
- the assessment and approval of permanent and temporary water trade applications; and
- reclaimed water for third party use.

In addition to security of supply, public health, water quality and environmental responsibilities, we recognise the crucial economic role of water from a regional and state context.

Our Vision

Vital Resource – Vital Service

Managing our water resources responsibly to promote the economic and social advancement of our region, while protecting our environment.

Our Core Business

Our core business is to meet the present and future needs of our customers and community by providing reliable and secure water services.

Our Region

Our area of operation extends from Kerang to the South Australian border taking in the municipalities of Mildura, Swan Hill and Gannawarra. We provide the region with urban water and wastewater services, treatment and effluent disposal services, river quality water to domestic and stock and irrigation customers, along with the collection and disposal of subsurface irrigation drainage water.

We recognise that our overall well-being and livelihood is directly linked to the agricultural, tourism and support industries which form our economic backbone.

How we manage our water resources recognises the intrinsic inter-relationship between this resource and the social and economic fabric of our region.

Our Goals

1. Quality Services Delivery

To provide high quality drinking water, wastewater, irrigation, drainage and water recycling services to our customers

2. Positive Customer, Staff and Stakeholder Relationships

To maintain positive relationships and communications with rural and urban customers, government and other stakeholders

3. Building a Prosperous Region

To contribute to the economic, social and cultural development of the region and ensure the security of the community's collective water resource

4. Sustainability of Our Environment

To plan and manage all our operations in an environmentally responsible and sustainable manner

5. Motivated and Empowered People

To maintain a quality, appropriately skilled and committed workforce

6. Efficient Financial and Asset Management

To manage the Corporation's assets and financial resources responsibly

7. Responsible Corporate Governance

To manage our business affairs in a manner consistent with the best standards of corporate governance

Urban Water Supply

Objective	Objective Set	Action Taken
Provide quality potable drinking water in accordance with the <i>Safe Drinking Water Act 2003</i> to urban customers in prescribed areas	Strategic Plan	<ul style="list-style-type: none"> Continued training of water treatment plant operators to further enhance skills Implementation of increased treatment of water due to 'black water' event Study commissioned to identify processes to be retrofitted to water treatment plants to better treat 'black water' events Implemented upgrades for water treatment and chemical dosing at the Mildura Water Treatment Plant to ensure high quality potable water Upgrades of automation and clarifier in Robinvale were commenced Filter refurbishment works at Kerang were completed Commencement of upgrades of computer systems and telemetry communications in the Southern region to monitor and maintain water quality As Convening Agency, continued to monitor Blue Green Algae blooms in the Murray River and make appropriate public announcements
Continue to meet the levels of service as set out in the Statement of Obligations and other prescribed health and environment regulations	Strategic Plan	<ul style="list-style-type: none"> Replacement of approximately 4.4km of water mains in our service region Construction of approximately 4.6km of water and sewer mains to new subdivisions in our service region Rehabilitation of 5.3km of sewer mains for major projects in our service region Continuation of waterMAP for all treated water customers above the threshold level
	State Government Directive	<ul style="list-style-type: none"> Completion of installation of fluoride injection facilities at Water Treatment Plants in Mildura, Red Cliffs, Swan Hill and Kerang

Wastewater Treatment and Recycling

Objective	Objective Set	Action Taken
Collect, treat and manage wastewater throughout the region applying appropriate methods of wastewater management which are commensurate with end use	Strategic Plan	<ul style="list-style-type: none"> Completion of the Koorlong Wastewater Treatment Plant (WWTP) Augmentation Decommissioning of the Red Cliffs WWTP in line with diversion of flows to Koorlong WWTP providing efficiency and processing improvements Commencement of new contract for Sewer Rehabilitation project across all districts Commencement of Dow Avenue bypass/booster pump station to reduce loading on the Mildura system and improve flows to Koorlong WWTP Replacement of step screens, aerators and planning for electrical upgrades at the Mildura WWTP commenced Construction of a storage lagoon for wet weather flows at the Robinvale WWTP was completed to ensure future flows are managed in accordance with EPA guidelines Completion of the Murrabit Sewerage Scheme
Seek opportunities to recycle wastewater	Strategic Plan	<ul style="list-style-type: none"> Continued to seek to investigate new water recycling/reuse opportunities Continuation of supply of Class C Primary Treated Effluent to Reuse Partner as a preliminary supply to establish permanent plantings Continuation of supply of wastewater to Red Cliffs Golf Club Continuation of supply of reuse irrigation drainage water from the Red Cliffs Irrigation District to Red Cliffs Golf Club
Quality Services Delivery - to provide high quality drinking water, wastewater, irrigation, drainage and water recycling services to our customers	Corporate Goal 1 Emergency Management Plan	<ul style="list-style-type: none"> Implemented Emergency Management Plan procedures as a response to the February 2011 flood event to manage sewage spills caused by the submergence of the sewerage networks Major remedial works undertaken to repair sewers impacted by the flooding event

Irrigation, Domestic and Stock Supply and Drainage Services

Objective	Objective Set	Action Taken
Provide river-quality water to all irrigators and Domestic and Stock users, in line with entitlements and their seasonal allocations	Strategic Plan	<ul style="list-style-type: none"> ▪ Commencement of the Millewa Small Towns Water Quality Fund project to improve water quality in the Millewa Domestic and Stock reticulation system ▪ Continuation of the irrigation metering program to ensure accuracy in monitoring of water delivered ▪ Commencement of planning for electrical and automation upgrades for Mildura, Red Cliffs and Merbein irrigation pump stations ▪ Completion of telemetry and Scada upgrades in the Mildura district ▪ Commencement of telemetry and Scada upgrades in the Red Cliffs and Merbein districts ▪ New irrigation off-take point agreed with River Murray Water and DSE for the operation of the Robinvale High Pressure Irrigation Project pump station
Develop and implement Master Plan	Strategic Plan	<ul style="list-style-type: none"> ▪ Risk assessments and asset assessment of all major irrigation infrastructure in Sunraysia completed ▪ Completion of the Robinvale High Pressure Irrigation Project
Provide assurance that water authorities have measures in place to address the range of potential incidents and emergencies that could take place	Emergency Management Plan	<ul style="list-style-type: none"> ▪ Provided tankered water supplies to Domestic and Stock customers during flood event ▪ Drainage system review and replacement program commenced after flood event
Quality Services Delivery - to provide high quality drinking water, wastewater, irrigation, drainage and water recycling services to our customers	Corporate Goal 1	<ul style="list-style-type: none"> ▪ Initiation of a \$2.8M water quality improvement project for the Millewa Rural Water Supply area ▪ Major remedial works undertaken to repair irrigation channels impacted by the flooding event

Budgetary and Governance

Objective	Objective Set	Action Taken
Responsible Corporate Governance – to manage our business affairs in a manner consistent with the best standards of corporate governance	Corporate Plan 7	<ul style="list-style-type: none"> ▪ Implemented <i>Equal Opportunity Act 2010</i> into procedures as required ▪ Continued regular OH&S committee meetings ▪ Continued annual inspection of 150 plus worksites as part of the Hazard Removal Program
Develop pricing structures/ tariffs for urban and rural services that are equitable and reflect the funding for long term infrastructure	Strategic Plan	<ul style="list-style-type: none"> ▪ Adjustment to two districts' methodology to set annual tariffs due to unbundling/new service delivery
To align the business objectives with Essential Services Commission principles	Strategic Plan	<ul style="list-style-type: none"> ▪ Participate in the development of the Trade Waste Customer Service Code and the new customer contributions guidelines ▪ Commenced planning for the 2013-2018 Water Price Review

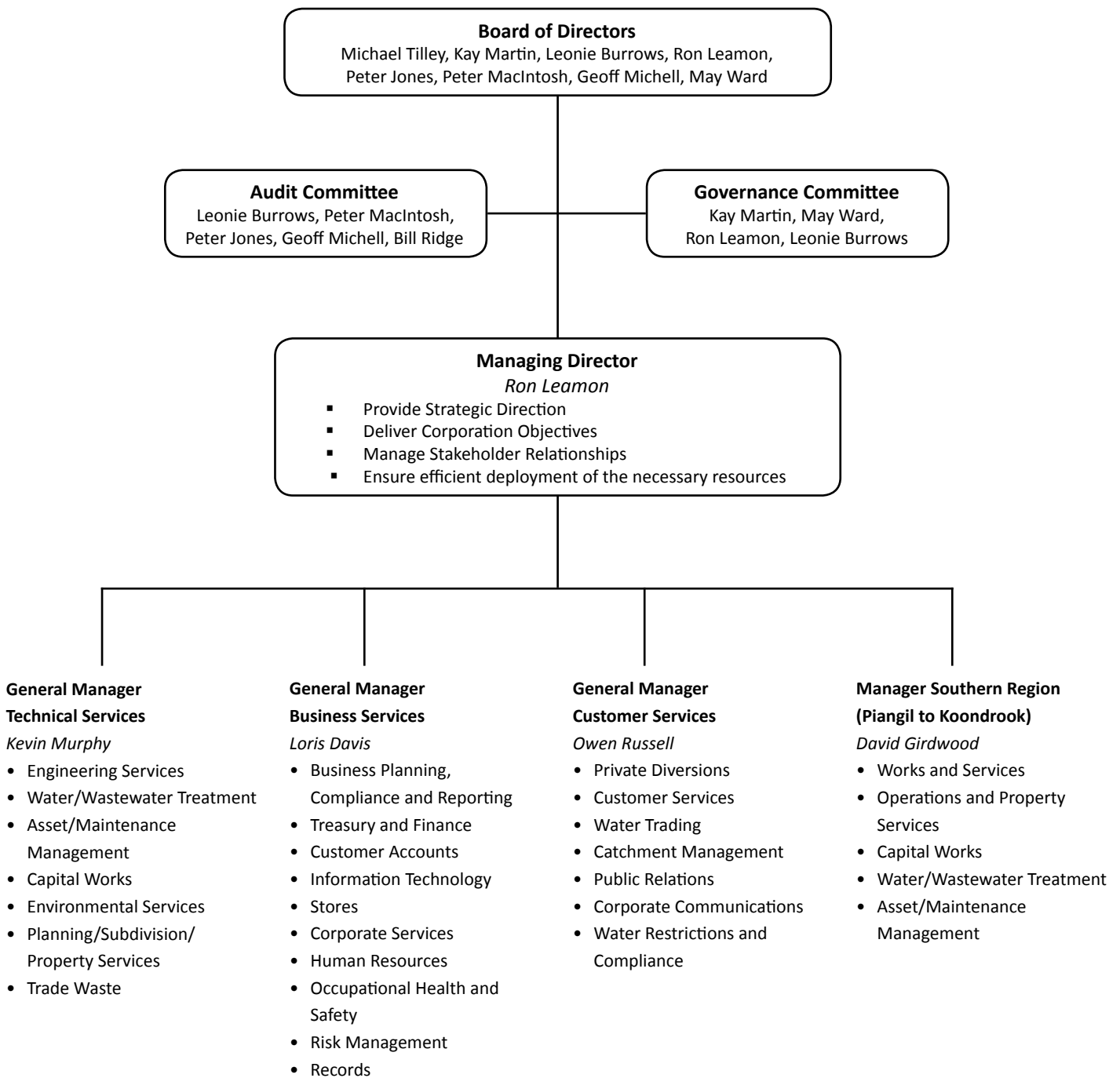
Environmental

Objective	Objective Set	Action Taken
Sustainability of our Environment – minimise the environmental impact of water usage by all customer groups	Corporate Goal 4	<ul style="list-style-type: none"> Continued to encourage reclaimed water projects to reduce extractions from the Murray River Commenced partnering in the delivery of a project to reduce potential environmental impacts from pump infrastructure on the river Continued to assist with the delivery of Environmental Flows to Cardross Lakes and the development of an environmental regulator for Kings Billabong
Sustainability of our Environment – implement State Environmental Sustainability Objectives	Corporate Goal 4	<ul style="list-style-type: none"> GHG emissions – Continued purchase of GreenPower and commenced offsetting carbon emissions from flights Engaged consultants to develop a Carbon Management Strategy to assist us set and work towards carbon reduction targets Continued restoration works at Koorlong off-set site, manage threatened species (Hooded Scaly-foot lizard and the Murray Hardyhead fish) Completed updates to our Biodiversity Asset Register Continued with our Wastewise program and the move towards accreditation under the ResourceSmart 5StarSustainability for Government program Continued with the eradication of invasive plants and animals; and revegetation on the land near the Koorlong State Forest
Maintain an Environmental Management System that is integrated into our business activities	Environmental Policy	<ul style="list-style-type: none"> Continued implementation and development of our EMS Continued staff training and awareness of environmental issues, including 2010 Staff Environment Award Completed audit program and reporting obligations
Sustainability of our Environment - to plan and manage all our operations in an environmentally responsible and sustainable manner	Corporate Goal 4	<ul style="list-style-type: none"> Continued financial support of eWater CRC Commenced work with Mallee CMA on a project to reduce nutrient and sediment inputs into the Murray River by working with irrigators to assess potential environmental impacts from pump infrastructure on the river Continued our commitment to off-set our greenhouse gas emissions; including the continued purchase of GreenPower Creation of an inventory of flora and fauna and ecological communities
Provide assurance that water authorities have measures in place to address the range of potential incidents and emergencies that could take place	Emergency Management Plan	<ul style="list-style-type: none"> Implemented Emergency Management Plan procedures as a response to the February 2011 flood event to manage sewage spills caused by the submergence of the sewerage networks Assisted local emergency services to clear water from roads, public and private buildings and services

Customer, Staff and Stakeholder

Objective	Objective Set	Action Taken
Increase awareness and understanding of water related issues in the entire community	Communications Strategic Plan	<ul style="list-style-type: none"> Continued production of e-News to subscriber base Continued provision of educational programs and activities for primary school children, including tours of our infrastructure Participated in a range of community projects aimed to promote environmental awareness Conducted water saving trigger nozzle and sprinkler exchange programs Provided information to customers via the media regarding the flood event and subsequent clean up works Developed a range of water conservation stickers for use by the tourism/accommodation industry and commercial customers Continued involvement in National Water Week activities
Develop partnerships with local businesses and groups to educate on water related issues	Communications Strategic Plan	<ul style="list-style-type: none"> Relationships with media in our service area maintained throughout the year Relationship with the tourism/accommodation industry maintained through Mildura Tourism Responded to requests from schools for development of presentations and learning resources targeted to particular areas of the curriculum Conducted tour of the Mildura Water Treatment Plant for primary school group Co-branded Savewater! educational project for Grades 6-10 for schools in our service area Developed a water conservation activity booklet for primary school students Participated in joint agency interactive environmental learning activity for primary school children
Building a Prosperous Region - to contribute to the economic, social and cultural development of the region and ensure the security of the community's collective water resource	Corporate Goal 3	<ul style="list-style-type: none"> Continued to support local events and activities in our region, through the provision of sponsorship and/or participation in educational activities
Motivated and Empowered People - to maintain a quality, appropriately skilled and committed workforce	Corporate Goal 5	<ul style="list-style-type: none"> Continued our "Corporate Wellness Program" for staff to include new activities and information Continued our program of Engineering Scholarships Continued training for staff in all aspects of operations In line with our Study Leave policy, supported staff undertaking further education
Positive Customer, Staff and Stakeholder Relationships - to maintain positive relationships and communications with rural and urban customers, government and other stakeholders	Corporate Goal 2	<ul style="list-style-type: none"> Held grower briefings for Robinvale irrigation customers regarding capabilities of new Robinvale High Pressure Irrigation Project and how to best maximise its additional potential Continued our program of Customer Service Advisory Committee (CSAC) and Customer Consultative Committee (CCC) meetings throughout the year Conducted the 2010/11 Residential and Rural Customer Satisfaction surveys
Provide assurance that water authorities have measures in place to address the range of potential incidents and emergencies that could take place	Emergency Management Plan	<ul style="list-style-type: none"> Provided staff to the Flood Recovery Centre (Mildura) to assist customers who had been effected by the flood event

Our Structure



Our Board

The Lower Murray Urban and Rural Water Corporation Board of Directors comprised seven Directors as appointed by The Hon. Tim Holding MP, Minister for Water, on 27th September 2007.

An Instrument of Appointment by Minister Holding appointed Kay Martin, Frank Smith and May Ward as Directors of the Corporation from 1st October 2007 to 30th June 2010. Directors Martin and Ward were re-appointed for the period 1st July 2010 to 30th September 2012.

Leonie Burrows, Peter MacIntosh and Michael Tilley were appointed as Directors of the Corporation from 1st October 2007 to 30th September 2011.

The Minister appointed Michael Tilley as Chairman of the Corporation.

Ron Leamon was appointed to the position of Managing Director from 2nd July 2007 to 30th June 2012, pursuant to the *Water Act 1989*.

Peter Jones was appointed to the Board from 10th December 2008 to 30th September 2011.

Geoffrey Michell was appointed to the Board from 1st July 2010 to 30th September 2012.

The Board of Directors is appointed to ensure the strategic direction of the Corporation complies with Government objectives for the provision of reliable and secure water, wastewater and drainage services.

Our Directors come from diverse backgrounds and bring a mix of skills and experience to the Board that ensures the Board's focus is on Lower Murray Water achieving optimal environmental, operational and financial corporate governance.

The Board generally meets monthly, except in January. The effectiveness of the Board and its performance is reviewed annually. Logistical and financial provisions are afforded to Directors for their ongoing skills development.

Membership

Michael Tilley, Chairman of our Board of Directors, is Chairman of the corporate advisory company Terrain Capital Ltd. Michael lives in Melbourne and is a Chartered Accountant with wide business experience in Australia and overseas. He is a Director of Vision Super as the Victorian Water Industry Representative and was Chairman of the former Lower Murray Water Region Water Authority.

Kay Martin, Deputy Chair, is a lawyer with the legal firm Martin, Irwin and Richards and an irrigator in the Merbein Pumped Irrigation District. Kay has both a Bachelor of Law and a Bachelor of Economics and has worked in the legal profession since 1977. She has for many years been a member of the Legal Aid Child Representative Panel and was a former President of the Board of the Mildura Base Hospital and Deputy Chair of the former Sunraysia Rural Water Authority. Kay is currently Chair of Chaffey Aged Care; and Chair of our Governance Committee.

May Ward is a Director of Bulga Wine Estates, in the Woorinen irrigation district of Swan Hill. May holds a Diploma of Business – International Marketing, and a Diploma in Corporate Governance from the Australian Institute of Company Directors. A former Mayor, Deputy Mayor and Councillor of Swan Hill Rural City, she maintains a strong community interest. May has considerable experience in the health industry as a Nurse and Midwife and is a former Director on the Swan Hill Hospital Board, a former member of its Audit Committee, and Deputy Chair of the Continuous Quality Improvement Committee. May is also a member of our Governance Committee and Chair of Southern Urban Customer Consultative Committee.

Peter MacIntosh is a member of our Audit Committee and an irrigator from the Robinvale Irrigation District, with many years experience in the water industry and horticultural based organisations. Peter is Chairman of the Table Grape Industry Advisory Committee and President of the Robinvale Golf Club.

Leonie Burrows is Principal of Leonie Burrows and Associates Management Consulting Services and has a background in local government management. Leonie is a previous Convener of our Governance Committee and current Chair of the Audit Committee. Her previous roles have included Chief Executive Officer, Mildura Rural City Council; Chief Executive Officer, Sunraysia Institute of TAFE; Chief Executive Officer of Australian Citrus Growers; and Chief Executive Officer of Australian Table Grape Growers. Leonie has a Bachelor of Arts (Information Science), a Bachelor of Business and is a Graduate of the Australian Institute of Company Directors' Course. She is an Associate Fellow of the Australian Institute of Management, a Fellow of Local Government Professionals, and is a member of the Australian Institute of Municipal Management and Australian Institute of Company Directors.

Peter Jones has a diploma of Horticultural Science from Burnley Horticultural College and has been an irrigator for over 30 years. He is past Chairman of the Australian Dried Fruits Association and is a member of the Dried Grape Industry Advisory Council and a member of two trusts that fund marketing and other projects for the benefit of the dried fruits industry. Peter is the Chairman of Mildura Christian College Board, a member of the MADEC Board and represents Lower Murray Water on the Mallee Catchment Management Authority Salinity Advisory Accountability Committee.

Geoffrey Michell has over 35 years experience in the water and construction industries. He is a former Managing Director of Coliban Water and is a member of the Boards of Bendigo Health, Wimmera Catchment Management Authority, Bendigo Community Telco and is the Chairman of the Bendigo Tourism Board. Geoff is a Civil Engineer with post graduate qualifications in business administration.

Ron Leamon, Managing Director, holds a post Graduate Diploma of Municipal Engineering and a Diploma of Civil Engineering. He is an Associate Member of the Australian Institute of Company Directors, is a member of the Australian Water & Wastewater Association and the Australian Institute of Management. He is a Fellow and a former President, and an Executive Council Member, of the Institute of Water Administration.

Directors' Attendance at Meetings

	Board		Audit Committee		Governance Committee	
Directors	Eligible to attend*	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Leonie Burrows	10	8	6	3	2	1
Peter Jones	10	10	6	6		
Ron Leamon	10	10			2	2
Peter MacIntosh	10	9	6	6		
Kay Martin	10	9			2	2
Geoff Michell	10	8	6	4		
Michael Tilley	10	9				
May Ward	10	8			2	2

* includes Strategic Planning Review Meeting in February 2011

Board Committees

Audit Committee

Our Audit Committee assists the Board in fulfilling our corporate governance responsibilities by reviewing matters relating to financial management and operational control practices, financial reporting and auditing functions. This committee also reviews compliance with relevant legislation and regulation, including our risk management systems.

Through our rolling three year internal audit program, the Audit Committee is able to review and evaluate the effectiveness of controls and practices. At 30th June 2011, the Committee comprised Leonie Burrows (Chair), Peter MacIntosh, Peter Jones, Geoff Michell and Bill Ridge, an external appointment to the Committee. The Committee met on six occasions in 2010/11. All committee minutes are included in the next Board of Directors' monthly meeting agenda. The Committee meets the requirements of the Financial Management Compliance Framework.

Governance Committee

The objectives of the Governance Committee are:

- To assist the Board to discharge its duty with respect to overseeing all aspects of good corporate governance;
- To make recommendations to the Board in regard to self-review, training and development and the induction of new members;
- Review executive remuneration including the requirements of the Government Sector Executive Remuneration Panel, conduct the Managing Director's performance review, authorise bonuses and review the organisational structure; and
- To assist the Board to discharge its duty with regard to its employment responsibilities for the Managing Director.

In accordance with the Terms of Reference the Committee has in 2010/11:

- Reviewed a number of Corporate policies as nominated in the review schedule in September and January;
- Reviewed Key Performance Measures of the Management Group as part of the executive remuneration review; and
- Initiated and subsequently reviewed the annual performance appraisal of the Managing Director.

Corporate Governance

Risk Management

I, Michael Tilley, certify that Lower Murray Urban and Rural Water Corporation has a risk management system in place aligned with the International Standard on risk management. The internal controls in place enable the executives to understand, manage and satisfactorily control risk exposures in areas of the Corporation's operations. The Audit Committee verifies this assurance and that the risk profile of the Lower Murray Urban and Rural Water Corporation has been critically reviewed within the last 12 months.



Michael D Tilley
Chairman

7th September 2011

Our Chairman and Managing Director

Chairman's Overview

It is pleasing to see that while the 2010/11 financial year had been very difficult, Lower Murray Water has continued to operate on a sound footing given the many difficulties and challenges that occurred during the last twelve months.

In what may be the wettest year in recorded history at both the Mildura weather station and generally across our regional centres at Swan Hill and Kerang, there has been a major decline in water usage by both irrigation customers in our rural sector and also by our urban customers in all of our cities and towns. This drop in usage is ironic given the lifting of formal water restrictions that occurred as we came out of drought in the lead up to the summer of 2010.

The very wet summer season has had compounding effects beyond low water usage. The regularity of rainfall events and intermittent high humidity led to a very difficult growing season for the majority of crops.

The major rainfall event of early February occurred at the worst possible time being at the commencement of the harvesting period. Flash flooding led to a significant number of areas being inundated preventing access for disease control and harvesting. Significant private and public damage occurred across the Sunraysia and Robinvale regions.

Regional flooding in central Victoria also impacted our Kerang customers with the town being evacuated during this crisis. Lower Murray Water staff remained in Kerang to keep services operational and it was fortunate that the levies protecting the town held.

Our financial result has been impacted by the very wet season resulting in low water usage revenue in both our urban and rural sectors. The Board and management are heavily focused on containing ongoing costs and have targeted non core programs and discretionary spending to help offset the reduction in revenue.

Notwithstanding the difficult year we have achieved several key milestones in our capital works program. The Robinvale High Pressure Irrigation Project was fully commissioned and brought on line for the 2010/11 irrigation season. The new system provided trouble free operation after an initial settling in period. A grower briefing program proved invaluable in providing irrigators with a clear understanding of the capabilities of the new system and how to best maximise its additional potential.

The roll out of the Domestic and Stock supply from the new high pressure irrigation system has also been well received by the community living in the Robinvale irrigation district. It provides a continuous supply of high pressure water to all households and is a step up in service levels.

A further milestone has been the completion of our major upgrade to the Koorlong Wastewater Treatment Plant. Following completion and successful commissioning we are able to provide an ongoing supply of treated wastewater to our reuse partner for irrigation of permanent and annual crops.

We have continued to pursue funding from the Commonwealth Government for modernisation of Sunraysia's irrigation systems. We see this modernisation as a key plank in allowing our irrigation community to diversify by including winter cropping opportunities.

This will allow them greater scope to deal with a more complex marketplace and a possible water constrained future.

I would like to mention the role that Lower Murray Water played in assisting the Sunraysia and Robinvale communities during the flooding events in February 2011.

These localised floods were triggered by some of the most intense rain events ever recorded. Corporation staff initially responded with a focus on public health and the safety of our major assets. Once these two initial objectives were secured our staff moved into public assistance mode and worked with the local emergency services to assist where the most good could be achieved. This was a difficult process given the extensive inundation of roads and public and private buildings and services.

Our management and staff worked tirelessly for several weeks in moving water from the landscape without impacting third parties. This was done without compromise or favour. The Corporation's irrigation drainage systems came under severe, but generally unwarranted, criticism.

The Board agreed to undertake a major review of the functionality of the irrigation drainage networks such that it can be better utilised in times of future flash flooding. This review will incorporate the potential conversion of the irrigation channel networks to drainage outfalls where practical and will dovetail with municipal stormwater plans where there is scope.

The generally extended wet season across our river catchments led to very high river levels for an extended period this year. This high river was also typified by very dirty raw water and included a period of black water. This lengthy exposure to very poor quality water tested the capability of all of the Corporation's water treatment plants and highlighted the need for some strategic investment in additional treatment facilities. It is the view of the Board that the supply of aesthetically unpleasant water for any extended period is not acceptable and must be addressed.

We have commissioned a study to identify appropriate further water treatment processes that can be retrofitted to our treatment plants. A capital works program will then provide these additional facilities such that the problem can be avoided during future poor raw water quality events.

Director Peter McIntosh advised the Board that he has not sought reappointment and will retire from his role on the Board. Peter has been a member of the Board since its inception in 2004 and also served on the prior Board of Sunraysia Rural Water Authority. I wish to thank Peter for his conscientious, relevant and thought provoking input to the governance process.

I have also decided to retire from the Board after sixteen years in the role. I have gained great satisfaction from the many advancements that have been made in the water sector served by Lower Murray Water and feel that the time is right to vacate the position to enable my successor to address the many challenges that lie ahead. The timing of this change will leave the way open for a new Chairman to oversee the changes emanating from the Murray Darling Basin Plan and the long awaited irrigation modernisation projects in Sunraysia.

I sincerely thank each of the Water Ministers involved in the industry over this period as well as all Directors, Officers and staff that have played a role in delivering our essential water services.



Michael D Tilley
Chairman

7th September 2011

Managing Director's Overview

It has been a confronting change to move from operating in an extended drought sequence to the opposite end of the scale and having to work our way through one of the wettest years on record.

The move from water restrictions to flooding in a very short space of time presented challenges for the majority of staff in one way or another. The primary manifestation of this was in dealing with flooding of our infrastructure which, in order of response priority, turned out to be the management of sewage spills caused by the submergence of the sewerage networks. The implications on public health are paramount and this became our prime consideration during the major flooding events of February 2011.

The relief from flooding of public roads and infrastructure became our second response priority. This was a complex matter due to the formal and informal relationships between stormwater and our irrigation drainage systems. The lack of public understanding about the functionality of our irrigation drainage system created confusion and caused considerable public disquiet.

Notwithstanding, the irrigation drainage systems generally proved to be the relief valve which enabled the majority of the rural areas to be cleared of water over time. They also played a significant role in the relief from urban flooding particularly in the Irymple and Cardross township areas.

The ingenuity shown by Lower Murray Water staff in developing pumping solutions to different situations led to many areas being relieved of water far more quickly than would otherwise have been the case.

Likewise the unquestioning commitment by staff and their cross discipline team approach in assisting with the overall flood response proved both effective and efficient. Our proactive approach was recognised and respected by the other emergency response agencies.

It gave me great pride to see our people perform so well under these very difficult circumstances.

While the year just gone has been difficult on a number of fronts I am confident that our business is well placed going forward. We are currently in difficult times and must adjust our expenditure accordingly. We will continue to ease our costs and slow down or suspend some non core programs and activities.

We cannot sit still however, and must look to strategically position ourselves for the future. It is important that the Corporation is developing a Carbon Management and Reduction Strategy as a carbon based economy is looming on the national horizon. We must be in a position to quickly adjust our business to this new environment once it is implemented.

A small town sewerage scheme at Murrabit has been completed and will be a major improvement for this small community. This project was undertaken with four way funding from the Victorian Government, the Shire of Gannawarra, the Murrabit Advancement Association and Lower Murray Water.

Additionally a water quality improvement project has been initiated for the Millewa Rural Water Supply area. This project will significantly enhance water quality across the Millewa region providing economic and quality of life benefits to customers.

Our works program has also included major remediation works to sewers and irrigation channels which were impacted by flooding.

I would like to acknowledge the strong support from my management team as well as recognising the input from the Board in managing the business over the last twelve months. I would also like to thank all staff for their efforts during the year.



Ron Leamon
Managing Director

Our Staff

Workforce Philosophy

We strive to provide an equitable working environment and to foster an atmosphere where staff contribution and achievement is recognised. We aim to have a workforce representing our community's ethnicity, gender and age demographics. We are committed to sourcing the most appropriate staff for positions and endeavour to accommodate individual staff needs. An environment that affirms the investment of its staff, and cultivates a positive and enjoyable atmosphere, combines to make Lower Murray Water a desirable place to work.

Staff Development and Training

We aim to maintain a quality, skilled and committed workforce by providing opportunities for all staff to develop and improve their skills to contribute to our overall business performance. All new staff attended Privacy, OH&S, Charter of Human Rights, Risk and Public Liability and Customer Charter awareness sessions during 2010/11. Ongoing OH&S, environmental, risk management, public liability and water treatment training continue to be priorities for us. Regulatory training is scheduled and other beneficial training is identified during staff performance reviews, and generally undertaken in that financial year. We have had one staff member complete a Diploma of Project Management and another complete Certificate IV in Civil Construction and Design. Staff are currently enrolled in the following courses: Certificate IV in Civil Construction and Design, Diploma of Project Management, Advanced Diploma of Project Management, Bachelor of Arts, and Bachelor of Information Technology and Systems. Our Water Treatment staff have commenced their Certificate III in Water Industry Operations in line with Department of Health requirements for Treatment Plant Operators. We have policies that provide staff with study leave and fee re-imbursements for relevant approved external studies.

Staff Trends and Profiles

The staff turnover rate for 2010/11 was 7.7%.

	2010			2011		
	Male	Female	Total	Male	Female	Total
Executive	4	1	5	4	1	5
Administration	71	40	111	71	40	111
Operations	59	0	59	64	0	64
Sub-total	134	41	175	139	41	180
Vacancies			1			3
Totals			176			183

2011						
15-24 yrs		25-34 yrs		35-44 yrs		Total
Male	Female	Male	Female	Male	Female	
4	4	16	6	28	10	
45-54 yrs		55-64 yrs		65+ yrs		
Male	Female	Male	Female	Male	Female	
54	11	30	10	7	0	180

Workplace Merit and Equity

We take all reasonable steps to identify and preclude any unlawful discriminations or practices within the organisation, and to create and promote equality of opportunity for our staff. A Committee has been in existence for some years, comprising elected staff members and management representatives which meet at least annually. Staff Contact Officers have been trained in their role. Matters such as the Code of Conduct, Charter of Human Rights, and other Merit and Equity items including internal policies, appear on our internal Intranet and are also dealt with at new staff inductions and annual information refresher sessions for all staff.

The *Equal Opportunity Act 2010* has been incorporated into our procedures and advices.

As with preceding years, no Workplace Merit and Equity issues occurred during 2010/11.

Occupational Health and Safety (OH&S)

Caring for the health and safety of our staff, customers, contractors and visitors is critically important to us. Not only do we have a Duty of Care to these stakeholders under the *Occupational Health and Safety Act 2004* we also have a moral obligation to go beyond just compliance and aspire to achieve the best outcome.

Our current OH&S performance is high and this has been a result of effective consultation, co-ordination and communication between all our departments. We have a proactive OH&S Committee that is well supported by Management and has a direct influence on OH&S outcomes. The Committee assists in developing Standard Operating Procedures, Policies, identifying hazards in the workplace, promoting the OH&S culture to their different workgroups and participating in incident investigations and reviews. The Committee meets regularly to discuss OH&S matters, share knowledge and practices and suggest where improvements can be made within the organisation. An important component of our Occupational Health and Safety Management is the Hazard Removal Program. This involves the annual inspection of some 150 plus worksites across all service areas of Lower Murray Water, from the Millewa to Murrabit. The sites are inspected against a checklist and any hazards found are recorded, rated in terms of risk and then action listed to the appropriate person to rectify. Over the past five years approximately 900 hazards have been removed through this program.

To continue achieving high quality OH&S performance requires each person at Lower Murray Water to be ever vigilant to protect our people, contractors and the public.

Statistics	2009/10	2010/11
Days Lost - Workcover - per FTE	23 0.13	82 0.47
Number of Lost Time Injuries	6	2
Lost Time Injury Frequency Rate *	19	6
Percentage of annual Workplace Inspections completed	100%	100%

* Number of injuries x 1,000,000 / total hours worked

Customer Consultation

Customer Services Advisory Committees

As part of its goal to maintain positive relationships and communications with rural customers we have in place six rural Customers Services Advisory Committees representing the Pumped Districts of Mildura (FMID), Merbein, Red Cliffs and Robinvale, the Millewa Rural District and to represent the Private Diverter between Nyah and the South Australian Border. The Customer Services Advisory Committees were established in accordance with the *Water Act 1989*.

Six Committee members are elected to the Merbein, Millewa, Private Diverter, Red Cliffs and Robinvale Committees but in the case of the Mildura (FMID) Committee, the six members were directly appointed by the Board.

In June 2011 the period of appointment of five members of the Private Diverter Committee and four members of the Millewa Committee expired and Expressions of Interest have been sought. One of the five Private Diverter positions is a vacancy.

The purpose of the Committees is to provide advice to the Board and Management on a range of water and service related matters. We seek advice from the Committees on Corporate Planning embracing maintenance priorities, capital expenditure requirements, service levels, tariff changes and billing regimes and other matters of mutual interest referred to the Committees by the Board.

Meetings of the Board with the Chairs and Deputy Chairs of the Committees were undertaken in November 2010.

CSAC Members' Attendance at Meetings July 2010 to June 2011

	Meetings Eligible to attend	Attended		Meetings Eligible to attend	Attended		Meetings Eligible to attend	Attended
Merbein			Millewa			Red Cliffs		
David Beard	3	3	Ian Arney	3	2	Michael Cowling	3	2
Malcolm Bennett	2	2	Neil Boord	2	1	Ian Gowers	2	2
Larry Dichiera	2	1	Kevin Coogan	2	2	Greg Hutchison	2	2
Alan Greatz	2	1	Ron Hards ^	3	3	Frank Pedulla ^	3	2
Roslyn Hudson	2	2	Allen Harmer	2	2	John Piccirillo	2	2
Richard Wells ^	3	3	Stuart Thomson	2	2	John Strangio	2	2
Mildura			Private Diverter			Robinvale		
Robert Bate	2	1	Ian Keens	3	3	Don Albanese ^	4	4
Domenico Caia	2	1	Tim Millen #	1	1	Ian Boyd	3	3
Joe Ietto	2	1	Geoff Minter	2	2	Lindsay Camera	3	3
Ashley Johnstone	3	2	Craig Thornton	2	0	Frank Constantino	4	4
Warren Lloyd ^	3	3	Andrew Young ^	3	3	Cossy Giofrelle~	2	2
Rodney Trigg	2	1	Vacancy*	0	0	Ken Stringer	3	2

^ denotes Chair of Committee

Tim Millen joined the Private Diverter CSAC July 2010

~ Cossy Giofrelle joined the Robinvale CSAC October 2010

*Private Diverter Committee member Keith Milne became ineligible July 2010 due to land disposal

Customer Consultative Committees

The urban customers of our region are represented on two Customer Consultative Committees, being the Northern and Southern Committees. The Northern Region takes in Mildura and surrounds with the Southern Committee Members representing the Swan Hill and Kerang areas. These Committees provide advice from the communities on a range of water and service related matters.

CCC Members' Attendance at Meetings July 2010 to June 2011

Northern		
Member	Meetings Eligible to attend	Attended
Nola Andriskie	3	3
Brendan Barry	2	2
Michael Freeman	2	2
Glenn Milne	2	0
Geoff Quinn	3	3

Southern		
Member	Meetings Eligible to attend	Attended
Graeme Hayes	2	1
Graeme Jilbert	2	2
Colin Myers	2	2
Deborah Quinn	2	2
May Ward ^	2	2

^ denotes Chair of committee

Customer Communication

We strive to continually improve our communication with all customers in an effort to increase awareness of, and to educate customers on, water issues particularly regarding the operating climate. The dissemination of information has been provided via various forms of media including newspapers, newsletters, radio and television campaigns, our website and involvement in various school and community education programs and events. Our electronic newsletter provides information such as details on water allocation and seasonal outlooks, water restrictions, tips to save water, giveaways and exchange programs (offered by Lower Murray Water and others), community education programs and events, and water trading.

Each year we ask at least one per cent of our residential customers to tell us how we are doing. Based on our customers' experience over the preceding 12 months we are scored on our performance in key areas of water quality and service, sewerage service and ease of contact.

The 2010/11 Residential Customer Satisfaction rating was 65.95%, with the 2010/11 Rural Customer Satisfaction rating being 59.99%. These satisfaction ratings are pleasing considering the difficult times experienced by our customers during severe water restrictions and low allocations being experienced at the time the survey was being completed (July 2010).

Complaint Resolution

Complaints may be lodged by telephone or in writing to any office of Lower Murray Water. Any complaint will be initially dealt with by the appropriate section who will offer a solution under the direction of the section Manager. If a written reply is requested, we will take no more than 10 business days to respond to an enquiry or complaint. If the solution or action taken does not satisfy our customer, the matter will be referred to a more senior officer for review. The senior officer will ensure that the complaint has been properly investigated and that the final decision has taken into account our Customer's rights and obligations. The reply will inform our Customer of the actions or decisions taken by us and the reasons for these decisions, including any legislative or policy basis for them, if appropriate. Complaints are captured in the Corporation's Customer Management System 'Merit' which provides a tracking and reporting facility that ensures all complaints are responded to within the appropriate timeframes. In the event that the complaint is still not resolved, the matter will be considered to have become a dispute. We will inform our customer that they may refer the matter to an external body, for dispute resolution. Such bodies include Energy and Water Ombudsman Victoria (free call 1800 500 509).

Energy and Water Ombudsman Case Handling Statistics

In the event that a customer complaint is not resolved with us, our customer will be informed that the complaint may be referred to the Energy and Water Ombudsman (Victoria) (EWOV) for dispute resolution. We also advise our customers on how they may contact EWOV. EWOV has the jurisdiction to fairly and independently investigate and resolve disputes between the customer and Lower Murray Water.

EWOV 2010/11	Enquiries	Unassisted Referral *	Assisted Referral #	Stage 1 Complaint	Stage 2 Complaint
Overall Water Industry - Urban & Rural	293	798	782	144	213
Lower Murray Water - Urban	1	4	1	2	1
Lower Murray Water - Rural	0	4	2	0	2

* Customer is encouraged to make contact with their water provider

EWOV may contact the water provider on the customer's behalf, or may direct the customer to another body more relevant to the complaint (eg: Local Council, Catchment Management Authority etc)

Our Commitment to our Environment and Our Region

Environmental Sustainability

Lower Murray Water is committed to planning and managing all our operations in an environmentally responsible manner.

Efficiency of irrigation systems

Robinvale High Pressure Irrigation Project

The Robinvale High Pressure Irrigation Project, consisting of two main components, the Reticulation System and the Pump Station, was a major capital works project completed in September 2010.

The project was undertaken to upgrade the Robinvale Irrigation District from a low pressure channel/re-lift/pipe system to a fully high pressured pipe system. Advantages of the project are water savings, high pressure delivery to growers resulting in on-farm pumping efficiencies, significant water delivery improvements; and operation/maintenance efficiencies.

Connections of irrigation and Domestic and Stock customers commenced in August 2010 and was completed in December 2010.

Water Recycling

Our reclaimed water projects assist in reducing the raw water that is required to be extracted from the Murray River. Reclaimed water from the Mildura West Water Treatment Plant is used at the Mildura Golf Club and similarly reclaimed water from the Mildura Water Treatment Plant is used by Mildura Rural City Council for the irrigation of recreation reserves.

The construction of the Murrabit Wastewater Treatment Plant was completed in February 2011. When fully operational the aerobic lagoon system will provide reclaimed water to irrigate nearby sporting facilities.

We operate 10 Wastewater Treatment Plants, all of which recycle wastewater back to the environment. Sites such as the Mildura Wastewater Treatment Plant utilise wastewater for the irrigation of tree lots, permanent pastures and fodder. Wastewater from the Koorlong Wastewater Treatment Plant is treated to Class C and reused on high value horticulture, reducing the extraction of irrigation water from the Murray River.

During the year irrigation drainage water was provided to the Red Cliffs Golf Club who shandyied it with fresh water for use on the fairways and greens. This has proved to be a very successful on-going venture providing assistance to a community organisation.

Water Conservation – Community Education and Awareness Programs

In order to promote water conservation, we have designed and implemented new initiatives and taken part in a number of school based and community education/awareness programs.

Water Conservation Stickers

During the year we developed a range of stickers designed for the tourism/accommodation industry and other commercial customers to remind water users to conserve water where possible. Stickers are designed to be displayed in areas where toilets, basins, showers and washing machines are used. The A4 poster contains an area for the business to include a staff representative's name for others to report any important information regarding leaks and water conservation issues. These stickers will also be made available to schools in our area in 2011/12.

Trigger Nozzle and Sprinkler Exchanges

Customers were invited to exchange their old style twist nozzles and broken and inefficient sprinklers in a series of exchange offers. The exchanges co-incided with Permanent Water Saving Rules awareness campaigns run throughout the year. The returned nozzles and sprinklers were sent for recycling.

Education Programs for School Students

In responding to enquiries from teachers we have a range of ways we can engage students in the learning process. A number of presentations were given to school children during the year, with our staff visiting individual class groups. These presentations are age-appropriate and focus on the specific issues fitting with the curriculum of that group. We provide fun and educational Activity Sheets tailored to the presentation and for general use.

A group of Grade 5-6 students from Mildura West Primary School toured the Water Treatment Plant in August 2010, as part of their sustainability studies.

Grades 6-10 Sustainability Educational Project with Savewater!

In March 2011 Savewater! launched their worksheet based education program for Grades 6-10, co-branded by Lower Murray Water for our local schools. Students are encouraged to play the Mission H2O and Mission Co2 games to complete the relevant worksheets. A project focussing on Climate Change aimed at Grade 9-10 students is also included. Schools are able to download the resources from the Savewater! website at no charge.

Dripster Teaches Us about Water Saving

In May 2011 we launched our activity booklet, featuring our character "Dripster". The booklet contains a range of activities designed for primary school aged children to learn about water conservation, including games and puzzles and water savings tips for the home and school.

National Water Week - Poster Competition

As part of National Water Week 2010, we promoted the annual poster competition themed "Help Save Our Most Precious Resource". Students ranging from Prep to Grade 6 from schools around the region participated in the competition, with the local winners selected to participate in the state competition in Melbourne. As part of the National Water Week poster competition, we produced a calendar from the local winning artwork, with the calendars made available to schools and the public.

Interactive Environmental Primary School Activity

Lower Murray Water in conjunction with Mildura Rural City Council, Mallee CMA, Regional Waste Management Group, Freshwater Research Centre and Lower Murray Darling CMA held a fun interactive event on the student free entry day of the Mildura Show (Thursday 14th October 2010). During the sessions commencing at 10am through until 2.30pm approximately 300 students ranging from Grade 1 to Grade 6 participated in the activities. At the end of the hour long session, each child took home a show bag of 'goodies' relating to the activities and agencies involved in the day. We conducted an activity called the "Pipe game" where students divided into two groups and participated in a race to complete a pipe configuration, then pour water in at one end and capture and measure it at the other. The team that completed the task in the quickest time with the least leaks and the most water captured at the end won. Mildura West Primary School Water/Sustainability Ambassadors assisted with the running of the activities.

Major Water Users

We have one customer who is "not a natural person, and who use water supplied by the water corporation for purposes that are not farming, irrigation or domestic purposes", at a volume that is within the range of 200ML and over per annum. Treasury Wine Estates Ltd (Lindemans Karadoc Winery) is part of waterMAP and has submitted a compliant annual report as part of the program.

Northern Region Sustainable Water Strategy (NRSWS)

The Northern Region Sustainable Water Strategy was released in November 2009. The strategy sets out actions to provide greater water security to support the region's prosperity and growth in the face of reduced water availability. These actions were developed over 18 months of intensive collaboration and consultation with the northern Victorian community.

They aim to protect key agricultural, environmental and urban values by:

- recognising and protecting existing entitlements to provide greater investment certainty
- enhancing markets, carryover and reserve policies to increase the ability of entitlement-holders to manage risks caused by variability of water supplies
- using water available for consumption and the environment more efficiently to get greater benefits from less volume
- delivering benefits from public investment in irrigation modernisation, on-farm programs, river and wetland health programs and environmental water purchase programs

Statement of Obligations

Effective 1st July 2007, the Statement of Obligations issued under the *Water Industry Act 1994*, details our obligations regarding performance and functions; including Environmental Management.

Environmental Flows

The Cardross Lakes drainage basin is under our management under the Land Conservation Council (LCC) recommendations. We provided professional assistance to the Department of Sustainability and Environment (DSE) in relation to the provision of 1,012.7ML of environmental flow to the lakes.

Blue Green Algae

We are a Victorian convening agency within the region for Blue Green Algae (BGA) monitoring and reporting. The monitoring of the Murray River is undertaken by Lower Murray Water staff and the New South Wales Department of Environment and Water and is reported back through the Sunraysia Regional Algal Coordination Committee (SRACC). Our General Manager Customer Services is currently the Chairman of the SRACC. There were only very minor levels of BGA reported in the sampling done throughout the year. The cooler summer time and increased river flows assisted with conditions that prevent the growth and spread of BGA.

Regional Catchment Management Strategy

We continued to assist in the implementation of the Regional Catchment Strategy. As a regional water corporation, we provide implementation support to the Mallee Catchment Management Authority (Mallee CMA) for new irrigation development approvals, salinity management and environmental projects.

Victorian Biodiversity Strategy

Integrated pest, plant and animal control continues at all our sites, as well as management of threatened species. Highlights include our Koorlong off-set site, protection work for the Hooded Scaly-foot lizard and the Murray Hardyhead fish, and updating our Biodiversity Asset Register.

We manage 25ha of land near the high-value Koorlong State Forest. This site is becoming a showpiece for best practice management in restoration ecology. We continue to work towards eradication of invasive plants and animals and are seeing good vegetation response as a result of low rabbit numbers and above average rainfall during 2010/11. We have also conducted revegetation of the site using local provenance seed and tubestock, track rationalisation and maintenance of alternative habitat (nesting boxes).

We continue to co-ordinate research and protection work for the Hooded Scaly-foot (HSF) (*Pygopus schraderi*) at the Mildura West Water Treatment Plant. This site is one of very few known occurrences of the lizard in Victoria. The HSF is a legless lizard up to 500mm in length. The hind legs are reduced to a scaly flap, and their eyes are lidless and snake-like. Unlike snakes, the HSF has an obvious ear opening, a broad fleshy tongue and a tail that, when entire, is much longer than its body. The HSF is listed as critically endangered in Victoria under the *Victorian Flora and Fauna Guarantee Act 1988*.

As part of the overall HSF protection program, night-time surveys are conducted at the site on an annual basis. In 2010/11 two lizards were detected.

Surveys are coordinated and conducted by an experience herpetologist and collect valuable information on this little known species' ecology, habitat requirements and home range. Recommendations from reports contribute to improving the conditions for the HSF. A works program has been implemented to enhance quality of habitat for the HSF at the site. Environmental works program includes rabbit, fox and cat control, weed control, repair of eroded/scalded land and re-vegetation.

The Murray Hardyhead (*Craterocephalus fluviatilis*) is listed as threatened under the *Victorian Flora and Fauna Guarantee Act 1988* and vulnerable under the *Commonwealth Environment Protection and Biodiversity Conservation Act 1999*. We manage the Cardross Lakes irrigation drainage basins, which contain the only naturally occurring population of the Hardyhead remaining in the Mallee region. We also manage the Koorlong Basin which is the site of a successful translocation of captive-reared Hardyhead. We continue to contribute to the Joint Management Committee with DSE, Mallee CMA and Murray Darling Freshwater Research Centre.

Our Biodiversity Asset Register was updated to include 33 sites (741 ha) in the First Mildura Irrigation District. This inventory of flora and fauna and ecological communities enables us to continue to manage, monitor and report on land within our jurisdiction based on sound scientific information. Sixteen sites were identified that contain Victorian Rare or Threatened plants (VROT) including Pearl Bluebush (*Maireana sedifolia*), Twiggy Sida (*Sida intricate*) and a number of Wattles (*Acacia* spp.).

Victorian River Health Strategy

We strive to prevent damage to river health from current and future management activities by supporting our partner agencies. We financially support the eWater Co-operative Research Centre and the Lower Basin Laboratory of the Murray Darling Freshwater Research Centre situated in Mildura, via its collaboration in the eWater CRC. eWater is a co-operative joint venture between leading water-cycle management, research and consulting organisations.

We also work closely with the Mallee CMA, most recently on an innovative project to reduce nutrient and sediment inputs to the Murray River. This pilot project works with irrigators to assess potential environmental impacts from pump infrastructure on the river. Actions are identified that will improve condition of river banks and water quality, and works result from the development of voluntary management agreements.

Office-Based Environmental Performance

Our procurement policy provides clear direction to ensure the our procurement of goods and services is undertaken with the highest ethical standards, including:

- Delivering best value
- Ensuring open and effective competition
- Supporting environmental procurement and sustainability
- Encouraging local suppliers and manufacturers

Paper Use

This is the first year we have reported our office paper use. The 2010/11 result will form the baseline for future measurements, aiming for continual reduction.

During the year 1,390 reams of copy paper were used in the Mildura office, equivalent to 8.5 reams per FTE. Half of this copy paper contained 80-100% recycled content and 43% was accredited carbon neutral in the production process.

Corporate Water Consumption

Our corporate water consumption for 2010/11 per full time equivalent staff member was approximately 26kl; for water use attributed to general amenities consumption at the larger office facilities. The total corporate consumption for the period was 4,561kl. Water used in small unmanned depots, minor pump stations and the like has been excluded from these calculations.

Electricity Use

Electricity use in our Kerang, Swan Hill and Mildura Offices was 12,703MJ or 4.27 tCO₂-e per FTE. We are committed to the purchase of accredited GreenPower comprises 60% of total energy consumed at these sites.

Greenhouse Gas Emissions

Our net greenhouse gas emissions for 2010/11 were 22,820 tCO₂-e. Our gross emissions were reduced by 2,140 tCO₂-e sequestered from tree plantations and the purchase of accredited GreenPower, equivalent to 4,313 tCO₂-e. Our net figure is an overall slight increase of 1,799 tCO₂-e compared to the 2009/10 figure of 21,021 tCO₂-e.

Operational Area	2009/10 (tCO ₂ -e)	2010/11 (tCO ₂ -e)
Water treatment and supply	16,444.20	15,239.20
Sewage treatment and supply	5,311.53	8,061.32
Transport and stationary fuel emissions	717	887
Corporate offices	628.4	772.8

Increases were seen in electricity consumption due to increased pumping of drainage and sewage as a result of the February rainfall event and other high rainfall events during the wet summer. This was somewhat offset by reduced pumping for water supply due to reduced demand over the unusually wet summer of 2010/11.

In the 2010/11 year, we continued our significant commitment to offsetting our emissions. We purchased 3,564.24 MWh of accredited GreenPower at a cost of \$270,628, equivalent to over 18% of our total electricity consumption.

We have also commenced offsetting carbon emissions on air flights and our first year of reporting on this will be 2011/12.

We have recently engaged consultants to develop a Carbon Management Strategy (CMS) for the whole of organisation. The CMS will outline our sustainability drivers, our current performance, our objectives (linked to short, medium and long-term goals and targets), a carbon reduction methodology and how we will manage our future carbon footprint. A draft of the CMS is in development to be followed by an Action Plan, Policy and Funding Options, and an Energy Efficiency Assessment.

Waste Management

The 2010/11 year saw more accurate reporting of waste tonnage as our waste cartage contractor weighed each stream of waste at pickup. This difference, along with office waste reduction strategies, accounts for the dramatic decrease in general waste at the Mildura Office. Waste totals at this office are equivalent to 108.25 kg per FTE, of this 37.3% is recycled. Reductions at the Koorlong Wastewater Treatment Plant are in line with the completion of construction works at that site.

General Waste to Landfill	Amounts for 2009/2010	Amounts for 2010/11
Mildura Office	16,187 kg	11,129 kg
Mildura Water Treatment Plant	2,337 kg	3,276 kg
Mildura Wastewater Treatment Plant	1,280 kg	3,544 kg
Red Cliffs Depot/Water Treatment Plant	7,870 kg	7,806 kg
Koorlong Wastewater Treatment Plant	13,845 kg	5,100 kg

Recycled Waste (from selected Northern Sites)	Amounts for 2009/2010	Amounts for 2010/11
Co-mingle	1,763 kg	1,110 kg
Paper	14,758 kg	5,514 kg
Soft Plastic	16.0 m ³	7.2 m ³
Styrofoam	13.5 m ³	6.1 m ³
Batteries	1,100 kg	798 kg
Printer Cartridges	0	65.63 kg
Scrap Metal	18,200 kg	34,050 kg

We continue to implement objectives defined in our Silver Wastewise accreditation. However, this program is no longer supported by Sustainability Victoria and we are investigating certification under the broader ResourceSmart 5Star Sustainability for Government program.

Environmental Management System (EMS)

Our Environmental Management System has been designed to the specifications of ISO 14001 and encompasses all areas of our operations. The EMS aims to promote continual environmental improvement and sustainable development of the corporation. It is integrated into our business activities through the setting of environmental performance objectives and targets and establishing controls over operations with a significant environmental impact.

Key achievements against objectives in the 2010/11 year include:

- updating our Biodiversity Asset Register
- creating an inventory of flora and fauna and ecological communities
- engaging consultants to develop a Carbon Management Strategy which will assist us with setting and working towards carbon reduction targets

As part of the EMS, we continue to check compliance against wastewater reuse and major projects. Nine audits were completed in the 2010/11 year. Reporting obligations continue to be met and there were no breaches of compliance regarding environmental management legislation. This year, our environmental risk register was substantially updated to ensure that all risks associated our environmental impacts and aspects are treated.

Training and raising awareness amongst staff is seen as a key component of the EMS. Presentations, email distributions and an environmental noticeboard have been effective forms of delivery. To further encourage staff to be environmentally aware, we developed an annual environment award. The 2010 Environmental Award winner was Tracy Barry. Tracy received a \$1,000 rebate towards an environmentally friendly product. Tracy has shown initiative and is very pro-active in sourcing and purchasing green office products. She also assisted with spreadsheet design and data entry for historical purchases to form a baseline and maintains an accurate record of current purchases.

Emergency Management Plan (EMP)

Our Emergency Management Plan (EMP) is a collection of processes and procedures to manage any event or circumstances which may threaten life, health and safety, the environment, private or public property, service to customers or create a need for urgent action under statute or legislation.

The EMP is referenced to Standard AS/NZS ISO 14001:2004 and its requirement under Clause 4.4.7 for Emergency Preparedness and Response.

Achievements within the EMP in 2010/11 included:

- emergency evacuation drills conducted to assess evacuation routes and assembly points across our sites
- ongoing review of associated documentation of the Emergency Management Plan

Our EMP was tested during flash flooding of our region in February 2011. Staff responded quickly to a record rainfall event where up to 300 mm of rain fell in one day, exceeding the average annual rainfall of 288 mm. This caused local inundation in a number of communities within our service area.

A Municipal Emergency Coordination Centre was established to coordinate the Mildura Rural City Council (MRCC) Municipal Emergency Response. Lower Murray Water was amongst those organisations represented, including MRCC, Victorian Police, State Emergency Services, Country Fire Authority, Department of Primary Industries, Department of Sustainability and Environment and Department of Human Services.

Social Sustainability

We continued our commitment to the economic and social sustainability of the communities in our region through a range of sponsorship, educational and support endeavours, including the continued support of the Rural Financial Counselling Service Victoria – Sunraysia. This Service provides cost free, professional farm financial assistance including farm visits, cash flow budgeting, viability assessments, property development/sale options, debt negotiation with creditors, referral to government agencies and drought assistance.

During the 2010/11 financial year our region experienced both drought and flooding. From November 2009 our urban customers were on Stage One Water Restrictions, moving to Permanent Water Saving Rules on 3rd October 2010. In February 2011 major flooding events occurred in our service areas.

Supporting our region during the February 2011 Flood Event

During December 2010 and February 2011 record setting rainfall occurred across the northern Mallee region. This ‘once in a lifetime’ rainfall event caused flooding in Robinvale and Sunraysia which led to major problems for our urban and rural customers. Many irrigation properties were completely inundated and many houses were flooded causing hardship for our customer base.

We responded to the Sunraysia flooding event by assisting with pumping of flooded areas as a response agency for the region’s Municipal Emergency Response Committee.

In Robinvale, we assisted customers to access their properties by pumping water from access roads and by augmenting the irrigation drainage system to assist getting the flood waters away.

Community Service Obligations

	2009/10	2010/11
	\$	\$
Concessions to Pensioners	1,489,083	1,675,935
Haemodialysis Life Support Machine water concessions	453	204
State Revenue Office Rebates	142,795	144,817
Utility Relief Grants Scheme	3,304	2,788
Hardship Relief Grant Scheme for sewerage connections	#	#
	1,635,635	1,823,744

figures are not available to Lower Murray Water

Our Financial Management and Performance Reporting

Financial Review

With revenue well down compared to previous years specifically in usage charges due to the unseasonably high rainfall that occurred in our region during the year, we have ended our difficult year with an operating loss (before income tax) of \$9.518M.

We saw a decrease in Income for capital purposes - developer contributions, from \$3.915M in 2009/10 to \$2.573M in this year.

Operations and maintenance expenditure was higher than previous years due to increased water treatment costs resulting from the black water event and the severe flood events the region experienced. The cost of the flood event to Lower Murray Water was \$1.2M. This was

recouped during the year from the State Government (of which is included in other revenue). Administration costs were well contained for the year.

Infrastructure, plant, equipment and buildings total \$779.7M. During the year a revaluation was completed on infrastructure, land and building assets. The effect of this was an increase in the valuation of those assets of \$215.9M. We invested \$19.6M in capital works projects during 2010/11. New loans of \$9.9M were taken out during the year.

Although we show accumulated funds deficit of \$53.9M, this has occurred due to the change in accounting standards and the transition to IFRS (International Financial Reporting Standards) and the tax treatment of past revaluations.

Financial Summary

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Core business revenue	33,708	33,611	30,690	42,729	46,888	42,960
Capital Contributions	5,790	3,056	6,264	2,089	3,915	2,573
Government Contributions	0	0	1,498	123	20	1,812
Other Revenue	3,801	5,075	4,101	3,123	4,994	4,295
Total Revenue	43,299	41,742	42,553	48,064	55,817	51,640
Direct Expenditure	18,159	16,020	15,486	21,121	21,917	27,173
Administration Expenditure	10,609	9,858	10,646	11,827	13,043	13,474
Depreciation Expense	14,448	15,117	14,924	16,940	17,199	17,283
Borrowing Costs	30	27	24	225	1,146	3,228
Total Expenditure	43,246	41,022	41,080	50,113	53,305	61,158
Current Assets	37,301	40,828	38,347	28,007	24,884	24,799
Non Current Assets	441,035	443,597	462,254	538,185	586,779	806,065
Total Assets	478,336	484,425	500,601	566,192	611,663	830,864
Current Liabilities	6,842	8,142	11,098	12,791	14,820	12,939
Non Current Liabilities	59,965	63,131	61,522	67,640	107,488	182,608
Total Liabilities	66,807	71,273	72,620	80,431	122,308	195,547

Loan Liability as at 30th June 2011

LOAN NO.	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
SEWERAGE DISTRICT						
TCV1		10 - 41	20,000,000.00	5.84	186,255.67	19,813,744.33
TCV6298		11 - 14	1,000,000.00	5.14	0.00	1,000,000.00
TCV6299		11 - 15	1,000,000.00	5.18	0.00	1,000,000.00
TCV6300		11 - 16	1,000,000.00	5.35	0.00	1,000,000.00
TCV6301		11 - 17	1,000,000.00	5.45	0.00	1,000,000.00
TCV6302		11 - 18	1,000,000.00	5.55	0.00	1,000,000.00
TCV6303		11 - 19	1,000,000.00	5.59	0.00	1,000,000.00
TCV6304		11 - 19	1,000,000.00	5.64	0.00	1,000,000.00
TCV6305		11 - 20	1,000,000.00	5.74	0.00	1,000,000.00
TCV6306		11 - 21	1,000,000.00	5.79	0.00	1,000,000.00
		Oncall	900,000.00	4.92	0.00	900,000.00
TOTAL SEWERAGE DISTRICT			29,900,000.00		186,255.67	29,713,744.33
TOTAL LOAN LIABILITY - SEWERAGE DISTRICT			29,900,000.00		186,255.67	29,713,744.33
ROBINVALE SEWERAGE DISTRICT						
3		73 - 13	250,000.00	6.90	0.00	250,000.00
TOTAL ROBINVALE SEWERAGE			250,000.00		0.00	250,000.00
TOTAL LOAN LIABILITY - ROBINVALE			250,000.00	0.00	0.00	250,000.00
SWAN HILL SEWERAGE DISTRICT						
22		71 - 11	50,000.00	7.40	48,114.46	1,885.54
24		72 - 12	50,000.00	7.10	46,408.65	3,591.35
26		73 - 13	100,000.00	6.40	87,126.00	12,874.00
28		73 - 13	100,000.00	7.40	82,427.60	17,572.40
TOTAL SWAN HILL SEWERAGE			300,000.00		264,076.71	35,923.29
TOTAL LOAN LIABILITY - SWAN HILL			300,000.00		264,076.71	35,923.29
FIRST MILDURA IRRIGATION DISTRICT						
1		Oncall	500,000.00	4.92	0.00	500,000.00
12		08 - 12	1,050,000.00	5.05	0.00	1,050,000.00
13		08 - 13	1,050,000.00	6.38	0.00	1,050,000.00
14		08 - 15	1,050,000.00	6.31	0.00	1,050,000.00
TOTAL MILDURA IRRIGATION			3,650,000.00		0.00	3,650,000.00
ROBINVALE IRRIGATION DISTRICT						
TCV1		10 - 41	20,000,000.00	5.84	186,255.68	19,813,744.32
TOTAL MILDURA IRRIGATION			20,000,000.00		186,255.68	19,813,744.32
TOTAL LOAN LIABILITY - IRRIGATION			23,650,000.00		186,255.68	23,463,744.32
TOTAL LOAN LIABILITY - CORPORATION						53,463,411.94
<i>LESS separately held Loan Redemption Reserves as at</i>					<i>30-Jun-11</i>	<i>\$0.00</i>
TOTAL ADJUSTED LOAN LIABILITY - CORPORATION					30-Jun-11	53,463,411.94

Our Urban Water and Wastewater Statistics 2010/11

	Water											Sewer	
	Residential Assessments		Non Residential Assessments		Total Assessmets	Total Metered Consumption	Raw Water taken	Total supplied from treatment Plant	Non Revenue Water	Av. Annual Demand (Raw Water) - 5 years	Current year Raw Water	Total Assessments	Volume Collected
	No.	ML	No.	ML	No.	ML	ML	ML	ML	ML	%	No.	ML
Kerang	1,760	455	310	136	2,070	591	721	647	56	940	77	1,936	604
Koondrook	417	88	53	16	470	104	139	128	24	170	82	460	72
Lake Boga**	413	127	51	23	464	150	0	0	0	0	0	333	45
Mildura * #	17,382	5,779	2,063	1,730	19,445	7,509	8,462	8,231	722	10,237	83	16,607	3,860
Murrabit	39	9	13	2	52	11	18	14	3	23	78	51	0
Mystic Park ~	12	4	3	1	15	5	9	0	0	5	180	0	0
Nyah ** ^	289	89	40	33	329	122	0	0	0	0	0	405	61
Nyah West** ^	252	78	34	12	286	90	0	0	0	0	0	0	0
Piangil	96	29	17	30	113	59	79	69	10	82	96	0	0
Red Cliffs	1,410	409	166	360	1,576	769	846	865	96	1,002	84	1,346	0
Robinvale	774	267	192	114	966	381	440	423	42	535	82	923	223
Swan Hill	4,706	1,294	824	435	5,530	1,729	2,854	2,531	802	3,174	90	5,087	1,263
Woorinen Sth**	152	50	16	9	168	59	0	0	0	0	0	0	0
Totals	27,702	8,678	3,782	2,901	31,484	11,579	13,568	12,908	1,755	16,168	84	27,148	6,128

Production loss and non-revenue water - raw water to metered water: 14.5%

Non-revenue water - treated water to metered water: 11.5%

* Includes Merbein and Irymple for water

Includes Merbein, Irymple and Koorlong for wastewater

** Supplied from Swan Hill for water

^ Sewer volume collected figure shown is for Nyah and Nyah West

~ Water supplied is raw non-potable water

All figures have been rounded to the nearest whole numeral

Irrigation water usage for the year ended 30th June 2011

District/Area/ Waterway ("District")	Total water shares allotted to district and diversion	Total domestic & stock allowance	Gross supply at off-takes	User in District			User outside District			Diversions from Rivers and Lakes				Total usage
	(Note1)			Under water share metered	Under water share deemed	Total delivered in district	Water Works District	Other	Total delivered Outside district	Usage under entitle- ments Metered	Usage under entitle- ments Deemed	Usage under stock and domestic	Total delivered Diversions	
	ML			ML	ML	ML	ML	ML	ML	ML	ML		ML	ML
Red Cliffs	38,128.9	0.0	14,609.0	12,186.0	32.8	12,218.8		1,012.0	1,012.0					13,230.8
Robinvale	20,942.2	0.0	10,713.0	9,834.0	153.5	9,987.5								9,987.5
Merbein	24,837.9	0.0	8,377.0	6,849.0	107.9	6,956.9								6,956.9
FMID	59,296.7	0.0	16,365.0	13,257.0	3.5	13,260.5								13,260.5
Millewa WWD		700.0										571.0		571.0
Murray below Nyah	267,829.2	0.0								193,551.0	1,310.7		194,861.7	194,861.7
LMU&RWC Total	411,034.9	700.0	50,064.0	42,126.0	297.7	42,423.7	0.0	1,012.0	1,012.0	193,551.0	1,310.7	571.0	194,861.7	238,868.4

Note1 - Includes Red Cliffs or Merbein water shares including entitlements attached to properties supplied via those systems, but located outside the District boundary. This does not include irrigation district bulk entitlement loss volumes

Note2 - Volume shown is total extracted from river.

Note3 - Includes water delivery to Red Cliffs or Merbein district properties and other properties supplied via those systems, but located outside the District boundary.

Note4 - Carwarp WWD via Red Cliffs or Yelta-Wargan WWD via Merbein.

Note5 - Volume shown for delivery of environmental water to Cardross Basin.

Bulk Water Entitlements

On the 1st of July 2007 the delegate of the Minister, Mr Phillip Reed, endorsed the new Bulk Water Entitlement (River Murray – Lower Murray Urban and Rural Water – Irrigation) & Bulk Water Entitlement (River Murray – Lower Murray Urban and Rural Water – Urban) Conversion Orders 1999, as amended. These new orders provided a listing of updated entitlements which we administer on behalf of urban and rural customers and our organisation. On the 20th August 2008 the bulk entitlement of the First Mildura Irrigation Trust came under the overall listing of entitlements of Lower Murray Water.

In 2009 our three Bulk entitlements were modified and amended by the Minister for Water. The amendment was necessary as a consequence of the decommissioning of Lake Mokoan and the new operational arrangements for the Victorian Mid Murray Storages.

In 2010 the Environmental Entitlement (River Murray-Environmental Water Reserve) 2010 was enacted.

In 2011 we received a notice of amendment to Bulk Water Entitlements and Environmental entitlements for the commencement of the Victorian Environmental Water Holder 2011 by the Minister for Water.

Urban

The total bulk entitlement, including water shares, held by Lower Murray Water Urban is now 31,742.5ML of High Security Water plus 216ML of Low Security.

There was no amendment to the bulk entitlement and no water was returned to urban off-take points. We experienced no difficulties in complying with the bulk entitlement provisions. We have an on-going meter replacement program that commenced three years ago. Urban water meters are replaced according to the amount of water than has passed through the meter, or if it is older than 15 years. For example, 20mm meters are replaced when they have registered 6ML, 25mm meters after 9.5ML.

The urban area of our region was on Permanent Water Savings Rules from the 3rd October 2010. Water consumption for the year was very low due to the record unseasonable summer rainfall.

Irrigation

Our customers transacted water share and allocation trades (temporary and permanent) and these are reported in the section "Our Water Transfers and Licences". The amount of water taken by holders of licences can be found in the data within "Our Water Transfers and Licences".

There was a new irrigation off-take point agreed to during the year with the Robinvale High Pressure Irrigation Project pump station becoming operational. This replaced the existing Robinvale site. No water was returned to the system through irrigation off-take points.

Including the provisions for losses and water held in the non-water user pool, our Irrigation BWE totalled 578,607ML.

We complied with our Irrigation BWE in the current season and no new bulk entitlement was granted to us with respect to the River Murray.

Irrigation Water Demands

This season saw very low irrigation demand in the region. This was due to the unseasonal rainfall occurring during the summer period. There were record levels of rainfall in summer particularly December 2010 and February 2011 in our region which caused irrigation demand to be at its lowest on record for 30 years. Customers received a 100% water allocation in October 2010 and had very large balances left at the end of the season to carryover into the 2011/12 year due to the low consumption.

Our Water Plan

A new Water Plan was endorsed by the Essential Services Commission on the 26th June 2008 setting prices for the period 1st July 2008 to 30th June 2013 in the urban business of the Corporation. In the rural business, revenue caps were set for the same time frame.

Groundwater entitlement and use as at 30th June 2011

Groundwater Management Areas	Irrigation			Other		Total
	Licences	Authorised volume	Authorised area	Licences	Authorised volume	Authorised volume
	No.	ML	Ha	No.	ML	ML
Sunraysia				1	174.0	174.0
Other areas						
TOTAL				1	174.0	174.0

Note: this licence is not yet included in the Victorian Water Register

Private Diversions from Waterways as at 30th June 2011

Regulated									
Drainage Basin	Irrigation Licences				Stock & Domestic Only		Other		Total
	Licence	Irrigation	D&S		Licences	D&S	Licences		volume
	No.	ML	ML	Ha	No.	ML	No.	ML	ML
Murray-Darling	1,085	267,829.2		41,132					267,829.2

Un-Regulated									
Drainage Basin	Irrigation Licences				Stock & Domestic Only		Other		Total
	Licence	Irrigation	D&S		Licences	D&S	Licences		volume
	No.	ML	ML	Ha	No.	ML	No.	ML	ML
Murray-Darling									0.0

FINANCIAL PERFORMANCE INDICATORS				
Performance indicator	2009-10 Result	2010-11 Result	2010-11 Target	Variance %
Internal Financing Ratio (Net operating cash flow - dividends) ÷ capital expenditure <i>The Corporation's net operating cash flow has been affected by lower water usage revenue than expected which was a result of the unseasonably above average rainfall that occurred throughout 2010 - 2011. The variance between 2009 - 10 and 2010 - 11 is mainly due to the capital works programs that were undertaken. In 2009 - 10, the augmentation of the Koorlong waste water treatment plant and the construction of the Robinvale high pressure irrigation network saw capital expenditure of \$65M against \$19M in 2010-11.</i>	0.32%	38.77%	45.00%	-14%
Gearing Ratio Total debt (including finance leases) ÷ total assets <i>The actual result includes the 30 June 2011 revaluation of land, buildings and infrastructure where as the set target does not allow for any revaluation.</i>	7.19%	6.43%	9.10%	-29%
Interest Cover (EBIT) Earnings before net interest and tax expense ÷ net interest expense <i>The Corporation's earnings (EBIT) for 2010 - 11 was a loss. The Corporation's loss can be mainly attributed to lower than expected water usage revenue which was a result of the unseasonably above average rainfall that occurred through out 2010 - 2011. The variance between 2009 - 10 and 2010 - 11 against a profit of \$2.5M in 2009-10. The Corporation has also extended its borrowings in 2010 - 11 by a further \$9.5M.</i>	5.00	-2.5	0.60	-3.1 times
Interest Cover (Cash) Cash flow from operations before net interest and tax payments ÷ net interest payments <i>The Corporation generated less cash from operating activities than last year and less than planned for 2010 - 11. This is mainly due to lower than expected water usage revenue which was a result of the unseasonable above average rainfall that occurred through out 2010 - 11. The Corporation has also extended its borrowings in 2010 - 11 by a further \$9.5M.</i>	32	1.8	6.4	-4.6 times

FINANCIAL PERFORMANCE INDICATORS				
Performance indicator	2009-10 Result	2010-11 Result	2010-11 Target	Variance %
Operating Efficiency Water supply / wastewater collection Operations, maintenance and administration expenses per ML transported or treated to be provided for each of: <ul style="list-style-type: none"> water supply bulk water supply reticulation* <i>Operational and Maintenance expenses are mostly fixed from year to year. Due to the rainfall throughout the year, the volume of water delivered to customers was well down on projections which has caused the cost of a mega litre of water to be transported throughout the system to be greater than planned.</i> <ul style="list-style-type: none"> water supply treatment* <i>The 2010-2011 unseasonably above average rainfall and flood events caused poor water quality throughout the Victorian river systems (black water events). Treatment of the raw water to meet world health standards required more treatment processing than usual causing the cost to treat a mega litre of water to be greater than planned.</i> <ul style="list-style-type: none"> sewerage reticulation* <i>The 2010-2011 unseasonably above average rainfall and flood events caused stormwater infiltration into the wastewater pipeline network causing a greater volume of wastewater to be treated. The result is a per mega litre reduction to transport the wastewater than forecasted.</i> <ul style="list-style-type: none"> sewerage treatment* <i>The 2010-2011 unseasonably above average rainfall and flood events caused stormwater infiltration into the wastewater pipeline network in which a greater volume of wastewater was treated. The result is a per mega litre reduction to treat the wastewater than forecasted.</i> <ul style="list-style-type: none"> stock & domestic reticulation * <i>Operational and Maintenance expenses are mostly fixed from year to year. Due to the unseasonably above average rainfall throughout the year, the volume of water delivered to customers was well down on projections percentage wise. This customer group only has small water deliveries in any given year. Because of this fact lower than usual deliveries can have great effect on the cost of delivered water per mega litre which is greater than planned.</i>	\$	\$	\$	
	674	NA	NA	--
	674	198	169	17%
	591	179	113	59%
	1,241	221	276	-20%
	1,241	174	340	-49%
	NA	521	368	42%

* Please note that administration expenses were not included in calculating the target for the Corporate Plan 2010-2011.

Administration expenses have been excluded in the 2010-2011 results for comparative reasons.

SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS				
Performance Indicator	2009-10 Result	2010-11 Result	2010-11 Target	Variance %
Water supply interruptions				
Number of customers receiving at least 1 unplanned interruption in the year	4648	4259	4420	-4%
Interruption time indicators				
Average duration of unplanned water supply interruptions (Minutes)	66.5	55	47.3	16%
<i>Procedures have changed since setting targets, which cause greater time to unplanned interruptions such as signage requirements and waiting for information on other services.</i>				
Average duration of planned water supply interruptions (Minutes)	63.8	51	72.22	-29%
<i>Continued improvement of planning and practices by staff when Lower Murray Water require to interrupt customers water supply.</i>				
Restoration of water supply				
Unplanned water supply interruptions restored within 5 hours (%)	99.3%	100.0%	99.4%	0.6%
Reliability of sewerage collection services indicators				
Number of Sewer spills from reticulation and branch sewers (Priority 1 and 2)	17	17	NA	--
Sewage spilt from emergency relief structures and pumping stations (% of volume transported)	0%	0%	NA	--
Containment of sewer spillages $x = 5$				
Sewerage spills contained within 5 hours (%)	100%	94%	100%	-6%
<i>A crack in a main caused small seepage which was left until the opportunity to turn off the pump station at an off peak flow time was available.</i>				
Customer complaints indicators				
Water quality complaints per 1000 customers	0.93	3.9	NA	--
<i>LMW has received more complaints in 2010-11 due to the poor raw water quality (black water events) created by this years unseasonably above average rainfall and flood events. Although the Corporation treated the poor quality water extracted from the Murray River to meet world health standards, customers reported odour, taste and colour concerns.</i>				
Water supply reliability complaints per 1000 customers	0.13	0.51	NA	--
<i>LMW has received more complaints during 2010-11 than 2009-10. The main cause was in July 2010, customers were notified that water would be unavailable from 9.00am for maintenance reasons however due to an emergency the water was unavailable from 8.00am.</i>				
Sewerage service quality and reliability complaints per 1000 customers	0.03	0	NA	--
Affordability complaints per 1000 customers	0.06	0.06	NA	--
Billing complaints per 1000 customers	1.16	1.59	NA	--
Pressure complaints per 1000 customers	0.16	0.19	NA	--
Sewage odour complaints per 1000 customers	0.13	0.15	NA	--
Other complaints per 1000 customers	1.09	0.67	NA	--
<i>LMW has received less other complaints than 2009-10 mainly due to water restrictions being lifted from October 2010.</i>				

Performance Indicator		Note	2009-10 Result	2010-11 Result	2010-11 Target	Variance %
Reuse indicators						
Effluent reuse (volume)						
<i>Volume of effluent used x 100</i>	Kerang		0%	0%	0%	0%
<i>Total volume of effluent produced</i>	Koorlong	1	100%	88%	100%	12%
	Koondrook		0%	0%	0%	0%
	Merbein		0%	0%	0%	0%
	Mildura	1	100%	57%	100%	43%
	Nyah / Nyah West		0%	0%	0%	0%
	Red Cliffs (decommissioned)		100%	NA	NA	NA
	Robinvale	1	100%	87%	100%	13%
	Lake Boga		0%	0%	0%	0%
	Swan Hill		0%	0%	0%	0%
Biosolids reuse (dry mass)						
			0%	0%	0%	0%
Sewage treatment standards						
<i>No. of individual test results meeting EPA licence conditions x 100</i>	Kerang	2	80%	83%	100%	-17%
<i>No. of routine tests for the year</i>	Koorlong		100%	96%	100%	-4%
	Merbein		100%	100%	100%	0%
	Mildura	3	100%	88%	100%	-12%
	Red Cliffs (decommissioned)		98%	NA	NA	NA
	Robinvale	4	100%	67%	100%	-33%
<i>No. of sets of test results meeting EPA licence conditions x 100</i>	Kerang	2	0%	50%	100%	-50%
<i>No. of sets of routine tests for year</i>	Koorlong		100%	100%	100%	0%
	Merbein		100%	100%	100%	0%
	Mildura	3	100%	71%	100%	-29%
	Red Cliffs (decommissioned)		100%	NA	NA	NA
	Robinvale	4	100%	25%	100%	-75%
<p><i>Note 1 - The unseasonably above average rainfall and flooding has reduced the customers' requirement for re-use water. The Koorlong waste water treatment plant which is a part of the Mildura waste water network, re-use water was not of the quality required for the customers' purpose.</i></p> <p><i>Note 2 - Two suspended solids results were high due to algal blooms in the settling ponds. One phosphorus result was high for unknown reasons.</i></p> <p><i>Note 3 - Failures due to algal blooms in wet weather storage ponds. One clarifier effluent BOD result marginally high (21 mg/l against limit of 20 mg/l)</i></p> <p><i>Note 4 - Failures due to elevated BOD, suspended solids and E.Coli. New wet weather storage ponds construction is currently being undertaken which will assist in final discharge quality in the future. The new wet weather storage ponds are anticipated to be commissioned in August 2011.</i></p>						

Performance Statement for 2010/11

In our opinion, the accompanying Statement of Performance of Lower Murray Urban and Rural Water Corporation in respect of 2010/11 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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



M D Tilley

Chairman

7th September 2011



R Leamon

Managing Director

7th September 2011



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Lower Murray Urban and Rural Water Corporation

The Performance Statement

The accompanying performance statement for the year ended 30 June 2011 of the Lower Murray Urban and Rural Water Corporation comprises the performance indicators, the related notes and the certification.

The Board Members' Responsibility for the Performance Statement

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

Auditor's Responsibility

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

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

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

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.

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 Website www.audit.vic.gov.au

Auditing in the Public Interest



Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

In my opinion, the performance statement of the Lower Murray Urban and Rural Water Corporation in respect of the 30 June 2011 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Statement

This auditor's report relates to the performance statement of the Lower Murray Urban and Rural Water Corporation for the year ended 30 June 2011 included both in the Lower Murray Urban and Rural Water Corporation's annual report and on the website. The Board Members of the Lower Murray Urban and Rural Water Corporation are responsible for the integrity of the Lower Murray Urban and Rural Water Corporation's website. I have not been engaged to report on the integrity of the Lower Murray Urban and Rural Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance statement are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance statement to confirm the information contained in the website version of the performance statement.

MELBOURNE
7 September 2011

For 
D D R Pearson
Auditor-General

Our Water Transfers and Licences

Allocation Bank Account Statements

Inflows	Volume(ML)	Outflows	Volume(ML)
Net carryover at 1 July 2010	215,422	Carryover to next financial year	-673,506
Seasonal allocation	578,607	Water usage	-298,356
Adjusted allocation	0	Write-off allocation	-15,079
Spill allocation	0	Trade - sellers	-102,105
Trade - buyers	289,564	Overuse	1,238
Extraordinary items	4,214		
Total inflows	1,087,807	Total outflows	-1,087,807
Closing balance	0		
Components of trade - buyers		Components of trade - sellers	
Within authority	53,346	Within authority	53,346
From other authorities	42,615	To other authorities	44,047
From interstate	193,601	To interstate	4,708
Other	2	Other	4
Total trade	289,564	Total trade	102,105

Note 1 This table provides a summary of allocations made, trade in, trade out, usage, overuse, carryover and write-off

Note 2 The table shows statistics for ABAs with regulated trading zone sources only. This includes allocations made to all water shares and bundled entitlements, such as supply by agreements and urban and environmental bulk entitlements and also water accounted against loss provisions in rural bulk entitlements. Unregulated and groundwater entitlements are excluded because some are not metered and usage is not fully available

Note 3 The "extraordinary items" shown in this table incorporate adjustments to carryover, overuse and write-off made during the year

Note 4 Write-off reported in this table includes:

i. Write-off against loss provisions in rural bulk entitlements (12.5 GL)

ii. Write-off of ABAs in the Murray system that are no longer linked to active entitlements (2.5 GL)

Note 5 In the "components of trade" table, the category 'Other' includes additional trades processed by adjustment journal. The details of this are in the below table.

Adjustment journals - trade in	2
Total	2

Adjustment journals - trade out	4
Total	4

Allocation Trade Summary

Allocation trade type		Goulburn-Murray Water	Lower Murray Water	Total Northern Victoria
Interstate trade inbound	Number	163	159	322
	Volume (ML)	211,668	193,601	405,268
Interstate trade outbound	Number	80	34	114
	Volume (ML)	224,463	4,708	229,171
Trade within authority	Number	2,462	490	2,952
	Volume (ML)	608,137	53,346	661,483
Trade between authorities - buyer	Number	87	75	162
	Volume (ML)	44,047	42,615	86,662
Trade between authorities - seller	Number	75	87	162
	Volume (ML)	42,615	44,047	86,662
Total buyers	Number	2,712	724	3,436
	Volume (ML)	863,853	289,562	1,153,414
Total sellers	Number	2,617	611	3,228
	Volume (ML)	875,215	102,101	977,316
Total trades*	Number	2,780	770	3,550
	Volume (ML)	1,086,883	295,702	1,382,585
Net Trade In	Number	95	113	208
	Volume (ML)	-11,363	187,460	176,098

* Between authority counted on the seller side

Note 1 Between authority trades are counted by each authority involved in the trade. Hence summing authority values will double count these trades. They are therefore counted on the seller side only when determining the total trade volume

Note 2 In a pool exchange, a number of sellers (say 20) sell to a number of buyers (say 15) at the pool price. Administratively, this is implemented in the water register as 20 trades to a clearing account and then 15 trades from that clearing account. To avoid double counting, only the seller side is counted (ie this is counted as 20 trades)

Note 3 The clearing accounts are held by G-MW. In the register, a G-MW to LMW pool exchange will be recorded as a trade from G-MW to the G-MW clearing account and a second trade from the G-MW clearing account to LMW. In order to avoid double counting, this trade is only counted on one side, however, depending on which side is chosen it may be classified as within or between authority trade. To adjust for this it is assumed that all between authority trades are correct, therefore the number of volume of within authority purchases and sales is reduced and the number of between authority purchases and sales is increased proportionately

Regulated Entitlements (excluding low and spill reliability)

Water System	Delivery system (grouped)	Number	Volume (ML)
Goulburn	LMW - NWU	9	1,233.5
	Murray River	101	18,404.5
Murray	Env - Nyah to SA	1	13,800.0
	First Mildura Irr. District	2,085	71,761.2
	LMW - NWU	555	96,330.9
	Murray River	1,216	276,999.8
	Robinvale, Red Cliffs and Merbein	2,440	89,941.4
Regulated Total (ex low and spill reliability)		6,407	568,471
Regulated Total (ex low and spill reliability) 2009-10		6,247	563,619

Note 1 This table shows the number and volume of active entitlements in regulated water systems (excluding low and spill reliability) as at 30 June 2011

Note 2 Delivery systems are grouped to reduce the complexity caused by small delivery systems

Note 3 The volume of entitlements in LMW's jurisdiction increased by 4,852 ML from 2009/10.

Usage in regulated trading zone sources per delivery system

Water Authority	Delivery System (grouped)	Volume (ML)
Lower Murray Water	Env - Nyah to SA	35,176
	Murray River	204,249
	Robinvale, Red Cliffs, Merbein, FMID	46,410
	Loss Provisions	12,513
Lower Murray Water Total		298,348

Note 1 This table shows usage per delivery system for ABAs with regulated trading zone sources

Note 2 Delivery systems are grouped to reduce the complexity caused by small delivery systems

Note 3 Loss provisions are only defined in the Murray basin, loss provisions in other river basins are not currently defined in bulk entitlements and as such not yet in the water register. They are not included in the above table

Note 4 The above table includes water consumed in Murray irrigation channels as losses. These Murray loss provisions are included as a separate line item, the value is defined below:

Lower Murray Water	Murray River	2,002
	Robinvale, Red Cliffs, Merbein, FMID	10,511

Allocation Trade (Volume ML)

SELLER		BUYER															NSW															SA															TOTAL SOLD	NUMBER OF TRADES	NET SOLD
		Goulburn-Murray Water															Lower Murray Water					NSW					SA																						
		1A Greater Goulburn	1B Boort	2A Broken - Mill to Casey's	2B Broken - Casey's to Goulb	3 Lower Goulburn	4A Campaspe - Eppalock to WW/C	4C Lower Campaspe to LWP	5A Loddon - CC/Tull to LWP	5B Bullarook	6 VIC Murray - Dart to Barmah	6B Lower Broken Creek	7 VIC Murray - Barmah to SA	9A Ovens	9B King	20 Snowy	1A Greater Goulburn	6B Lower Broken Creek	7 VIC Murray - Barmah to SA	10 NSW Murr U/S Barmah Choke	10B NSW - Murr Irrigation Ltd	11 NSW Murr D/S Barmah Choke	13 Murrumbidgee	14 Lower Darling	12 South Australian Murray																								
Goulburn-Murray Water	1A Greater Goulburn	210,655	4,366	0	0	1,435	1,693	0	300	0	50,657	1,431	6,557	0	0	24,261	1,328	0	6,903	524	80	2,166	549	0	5,790	318,695	1,312	-69,615																					
	1B Boort	21,007	2,880	0	0	0	300	0	0	0	0	0	170	0	0	0	0	0	13,310	143	0	0	0	0	7,815	45,625	74	32,236																					
	2A Broken - Mill to Casey's	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																						
	2B Broken - Casey's to Goulb	0	0	0	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0																						
	3 Lower Goulburn	15,212	0	0	0	2,666	0	0	0	0	0	0	457	0	0	0	0	0	480	0	0	0	0	0	18,815	37,630	77	33,184																					
	4A Campaspe - Eppalock to WW/C	10,327	0	0	0	0	2,913	0	0	0	0	0	522	0	0	0	0	0	0	0	0	0	0	0	0	13,762	78	8,512																					
	4C Lower Campaspe	602	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	606	6	606																						
	5A Loddon - CC/Tull to LWP	1,222	0	0	0	0	194	0	543	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,959	9	1,116																						
	5B Bullarook	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																					
	6 VIC Murray - Dart to Barmah	11,901	584	0	0	0	150	0	0	0	62,465	697	4,764	0	0	63,503	0	0	2,273	1,803	50	1,357	500	0	50	150,097	405	-50,599																					
Lower Murray Water	6B Lower Broken Creek	1,096	0	0	0	0	0	0	0	1,437	1,332	642	0	0	0	0	0	0	0	0	0	0	0	0	0	4,507	42	999																					
	7 VIC Murray - Barmah to SA	28,013	106	0	0	100	0	0	0	9,348	48	49,312	0	0	12,226	0	0	18,321	2,747	0	967	35	1,015	180,056	302,294	609	154,913																						
	9A Ovens	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																						
	9B King	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	10	1	0																						
	20 Snowy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-99,989																						
	1A Greater Goulburn	160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	70	0	0	0	0	0	0	229	3	-2,099																						
	6B Lower Broken Creek	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0																						
	7 VIC Murray - Barmah to SA	27,188	559	0	0	246	0	0	0	923	0	14,972	0	0	0	0	0	53,276	0	0	1,854	200	2,080	574	101,872	608	-185,362																						
	10B NSW - Murr Irrigation Ltd	1,655	0	0	0	0	0	0	0	23,348	0	100	0	0	0	0	0	14,194	0	0	0	0	0	0	39,297	12	39,167																						
	NSW	D/S Barmah Choke	1,630	1,533	0	0	0	0	0	0	11,146	0	1,521	0	0	0	0	1,000	0	17,054	0	0	0	0	0	33,884	56	27,540																					
13 Murrumbidgee		2,281	267	0	0	0	0	0	0	7,128	0	2,000	0	0	0	0	0	1,822	0	0	0	0	0	0	13,498	35	12,214																						
14 Lower Darling		0	0	0	0	0	0	0	0	0	0	0	500	0	0	0	0	0	0	0	0	0	0	500	2	-2,595																							
12 South Australian Murray		55,363	3,094	0	0	0	0	0	0	34,245	0	65,857	0	0	0	0	0	159,531	0	0	0	0	0	0	318,089	217	104,989																						
SA	TOTAL	388,310	13,389	0	30	4,446	5,251	0	843	0	200,696	3,508	147,381	0	10	99,989	2,328	0	287,233	5,217	130	6,344	1,284	3,095	213,101	1,382,585		5,217																					
	PURCHASED NUMBER OF TRADES	1,524	63	0	4	18	23	0	6	0	363	36	671	0	1	3	5	0	719	23	2	37	5	8	39		3,550																						

* Between authority counted on the seller side

Note 1 In a pool exchange, a number of sellers (say 20) sell to a number of buyers (say 15) at the pool price. Administratively, this is implemented in the water register as 20 trades to a clearing account and then 15 trades from that clearing account. To avoid double counting, only the seller side is counted (ie this is counted as 20 trades)

Note 2 The clearing accounts are held by G-MW. In the register, a G-MW to LMW pool exchange will be recorded as a trade from G-MW to the G-MW clearing account and a second trade from the G-MW clearing account to G-MW. In order to avoid double counting, this trade is only counted on one side, however, depending on which side is chosen it may be classified as either a within or between authority trade. To adjust for this it is assumed that all between authority trades are correct, therefore the number and volume of within authority purchases and sales is reduced and the number of between authority purchases and sales is increased proportionately.

Transfer and Variation of High Reliability Water Shares (Volume ML)

SOURCE	DESTINATION		Broken River	Campaspe Irrigation District	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torumbary Irrigation Area	LMW - NWU	Murray River	Robinvale, Red Cliffs, Merbein, FMID	Total Trades (ML)	Number of Trades	Net Out (ML)	Volume of water shares at 1 July 2010	Net Out as % of Water Shares (irrigation districts only)	
	Goulburn-Murray Water																										
Goulburn-Murray Water	Broken River	398	0	0	0	0	351	0	0	0	0	0	0	0	0	0	0	0	0	0	0	748	25	341			
	Bullarook	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Campaspe Irrigation District	0	0	503	0	0	14,273	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14,776	154	14,113	14,683	96%	
	Campaspe River	0	0	160	134	0	1,349	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,643	32	1,509			
	Central Goulburn Irr. Area	0	0	0	0	34,691	17,322	112	0	0	0	0	0	0	22	0	1	0	0	0	240	52,388	603	16,619	317,396	5.2%	
	GMW - NWU	10	0	0	0	863	18,240	12	0	136	177	109	48	271	107	0	1,008	112	4,554	252	0	25,898	210	-102,803			
	Goulburn River	0	0	0	0	168	1,388	1,027	0	0	0	0	0	0	2	0	0	0	0	0	0	2,587	88	459			
	Loddon River	0	0	0	0	0	527	0	914	0	0	0	0	0	0	0	0	0	0	0	0	1,441	26	527			
	Murray River	0	0	0	0	0	3,203	975	0	4,277	18	0	0	0	0	0	0	7	0	0	0	8,479	87	4,057			
	Murray Valley Irrigation Area	0	0	0	0	0	12,798	0	0	2	26,474	0	0	0	0	0	0	0	0	0	0	39,274	340	12,602	230,450	5.5%	
	Nyah, Tresco and Woorinen	0	0	0	0	0	615	0	0	0	4,323	0	0	0	0	0	0	15	30	0	0	4,983	106	472	27,871	1.7%	
	Ovens River	0	0	0	0	0	288	0	0	0	0	0	1,152	0	0	0	0	0	0	0	0	1,440	35	240			
	Pyramid-Boort	0	0	0	0	0	12,118	0	0	0	0	0	0	12,657	0	0	0	59	0	0	0	24,834	180	11,906	166,885	7.1%	
	Rochester Irrigation Area	0	0	0	0	38	10,070	2	0	0	0	0	0	0	10,678	0	0	0	0	804	0	21,591	248	10,781	155,931	6.9%	
	Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Shepparton Irrigation Area	0	0	0	0	10	8,596	0	0	3	2	0	0	0	0	1	0	15,402	0	0	0	24,014	324	7,603	154,219	4.9%	
	Torumbary Irrigation Area	0	0	0	0	0	26,394	0	0	5	0	80	0	0	0	0	0	0	32,376	0	220	0	59,074	498	26,427	288,973	9.1%
	LMW - NWU	0	0	0	0	0	247	0	0	0	0	0	0	0	0	0	0	50	22,167	2,332	304	25,100	100	-26,271			
	Murray River	0	0	0	0	0	835	0	0	0	0	0	0	0	0	0	0	0	18,634	12,438	575	32,482	185	15,859			
	Robinvale, Red Cliffs, Merbein, FMID	0	0	0	0	0	89	0	0	0	0	0	0	0	0	0	0	26	5,986	338	10,945	17,384	550	5,560	145,537	3.8%	
	Total Trades (ML)	408	0	663	134	35,770	128,701	2,128	914	4,422	26,671	4,511	1,200	12,928	10,810	0	16,411	32,647	51,371	16,623	11,824	358,136		-0			
	Number of Trades	16	0	6	20	453	1,013	74	19	66	260	92	35	116	177	0	251	353	279	148	413	3,791					

Note 1 This table summarises all recorded water entitlement transfer, divide and transfer and variation applications for high reliability water shares. Some other trades were still in progress at year end and will be finalised in 2010/11

Note 2 Transfer applications result in a change of ownership. In some cases, the change of ownership occurs with a transfer of land. Transfers of ownership that are part of a water/land sale are not separated out

Note 3 A variation application occurs without a change in ownership

Note 4 Delivery systems are grouped to reduce complexity caused by small delivery systems

Note 5 Exceedences of the 4% limit may be due to: exemptions given under the trading rules; correction of wrong locations given to some water shares at unbundling; or, sale of water shares by a mortgagee (the Water Act does not currently require this to be subject to the 4%)

Note 6 A special exemption to the 4% limit for Campaspe modernisation lead to 96% of the water shares leaving the irrigation area

Note 7 Pyramid-Boort Irrigation area is now call the Loddon Valley Irrigation Area

Transfer and Variation of Low and Spill Reliability Water Shares (Volume ML)

DESTINATION																									
Goulburn-Murray Water																									
Broken River																									
Bullarook																									
Campaspe Irrigation District																									
Campaspe River																									
Central Goulburn Irr. Area																									
GMW - NWU																									
Goulburn River																									
Loddon River																									
Murray River																									
Murray Valley Irrigation Area																									
Nyah, Tresco and Woorinen																									
Ovens River																									
Pyramid-Boort																									
Rochester Irrigation Area																									
Shepparton Groundwater																									
Shepparton Irrigation Area																									
Torrunbarry Irrigation Area																									
LMW - NWU																									
Murray River																									
Robinvale, Red Cliffs, Merbein, FMID																									
Total Trades (ML)																									
Number of Trades																									

Note 1 This table summarises all recorded water entitlement transfer, divide and transfer and variation applications for low and spill reliability water shares. Some other trades were still in progress at year end and will be finalised in 2010/11

Note 2 Transfer applications result in a change of ownership. In some cases, the change of ownership occurs with a transfer of land. Transfers of ownership that are part of a water/land sale are not separated out

Note 3 A variation application occurs without a change in ownership

Note 4 Delivery systems are grouped to reduce complexity caused by small delivery systems

Transfer of High Reliability Water Shares (Volume ML)

	DESTINATION																							
	Goulburn-Murray Water		Broken River	Bullarook	Campaspe Irrigation District	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area					Total Sales Number (ML)	Number Sold Number Out
																			Torrumbarry Irrigation Area	LMW - NWU	Murray River	Robinvale, Red Cliffs, Merbein, FMID		
SOURCE	Broken River	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77	11
	Bullarook		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Campaspe Irrigation District		0	0	496	0	0	14,036	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14,533	152
	Campaspe River		0	0	160	105	0	1,144	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,409	23
	Central Goulburn Irr. Area		0	0	0	0	8,796	16,338	112	0	0	0	0	0	0	0	0	1	0	0	0	0	25,247	371
	GMW - NWU		10	0	0	0	7	14,964	2	0	20	35	2	0	67	57	0	40	47	274	0	0	15,523	145
	Goulburn River		0	0	0	0	2	873	389	0	0	0	0	0	0	0	0	0	2	0	0	0	1,266	46
	Loddon River		0	0	0	0	0	510	0	271	0	0	0	0	0	0	0	0	0	0	0	0	781	14
	Murray River		0	0	0	0	0	1,906	0	0	2,606	18	0	0	0	0	0	0	0	0	0	0	4,530	57
	Murray Valley Irrigation Area		0	0	0	0	0	11,662	0	0	2	7,509	0	0	0	0	0	0	0	0	0	0	19,174	199
	Nyah, Tresco and Woorinen		0	0	0	0	0	535	0	0	0	0	1,761	0	0	0	0	0	0	15	30	0	2,340	60
	Ovens River		0	0	0	0	0	2	0	0	0	0	0	701	0	0	0	0	0	0	0	0	703	25
	Pyramid-Boort		0	0	0	0	0	10,836	0	0	0	0	0	0	0	3,595	0	0	0	59	0	0	14,489	107
	Rochester Irrigation Area		0	0	0	0	36	9,907	2	0	0	0	0	0	0	2,886	0	0	0	0	0	804	13,634	167
	Shepparton Groundwater		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shepparton Irrigation Area		0	0	0	0	10	6,599	0	0	3	0	0	0	0	1	0	5,950	0	0	0	0	12,563	194	
Torrumbarry Irrigation Area		0	0	0	0	0	20,967	0	0	5	0	0	0	0	0	0	0	7,720	0	220	0	28,911	273	
LMW - NWU		0	0	0	0	0	247	0	0	0	0	0	0	0	0	0	0	50	22,160	112	17	22,585	90	
Murray River		0	0	0	0	0	835	0	0	0	0	0	0	0	0	0	0	0	17,407	6,546	150	24,937	115	
Robinvale, Red Cliffs, Merbein, FMID		0	0	0	0	0	89	0	0	0	0	0	0	0	0	0	0	26	3,765	35	4,591	8,506	320	
Total Purchases (ML)		58	0	656	105	8,851	111,477	505	271	2,636	7,562	1,763	701	3,661	2,944	0	5,991	7,919	43,635	7,715	4,758	211,207		
Number of Purchases		10	0	5	12	228	911	34	8	39	126	42	24	47	90	0	125	149	220	61	238		2,369	

Note 1 This table summarises all recorded water entitlement transfer and divide and transfer applications for high reliability water shares. Some other trades were still in progress at year end and will be finalised in 2010/11

Note 2 Transfer applications result in a change of ownership. In some cases, the change of ownership occurs with a transfer of land. Transfers of ownership that are part of a water/land sale are not separated out

Note 3 Delivery systems are grouped to reduce complexity caused by small delivery systems

Transfer of Low Reliability Water Shares (Volume ML)

SOURCE	DESTINATION																			Number Sold Number Out		
	Goulburn-Murray Water																					
	Broken River	Bullarook	Campaspe Irrigation District	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torrumbarry Irrigation Area	LMW - NWU	Murray River		Robinvale, Red Cliffs, Merbein, FMID	
Goulburn-Murray Water	Broken River	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	4
	Bullarook	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Campaspe Irrigation District	0	0	262	0	0	8,990	0	0	0	0	0	0	0	0	0	0	0	0	0	9,251	112
	Campaspe River	0	0	0	135	0	1,079	0	0	0	0	0	0	0	0	0	0	0	0	0	1,215	24
	Central Goulburn Irr. Area	0	0	0	0	4,392	434	0	0	0	0	0	306	89	0	131	518	0	136	26	6,031	133
	GMW - NWU	0	0	0	0	1,087	11,646	0	0	100	0	0	369	132	0	5	541	0	184	0	14,063	48
	Goulburn River	0	0	0	0	0	88	215	0	0	0	0	0	0	0	0	0	0	0	0	303	14
	Loddon River	0	0	0	0	0	49	0	132	0	0	0	0	0	0	0	0	0	0	0	181	4
	Murray River	0	0	0	0	0	120	0	379	5	0	0	0	0	0	0	0	0	0	0	503	16
	Murray Valley Irrigation Area	0	0	0	0	7	2,410	0	0	4,145	0	0	0	129	0	0	0	0	0	0	6,691	86
	Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	0	0	226	0	0	0	0	0	0	0	0	0	226	8
	Ovens River	0	0	0	0	0	0	0	0	0	0	335	0	0	0	0	0	0	0	0	335	15
	Pyramid-Boort	0	0	0	0	0	857	0	0	0	0	0	1,780	0	0	0	0	0	0	0	2,637	34
	Rochester Irrigation Area	0	0	0	0	0	408	0	0	100	0	0	396	1,556	177	266	0	0	0	0	2,903	43
	Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Shepparton Irrigation Area	0	0	0	0	769	88	0	0	83	0	0	66	61	0	2,898	0	0	0	0	3,965	77
	Torrumbarry Irrigation Area	0	0	0	0	0	555	0	0	0	13	0	0	0	0	0	5,239	0	580	0	6,387	89
Robinvale, Red Cliffs, Merbein, FMID	LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Murray River	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Robinvale, Red Cliffs, Merbein, FMID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	100	2	
Total Purchases (ML)	7	0	262	135	6,255	26,725	215	132	379	4,432	238	335	2,917	1,967	177	3,299	6,298	0	900	126	54,797	0
	Number of Purchases	4	0	3	5	129	211	12	3	11	70	9	15	34	36	1	66	89	0	8	3	709

Note 1 This table summarises all recorded water entitlement transfer and divide and transfer applications for low and spill reliability water shares. Some other trades were still in progress at year end and will be finalised in 2010/11

Note 2 Transfer applications result in a change of ownership. In some cases, the change of ownership occurs with a transfer of land. Transfers of ownership that are part of a water/land sale are not separated out

Note 3 Delivery systems are grouped to reduce complexity caused by small delivery systems

Our Statutory Information

Disclosure Index

The 2010/11 Annual report of Lower Murray Water has been prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Corporation's compliance with statutory disclosure requirements.

In accordance with the *Financial Management Act 1994*, I am pleased to attest the Lower Murray Urban and Rural Water Corporation's Annual Report 2010/11 is compliant with all statutory reporting requirements.



Ron Leamon
Managing Director

ITEM	Disclosure	PAGE
Financial Reporting		
<i>(as required under Part 7 of the Financial Management Act 1994, Standing Directions and FRDs)</i>		
SD4.2(b)	Comprehensive Operating Statement	48
SD4.2(b)	Balance Sheet	49
SD4.2(a)	Statement of Changes in Equity	50
SD4.2(b)	Cash Flow Statement	51
SD4.2(b)	Notes to the Financial Statements	52
SD4.2(c)	Accountable Officer's declaration	40, 45
FRD120E	Accounting and Reporting pronouncements applicable to 2010/11 reporting period	59, 60
FRD03A	Accounting for Dividends	59
FRD105A	Borrowing Costs	53
FRD110	Cash Flow Statements	51
SD4.2(a)	Compliance with Australia accounting standards and other authoritative pronouncements	52
SD4.2(a)	Compliance with Ministerial Directions	see below
FRD119	Contributions by Owners	58
FRD112C	Defined Benefit Superannuation Obligations	76
FRD09A	Departmental Disclosure of Administered Assets and Liabilities by Activity	71
FRD114A	Financial Instruments – General Government Entities and Public Non Financial Corporations	57
FRD106	Impairment of assets	54
FRD121	Infrastructure Assets	54, 55, 71
FRD109	Intangible assets	56, 73
FRD102	Inventories	56
FRD103D	Non-current physical assets	54, 55, 71
SD4.2(d)	Rounding of amounts	52
Ministerial Directions		
MD04	Bulk entitlement reporting	23
MD01	Certification of Performance Report for 2010/11	29
MD03	Community education and water awareness campaigns	15
MD03	Community Service Obligations	19
MD02	Corporate water consumption	17
MD01	Financial Performance Indicators	20-21, 25-26
MD03	Greenhouse Gas emissions	17
MD04	Groundwater Extractions (entitlement and use)	24
MD04	Irrigation water usage and licence entitlements	23
MD05	Major non-residential water users	16
MD04	Private Diversions from waterways	24
MD03	Regional Catchment Management Strategy	16
MD01	Service and Environmental Performance Indicators (whole of business)	27, 28
MD03	Sustainable water strategies	15

ITEM	Disclosure	PAGE
MD03	The efficiencies of irrigation systems	15
MD04	Transfer of water entitlements, allocations and licences	32 - 39
MD01	Victorian Auditor-General's Report – Performance Statement	46 - 47
MD03	Victorian Biodiversity Strategy	16
MD03	Victorian River Health Strategy	17
MD03	Water conservation	15
MD02	Water consumption report	17
MD03	Water recycling	15
Report of Operations		
FRD30	Accountable Officer's attestation	40
FRD22B	Application and operation of <i>Freedom of Information Act 1982</i>	42
FRD22B	Application and operation of <i>Whistleblowers' Protection Act 2001</i>	42
FRD22B	Board Member profiles, major committees	8, 9
FRD22B	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	42
FRD22B	Details of consultancies <\$100,000	42
FRD22B	Details of consultancies >\$100,000	42
FRD10	Disclosure Index	40
FRD24C	Environmental Performance	17
FRD22B	Manner of establishment and the relevant Ministers	2
FRD22B	Merit and Equity	12
FRD22B	Nature and range of services provided	2
FRD22B	Objectives and performance against objectives	3
FRD22B	Objectives, functions, powers and duties	2
FRD22B	Occupational Health and Safety	12
FRD22B	Organisational structure	7
SD 4.5.5	Risk management compliance attestation	9
FRD30	Standard requirements for the design and print of annual reports	throughout report
FRD22B	Statement of availability of other information	43
FRD22B	Statement of Workforce data	12
FRD22B	Statement on National Competition Policy	42
FRD22B	Subsequent events which will affect operations in future years	42
FRD22B	Summary of the Financial Results	20
FRD25	Victorian Industry Participation Policy disclosures	43
Legislation		
	<i>Borrowings and Investment Powers Act 1987</i>	74
	<i>Building Act 1993 (accompanying Building Regulations 1994)</i>	42
	<i>Charter of Human Rights & Responsibilities Act 2006</i>	42
	<i>Commonwealth Environment Protection and Biodiversity Conservation Act 1999</i>	17
	<i>Equal Opportunity Act 2010</i>	4, 12
	<i>Fair Work Australia Act 2009</i>	58
	<i>Financial Management Act 1994</i>	29, 40, 43, 52
	<i>Freedom of Information Act 1982</i>	42
	<i>Health Records Act 2001</i>	42
	<i>Public Authorities (Dividend) Act 1983</i>	59
	<i>Occupational Health and Safety Act 2004</i>	12
	<i>Safe Drinking Water Act 2003</i>	3
	<i>Victorian Flora and Fauna Guarantee Act 1988</i>	16, 17
	<i>Victorian Industry Participation Policy Act 2003</i>	42
	<i>Water Act 1989</i>	2, 8, 13, 36, 42, 58, 70
	<i>Water Industry (Environmental Contributions) Act 200</i>	58
	<i>Water Industry Act 1994</i>	16
	<i>Whistleblowers' Protection Act 2001</i>	42

By-Laws

The Corporation has three By-Laws:

- By-Law No 1 Water Supply and Sewerage Administrative By-Law
- By-Law No 2 Water Restrictions for Drought Response
- By-Law No 4 Trade Waste By-Law

The Corporation has also a Permanent Water Saving Plan which sets out permanent water restrictions and prohibitions on the use of water within our district.

Consultancies

Over \$100,000

Hunter Water Australia - \$1,478,576

Hunter Water Australia (HWA) was engaged on a range of projects from assisting in the contract management of the augmentation of the Koorlong WWTP to updating process and instrumentation drawing for various water treatment plants. HWA also continues to provide operational advice for the Corporation's WTPs.

Sinclair Knight Mertz - \$876,062

Sinclair Knight Mertz (SKM) are engaged for a long term project for the planning, design, documentation and contract administration for extensive upgrades of the Corporation's Red Cliffs, Mildura and Merbein irrigation districts.

GHD Pty Ltd - \$324,368

GHD Pty Ltd was engaged to design and document the reconstruction of the Kerang WWTP, the recommissioning of a major sewage pump station and the fabrication of a surge vessel for the Robinvale irrigation system. GHD also provide ongoing advice in regard to urban reticulation systems.

Ceena Pty Ltd - \$210,647

CEENA Pty Ltd was engaged to provide specialist advice on project delivery for the Koorlong WWTP augmentation and the design of the upgrade of the clarifier at the Robinvale WTP.

Under \$100,000

The Corporation engaged 41 consultants, for a total value of \$632,062.

Declaring of Pecuniary Interests

In accordance with Section 95 (5) of the *Water Act 1989*, all Members of the Board and Officers with a financial delegation in excess of \$20,000 completed register of Interest Returns on or before 31st July 2011. Pecuniary interests are also declared prior to the commencement of Board meetings.

Freedom of Information

The *Freedom of Information (FOI) Act 1982* allows the public the right to request information held by us and to access documents about our activities. Lower Murray Water has determined that its Authorised Officer is our General Manager, Business Services. Requests under FOI must be in writing, addressed to PO Box 1438, Mildura Vic 3502. An application fee of \$24.40 applies at the time of this report's publication. In the 2010/11 year there was one (1) request for information under the FOI. This request did not go to internal review or to an appeal hearing.

Information Privacy Act 2000

Protection of privacy and personal and health information is an important aspect of our operations. We are bound to comply with the *Information Privacy Act 2000*, the *Health Records Act 2001* and the *Charter of Human Rights & Responsibilities Act 2006*. A copy of our commitment to safeguarding customers' privacy is available at www.lmw.vic.gov.au and upon request. The website home page can be accessed, and this site browsed, without disclosing personal information. The site does not use cookies.

Whistleblowers' Protection Act 2001

We are committed to the aims and objectives of the *Whistleblowers' Protection Act 2001* which is designed to protect people who disclose information about serious wrongdoings 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.

Disclosures of improper conduct by Lower Murray Water or our employees may be made in writing or by telephone and directed to:

Jennifer Berensen

Manager Privacy & Ombudsman

Department of Sustainability and Environment

PO Box 500, East Melbourne Vic 3002

Phone: (03) 9637 8697 Facsimile: (03) 9637 8128

Email: jennifer.berensen@dse.vic.gov.au

Or:

The Ombudsman Victoria

GPO Box 469, Melbourne Vic 3001

Phone: (03) 9613 5212 Toll Free: 1800 500 509

There were no disclosures under the Act in 2010/11.

National Competition Policy

We comply with relevant Victorian Government policies and timetables for National Competition Policy, including competitive neutrality.

Compliance with the Building Act 1993

We maintain our buildings in accordance with the statutory requirements of the *Building Act 1993* and the accompanying *Building Regulations 1994*.

Subsequent Events

No event or transaction has occurred subsequent to year end which may have a significant effect on the operation of the Corporation, and which has not already been disclosed elsewhere in this report.

Victorian Industry Participation Policy

The *Victoria Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementations of the Victorian Industry Participation Policy (VIPP).

Contracts commenced to which VIPP applied: 1

- Design consultancy relating to the Sunraysia Modernisation Project (September 2010)

Contracts completed to which VIPP applied: 1

- Koorlong WWTP Augmentation (August 2010)

Major External Reviews

We did not carry out any major reviews of Lower Murray Water during 2010/11.

Major Research and Development Activities

We did not undertake any major research and development activities in 2010/11.

Other Reportable Information

Subject to the provisions of the *Freedom of Information Act 1982* and *Information Privacy Act 2000*, all relevant information required under the *Financial Management Act 1994* is available upon request.

Statement of availability of other information

Subject to the *Freedom of Information Act 1982*, the following information, if not already disclosed within this report, is available on request:

- details of:
 - shares held by a senior officer as nominee or held beneficially in a statutory Corporation/authority or subsidiary;
 - publications produced by Lower Murray Water about us, and
 - how these can be obtained;
 - changes in prices, fees, charges, rates and levies charged by us;
 - any major external reviews carried out on Lower Murray Water;
 - major research and development activities undertaken by us;
 - overseas visits undertaken including a summary of the objectives and outcomes of each visit;
 - major promotional, public relations and marketing activities undertaken by us to develop community awareness of Lower Murray Water and our services;
 - assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within Lower Murray Water and details of time lost through industrial accidents and disputes;
- a statement that declarations of pecuniary interests have been duly completed by all relevant officers; and
- a list of major committees sponsored by us, the purposes of each committee and the extent to which the purposes have been achieved.

Our Financial Report

NOTES	Contents	PAGE
	Auditor General's Report	46 - 47
	Balance Sheet	49
	Cash Flow Statement	51
	Certification	45
	Comprehensive Operating Statement	48
	Statement of Changes in Equity	50
Notes To The Financial Statements		
1	Statement of Significant Accounting Policies	52 - 60
2	Financial Risk Management Objectives and Policies	61 - 65
3	Revenue	66
4	Expenditure	67
5	Depreciation & Amortisation	68
6	Income Tax Expense	68
7	Cash and Cash Equivalent Assets	69
8	Receivables	69
9	Inventories	70
10	Assets Held for Sale	70
11	Property, Plant and Equipment	71
12	Intangible Assets	73
13	Deferred Tax Assets	73
14	Payables	73
15	Interest Bearing Liabilities	74
16	Employee Benefits	74
17	Provisions	75
18	Superannuation	76
19	Deferred Tax Liability	77
20	Contributed Capital	77
21	Physical Asset Revaluation Surplus	77
22	Accumulated Funds	78
23	Equity	78
24	Reconciliation of Net Result for the period after related income tax to net cash flows from operating activities	79
25	Commitments	79
26	Responsible Persons Disclosure	80
27	Auditor Remuneration	81
28	Events occurring after balance date	81
29	Contingent assets and contingent liabilities	81

Certification

We certify that the attached financial statements for Lower Murray Urban and Rural Water Corporation have been prepared in accordance with standing Direction 4.2 under 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 Comprehensive 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 2011 and financial position of the Corporation as at 30 June 2011.

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



M D Tilley
Chairman

7th September 2011



R Leamon
Managing Director

7th September 2011



L Davis
*General Manager
Business Services*

7th September 2011



Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Lower Murray Urban and Rural Water Corporation

The Financial Report

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

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest



Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

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

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Lower Murray Urban and Rural Water Corporation for the year ended 30 June 2011 included both in the Lower Murray Urban and Rural Water Corporation's annual report and on the website. The Board Members of the Lower Murray Urban and Rural Water Corporation are responsible for the integrity of the Lower Murray Urban and Rural Water Corporation's website. I have not been engaged to report on the integrity of the Lower Murray Urban and Rural Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
7 September 2011

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

Comprehensive Operating Statement

For The Year Ended 30 June, 2011

		2011	2010
	Notes	\$'000	\$'000
<u>REVENUE FROM OPERATING ACTIVITIES</u>			
Operating Revenue	(3a)	42,960	46,888
Termination Fees		150	2,369
Income for Capital Purposes	(3b)	4,385	3,935
Other Revenue	(3c)	3,304	2,201
		<u>50,799</u>	<u>55,393</u>
<u>REVENUE FROM NON-OPERATING ACTIVITIES</u>			
Interest Revenue	(3d)	508	518
Net Gain/(Loss) from Disposal of Non-Financial Assets	(3e)	333	(94)
		<u>841</u>	<u>424</u>
TOTAL REVENUE		<u>51,640</u>	<u>55,817</u>
<u>EXPENSES FROM OPERATING ACTIVITIES</u>			
Direct Expenses	(4a)	43,372	38,017
Administration Expenses	(4b)	14,558	14,142
Finance Costs	(4c)	3,228	1,146
TOTAL EXPENSES		<u>61,158</u>	<u>53,305</u>
NET RESULT BEFORE TAX		(9,518)	2,512
Income Tax Expense/(Revenue)	(6)	(4,300)	621
NET RESULT FOR THE YEAR		<u>(5,218)</u>	<u>1,891</u>
<u>OTHER COMPREHENSIVE INCOME</u>			
Net Gain/Loss on Physical Asset Revaluation Surplus		215,971	1,005
Income Tax Relating to Components of Other Comprehensive Income		(64,791)	(302)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>151,180</u>	<u>703</u>
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		<u>145,962</u>	<u>2,594</u>

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

Balance Sheet

As at 30 June, 2011

		Notes	2011 \$'000	2010 \$'000
CURRENT ASSETS				
	Cash and Cash Equivalents	(7)	6,278	7,631
	Receivables	(8)	6,551	6,973
	Inventories	(9)	3,370	3,637
	Prepayments		434	3,041
	Assets Held for Sale	(10)	8,166	3,602
			24,799	24,884
NON-CURRENT ASSETS				
	Receivables	(8)	154	147
	Property, Plant and Equipment	(11)	779,692	566,736
	Intangible Assets	(12)	5,477	5,329
	Deferred Tax Assets	(13)	20,742	14,567
			806,065	586,779
TOTAL ASSETS			830,864	611,663
CURRENT LIABILITIES				
	Payables	(14)	5,248	8,243
	Interest Bearing Liabilities	(15)	2,991	1,941
	Employee Benefits	(16)	4,430	4,100
	Provisions	(17)	270	536
			12,939	14,820
NON-CURRENT LIABILITIES				
	Interest Bearing Liabilities	(15)	50,473	42,014
	Employee Benefits	(16)	362	366
	Deferred Tax Liabilities	(19)	131,761	65,096
	Other Liabilities		12	12
			182,608	107,488
TOTAL LIABILITIES			195,547	122,308
NET ASSETS			635,317	489,355
EQUITY				
	Contributed Capital	(20)	537,366	537,366
	Physical Asset Revaluation Surplus	(21)	151,883	703
	Accumulated Funds	(22)	(53,932)	(48,714)
TOTAL EQUITY			635,317	489,355

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

Statement of Changes in Equity

For the year ended 30 June, 2011

		Contributed Capital	Physical Asset Revaluation Surplus	Accumulated Funds	Total
	Notes	\$'000	\$'000	\$'000	\$'000
BALANCE AT 1 JULY 2009	(20),(21),(22)	536,366	-	(50,605)	485,761
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	703	1,891	2,594
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	(20)	1,000	-	-	1,000
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		1,000	-	-	1,000
BALANCE AS AT 30 JUNE 2010	(20),(21),(22)	537,366	703	(48,714)	489,355
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	151,180	(5,218)	145,962
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	(20)	-	-	-	-
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		-	-	-	-
BALANCE AS AT 30 JUNE 2011	(20),(21),(22)	537,366	151,883	(53,932)	635,317

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

Cash Flow Statement

	Notes	2011 \$'000	2010 \$'000
Cash Flows from Operating Activities			
Receipts			
Rates & Meter Charges		43,178	48,416
Proceeds from Scheme Debtors		171	65
Government Contributions		1,862	20
Income for Capital Purposes		2,214	3,907
Interest Received		509	519
GST Received from the ATO		3,525	7,813
Other Revenue		778	3,290
Total Receipts		52,237	64,030
Payments			
Payments to Suppliers & Employees		(41,215)	(41,993)
GST Paid to the ATO		(188)	(210)
Interest and Other Costs of Finance Paid		(3,228)	(1,145)
Total Payments		(44,631)	(43,348)
<u>Net Cash provided by/(used in) Operating Activities</u>	(24)	7,606	20,682
Cash Flows provided by/(used in) Investing Activities			
Payment for Purchases of Property, Plant and Equipment		(19,275)	(64,715)
Payment for Purchases of Intangible Assets		(344)	(352)
Proceeds from Sale of Property, Plant and Equipment		1,151	736
<u>Net Cash provided by/(used in) Investing Activities</u>		(18,468)	(64,331)
Cash Flows provided by/(used in) Financing Activities			
Proceeds from Borrowings		9,900	40,000
Repayment of Borrowings		(391)	(18)
Government Capital Contribution Received		-	1,000
<u>Net Cash provided by/(used in) Financing Activities</u>		9,509	40,982
Net Movement in Cash and Cash Equivalents		(1,353)	(2,667)
Cash and Cash Equivalents at the Beginning of the Financial Year		7,631	10,298
<u>Cash and cash equivalents at the end of the year</u>	(7)	6,278	7,631
Financing arrangements	(15)		

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

Notes to the financial statements for the year ended 30th June 2011

1 Statement Of Significant Accounting Policies

(a) Basis of Accounting

General

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

Where applicable, those paragraphs of the AAS's applicable to not-for-profit entities have been applied.

The financial report has been prepared on an accrual and going concern basis and is based on historical costs and does not take into account changing money values, except where stated.

The annual financial statements were authorised for issue by the General Manager of Business Services on 7th September 2011.

Accounting Policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Comparatives

Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

Functional and presentation currency

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

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, with the exception of employee benefits (Refer Note 1 (o)).

Rounding

Unless otherwise stated, amounts shown in the financial statements are expressed to the nearest thousand dollars ('000).

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 in conformity with IFRS requires the use of certain critical accounting estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. It also requires management to exercise its judgment in the process of applying the entity's accounting policies.

Financial statement presentation

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

(b) Revenue Recognition

Service and Usage Charges

Revenue is brought to account when services have been provided or when a tariff/rate/charge is levied or determined.

All Water and Wastewater rates/ tariffs are recognised as income when the services are provided. Urban meter readings are undertaken on a quarterly basis. The last meter read for the year occurs in June with the income being accrued. Irrigation meter readings are cyclical and an estimate of consumption, based on land usage is made for unmetered outlets.

The value of all goods and services received free of charge are recognised as revenue when the Corporation gains control of them. The benefits derived from these goods and services are recorded at their fair values in the financial statements.

Developer Contributions

Fees paid by developers to connect new developments to the Corporation's existing water supply and wastewater systems or for new capital works are recognised as revenue when they are received. Non-current assets acquired from developers are recognised as revenue when the Corporation gains control of them at the fair value of those assets.

Government Grants and Contributions

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

Interest Income

Interest income is recognised using the effective interest rate method.

Rent/Lease Income

Income from operating leases, (ie rentals) is recognised in income on a straight line basis over the term of the lease.

All income is stated net of the amount of Goods and Services Tax (GST).

(c) Government Grants for Services

Programs such as salinity management and the construction of associated drainage schemes are performed under an agreement with the Mallee Catchment Management Authority. The reimbursement of the costs of these services is included as government contributions in the Comprehensive Operating Statement under Income for Capital Purposes. The cost of provision of these services is included in the direct expenses or as capital expenditures.

(d) Borrowing Costs

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

When the Corporation carries borrowings in excess of \$5 Million it is obligated to pay to the Victorian government a Financial Accommodation Levy (FAL). The amount of the levy is based on the credit risk of Lower Murray Water (LMW) relative to the State of Victoria as assessed by an independent rating agency. On the basis of the LMW credit rating, a FAL of 110 basis points is applied to all financial accommodation accessed from Treasury Corporation of Victorian (TCV). LMW inherited fixed borrowings on the merger of the First Mildura Irrigation Trust, these borrowings are subject to a FAL of 81 basis points. FAL incurred by LMW is accounted for as a borrowing cost for the purpose of presentation in general purpose financial statements.

(e) Permanent Water Entitlements

Permanent water entitlements purchased after 1 July 2004 are treated as an intangible asset on the Balance Sheet at cost (in accordance with AASB 138 *Intangible Assets* and FRD 109 *Intangible Assets*), and will not be subject to amortisation, as the permanent water entitlements have an indefinite useful life. Permanent entitlements purchased after 1 July 2004 will be tested annually for impairment. Bulk permanent water entitlements prior to 1 July 2004 are not recorded on the Balance Sheet as an intangible asset, as they cannot be reliably measured.

(f) Property, Plant and Equipment

Property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$1000 and useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Each class of property, plant and equipment are carried at either cost, or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation.

The cost of non-current physical assets constructed within the Corporation includes the cost of contract payments, materials and direct labour.

Assets acquired at no cost to the Corporation are brought to account at fair value, being the actual or estimated cost of construction.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Comprehensive Operating Statement.

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.

(i) Measurement of Property, Plant and Equipment

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

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

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the entity intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Depreciated replacement cost has been adopted as an estimate of fair value under the revaluation model adopted for these assets.

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

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

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

The initial fair value assessment for water infrastructure in the current period was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the exercise is provided in Note 11.

(ii) Revaluation of Non-Current Physical Assets

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

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the physical asset revaluation surplus 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 de-recognition of the relevant asset.

(iii) Impairment of Assets

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

- inventories;
- deferred tax assets;
- financial instrument assets;
- non-current assets held for sale.

If there is 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 Comprehensive Operating Statement except to the extent that the write-down can be debited to a physical asset revaluation surplus 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 physical asset revaluation surplus in respect of the same class of asset to the extent that an impairment loss does not exceed the amount in the physical asset revaluation surplus of that same class of asset.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading physical asset revaluation surplus. However, to the extent that an impairment loss on the same class of asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in the Comprehensive Operating Statement.

(iv) Assets Held for Sale

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Assets (or disposal groups) classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable. The asset (or disposal group) is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification.

Assets (including those that are part of a disposal group) classified as held for sale are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(v) Depreciation and Amortisation of Non-current Assets

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

The depreciable amount of all non-current physical assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Corporation 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.

The depreciation rates applied to asset classes (2011 and 2010) are:

<u>WATER</u>	Useful Life (years)
Storage Tanks	60 - 100
Pumping Stations	30 - 80
Reticulated Networks	60 - 100
Water Treatment	10 - 80
Water Meters	8
Buildings	60
Plant and Machinery	6
<u>WASTEWATER</u>	
Sewers	45 - 80
Trunk Sewer Main	80
Pumping Stations	10 - 80
Treatment and Disposal	10 - 100
Buildings	40 - 60
Plant and Machinery	6
<u>IRRIGATION & DRAINAGE</u>	
Storages	60 - 100
Pumping Stations	40 - 80
Channels	80
Rural Water Pipelines	60 - 80
Water Meters	10
Buildings	40 - 60
Plant and Machinery	6
<u>ADMINISTRATION</u>	
Computer Equipment	3
Office Furniture and Equipment	6
Motor Vehicles	10
Buildings	60
Plant	6
Machinery	6
Communication Equipment	5

(g) Intangible Assets

Intangible Assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight-line), commencing from the time the asset is available for use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment annually as outlined in Note 1(f(iii)).

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

	<i>Water Share Entitlements</i>	<i>Development Costs</i>	<i>Software</i>
Useful lives	Indefinite	Finite	Finite
Amortisation method used	Not amortised or revalued	3 years – straight line	3 years – straight line
Internally generated/acquired	Acquired	Internally generated	Acquired
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

(h) Cash and Cash Equivalent Assets

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, but are included within cash and cash equivalents for cash flow statement presentation purposes.

(i) Receivables

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and tax paid. Receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Receivables are due for settlement no more than 28 days from date of recognition for tariff and charges debtors, and no more than 30 days for other debtors.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance 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 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 amounts credited to the allowance are recognised as an expense in the Comprehensive Operating Statement.

(j) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventories on hand at balance date by using the weighted average cost (WAC) method. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

Farm sheep stock is measured at market value.

(k) Other Non Financial Assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(l) Payables

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

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

(m) 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 initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive 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 the settlement of the liability for at least 12 months after the balance sheet date.

(n) Financial Instruments

Initial measurement of financial instruments is at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction cost related to instruments classified as at fair value through profit and loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below.

(i) Classification and Measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains and losses arising from changes in fair value are recognised in the Comprehensive Operating Statement.

Loans and Receivables

Loans 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 receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the other categories. Available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are taken directly to equity and recycled to the Comprehensive Operating Statement upon disposal or the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Comprehensive Operating Statement of the period.

Payables

Payables are recognised when Lower Murray Water becomes obliged to make future payments resulting from the purchase of goods and services.

Financial Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest rate method.

(ii) 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 balance sheet date. The quoted market price used for financial assets held by the Corporation is the current bid price.

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

The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in Note 2 (d).

The Corporation has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of fair value measurement hierarchy which have been provided in Note 2 (d).

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Comprehensive Operating Statement.

(iv) Impairment

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Comprehensive Operating Statement is removed from equity and recognised in the income statement. Impairment losses are recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

(o) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, bonuses and accumulating 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 their present value of the estimated future cash flows to be made by the Corporation, in respect of services provided by the employees up to the reporting date.

Annual leave, and accrued days off entitlements are accrued on a pro rata basis in respect of services provided by the employee up to balance date, having regard to current rates of pay and oncosts. Annual leave and accrued days off entitlements are provided for at their nominal value as above, and treated as a current liability.

(ii) Long Service Leave (LSL)

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

The components of this current LSL liability are measured at:

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

Non-Current Liability – conditional LSL (representing less than 7* years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional LSL is required to be measured at present value.

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

* In accordance with the Lower Murray Urban and Rural Water Corporation Enterprise Agreement 2009 made pursuant to Part 2-4 of the *Fair Work Australia Act 2009*.

(iii) Superannuation

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

(iv) Employee Benefit Oncosts

Employee oncosts, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(v) 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.

Ten Executive Officers have annual bonus payments (fixed amounts) within their individual employment contracts. These payments are payable within the currency of each financial year.

There are no performance payments accruing to the end of the employment contract period which are to be recognised as non-current liability.

(p) Provisions

Provisions are recognised when the corporation, as a result of a past event, has legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(q) Contributions by Owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners. Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

(r) Environmental Contribution

The Water Industry (Environmental Contributions) Act 2004 (the Act) amended the *Water Act 1989* to make provision for environmental contributions to be paid by water supply Corporations.

The Act establishes an obligation for Water Corporations to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 (Urban) and 1 July 2005 (Rural) 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 for 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 adverse water-related initiatives.

The environmental contributions are disclosed separately within the expenses.

(s) Taxation

The Corporation was notified by the Treasurer, of the Government's decision to direct Regional Urban Water and Rural 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 expected tax payable or receivable on the current period's taxable income based on the national income tax rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset and liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(t) 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 year's 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 Board expects the final determination of dividend for 2010/11 to be \$0 (2009/10: \$0).

(u) Goods and Services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e., inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

(v) Commitments

Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

(w) Reporting Lines of Business

The financial information has been prepared based on the Corporation's main functions, of delivery of potable water, the disposal of wastewater, supply of river water for irrigation and collection and disposal of drainage water.

The Corporation has no wholesale function.

(x) New Accounting Standards and Interpretations issued that are not effective

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

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 <i>Financial Instruments</i> addresses the classification and measurement of financial assets and is likely to affect the entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption	1 January 2013	The Corporation is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in Comprehensive Operating Statement.
Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	In December 2009 the AASB issued a revised AASB 124 <i>Related Party Disclosures</i> . It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.	1 January 2011	When the amendments are applied, the Corporation will need to disclose any transactions between itself, DSE and DTF. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures. The disclosure will not impact on any of the amounts recognised in the financial statements.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 July 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the Corporation. The Corporation will assess its impact once DTF has provided guidance on this standard.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The Corporation will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment to the financial statements.

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 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. The methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

The Corporation's principal financial instruments are loans sourced from the Treasury Corporation of Victoria. The loans include at call floating borrowings and fixed rate loans which are used to meet working capital requirements and fund the capital expenditure program.

The Corporation has other financial assets and liabilities such as receivables and payables which arise directly from its operating activities.

Risk management is carried out by the Management Committee under policies approved by the Board of Directors. The Board reviews and endorses policies and processes for managing these risks and they are summarised below.

(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.

(i) Interest 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 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 mix of at call floating and fixed rate investment products.

The Corporation's exposure to interest rate risk on financial assets is set out in the following table.

2010/11

Financial Instruments	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets										
Cash and Cash Equivalents	5,538	737	-	-	-	-	-	3	6,278	4.32
Receivables – property	3,083	-	-	-	-	-	-	2,145	5,228	6.19
Receivables – other	550	-	-	-	-	-	-	927	1,477	4.17
Investments	-	-	-	-	-	-	-	-	-	-
Total financial assets	9,171	737	-	-	-	-	-	3,075	12,983	5.06
Financial liabilities										
Payables	-	-	-	-	-	-	-	5,206	5,206	N/A
Interest Bearing Liabilities	1,400	1,591	1,617	1,840	2,672	1,659	42,685	-	53,464	5.76
Total financial liabilities	1,400	1,591	1,617	1,840	2,672	1,659	42,685	5,206	58,670	5.25

Financial Instruments	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets										
Cash	6,928	703	-	-	-	-	-	-	7,631	4.08
Receivables – property	3,141	-	-	-	-	-	-	2,450	5,591	6.41
Receivables – other	542	-	-	-	-	-	-	987	1,529	4.02
Investments	-	-	-	-	-	-	-	-	-	-
Total financial assets	10,611	703	-	-	-	-	-	3,437	14,751	5.12
Financial liabilities										
Payables	-	-	-	-	-	-	-	8,243	8,243	N/A
Interest Bearing Liabilities	500	1,441	541	1,618	840	1,672	37,343	-	43,955	4.80
Total financial liabilities	500	1,441	541	1,618	840	1,672	37,343	8,243	52,198	4.80

N/A – not applicable for non-interest bearing financial instruments.

(ii) Foreign Exchange Risk

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

(iii) Other Price Risk

The Corporation has no significant exposure to other price risk.

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Corporation believes that a movement of 0.5% is reasonably possible over the next 12 months. The impacts on the Corporation's net result and equity is disclosed in the following table:

Interest Rate Risk					
		-0.5%		+0.5%	
30 June 2011	Carrying Amount	Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	6,278	(31)	(31)	31	31
Receivables	6,705	(18)	(18)	18	18
Financial Liabilities					
Interest Bearing Liabilities	53,464	7	7	(7)	(7)
Total increase/(decrease)		(42)	(42)	42	42

Not all receivables have a floating interest rate applicable to it. Some amounts are subject to fixed rates, or no interest is applicable. Interest bearing liabilities include borrowings on an 11am account which is subject to a floating interest rate.

Interest Rate Risk					
		-0.7%		+0.7%	
30 June 2010	Carrying Amount	Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	7,631	(53)	(53)	53	53
Receivables	7,120	(45)	(45)	45	45
Financial Liabilities					
Interest Bearing Liabilities	43,955	4	4	(4)	(4)
Total increase/(decrease)		(94)	(94)	94	94

(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 8 (b).

At 30 June 2011, the Corporation had no credit risk arising from investments. Exposure to credit risk from other financial assets is represented in the carrying amount of these assets in the Balance Sheet.

(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.

The Corporation's financial liability maturities are disclosed in the following table:

2010/11

Financial Instruments	Carrying Amount	6 months or less	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	5,206	5,206	-	-	-	-	-
Interest Bearing Liabilities	53,464	1,667	1,324	1,617	1,840	4,331	42,685
Total financial liabilities	58,670	6,873	1,324	1,617	1,840	4,331	42,685

Financial Instruments	Carrying Amount	6 months or less	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	8,243	8,243	-	-	-	-	-
Interest Bearing Liabilities	43,955	1,132	809	541	1,618	2,512	37,343
Total financial liabilities	52,198	9,375	809	541	1,618	2,512	37,343

The Receivables and payables exclude statutory amounts.

(d) Fair Valuation

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of 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 offered by the Treasury Corporation of Victoria to the Corporation.

The carrying amounts and aggregate net fair values of financial assets and financial liabilities at balance date have been provided in the following table.

Net Fair Value of Financial Assets and Liabilities

	2011	2011	2010	2010
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	6,278	6,278	7,631	7,631
Receivables	6,705	6,705	7,120	7,120
Total Financial Assets	12,983	12,983	14,751	14,751
Financial Liabilities				
Payables	5,206	5,206	8,243	8,243
Interest Bearing Liabilities	53,464	53,774	43,955	44,057
Total Financial Liabilities	58,670	58,980	52,198	52,300

Net market values of financial instruments are determined on the following basis:

Cash, receivables, payables are valued at their carrying amounts as this approximates net market value.

Interest Bearing Liabilities are valued by discounting the expected future cash flows at yields offered by the Treasury Corporation of Victoria at balance date.

Fair Value Measurement Hierarchy

The following table presents the Corporation's financial assets and liabilities measured and recognised at fair value by level of the fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) of indirectly (derived from prices), and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2011	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	6,278	-	-	6,278
Receivables	6,706	-	-	6,706
Total Financial Assets	12,984	-	-	12,984
Financial Liabilities				
Payables	5,206	-	-	5,206
Interest Bearing Liabilities	53,464	-	-	53,464
Total Financial Liabilities	58,670	-	-	58,670

3 REVENUE

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Operating Revenue comprises:								
General Tariff Charges	32,604	32,482	5,472	5,369	10,413	9,963	16,719	17,150
Government Pensioner Rate Reimbursement	1,658	1,503	599	547	1,018	903	41	53
Metered Charges	7,987	12,157	5,817	7,405	-	-	2,170	4,752
Trade Waste Charges	569	603	-	-	569	603	-	-
Customer Service Obligations	142	143	40	41	102	102	-	-
	42,960	46,888	11,928	13,362	12,102	11,571	18,930	21,955

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Income For Capital Purposes:								
Developer/Capital Contributions	2,395	3,908	1,069	1,384	998	1,843	328	681
Government Contributions	1,812	20	1,812	-	-	-	-	20
Scheme Contributions	178	7	-	6	178	1	-	-
	4,385	3,935	2,881	1,390	1,176	1,844	328	701

Income for developer/capital purposes are once off payments which may not occur in future periods.

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Other Revenue:								
Income from Fees	1,079	1,366	453	532	284	352	342	482
Rent/Lease Income	443	383	373	321	17	17	53	45
Government Contributions (Non Capital)	50	-	50	-	-	-	-	-
Sundry Income	1,732	452	110	72	311	298	1,311	82
	3,304	2,201	986	925	612	667	1,706	609

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(d) Interest Revenue comprises:								
Interest from cash and cash equivalents	126	122	25	-	22	-	79	122
Interest on Charges	337	349	-	-	-	-	337	349
Interest on Private Schemes	45	47	20	21	25	26	-	-
	508	518	45	21	47	26	416	471

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(e) Net gain/(loss) on disposal of non-financial assets								
Proceeds from sale of non-financial assets	1,151	736	321	205	273	175	557	356
Disposal of non-financial assets other than assets held for sale	(360)	(542)	(100)	(151)	(85)	(129)	(175)	(262)
Disposal of non-financial assets - assets held for sale	(458)	(288)	(128)	(80)	(109)	(68)	(221)	(140)
	333	(94)	93	(26)	79	(22)	161	(46)

4 EXPENDITURE

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Direct Expenses comprise:								
Labour	6,105	5,604	2,017	1,793	1,250	1,171	2,838	2,640
Bulk Water Maintenance Charge	4,526	3,691	550	525	-	-	3,976	3,166
Chemicals	1,310	509	1,269	403	28	92	13	14
Electricity	3,716	3,508	958	987	606	430	2,152	2,091
Water Allocation Purchases	2,747	219	2,747	219	-	-	-	-
Repairs and Maintenance	6,481	6,108	1,586	1,793	1,338	882	3,557	3,433
Depreciation & Amortisation Expense (Refer Note 5)	16,199	16,100	5,076	5,156	3,590	3,347	7,533	7,597
Lease/Rentals Expenses	65	85	55	54	7	6	3	25
Write off of Assets	-	1	-	1	-	-	-	-
Consultants	729	1,246	416	168	87	46	226	1,032
Other Expenses	1,494	946	288	341	240	299	966	306
	43,372	38,017	14,962	11,440	7,146	6,273	21,264	20,304

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Administration Expenses comprise:								
Salaries & Labour Oncost	7,669	7,121	2,355	2,202	1,950	1,794	3,364	3,125
External Audit Fees (Refer Note 27)	77	75	21	21	19	18	37	36
Bank Charges & Agency Collection Fees	205	198	58	55	48	47	99	96
Insurances	560	561	165	130	176	260	219	171
Environmental Contribution	1,427	1,327	533	534	455	454	439	339
Depreciation & Amortisation Expense (Refer Note 5)	1,084	1,099	384	389	327	331	373	379
Bad Debts, Doubtful Debts and Write Offs	396	802	73	53	88	19	235	730
Directors & Chair Allowance	151	148	42	41	36	35	73	72
Other Expenses	2,989	2,811	906	797	723	651	1,360	1,363
	14,558	14,142	4,537	4,222	3,822	3,609	6,199	6,311

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Finance Costs:								
Interest on Loans	2,681	881	-	-	1,322	146	359	735
Financial Accommodation Levy	547	265	-	-	345	63	202	202
	3,228	1,146	-	-	1,667	209	1,561	937

5 DEPRECIATION & AMORTISATION

Depreciation & Amortisation expense for the year:

	2011 \$'000	2010 \$'000
Depreciation		
Infrastructure	15,991	15,897
Buildings	206	202
Plant, Equipment and Vehicles	892	894
	<u>17,089</u>	<u>16,993</u>
Software Amortisation	194	206
	<u>17,283</u>	<u>17,199</u>
Allocated to direct expenses (Refer Note 4a)	16,199	16,100
Allocated to administration expenses (Refer Note 4b)	<u>1,084</u>	<u>1,099</u>
	<u>17,283</u>	<u>17,199</u>

6 INCOME TAX EXPENSE

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

	2011 \$'000	2010 \$'000
a. The components of tax expense comprise:		
Current Tax Payable	-	217
Deferred tax relating to temporary differences	(4,300)	754
Adjustments for current tax on prior periods	-	(350)
	<u>(4,300)</u>	<u>621</u>
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in Deferred Tax Asset	(6,175)	(261)
(Decrease)/Increase in Deferred Tax Liability	66,666	1,183
(Decrease)/Increase in Equity	<u>(64,791)</u>	<u>(301)</u>
	<u>(4,300)</u>	<u>621</u>

b. The prima facie tax on net result from ordinary activities before income tax is reconciled to the income tax as follows:

Net result from ordinary activities before income tax	(9,518)	2,512
Prima facie tax payable on net result from ordinary activities before income tax at 30% (2010: 30%)	(2,855)	754
Add tax effect of:		
Other non allowable items	29	32
Recoupment of losses	-	-
	<u>(2,826)</u>	<u>786</u>
Tax effect of:		
Other items of income and expenditure	<u>(1,474)</u>	<u>(165)</u>
Income Tax Expense recognised in the Comprehensive Operating Statement	<u>(4,300)</u>	<u>621</u>

7 CASH AND CASH EQUIVALENT ASSETS

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:

	2011	2010
	\$'000	\$'000
Cash on hand	3	1
Cash at bank	5,538	6,927
Investments due less than 3 months	737	703
	<u>6,278</u>	<u>7,631</u>

Cash on hand is non-interest bearing.

The Cash at bank are bearing floating interest rates between 4.00% and 4.25% (2010: between 2.5% and 4.00%).

8 RECEIVABLES

Receivables comprise of:

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Receivables:								
Tariffs & Charges	6,178	6,327	1,972	2,161	210	249	3,996	3,917
Scheme Debtors	396	395	116	106	280	289	-	-
Other Debtors	927	967	196	236	312	331	419	400
Provision for Impairment of Tariffs and Charges	(950)	(716)	(37)	(9)	-	-	(913)	(707)
Total Current Receivables	6,551	6,973	2,247	2,494	802	869	3,502	3,610
Non Current Receivables:								
Scheme Debtors	154	147	68	85	86	62	-	-
Total Non Current Receivables	154	147	68	85	86	62	-	-

(a) Provision for impaired receivables

As of 30 June 2011, receivables of \$949,983 (2010: \$716,088) were impaired. The individually impaired receivables are mainly related to urban residential tenancy debtors, and irrigation and drainage property debtors.

By way of protection afforded to Lower Murray Water via the *Water Act 1989*, the majority of the Corporation's property debtors are recoverable through the payment by the debtor or on sale of the property.

The ageing analysis of these receivables is as follows:

	2011	2010
	\$'000	\$'000
3 - 6 months	12	11
Over 6 months	938	705
	<u>950</u>	<u>716</u>

Movements in the provision for impaired receivables are as follows:

	2011	2010
	\$'000	\$'000
Opening balance at 1 July	(716)	(19)
Provision for impairment recognised during the year	(234)	(802)
Receivables written off during the year as uncollectable	-	105
Closing balance at 30 June	<u>(950)</u>	<u>(716)</u>

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

(b) Past due but not impaired receivables

As at 30 June 2011, receivables of \$4,853,997 (2010: \$3,878,552) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2011	2010
	\$'000	\$'000
0 - 3 months	1,691	784
3 - 6 months	230	767
Over 6 months	<u>2,933</u>	<u>2,328</u>
	<u>4,854</u>	<u>3,879</u>

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

(c) Fair value

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

Assessment of the non-current receivables reveals their carrying value is approximate to fair value.

9 INVENTORIES

Values as at 30 June, were:

	2011	2010
	\$'000	\$'000
Stores and Consumables	3,281	3,542
Sheep Stock	89	95
	<u>3,370</u>	<u>3,637</u>

10 ASSETS HELD FOR SALE

	2011	2010
	\$'000	\$'000
Balance 1 July - Land held for Sale	3,602	3,933
Land not treated as held for sale	-	(43)
Additions	3,943	-
Revaluation increment/(decrement)	1,079	-
Sales	<u>(458)</u>	<u>(288)</u>
	<u>8,166</u>	<u>3,602</u>

Land held for sale is where the board has determined to sell excess land held by the Corporation and sale is highly probable.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Classes of property, plant and equipment

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE		ADMINISTRATION	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - at valuation	13,045	6,067	2,245	1,721	4,802	2,364	4,051	260	1,947	1,722
Land - subsequent additions at cost	290	6,937	-	-	-	7	96	6,930	194	-
Total land at fair value	13,335	13,004	2,245	1,721	4,802	2,371	4,147	7,190	2,141	1,722
Buildings - at valuation	16,207	4,286	8,699	374	727	1,455	853	174	5,928	2,283
Buildings - subsequent additions at cost	1,705	2,614	15	43	674	21	1,016	356	-	2,194
Less: Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Total buildings at fair value	17,912	6,900	8,714	417	1,401	1,476	1,869	530	5,928	4,477
Infrastructure - at valuation	681,123	-	188,649	-	128,889	-	363,585	-	-	-
Infrastructure - at cost	50,210	600,718	2,444	197,932	45,172	135,115	2,594	267,671	-	-
Less: Accumulated depreciation	-	(161,462)	-	(27,928)	-	(18,291)	-	(115,243)	-	-
Total Infrastructure at fair value	731,333	439,256	191,093	170,004	174,061	116,824	366,179	152,428	-	-
Plant, Equipment & Vehicles	12,322	11,718	-	-	11	11	241	241	12,070	11,466
Less: Accumulated depreciation	(8,043)	(7,761)	-	-	(5)	(3)	(157)	(155)	(7,881)	(7,603)
Total plant, equipment and vehicles at fair value	4,279	3,957	-	-	6	8	84	86	4,189	3,863
Works In Progress at fair value	12,833	103,619	6,268	5,248	3,994	42,973	2,121	51,146	450	4,252
	779,692	566,736	208,320	177,390	184,264	163,652	374,400	211,380	12,708	14,314

Lower Murray Water's previous land, buildings and infrastructure revaluation by an independent valuer specialist was carried out as at 1 July 2004 by Currie and Brown. The revaluation saw an increase value of \$165,945,493 added to the deemed cost of the Corporation's asset base. The Corporation took the revaluation as "deemed cost" upon adoption of Australian equivalent to International Financial Reporting Standards (A-IFRS).

As required by FRD 103D, Lower Murray Water conducted an annual managerial assessment of land and buildings as at 30 June 2010. The annual assessment determined the fair value of land no greater than 10% with no fair value movement recognised. The annual assessment determined the fair value of buildings to be greater than 10% but less than 40% with a fair value movement of \$1,004,851 recognised.

Freehold land and buildings carried at fair value

An independent valuation of the Corporation's land and buildings was performed by Egan National Valuers (Vic) to determine the fair value of the land and buildings, with the effective date of 30 June 2011. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

Fair value was determined by analysing GST-free land sales in comparable proximity to the subject properties and allowing for shape, size, topography, location, zoning and other relevant factors specific to the land being valued. From the sales analysed, an appropriate \$-rate per square metre has been applied to the subject land. An allowance for Community Service Obligation for the risk associated with the removal of the public use restrictions of the various sites. The methodology employed to value the buildings was a mixture of market based direct comparison approach whereby the subject buildings are compared to recent comparable sales and the depreciated replacement cost method. The depreciated replacement cost method is used where the approach on market evidence is not suitable as the property is rarely sold except as part of a continuing business, or alternatively, the improvements are of a specialised nature and the market buying price would differ materially to the market selling price. The depreciated replacement cost is the cost of the asset considering the useful life of the asset and then making a deduction based on the condition of the asset and the used economic life of that asset.

Infrastructure carried at fair value

An independent valuation of the Corporation's infrastructure was performed by the Valuer-General Victoria who engaged AECOM to determine the fair value of the infrastructure. The valuation, which conforms to Australian Valuation Standards, determined fair value using the depreciated replacement cost method, with the current replacement costs based on the optimum modern equivalent in accordance with the relevant legislation, industry standards and guidelines. Where Lower Murray Water provided a reasonable condition assessment to AECOM, the remaining useful life of assets have been based on this condition assessment. Where no condition information is available, remaining useful life is estimated by subtracting the assets actual age (based on construction date) from its theoretical useful life.

The effective date of the valuation is 30 June 2011.

Plant, Equipment & Vehicles carried at fair value

For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

(b) Movements during the reporting period

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2010-2011	Balance 1 July	Additions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets held for Sale	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,004	290	-	(66)	-	4,031	(3,924)	13,335
Infrastructure	439,256	51	102,035	(112)	(15,991)	206,094	-	731,333
Buildings	6,900	3	6,004	(14)	(206)	5,225	-	17,912
Plant, Equipment, and Vehicles	3,957	1,807	13	(587)	(892)	-	(19)	4,279
Works In Progress	103,619	17,497	(108,283)	-	-	-	-	12,833
	566,736	19,648	(231)	(779)	(17,089)	215,350	(3,943)	779,692

2009-2010	Balance 1 July	Additions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets held for Sale	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	12,176	-	830	(45)	-	-	43	13,004
Infrastructure	446,984	1,016	7,216	(64)	(15,896)	-	-	439,256
Buildings	6,059	-	40	(2)	(202)	1,005	-	6,900
Plant, Equipment, and Vehicles	4,003	1,269	12	(432)	(895)	-	-	3,957
Works In Progress	49,286	62,431	(8,098)	-	-	-	-	103,619
	518,508	64,716	-	(543)	(16,993)	1,005	43	566,736

12 INTANGIBLE ASSETS

	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010-2011							
Software Development Costs	533	110	231	-	-	(194)	680
Water Licences	4,796	1	-	-	-	-	4,797
	5,329	111	231	-	-	(194)	5,477

	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
2009-2010							
Software Development Costs	387	353	-	(1)	-	(206)	533
Water Licences	4,796	-	-	-	-	-	4,796
	5,183	353	-	(1)	-	(206)	5,329

13 DEFERRED TAX ASSETS

	2011	2010
	\$'000	\$'000

The balance comprises temporary differences attributable to:

Amounts recognised in Comprehensive Operating Statement

Employee benefits	1,311	1,268
Other	335	301
Tax losses	19,096	12,998
	20,742	14,567

Movements

Opening balance at 1 July	14,567	14,307
Credited/(charged) to the Comprehensive Operating Statement	6,175	263
Under/(Over) Provision	-	(3)
Closing balance at 30 June	20,742	14,567

14 PAYABLES

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unsecured Liabilities:								
Trade and Accrued Creditors	4,283	7,224	1,195	1,495	1,024	841	2,064	4,888
Deposits	431	633	53	279	335	242	43	112
Advances for Works Program	384	69	-	-	-	-	384	69
Other	150	317	20	168	106	149	24	-
	5,248	8,243	1,268	1,942	1,465	1,232	2,515	5,069

15 INTEREST BEARING LIABILITIES

(a) Bank Loans expected to be settled within 12 months and after 12 months and more

	TOTAL		CURRENT (12 MONTHS)		NON-CURRENT (2 - 5 YEARS)		NON-CURRENT (5 YEARS PLUS)	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured:								
Loans	53,464	43,955	2,991	1,941	7,788	4,671	42,685	37,343
	53,464	43,955	2,991	1,941	7,788	4,671	42,685	37,343

Loans and Bank Overdraft are secured by the future revenue of the Corporation and a guarantee from the Treasurer of Victoria under the *Borrowings and Investment Powers Act 1987*.

(b) Credit Standby Arrangement with Banks

	2011	2010
	\$'000	\$'000
Credit Facility	735	192
Amount Utilised	-	-
Unused Credit Facility	735	192

16 EMPLOYEE BENEFITS

	TOTAL		CURRENT		NON-CURRENT	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave	1,462	1,351	1,462	1,351	-	-
Accumulated Sick Leave	15	22	15	22	-	-
Long Service Leave	3,025	2,998	2,663	2,632	362	366
Accrued Bonus	290	95	290	95	-	-
Aggregate Carrying Amount of Employee Benefits	4,792	4,466	4,430	4,100	362	366

Employee numbers at end of financial year: 171 (2010: 175)

Employee Benefit and related On-Costs

	TOTAL		CURRENT		NON-CURRENT	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave On-Costs	182	168	182	168	-	-
Long Service Leave On-Costs	421	418	371	367	50	51
Total On-Costs	603	586	553	535	50	51

Long Service Leave

The Corporation's legal liability to Long Service Leave attributable to its employees at 30 June, 2011 was \$3,024,733 which has been fully funded.

	2011	2010
	\$'000	\$'000
Current:		
Short term benefits, that fall due within 12 months after the end of the period measured at nominal value	2,519	2,391
Long term benefits that do not fall due within 12 months after the end of the period measured at present value	144	241
	2,663	2,632
Non Current		
Long Service Leave being less than 7 years of continuous service measured at present value	362	366
	3,025	2,998

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

	2011	2010
Weighted average increase in employee costs	4.60%	4.48%
Weighted average discount rates	5.14%	5.00%
Weighted average settlement period	13	13

17 PROVISIONS

	2011	2010
	\$'000	\$'000
Current		
Land Remediation	270	336
Creation of easements re High Pressure Irrigation Project	-	200
	270	536

Movement in Provisions

	Land Remediation	Other	Total
2010-2011			
Opening balance at 1 July	336	200	536
Payments	(66)	(200)	(266)
Closing balance at 30 June	270	-	270
2009-2010			
Opening balance at 1 July	450	386	836
Payments	(114)	(186)	(300)
Closing balance at 30 June	336	200	536

The provisions stated above have transferred from the former FMIT.

Land remediation is to fill in the channels replaced by the South Mildura High Pressure Irrigation project.

18 SUPERANNUATION

Lower Murray Water (LMW) makes employer superannuation contributions in respect of its employees to Vision Super. Vision Super has two categories of membership, each of which is funded differently.

Vision Super'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.

Vision Super's 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 reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119 *Employee Benefits*, LMW does not use defined benefit accounting for these contributions.

LMW 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, Defined Benefit Plan liabilities. LMW makes the following contributions:-

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

The Fund surplus or deficit (ie: the difference between fund assets and liabilities) is calculated differently for funding purposes (ie: calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for the AASB 119 disclosure in the Corporation's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Following an actuarial review conducted by the Trustee in late 2010, as at 31 December 2008, a funding shortfall of \$71 million for the Fund was determined. A call to Employers for additional contributions was made for the financial year 30 June 2011 with commitment from Employers from 1 July 2011. LMW was issued with an invoice for \$481,254 as our share of the shortfall. The invoice has been paid which has settled this funding call. A further actuarial review will be undertaken as at 31 December 2011 by mid 2012. Based on the result of this review, a detailed funding plan will be developed and implemented to achieve the target of full funding by 31 December 2013. LMW will be notified of any additional required contributions by late 2012.

Accounting Standard Disclosure

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

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

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

Net Investment Return	8.50% pa
Salary Inflation	4.25% pa
Price Inflation	2.75% pa

LMW makes employer superannuation contributions in respect of its employees to Emergency Services and State Super, which are classed as defined benefit schemes.

As per FRD 112C, the Victorian Government holds the responsibility for any unfunded liability for the Emergency Services and State Super schemes and is therefore responsible for reporting that liability.

Contribution details are shown in the following table:

Scheme	Type of Scheme	Employee		2011	2010
		Numbers	Rate	\$'000	\$'000
State Superannuation Board Revised Scheme	Defined Benefit	3	17.00%	33	31
State Superannuation Board New Scheme	Defined Benefit	6	9.5% - 10%	34	33
Vision Super	Defined Benefit	34	9.25%	218	223
Vision Super Saver	Accumulation	138	9.00%	713	713
Others	Various	11	9.00%	37	37
Total Contributions to all funds				1,035	1,037

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

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

19 DEFERRED TAX LIABILITY

	2011	2010
	\$'000	\$'000
Deferred tax liability comprises:		
Tax allowances relating to property, plant, and equipment	131,894	65,229
Current Tax Liability	(133)	(133)
Deferred Tax Liability	131,761	65,096

Movements

Opening Balance 1 July	65,096	63,913
Charged/(credited) to the Comprehensive Operating Statement	1,874	667
Under/Over Provision	-	348
Current Tax Liability	-	(133)
Charged/(credited) to equity	64,791	301
Closing balance 30 June	131,761	65,096

20 CONTRIBUTED CAPITAL

	2011	2010
	\$'000	\$'000
Opening balance 1 July	537,366	536,366
Capital transactions with the State in its capacity as owner arising from:		
- Capital Contributions	-	1,000
Closing balance 30 June	537,366	537,366

21 PHYSICAL ASSET REVALUATION SURPLUS

	2011	2010
	\$'000	\$'000
Movements in Physical Asset Revaluation Surplus		
Balance 1 July	703	-
Revaluation increment/(decrement)	215,971	1,005
Tax effect of revaluation increment/(decrement)	(64,791)	(302)
Balance 30 June	151,883	703

Movements by class

	2011	2010
	\$'000	\$'000
Land		
Balance 1 July	-	-
Revaluation increment/(decrement)	4,652	-
Tax effect of revaluation increment/(decrement)	(1,396)	-
Balance 30 June	<u>3,256</u>	-
Buildings		
Balance 1 July	703	-
Revaluation increment/(decrement)	5,225	1,005
Tax effect of revaluation increment/(decrement)	(1,567)	(302)
Balance 30 June	<u>4,361</u>	<u>703</u>
Works		
Balance 1 July	-	-
Revaluation increment/(decrement)	206,094	-
Tax effect of revaluation increment/(decrement)	(61,828)	-
Balance 30 June	<u>144,266</u>	-

22 ACCUMULATED FUNDS

	2011	2010
	\$'000	\$'000
Accumulated Funds at 1 July	(48,714)	(50,605)
Net Surplus/(Deficit) for the year after Income Tax Expense	(5,218)	1,891
Accumulated Funds at 30 June	<u>(53,932)</u>	<u>(48,714)</u>

23 EQUITY

	2011	2010
	\$'000	\$'000
Total Equity at 1 July	489,355	485,761
Total Other Changes in Equity Recognised in the Statement of Changes in Equity	145,962	3,594
Total Equity at 30 June	<u>635,317</u>	<u>489,355</u>

24 RECONCILIATION OF NET RESULT FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2011	2010
	\$'000	\$'000
Net result for the year after income tax	(5,218)	1,891
Add/(less) Non Cash Flows in Net result		
Depreciation/Amortisation	17,283	17,199
Income for Capital Purposes	(181)	-
Income Tax Expense/(Revenue)	(4,300)	621
Assets Written off	-	1
Loss/(Gain) on Disposal of Non-Current Physical Assets	(333)	94
	7,251	19,806
Changes in Assets & Liabilities:		
Decrease/(Increase) in Receivables	416	299
Decrease/(Increase) in Inventories	266	(349)
Decrease/(Increase) in Prepayments	2,608	215
Increase/(Decrease) in Payables & Provisions	(3,261)	422
Increase/(Decrease) in Employee Benefits	326	289
Net Cash provided by/(used in) Operating Activities	7,606	20,682

25 COMMITMENTS

Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable.

Capital Commitments for Incomplete Contracts

	2011	2010
	\$'000	\$'000
Payment due within one year	4,979	4,951

Other Commitments

	2011	2010
	\$'000	\$'000
Environmental Contribution		
Payment due within one year	1,377	1,327
Payments due between two to three years	1,377	2,654
	2,754	3,981

26 RESPONSIBLE PERSONS DISCLOSURE

(i) Names of Persons who were responsible persons at any time during the financial year ended 30 June, 2011:

The Hon T Holding MP	(01/07/10 to 01/12/10)
The Hon P Walsh MP	(02/12/10 to 30/06/11)
Mr M Tilley (Chairperson)	
Ms K Martin (Deputy Chairperson)	
Mr G Michell	
Mr P MacIntosh	
Ms L Burrows	
Ms E Ward	
Mr P Jones	
Mr R Leamon (Managing Director)	

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

During the year the following person(s) acted as Managing Director in Mr Leamon's absence:

Mr Kevin Murphy	- 10 days
Mrs Loris Davis	- 2 days

(ii) Total Remuneration received or due and receivable by responsible persons totalled \$423,254 (2010: \$413,372).

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

	2011	2010
\$1 - \$10,000	-	-
\$10,001 - \$20,000	6	6
\$30,001 - \$40,000	-	-
\$40,001 - \$50,000	1	1
\$250,001 - \$260,000	-	-
\$260,001 - \$270,000	-	1
\$270,001 - \$280,000	1	-
Total Numbers	8	8

(iii) Annual remuneration of Managing Director has been disclosed above.

(iv) Superannuation and other transactions:

Superannuation contributions have been paid on behalf of Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9%. Contributions of \$33,724 (2010: \$13,401) were paid on behalf of the Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9%.

(v) Other Transactions of Responsible Persons and Their Related Entities:

Water, Wastewater and Rural services were provided to responsible persons who reside within the boundaries of the Corporation under normal terms and conditions, no more favourable than to other parties.

There were no other transactions relating to responsible persons and related entities.

(vi) Retirement Benefits and Loans:

There were no other retirement benefits or loans provided to responsible persons during the year.

(vii) Executive Remuneration - The number of executives whose remuneration exceeded \$100,000 during the reporting period are shown below in the relevant income bands:

	Total Remuneration	
	2011	2010
\$100,000 - \$110,000	1	-
\$110,001 - \$120,000	-	-
\$120,001 - \$130,000	1	2
\$130,001 - \$140,000	1	-
\$140,001 - \$150,000	2	2
\$150,001 - \$160,000	-	1
\$160,001 - \$170,000	2	1
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	-	1
\$190,001 - \$200,000	1	-
\$200,001 - \$210,000	1	1
Total Numbers	10	9

	Base Remuneration	
	2011	2010
\$100,000 - \$110,000	-	-
\$110,001 - \$120,000	1	2
\$120,001 - \$130,000	2	2
\$130,001 - \$140,000	1	1
\$140,001 - \$150,000	1	1
\$150,001 - \$160,000	2	1
\$160,001 - \$170,000	-	1
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	1	-
\$190,001 - \$200,000	-	-
\$200,001 - \$210,000	-	-
Total Numbers	9	9

Total Remuneration received or due and receivable by the Executives listed above totalled \$1,558,136 (2010: \$1,414,615).

Total base remuneration is \$1,305,172 (2010: \$1,404,522)

27 AUDITOR REMUNERATION

	2011	2010
	\$'000	\$'000
Remuneration of Auditors		
Victorian Auditor General's Office - Audit Services	77	75
	77	75

28 EVENTS OCCURRING AFTER BALANCE 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.

29 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2011 the Board was aware of the following contingent items:

Five former FMIT Directors have served writs on Lower Murray Water seeking unspecified compensation for damages as a result of being defamed. The case is proceeding through preliminary hearings for trial at a time to be set.

The Corporation is insured for the legal costs incurred in defending the case and any compensation payments to the limit of \$500,000. The Corporation is unsure to the possible contingent liability as the value of compensation is dependent on the verdict handed down by the court.



Mildura (Head Office)
741-759 Fourteenth Street
PO Box 1438
Mildura 3502
Telephone 03 5051 3400
Facsimile 03 5051 3480

Kerang (Area Office)
56 Wellington Street
PO Box 547
Kerang 3579
Telephone 03 5450 3960
Facsimile 03 5450 3967

Swan Hill (Area Office)
73 Beveridge Street
PO Box 1447
Swan Hill 3585
Telephone 03 5036 2150
Facsimile 03 5036 2180

Email lmw@lmw.vic.gov.au

www.lmw.vic.gov.au