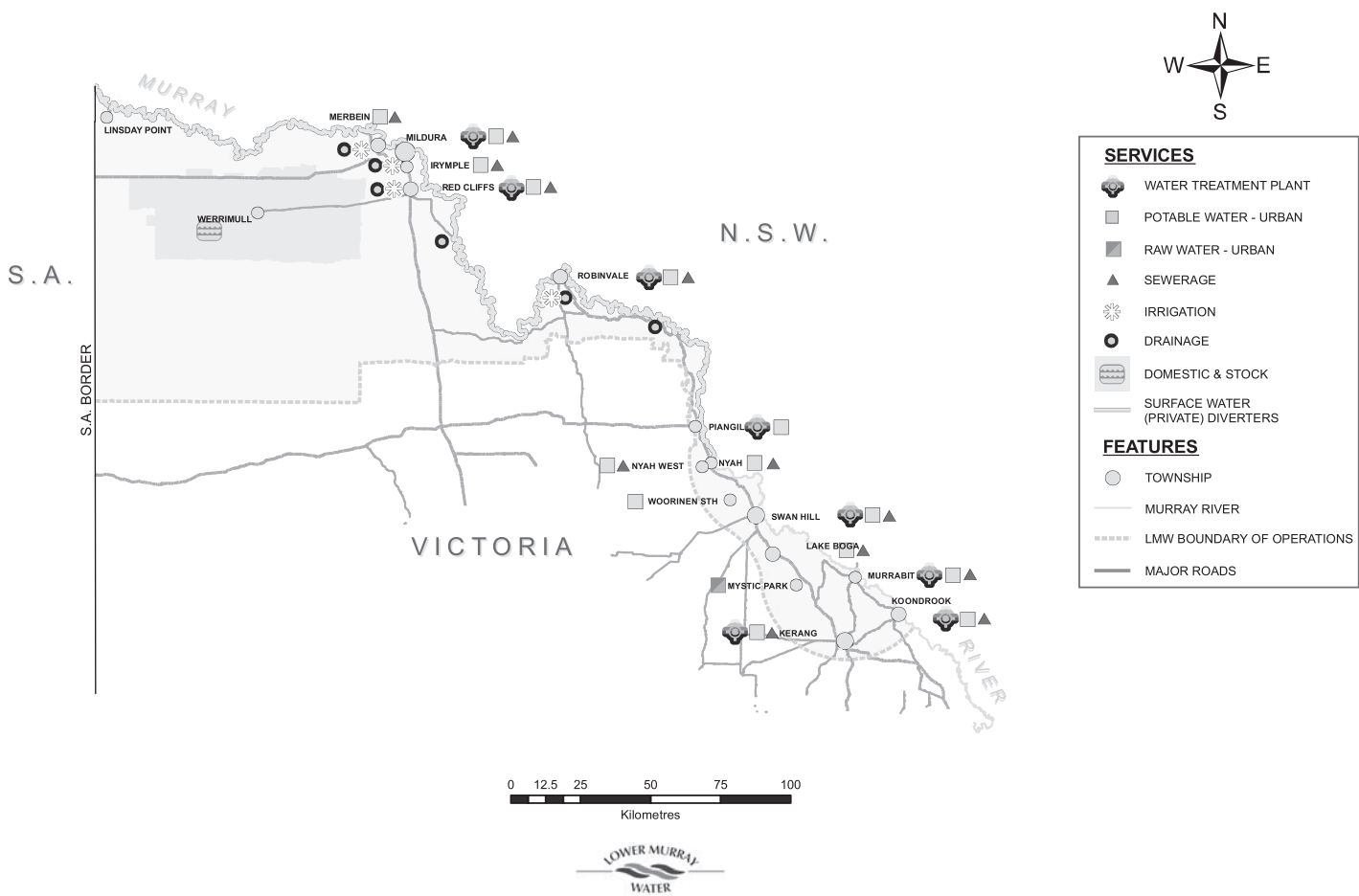




Annual Report 2012/13

Lower Murray Water Operating Area



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Our Profile

Our Establishment

Lower Murray Water 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. Peter Walsh MLA.

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 4,868 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura, the Millewa rural district and some areas of the waterworks district of Yelta;
- management of the region's rural bulk water entitlement of 358,826ML;
- the collection and disposal of subsurface drainage water from the four pumped irrigation districts, and Nangiloc, Robinvale and Boundary Bend diversers;
- ensuring drainage design in new agricultural developments conforms with salinity management plan development guidelines;
- management of the private diversion licences of 1,116 water users along the Murray River in Victoria between Nyah and the South Australian border;
- the assessment and approval of water share and allocation 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 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 Management**
To manage the Corporation's financial resources responsibly
- 7. Efficient Asset Provision and Management**
To manage the Corporation's assets responsibly
- 8. Responsible Corporate Governance**
To manage our business affairs in a manner consistent with the best standards of corporate governance

Our Objectives

Urban Water Supply

Objective	Objective Set	Action Taken
Provide quality potable drinking water in accordance with the <i>Safe Drinking Water Act 2003</i>	Strategic Plan	<ul style="list-style-type: none"> Continued to monitor Blue Green Algae in the Murray River, as convening agency, making appropriate public announcements as required Continued training of water treatment plant operators to further enhance skills and achieve compliance with Department of Health requirements Continued our program of all relevant staff having Australian Drinking Water Guidelines training Commenced refurbishment of clarifier at Swan Hill Water Treatment Plant, including steel and concreting works Automation of Robinvale Water Treatment Plant completed

Wastewater Treatment and Recycling

Objective	Objective Set	Action Taken
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 irrigation drainage water from the Red Cliffs Irrigation District to the Red Cliffs Golf Club for re-use Continuation of the use of reclaimed water from the Mildura Water Treatment Plant by Mildura Rural City Council for the irrigation of recreation reserves Providing improved quality of reclaimed water from Robinvale Wastewater Treatment Plant for fodder production using new, fixed overhead irrigation system
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"> Construction of approximately 2.6km of water and 2.0km sewer mains to service new subdivisions and properties in our service region Rehabilitation of 4.3km of sewer mains in our service region Replacement of approximately 4.6km of water mains in our service area
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"> Continuation of works on Kerang wastewater treatment plant (expected completion August 2013)

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 seasonal allocations	Strategic Plan	<ul style="list-style-type: none"> Completion of the Millewa Water Quality Project to provide cleaner water to Millewa customers and Lake Cullulleraine township customers Continued works regarding the Sunraysia Modernisation Plan, including submission of business case Upgrades to the pumps at Mildura Central and Red Cliffs irrigation pump stations commenced Continued with our capital works program across our irrigation districts Commenced installation of new low voltage supplies to district pump stations Changes to the water trading regulatory process at state level driven by our Licencing and Entitlements staff

Our Objectives

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 Goal 7	<ul style="list-style-type: none"> Continued our program of Director training, further enhancing board skills Attendance by our Chair and Managing Director at the annual Australian Institute of Company Directors' conference Continued regular OH&S committee meetings Continued annual inspection of 150 plus worksites as part of the Hazard Removal Program Continued program of meetings of Audit, Governance and Risk Management committees Undertaking of banking tender process leading to better terms and conditions Re-structure of engineering group resulting in internal resource efficiencies
To align the business objectives with Essential Services Commission principles	Strategic Plan	<ul style="list-style-type: none"> Water Plan 3 (2013-2018) approved by ESC in June 2013 Compliant ESC regulatory audit result

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 Continued to partner in the delivery of a project to reduce potential environmental impacts from pump infrastructure on the river Continued community education and awareness program for water conservation Continued to assist with the delivery of Environmental Flows to Cardross Lakes and the operation of the new 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 offsetting carbon emissions from flights Biodiversity – continue to manage threatened species (Hooded Scaly-foot lizard and the Murray Hardyhead fish) Waste production – continued with our waste management program, developing new aspects as available

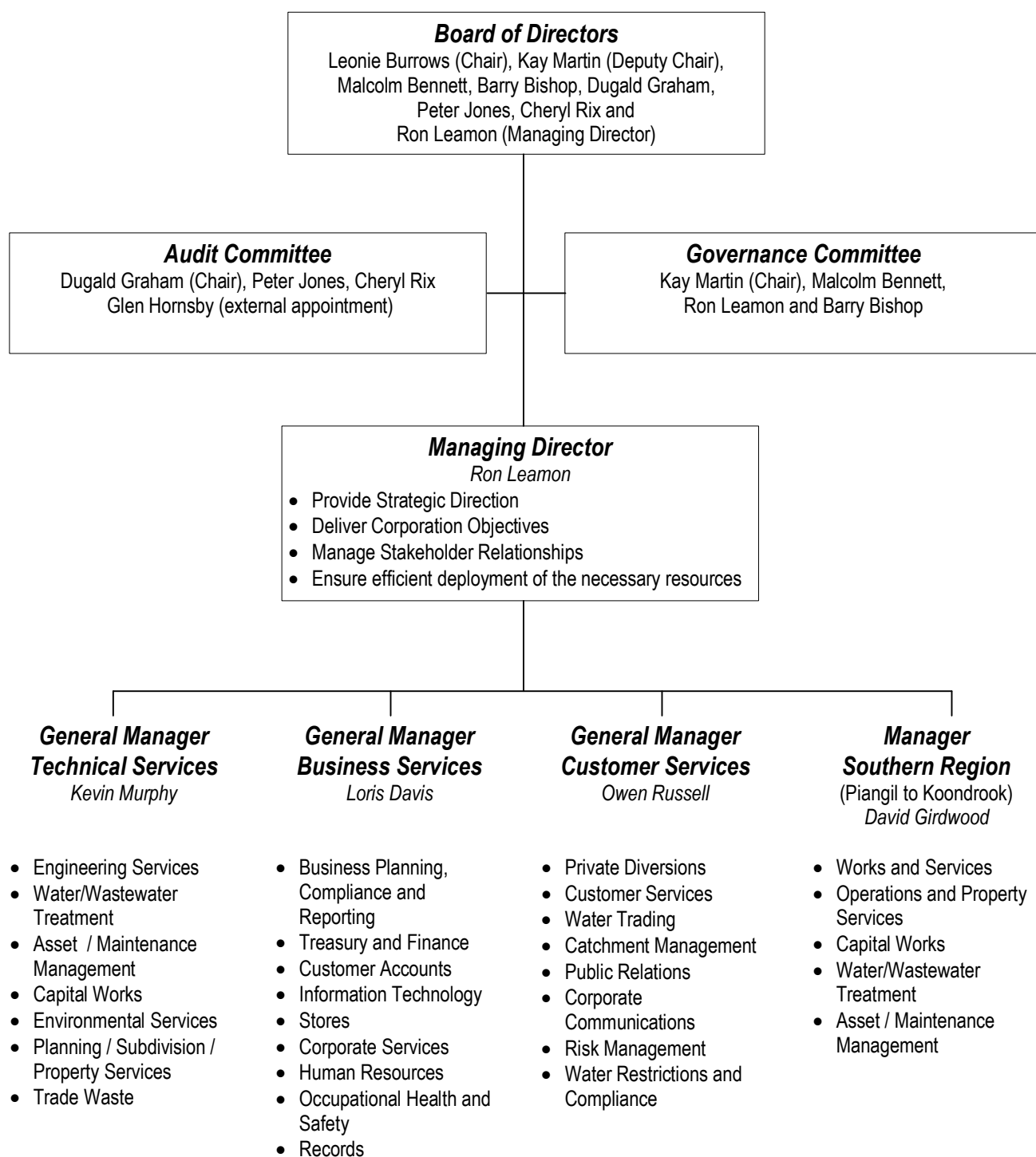
Our Objectives

Customer, Staff and Stakeholder

Objective	Objective Set	Action Taken
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 training of staff in various aspects of operations, including having our water treatment plant operators progressing processing through Certificate III in Water Industry Operations In line with our Study Leave and Training and Development Policies, 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"> Continued our program of Customer Service Advisory Committee (CSAC) and Customer Consultative Committee (CCC) meetings throughout the year Established the Strategic Advisory Committee Conducted the 2012/13 Customer Satisfaction surveys Conducted the Lower Murray Water Employee Satisfaction Survey
Increase awareness and understanding of water related issues in the entire community	Communications Strategic Plan	<ul style="list-style-type: none"> Continued the production of e-news “Inflow” to subscriber base Continued provision of education programs and activities for primary school children, including tours of our infrastructure Participated in a range of projects aimed to promote environmental awareness, including staging of an event during the Seniors’ Festival Continued involvement in National Water Week activities through: <ul style="list-style-type: none"> promoting the national poster competition Co-ordinating; and running an activity at, the local multi-agency event for primary school children Participated in the toilet retro fit program
Develop partnerships with local businesses and groups to education on water issues	Communications Strategic Plan	<ul style="list-style-type: none"> Relationships with media in our service area maintained throughout the year Responded to requests from schools for development of presentations and learning resources targeted to particular areas of the curriculum Continued our involvement with various agencies to promote water issues, including Sunraysia Riverwatch Board meets with Councils in our Southern region annually

Our People

Our Structure



Our People

Our Board

The Lower Murray Urban and Rural Water Corporation Board of Directors is comprised of seven Directors as appointed by the Minister for Water.

During the 2012/13 year changes to our Board comprised:

- May Ward and Geoffrey Michell concluded their terms with the Board on 30th September 2012
- Kay Martin was reappointed to the Board from 1st October 2013 to 30th September 2015
- Cheryl Rix and Barry Bishop were appointed to the Board from 1st October 2013 to 30th September 2015

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. 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

Leonie Burrows, Chair of our Board of Directors, 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 previous 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, Australian Citrus Growers; and Chief Executive Officer, 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. Leonie is the Chair of Sunraysia Community Health Service, Chair of Sunraysia Institute of TAFE and an external member of the Mallee Catchment Management Authority Audit Committee.

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 is a member of the Sunraysia Institute of TAFE board. Kay is Chair of our Governance Committee.

Malcolm Bennett Malcolm Bennett is a self employed dried fruit grower in the Merbein Pumped Irrigation District with an Associate Diploma in Mechanical Engineering. He was the former Chair of the Mallee Catchment Management Authority Mallee Irrigation and Environmental Community Advisory Committee. He is the Secretary of the Merbein Branch of Dried Fruits Australia.

Barry Bishop is a former Member of Parliament representing North Western Province. Mr Bishop was a former member of the Grain Elevators Board of Victoria and the Australian Wheat Board. He is a recipient of the Miles Bourke Award for services to agriculture by the Australian Grains Institute.

Dugald Graham is the former Chief Executive Officer of the Rural Finance Corporation of Victoria (2002-2010) following a 40 year career with the organisation. He is former Chair of the Central Victorian Agribusiness Forum (2006-2012). He is the President of the Sandhurst Club, Bendigo. Mr Graham has a Diploma of Agricultural Science, Bachelor of Economics, Associate Diploma Valuations and has completed the Harvard Business School Advanced Management Program. He is a Fellow of Certified Practising Accountants, is a member of the Australian Institute of Company Directors and is the Chair of our Audit Committee.

Peter Jones has a diploma of Horticultural Science from Burnley Horticultural College and has been an irrigator for over 35 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 a member of Mildura Christian College Board, a member of the MADEC Board and represents Lower Murray Water on the Mallee Catchment Management Authority Salt Accountability Action Committee.

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

Cheryl Rix is a director in a wine and dried fruit grapes and citrus irrigation farm. Ms Rix is the Program Manager for Northern Mallee Leaders and was the former General Manager Western Murray Irrigation Ltd. She has previously worked as a business consultant and was the Chair of the Lower Murray Darling Catchment Management Authority (New South Wales). Ms Rix is a member of the National Community Bank Strategic Advisory Board for Bendigo and Adelaide Bank's Community Bank Network. Ms Rix is also a board member of Wentworth District Capital Limited and Mildura Development Corporation. Ms Rix holds a Bachelor of Commerce and has completed the Australian Institute of Company Directors' Course. Ms Rix is a Chartered Accountant and a fellow of the Australian Rural Leadership Foundation.

Our People

Directors' Attendance at Meetings

Directors	Board	
	Eligible to attend*	Attended
Leonie Burrows	14	14
Malcolm Bennett	14	14
Barry Bishop ~	10	8
Dugald Graham	14	13
Peter Jones	14	14
Ron Leamon	14	13
Kay Martin	14	12
Geoff Michell #	4	3
Cheryl Rix ~	10	7
May Ward #	4	4

Directors Michell and Ward concluded their terms on 30th September 2012

~ Directors Bishop and Rix appointed to the Board effective 1st October 2013

* includes Strategic Planning Review Meeting in December 2012

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 2013, the Committee comprised Dugald Graham (Chair), Peter Jones, Cheryl Rix and Glen Hornsby, an external appointment to the Committee. The Committee met on five occasions in 2012/13. 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.

Directors	Audit Committee	
	Eligible to attend	Attended
Dugald Graham ~	5	5
Peter Jones	5	5
Geoff Michell ^	3	2
Cheryl Rix #	3	3

~ Director Graham appointed Chairman of the Audit Committee at the 18th October 2012 meeting

Director Rix appointed to the Board effective 1st October 2012

^ Director Michell concluded his term on 30th September 2012

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 2012/13:

- 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.

Directors	Governance Committee	
	Eligible to attend	Attended
Kay Martin (Chair)	3	3
Malcolm Bennett	3	3
Barry Bishop #	1	1
Ron Leamon	3	3
May Ward ~	2	1

Director Bishop appointed to the Board effective 1st October 2012

~ Director Ward concluded her term with the Board on 30th September 2012

Corporate Governance

Risk Management

I, Leonie Burrows, certify that Lower Murray Urban and Rural Water Corporation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000-2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. 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.



Leonie Burrows
Chair
30th August 2013

Our People

Our Chair and Managing Director

Chair's Overview

It is with some degree of satisfaction that I prepare this statement to the 2012/13 Annual Report. It has been a year of recovery and consolidation on a number of fronts.

Our regional economy is heavily influenced by and reliant upon the climatic conditions that we experience each year. While the longer term trends influence our overall water availability it is the annual weather outcomes that determine our region's fortunes each year.

2012/13 will be remembered for the unusually dry summer where annual crop demands and domestic garden watering requirements were up by as much as 30% above the norm. These increased water demands were necessary simply to satisfy plant or crop needs and were not reflective of excessive or wasteful watering practices.

In recognising these higher irrigation water needs the Minister for Water the Hon Peter Walsh sanctioned a 25 % increase in the approval Annual Use Limit (AUL) for crops grown throughout the region.

The higher water use this year assisted the Corporation in achieving a good trading result through the generation of additional revenue. This is a strong and clear signal that the best way to keep prices down is by generating higher levels of revenue through our existing fixed assets. The Board are cognizant of this dynamic and are pleased to see formerly dried off irrigation properties being brought back into production. We have observed this trend over the past two seasons and there are indications that it will continue. The basic fundamentals are in place to see our region re-establish itself in the horticultural sector.

As mentioned the trading result has been sound and although we show a small accounting loss in our Operating Statement it should be noted that this is an accounting loss based on the applicable Australian Accounting Standards. This is a major improvement on the prior year and has allowed us to fund a significant proportion of our statutory depreciation, being an amount of \$20 Million.

Our Board have been actively engaged in the strategic development of the Business Case for the Sunraysia Modernisation Project. This has involved taking several key decisions to provide direction and guidance to the development of the Business Case by Mildura Development Corporation (MDC).

MDC were engaged to prepare the Business Case due to their key role in regional development and their close linkages with all of the related sectors that stand to benefit from the project. A positive cost benefit ratio for the project was one of the vital due diligence criteria that had to be met in putting forward the best case for project funding. The Board are hopeful that this project will be approved in due course which will lead to a period of exciting capital works.

We welcomed two new Directors to our Board during 2012/13 being Directors Barry Bishop and Cheryl Rix. Both bring a diversity of experience to our group which has added to the range of views around the Board table. I would like to formally acknowledge and thank the two outgoing Directors, Geoff Michell and May Ward, who had variously served different periods of directorship.

We were collectively relieved to see the Murray Darling Basin Plan formally signed off in December 2012. This sign off ends the period of uncertainty that had shrouded the development of the Plan and had caused a level of nervousness for investors and bankers.

The Board have spent considerable time contemplating how to better engage with our rural customers and have developed a new engagement and consultation strategy. This has entailed the creation of a Strategic Advisory Committee in addition to a reformatted Customer Service and Advisory Committee for each service area.

This new structure commences from 1st July 2103 and is a new initiative across the water sector generally.

Our urban sector continues to trade strongly and is a quiet achiever in some regards. We have seen the commencement of an upgrade program to all our water treatment plants to enable them to deal with "poor raw water quality events" in our supply sources. Additionally we have completed a major re-configuration at the Kerang Wastewater Treatment Plant. While these projects are out of the public gaze they are strategically important and enable us to provide high quality urban services.

Finally and importantly, we have completed the Millewa Water Quality Improvement Project. This project will profoundly and positively affect the quality of life for all Millewa residents and will also greatly assist the farming community in their agricultural pursuits through the provision of clean water.

In closing may I thank my fellow Directors for their collegiality, my Deputy Chair Kay Martin for her support and guidance, the management group for pursuing our corporate objectives and the staff for their strong commitment to their tasks and their passion for our industry generally.



Leonie Burrows
Chair

30th August 2013

Our People

Our Chair and Managing Director

Managing Director's Overview

This last year has rapidly passed with a lot of time and effort put into planning and developing the Business Case for modernisation of our irrigation infrastructure in a project termed the Sunraysia Modernisation Project (SMP). This has consumed countless hours by several key staff.

SMP has been developed over nearly five years and has focused the executive group and many of the technical and operational staff on the outcomes and benefits of the project. Subject to Commonwealth approval it will have a three year delivery period and will provide many positive benefits for our customers, our business and our community.

While the project delivery work is happening the Board will also be contemplating the needs of the rural business after SMP. We need to have a robust plan for dealing with the remaining irrigation infrastructure. This may entail additional pipelining and/or state of the art channel lining.

The Board will also engage with the new Strategic Advisory Committee in relation to these future infrastructure needs.

We are already underway with upgrades to the Mildura Central and Red Cliffs Irrigation Pump Stations. These will form part of the broader SMP in the longer term and has enabled us to mitigate some major risks at these sites.

Corporation staff have been actively involved in the planning and delivery of these and other capital works projects across our region.

We are constantly looking for more improved and efficient ways of going about our business and I wish to highlight several notable examples.

Our Swan Hill staff have been extremely industrious using the local swimming pool as a substitute water treatment settling tank while the "real thing" at the Water Treatment Plant was being overhauled. These staff also developed an automatic sludge monitoring and control system that will save significant amounts of water at this plant.

Mildura operations staff developed a simple sludge removal process at the new Koorlong Wastewater Treatment Plant which is substantially cheaper to operate than the "industry standard" method.

Staff in our Licencing and Entitlements group have driven changes to the regulatory water trading processes and procedures at the State level. These have expedited the process of water transfers to the point where it is almost as quick as the proverbial "push of a button." This is a major improvement for irrigators who regularly use the water market.

We have undertaken tendering for services in the banking area which has led to better terms and conditions and we have utilised a whole of sector energy contract to obtain competitive energy prices.

The management component of our engineering group has been restructured and we have welcomed two new people into this area. Likewise we have re-distributed the supervisory roles of staff in the civil and maintenance areas such that the more senior staff in this area can focus on job planning and organisation. This latter change will also lead to cross skilling of our leading hands across all irrigation districts as well as across the urban/rural interface. Both changes are planned to deliver internal efficiencies by allowing key personal to focus on productive resource utilisation. These objectives are prescribed in staff key performance measures that flow down from the Corporation's Strategic Plan.

The above are examples of our continued push for efficiency gains. I would like to thank the many staff that have been involved in the improvements that have been made to our business during the last twelve months.

There has been a disproportionately high amount of staff turnover this year. This is due to several key retirements and the extremely sad events associated with the passing of two of our longer term staff.

I would like to formally record and recognise the extensive years of service of Don Howarth in our Swan Hill Office and Rex Tretheway from our Mildura Office. Both gentlemen died while in our employment. They were consciously and actively engaged in their respective employment activities as their health declined. This engagement provided them with meaningful occupancy and personal distraction during their final months. They will be sadly missed by their close colleagues.

The task of management has been strongly supported by the Board and the clear direction that it has set for the business. On behalf on the management group I thank the Chair and Directors for their support as well as offering our thanks to all staff for their application to their respective tasks and the work ethic they have applied.



Ron Leamon
Managing Director

30th August 2013

Our People

Our Staff

Workforce Philosophy

We strive to provide an equitable working environment and to foster an atmosphere where staff contribution and achievement is recognised and accredited. We aim to have a workforce representing our community's ethnic, 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 an employer of choice.

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 employees have attended Records, Privacy, Customer Charters, Environment, Risk, Liability, Insurance and OH&S awareness sessions during 2012/13. Ongoing regulatory OH&S, environmental, risk management, public liability and water treatment training is scheduled and have continued to be a high priority for us. Our Water Treatment employees are nearing completion of, or have recently completed, Certificate III in Water Industry Operations. Employees are encouraged to undertake tertiary studies and we have policies that provide employees with paid study leave and reimbursement of fees for relevant approved courses. We have employees currently enrolled in Bachelor of Arts, Bachelor of Information and Technology and Systems, Bachelor of Technology (Information Systems) and Bachelor and Master of Engineering degrees.

Staff Trends and Profiles

	2012			2013					
	Male	Female	Total	Male		Female		Total	
				Head count	FTE	Head count	FTE	Head count	FTE
Executive	4	1	5	4	4	1	1	5	5
Administration	17	30	47	17	16.84	31	28.07	48	44.91
Operations	77	0	77	76	76	1	1	77	77
Engineering/Technical	33	2	35	33	32.08	3	2.63	36	34.71
Sub-total	131	33	164	130	128.92	36	32.7	166	161.6
Vacancies			1					0	0
Totals			165					166	161.6

Age group	Male		Female		Total	
	Head count	FTE	Head count	FTE	Head count	FTE
15-24 yrs	7	7	1	1	8	8
25-34 yrs	15	15	3	2.68	18	17.68
35-44 yrs	25	25	13	10.67	38	35.67
45-54 yrs	45	45	10	9.42	55	54.42
55-64 yrs	36	35.64	9	9	45	44.64
65-65+ yrs	2	1.28	0	2	2	3.28
Total	130	128.92	36	32.77	166	161.69

The staff turnover rate for 2012/13 was 6.8%.

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 2012/13.

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. We recognise that OH&S is not only important but it is integral to all business activities. As a Corporation we accept and understand our responsibilities under Commonwealth and State legislation, Regulations and Codes of Practice. We have a proactive Northern and Southern OH&S Committee that are well supported by management and these Committees have a direct influence on OH&S outcomes. The Committees assist 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 Committees meets regularly to discuss OH&S matters, share knowledge and practices and suggest where improvements can be made within the organisation. This year we significantly increased our focus on the health aspect of OH&S. This was facilitated and supported by a grant from WorkSafe for a "Health and Wellbeing program". A Health and Wellbeing committee was established and with their enthusiasm and drive the program was extremely successful. Nine activities were implemented and a number of staff have continued on with these activities. Our annual OH&S awareness sessions have continued and are presented to all staff and contractors to promote a continual and proactive focus on health and safety within the workplace. 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. We continue to identify and remove hazards which are a result of effective consultation between staff, supervisors and management. The number of hazards removed now exceeds 1,000 over the past six years. 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	2011/12	2012/13
Days Lost - Workcover	16.5	45.5
- per FTE	00.1	0.28
Number of Lost Time Injuries	4	6
Lost Time Injury Frequency Rate *	12	21
Percentage of annual Workplace Inspections completed	100%	100%

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

We had eight reported injuries for the 2012/13 financial year. Six out of these eight injuries resulted in lost time.

Our Customers

Our Urban Customers

We provide urban water services to approximately 60,000 customers in 14 townships via nine treatment plants along the Murray River in Victoria from Kerang to Mildura and provide wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants.

Our Urban and Wastewater Statistics 2012/13

	Note	Residential Assessments		Non Residential Assessments		Total Assessments	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		1,767	755	329	184	2,096	940	1,139	1,021	82	944	121	1,667	501
Koondrook		424	165	57	22	481	187	255	212	26	185	138	421	74
Lake Boga	1	419	212	54	38	473	250	0	0	0	0	0	305	45
Mildura	2, 3	17,863	8,937	2,147	2,490	20,010	11,427	12,645	12,085	658	10,408	121	18,568	3,293
Murrabit		42	17	13	6	55	23	35	30	7	25	141	39	10
Mystic Park	4	12	6	3	1	15	6	13	0	0	8	159	0	0
Nyah	1, 5	296	154	42	53	338	206	0	0	0	0	0	143	79
Nyah West	1, 5	254	134	35	24	289	158	0	0	0	0	0	227	0
Piangil		97	48	19	48	116	96	106	104	8	88	120	0	0
Red Cliffs		1,449	634	171	654	1,620	1,289	1,274	1,296	8	1,038	123	1,250	0
Robinvale		775	349	196	141	971	490	554	538	48	516	107	754	231
Swan Hill		4,770	2,055	859	861	5,629	2,917	4,240	3,946	312	3,346	127	4,482	1,271
Woorinen Sth	1	152	88	16	16	168	104	0	0	0	0	0	0	0
Totals		28,320	13,554	3,941	4,536	32,261	18,090	20,261	19,233	1,149	16,558	122	27,856	5,503

All figures have been rounded to the nearest whole numeral

Note 1: Supplied from Swan Hill

Note 2: Includes Merbein and Irymple for water

Note 3: Includes Merbein, Irymple and Koorlong for wastewater

Note 4: Water supplied is raw, non-potable

Note 5: Sewer volume collected figures only

Production loss and non-revenue water—raw water to metered water: 10.7%

Non-revenue water—treated water to metered water: 6.3%

Our Rural Customers

We provide river quality water services to 4,868 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 Yelta. In addition we manage the private diversion licences of 1,116 water users along the Murray River in Victoria between Nyah and the South Australian border. Irrigation water usage statistics for the year ended 30th June 2013 are shown in the section titled "Our Bulk Entitlements, Transfer of Water Entitlements, Allocations and Licences and Irrigation Water Usage".

Improvements in Water Quality for Our Customers

In July 2013 the Minister for Water officially opened the Millewa Water Quality Project. Through this project clean water is now being provided to customers in the Millewa region, including Lake Cullulleraine township, via a network of approximately 450km of existing pipeline. The benefits to households include cleaner water for improved clothes washing and bathroom use and longer serviceable lives for hot water heaters. There are cost benefits to farmers as chemical effectiveness is enhanced through the use of cleaner water. The overall attractiveness of the region as a place to live will also be enhanced and the amenity for tourists and visitors to the area improved. The \$3.2M project was partially funded by the Small Towns Water Quality Fund providing \$1.24M with Lower Murray Water meeting the balance. The land for the pump station and settling lagoons site was generously provided by Treasury Wines at nominal cost.

Our Customers

Customer Consultation

Strategic Advisory Committee (SAC)

In the 2012/13 year a new advisory committee was formed. The Strategic Advisory Committee (SAC) will provide advice directly to the Board on overarching water policy at local, State and Federal level as well as advice on strategic direction and long term planning issues that affect irrigation based customers across our whole region. The term of membership of the SAC has been set at four years with a two year rotation of half the members. Formal meetings of the SAC commenced in July 2013.

Customer Service Advisory Committee (CSAC)

Established in accordance with the *Water Act 1989*, we have in place six Customer Service Advisory Committees (CSAC) representing the Pumped Districts of Mildura (FMID), Merbein, Red Cliffs and Robinvale, the Millewa Rural District and the Private Diverters between Nyah and the South Australian border. Each of the CSAC has a membership of six customers. With the recent formation of the Strategic Advisory Committee (SAC), there will be an expanded role for the CSAC commencing in the 2013/14 year which will include liaising with fellow irrigation customers who may be having operational issues or problems. This will provide us with a new level of customer interaction.

CSAC Members' Attendance at Meetings July 2012 to June 2013

CSAC Members	Meetings Eligible to attend	Attended	CSAC Members	Meetings Eligible to attend	Attended	CSAC Members	Meetings Eligible to attend	Attended
Merbein			Millewa			Red Cliffs		
David Beard	7	7	Ian Arney	6	4	Ian Gowers	4	3
Stephen Bennett	4	4	Neil Boord	6	3	Greg Hutchison	4	2
Larry Dichiera	4	4	Kevin Coogan	6	4	Frank Pedulla ^	7	7
Alan Greatz	4	3	Ron Hards ^	6	6	John Piccirillo	7	3
Roslyn Hudson	4	4	Allen Harmer	6	5	John Strangio	4	0
Richard Wells ^	7	6	Stuart Thomson	6	2	Adrian Thompson	4	2
Mildura			Private Diverters			Robinvale		
Robert Bate	4	3	Ian Keens	2	2	Don Albanese ^	4	4
Steven Frasca	4	4	Tim Millen	3	2	Ian Boyd	3	3
Joe Ietto	4	0	Andrew Young ^	3	2	Lindsay Camera	3	2
Ashley Johnstone	7	4	Vacancy			Frank Constantino	4	4
Warren Lloyd ^	7	7	Vacancy			Cossy Giofelle	3	2
Rodney Trigg	4	3	Vacancy			Ken Stringer	3	3

^ denotes Chair of Committee

Customer Consultative Committees (CCC)

The northern and southern urban customers of our region are represented on a combined Customer Consultative Committee (CCC). The committee met three times in the 2012/13 year to discuss water quality and supply; and issues relating to our Water Plan, including matters such as service standards, pricing and capital works.

CCC Members' Attendance at Meetings July 2012 to June 2013

Member	Meetings Eligible to attend	Attended
Brendan Barry	3	2
Geoff Quinn	3	3
Graeme Hayes	3	1
Graeme Jilbert	3	1
Colin Myers	3	2
Deborah Quinn	3	2
Dione Thompson	3	2
May Ward ~	1	1

~ May Ward concluded her term as Director on 30th September 2012

Our Customers

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 2012/13 Residential Customer Satisfaction rating was 68.09%, with the 2012/13 Rural Customer Satisfaction rating being 58.78%. These levels remain consistent with past seasons. Within the surveys feedback was provided about the proposed cost increases that were being linked to the Draft 2013/18 Water Plan for both the urban and rural parts of our business.

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 2012/13	Overall Water Industry	Lower Murray Water
Enquiry	101	0
Unassisted Referral	534	3
Assisted Referral	1,276	7
Real Time Resolution	96	1
Stage 1	79	1
Stage 2	109	1
Stage 3	10	0
Totals	2,205	13

Our Commitment to our Environment and Our Region

Environmental Sustainability

Efficiency of irrigation systems

During 2012/13 we commenced a major capital works program to upgrade rural pump stations, involving upgrades to the electrical and pumping systems, changing the pumps from high voltage to low voltage and providing variable speed drives for the pumps. Expected to cost \$13 million, the works program for the pump stations in the irrigation districts of Merbein, Red Cliffs and Mildura will provide better surety and efficiency in irrigation supply. It will eliminate the risk of a major failure from the very old electrical control equipment. This equipment has served the districts very well over many years, but it is well beyond its 'use by' date and poses unacceptable risks to both irrigation supply and employee safety. This work is continuing over the 2013 winter period.

Water Recycling

We continue to encourage sustainable reuse schemes to reduce raw water extracted from the Murray River.

Water is reclaimed from our Wastewater Treatment Plants (WWTP) in accordance with EPA Guidelines. Highlights include:

- Koorlong WWTP delivering Class C reuse water for use on high value horticulture. Both population growth within Mildura district and surrounds and the diversion of flows from the older Mildura WWTP means that volume of water available for reuse is increasing gradually. Planning has also commenced for diversion of flows from the Merbein WWTP
- Mildura WWTP continues to use wastewater for the irrigation of tree lots, permanent pastures and fodder
- Robinvale WWTP providing an improved quality of reclaimed water for fodder production using the new, fixed overhead irrigation array

We also facilitate reuse of water from our Water Treatment Plants (WTP):

- Reclaimed water from the Mildura West WTP is used at the Mildura Golf Club
- Reclaimed water from the Mildura WTP is used by Mildura Rural City Council for the irrigation of recreation reserves. We are also investigating use of this water for small scale horticulture

Reuse of irrigation drainage water is also available, notably:

- Red Cliffs Golf Club shandy drainage water with fresh water for use on the fairways and greens

Water Supply Demand Strategy (WSDS)

The WSDS was endorsed by our Board in March 2012. The key focus of this strategy is the purchasing of water entitlements to cover urban water usage in the future. As per the schedule within the strategy, the purchasing is scheduled to commence in 2030.

Water Conservation—Community Education / Awareness Programs and Activities

Sunraysia Riverwatch

We are proud to be a member of Sunraysia Riverwatch (SRW). SRW is a community program that aims to assist in the protection of the river and its environment. SRW is dedicated to increasing appreciation of the river environment so that it is better preserved for the benefit of current and future generations.

Etiwanda Wetlands Community Day

As part of National Water Week, the Mildura Rural City Council held a free community day at the Etiwanda Wetlands; which included displays from various agencies, guided walking and bike tours, birdwatching activities and children's activities with an environmental theme. We provided merchandise for giveaways on the day.

Seniors' Festival Event

In conjunction with the Mildura Rural City Council's annual Seniors' Festival in October 2012, we held a morning tea event for approximately 50 seniors which included presentations by guest speakers and tours of our waterwise gardens. Upon arrival, all participants were provided with a 'goody bag' containing waterwise products, information and vouchers from local businesses. The event was well received and will be repeated in October 2013.

Toilet Retrofit Program

As part of a Victorian state wide program, in conjunction with Select Solutions, we offered a toilet retrofit program during 2012/13. The program offered customers the opportunity to replace their single flush toilet, or inefficient dual flush toilet, with a new water efficient dual flush toilet. Due to Select Solutions bulk buying, toilets were offered at a discounted rate; and installation was arranged for the customer thereby simplifying the process. The program saw 41 toilets replaced in our service area within the financial year. Our involvement with this program will conclude in September 2013.

Education Programs for School Students

Interactive Environmental Primary School Activity

In conjunction with Mildura Rural City Council, Riverwatch, Waterwatch, Landcare, Mildura Regional Waste Management Group and the former Lower Murray Darling CMA, we held an interactive event on the student free entry day of the Mildura Show (Thursday 18th October 2012). During the event, which ran from 10am to 2.30pm, 336 students ranging from Prep to Grade 6 participated in three activities each in an hour long session. At the last activity each child collected a show bag of items relating to the activities and agencies involved in the day. We were the co-ordinating agency for the event and in addition we ran our interactive 'oversized' board game 'Water Wisdom with Dripster' which was very well received.

National Water Week poster competition

As part of the celebrations of National Water Week 2012, we encouraged all primary schools in our service region to take part in the national poster competition. As an added incentive, 12 local artworks were chosen to make up a calendar which was then distributed to schools early in the 2013 school year. In the 2012 competition we received over 280 entries from two schools.

Dripster's Super Water Saver Education Program

Launched in September 2011, this education program has been very popular. In response to feedback from teachers, during 2012/13 we have been working to make portions of the full education program available as modules. One of the modules is the Dripster Super Water Saving Game as a tabletop version. All modules (including the game) are customised to the appropriate age group.

Our Commitment to our Environment and Our Region

Tours of infrastructure

In August 2012, students from the Mildura Specialist School toured one of our Water Treatment Plants to learn about the treatment process from raw water extraction to ready to drink water.

Major Water Users

We have one customer who is “not a natural person, and who has water supplied by the water corporation for purposes that are not farming, irrigation or domestic purposes”, at a volume that is equal to or greater than 300ML and less than 400ML per annum. Treasury Wine Estates Ltd (Lindemans Karadoc Winery) is part of the waterMAP and EPA Victoria’s Environment and Resource Efficiency Plan (EREP) programs and had submitted compliant annual reports as part of these programs.

Statement of Obligations

Effective 16th September 2012, the Statement of Obligations issued under the *Water Industry Act 1994* details our obligations regarding performance and functions; including Environmental Management.

Environmental Flows

Both Koorlong Lakes and Cardross Lakes drainage basins are under our management. In 2012/13, up to 1,000ML of water was made available by the Victorian Environmental Water Holder (VEWH) for priority watering actions in Cardross Lakes and up to 300ML for Koorlong Lakes. The water was used to achieve environmental outcomes, namely the protection of the Murray Hardyhead fish. We provided professional assistance to VEWB and Mallee Catchment Management Authority (CMA) in delivering these flows.

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 our 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 2012/13 year.

Regional Catchment Strategy

The Mallee Regional Catchment Strategy 2013-19 (RCS) was released in June 2013. The RCS is the key planning document that sets regional priorities for land, water and biodiversity management. It provides overall direction for investment, and supports all regional stakeholders in co-ordinating their efforts. We will continue to assist in the implementation of the Mallee RCS, working with the Mallee CMA on new irrigation development approvals, salinity management and environmental projects, including participation on committees that provide technical support and monitor the projects emanating from the Regional Catchment Strategy.

Victorian Biodiversity Strategy

Integrated invasive plant and animal control continues at all our sites, notably control of Weeds of National Significance through a partnership with Mallee CMA. Our Koorlong Offset Site (25ha of high value vegetation) continues to be actively managed and restored. The Sunraysia Bird Observers’ Club report a large and varied number of bird species using the site.

The Hooded Scaly-foot (HSF) (*Pygopus schraderi*) is a legless lizard up to 500mm in length. It is so named because the forelimbs are absent, the hindlimbs are reduced to scaly flaps, and the darker head gives a hooded appearance.

The HSF is listed as critically endangered under the Victorian *Flora and Fauna Guarantee Act 1988*. There are only six known populations in Victoria. We continue to contribute to the conservation of this species through monitoring and protection work of the population at the Mildura West Water Treatment Plant (WTP).

Detailed monitoring (spotlight transects) completed in summer 2013 confirmed the lizard is still present at the WTP, although in very low numbers. Our environmental works program includes rabbit and weed control, and repair of eroded/scalded land.

The Murray Hardyhead (*Craterocephalus fluviatilis*) is a small fish (40-65mm) that can complete its annual life-cycle in highly saline environments such as drainage basins. The Hardyhead is listed as threatened under the Victorian *Flora and Fauna Guarantee Act 1988* endangered under the Federal *Environment Protection and Biodiversity Conservation Act 1999*. Two irrigation basins managed by Lower Murray Water contain the only populations of Murray Hardyhead remaining in the Mallee region and we continue to carry out weed control in the area and facilitate delivery of environmental water. We continue to work with the Department of Environment and Primary Industries (formerly DSE) and Mallee CMA to manage Mallee populations of this threatened species.

Victorian River Health Strategy

A new Victorian Waterway Management Strategy (VWMS) is being developed to replace the Victorian River Health Strategy. The VWMS is currently in draft form with the final strategy expected to be released in August 2013. The new Strategy provides an integrated framework for management and policy direction for waterway health across the state. We are participating in a project to manage risks associated with delivery of environmental water in Victoria, an Action of the draft VWMS.

The VWMS also informs the development of the Mallee Regional Waterway Strategy. The Mallee RWS (2013-21) is currently under development and as a key stakeholder, we are assisting with identifying high value waterways and priority management actions. We already contribute to the annual preparation of Environmental Water Delivery Plans for Koorlong and Cardross Basins (key habitat for Murray Hardyhead fish).

In terms of on-ground works, we strive to achieve healthy rivers, streams and floodplains through our own works and by supporting our partner agencies. A joint initiative between Lower Murray Water, Parks Victoria and the Mallee CMA is assisting to reduce environmental impacts to the river frontage from erosion, rubbish or proliferation of tracks. The project is in its fourth year and has seen assessment of 587 individual pump sites with a range of rehabilitation works completed.

We were also actively involved in the design and construction of an environmental regulator in Kings Billabong Park. The environmental regulator was completed in June 2013 and will allow the Billabong to again experience variation in water levels which will have great ecological benefits, while our customers will continue to have full access to irrigation water. We will operate the regulator, with the first partial drawdown of the Billabong scheduled for winter 2014.

Our Commitment to our Environment and Our Region

The refurbishment of the Kerang Wastewater Treatment Plant is expected to be completed in August 2013. The works will improve the operation of the plant, decrease significantly any current leakage from the lagoons to groundwater and improve the quality of the treated wastewater entering Fosters Swamp. Fosters Swamp is part of the Kerang Ramsar Wetlands and research has indicated the greatest risk to the Swamp is increasing salinity. Flows of treated wastewater have low salinity and provide a net positive benefit, particularly to the migratory birds that use the area.

Office-based Environmental Impacts

Procurement

Our procurement policy provides clear direction to ensure 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

Electricity Use

Energy used from electricity at our Kerang, Mildura and Swan Hill offices was 13,415MJ or 4.4 tCO₂-e per FTE. We are committed to purchasing accredited Green Power and at our Mildura office in the 2012/13 year Green Power comprised 54% of total kWh consumed.

Paper Use

We continued to monitor our paper use throughout 2012/13. During this period we purchased 1,533 reams of A4 copy paper for our northern offices. This represents 10.6 reams per FTE. In keeping with our environmental aims, we seek wherever possible to obtain our copy paper from renewable sources. During the 2012/13 year 1,161 reams were sourced from paper recyclers which represents more than 76% of all the paper purchased throughout the year.

Corporate Water Consumption

Water consumption at our Fourteenth Street, Mildura complex for the 2012/13 year totalled 8,579kl. This is the gross total consumption figure and includes our corporate facilities, garden and lawn irrigation, water used in the workshop and warehouse, and water used in the plant wash-down facility. This represents 59.45kl per FTE or 694 litres per square metre of office area.

Greenhouse Gas Emissions

Our net greenhouse gas emissions for 2012/13 were 39,007 tCO₂-e. Our gross emissions for urban water and wastewater were reduced by 5,152 tCO₂-e from the purchase of accredited Green Power. Our net figure is an overall increase of 4,085 tCO₂-e compared to the 2011/12 net emissions.

Operational Area	2008/09	2009/10	2010/11	2011/12	2012/13
	(tCO ₂ -e)				
Irrigation supply and drainage	16,793	14,480	13,241	21,987	27,093
Urban water treatment and supply	6,313	5,337	5,311	6,383	7,519
Sewage treatment and supply	6,411	6,311	9,061	10,725	10,294
Transport and stationary fuel	702	717	887	805	774
Corporate offices	529	628	773	744	716
Green Power	0	-4,371	-4,313	-3,481	-5,152
Sequestered from tree plantations	-2,080	-2,080	-2,140	-2,240	-2,240
NET TOTAL	28,668	21,022	22,820	34,923	39,004

The increase in Greenhouse Gas Emissions was attributable to increased emissions for pumping urban water (extra 1,136 tCO₂-e) and irrigation water (extra 5,107 tCO₂-e). This corresponded with an increased volume of water delivered, in particular demand for irrigation water has returned to pre 2007/08 volumes. These increases were partially offset by greater purchases of Green Power and reduced electricity consumption in our offices and emissions from transport.

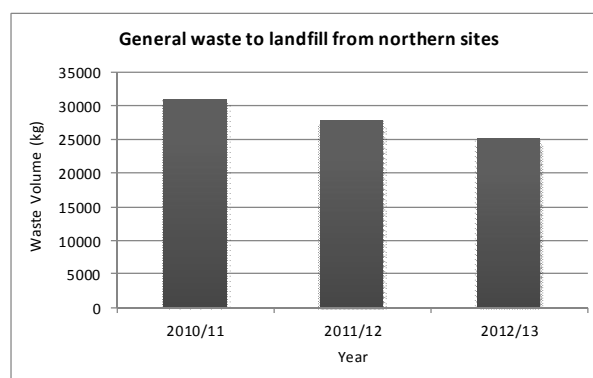
In 2012/13, we continued our significant commitment to offsetting our emissions. We purchased 4,329 MWh of accredited Green Power at a cost of \$269,161. Accredited Green Power is equivalent to over 13% of our total electricity consumption.

Waste Production and Management

We continue our commitment to the recycling of as much of our waste as possible. During 2012/13, our amount of waste to landfill declined further, continuing the trend of the past few years as greater quantities of waste are diverted to various recycling streams.

General waste

We are committed to the principles of reduce, reuse and recycle. Our emphasis on waste reduction strategies is reflected in the continuing decline in the amount of general (non-recyclable) waste generated. The combined total of waste at all our northern sites fell by 9% during the past year. At the Fourteenth Street complex the total amount of waste that was disposed of into landfill was 19,273kg or 133.3kg per FTE. This figure includes the waste generated by the work shop and the maintenance crews.



Our Commitment to our Environment and Our Region

Recyclables

Our emphasis on recycling was continued during 2012/13. Our waste procedure is continuously monitored and new opportunities for recycling are adopted as and when they arise. At our Fourteenth Street complex, 29% (or 5,541kg) of all waste produced in 2012/13 went into various recycling streams.

Fluorocycle

We recycle all used fluorescent tubes and lamps across all our sites. This initiative completely removes used fluorescent lamps from the general waste stream, thus preventing their toxic compounds leaking into the environment. All our used fluorescent tubes and lamps are packaged securely for consignment to a metropolitan recycling facility.

drumMUSTER

We are a participant in the *drumMUSTER* program. This important volunteer initiative seeks to divert chemical drums from the general waste stream. Empty drums are appropriately cleaned, rinsed and stockpiled for collection by *drumMUSTER*. Drums are then reused by industry. During 2012/13, we delivered 71 drums to *drumMUSTER*.

Waste Oil

We recognise waste oil as a valuable resource. We continue our support of the local municipal oil recycling programs by recycling all waste oils and hydraulic fluids from our facilities. We send all waste oils to local municipal recycling stations from where it is sent to a refinery for reprocessing and reuse.

Work Boots

We recently entered into a partnership with a local workwear business to recycle used footwear. As part of this arrangement we hold used boots from our staff for collection by the business who sends the boots away for recycling. Boots and shoes are broken down and the materials they contain are used in the manufacturing of mats and other non-slip floor coverings. Although we are only trialling this arrangement at this stage, it illustrates our commitment to find new uses for old materials and to minimise the generation of waste that ends up in landfill and has proved popular with staff to date.

Recycled Waste	2009/10	2010/11	2011/12	2012/13
Commingled (kg)	1,763	1,110	1,084	1,384
Paper (kg)	14,758	5,514	7,073	4,157
Printer cartridges (kg)	-	66	34	69
Batteries (kg)	1,100	798	2,470	1,845
Scrap metal (kg)	18,200	34,050	71,340	12,120
Styrofoam (m ³)	14	6	9	12
Fluorescent lamps (kg)	-	-	-	54

Transportation

During the 2012/13 period we purchased carbon emission offsets for 42,511 kilometres of air travel. This equates to neutralising the impact of more than 6.786 kg of carbon emissions into the atmosphere.

Social Sustainability

Community Service Obligations

	2011/12	2012/13
Concessions to Pensioners	\$1,874,793.90	\$2,002,103.13
Haemodialysis Life Support Machine Water Concessions	\$190.06	\$204.32
State Revenue Office Rebates	\$180,577.40	\$165,558.56
Utility Relief Grants Scheme	\$4,891.52	\$9,085.13
Hardship Relief Grant Scheme for Sewerage Connections	#	#
TOTAL	\$2,060,452.88	\$2,176,951.14

figures are not available to Lower Murray Water (payments go directly to plumber if customer is successful)

Our Financial Summary

Financial Review

Our region experienced a dry year which resulted in significant increase in water usage and income from same compared to the past few years. Overall expenditure was down even though there was a rise in power costs (\$1.6M) and that depreciation forms a considerable portion of expenditure being \$24M. We ended the year with a better trading position than last year (\$8.8M), a loss of \$3.1M after tax. We saw a decrease in Income for capital purposes – developer contributions, from \$2.7M in 2011/12 to \$1.9M in this year. Operations and maintenance expenditure increased from the previous year which was driven by an increase in spillable water account charge of \$2M and increased electricity charges as mentioned above. We invested \$21.6M in capital works projects during 2012/13. Infrastructure, plant, equipment and buildings total \$777.3M. New loans of \$10M were taken out during the year.

Our projections for the next five years are based on continued delivery of capital works, particularly around reducing our risk on some critical rural infrastructure and retrofitting urban water plants to improve water quality against “black water”/poor water quality events in our source of supply, the Murray River. Financial modelling shows that we will continue to improve our trading position and return a profit result in the next five year period. Rural services are recovering from past extended adverse operating conditions.

The water industry's Financial Sustainability Working Group has recently released an issues paper “Financial Sustainability in the Water Sector in Victoria” to identify options to address issues with regards to definitional differences between regulatory and statutory accounting which will also assist in addressing water sector wide accounting issues raised by the Auditor General in his report to Parliament.

Summary of Financial Results

Financial Summary	2008/09 \$ '000	2009/10 \$ '000	2010/11 \$ '000	2011/12 \$ '000	2012/13 \$ '000
Core Business Revenue	42,729	46,888	42,960	51,248	59,023
Capital Contributions	2,089	3,915	2,573	2,713	1,968
Government Contributions	123	20	1,812	475	324
Other Revenue	3,123	4,994	4,295	3,337	3,976
Total Revenue	48,064	55,817	51,640	57,773	65,291
Direct Expenditure	21,121	21,917	27,173	27,155	29,146
Administration Expenditure	11,827	13,043	13,474	16,860	12,851
Depreciation Expense	16,940	17,199	17,283	22,858	23,964
Borrowing Cost Expenses	255	1,146	3,228	3,601	3,734
Other Expenses	0	0	0	0	0
Total Expenditure	50,143	53,305	61,158	70,474	69,695
Net result before tax	-2,079	2,512	-9,518	-12,701	-4,404
Current Assets	28,007	24,884	24,799	24,322	25,146
Non Current Assets	538,185	586,779	806,065	804,774	808,135
Total Assets	566,192	611,663	830,864	829,096	833,281
Current Liabilities	12,791	14,820	12,939	16,696	15,048
Non Current Liabilities	67,640	107,488	182,608	185,651	192,054
Total Liabilities	80,431	122,308	195,547	202,347	207,102
Net cash flow from operations	7,134	20,682	7,606	10,718	18,932
Payments for property, plant and equipment (including infrastructure)	33,996	64,715	19,275	18,098	20,869

Summary of Financial Performance

Performance Indicator	2008/09	2009/10	2010/11	2011/12	2012/13
Internal Financing Ratio	N/A	N/A	41.63%	58.37%	87.68%
Gearing Ratio	0.70%	7.19%	6.35%	7.03%	7.66%
Interest Cover (EBIT)	2.94	5.00	-2.50	-3.00	-0.30
Interest Cover (Cash)	N/A	32.00	2.00	2.40	6.70
Return on Assets	-0.59%	0.53%	Not supplied as a performance indicator		
Return on Equity	-0.57%	0.39%	Not supplied as a performance indicator		

Our Financial Summary

Loan Liability as at 30th June 2013

LOAN NO	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
WATER DISTRICT						
TCV29873		13 - 14	2,000,000.00	2.800	0.00	2,000,000.00
TOTAL WATER DISTRICT			2,000,000.00		0.00	2,000,000.00
TOTAL LOAN LIABILITY - WATER DISTRICT			2,000,000.00		0.00	2,000,000.00
SEWERAGE DISTRICT						
TCV1		10 - 41	20,000,000.00	5.835	724,375.84	19,275,624.16
TCV6298		11 - 14	1,000,000.00	5.135	0.00	1,000,000.00
TCV6299		11 - 15	1,000,000.00	5.180	0.00	1,000,000.00
TCV6300		11 - 16	1,000,000.00	5.350	0.00	1,000,000.00
TCV6301		11 - 17	1,000,000.00	5.450	0.00	1,000,000.00
TCV6302		11 - 18	1,000,000.00	5.545	0.00	1,000,000.00
TCV6303		11 - 19	1,000,000.00	5.590	0.00	1,000,000.00
TCV6304		11 - 19	1,000,000.00	5.640	0.00	1,000,000.00
TCV6305		11 - 20	1,000,000.00	5.740	0.00	1,000,000.00
TCV6306		11 - 21	1,000,000.00	5.790	0.00	1,000,000.00
	Oncall		0.00		0.00	0.00
TOTAL SEWERAGE DISTRICT			29,000,000.00		724,375.84	28,275,624.16
TOTAL LOAN LIABILITY - SEWERAGE DISTRICT			29,000,000.00		724,375.84	28,275,624.16
ROBINVALE SEWERAGE DISTRICT						
3		73 - 13	250,000.00	6.900	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						
26		73 - 13	100,000.00	6.400	100,000.00	0.00
28		73 - 13	100,000.00	7.400	96,225.28	3,774.72
TOTAL SWAN HILL SEWERAGE			200,000.00		196,225.28	3,774.72
TOTAL LOAN LIABILITY - SWAN HILL			200,000.00		196,225.28	3,774.72
FIRST MILDURA IRRIGATION DISTRICT						
13		08 - 13	1,050,000.00	6.382	1,050,000.00	0.00
14		08 - 15	1,050,000.00	6.315	0.00	1,050,000.00
TCV15656		12 - 22	1,000,000.00	4.755	0.00	1,000,000.00
TCV17908		12 - 16	1,000,000.00	3.450	0.00	1,000,000.00
TCV29877		13 - 21	1,000,000.00	4.260	0.00	1,000,000.00
TCV29878		13 - 23	1,000,000.00	4.545	0.00	1,000,000.00
TCV29879		13 - 23	2,000,000.00	4.600	0.00	2,000,000.00
TOTAL MILDURA IRRIGATION			8,100,000.00		1,050,000.00	7,050,000.00
RED CLIFFS IRRIGATION DISTRICT						
TCV29874		13 - 16	1,000,000.00	3.215	0.00	1,000,000.00
TCV29875		13 - 17	1,000,000.00	3.475	0.00	1,000,000.00
TOTAL RED CLIFFS IRRIGATION			2,000,000.00		0.00	2,000,000.00
ROBINVALE IRRIGATION DISTRICT						
TCV1		10 - 41	20,000,000.00	5.835	724,375.80	19,275,624.20
TCV17909		12 - 18	1,000,000.00	3.760	0.00	1,000,000.00
TCV17915		12 - 20	1,000,000.00	4.010	0.00	1,000,000.00
TCV17921		12 - 22	1,000,000.00	4.220	0.00	1,000,000.00
TCV29876		13 - 18	2,000,000.00	3.705	0.00	2,000,000.00
TOTAL ROBINVALE IRRIGATION			25,000,000.00	21.53	724,375.80	24,275,624.20
TOTAL LOAN LIABILITY - IRRIGATION			35,100,000.00		1,774,375.80	33,325,624.20
TOTAL LOAN LIABILITY - CORPORATION						63,855,023.08
<i>LESS separately held Loan Redemption Reserves as at</i>					30-Jun-13	\$0.00
TOTAL ADJUSTED LOAN LIABILITY - CORPORATION						63,855,023.08

Our Performance Reporting

Our Performance Report is prepared pursuant to section 51 of the *Financial Management Act 1994* under the direction from our Minister, the Honourable Peter Walsh MLA.

As part of the report of operation, the Performance Report details actual results achieved compared with targets for specified performance indicators. Where there is a significant variation between a business plan target and the actual performance result, a variation report stating the reasons for the difference is included.

This Performance Report consists of two parts:

- Indicator Definitions
- Indicator Results and Notes on Variations

The notes provide explanations for significant variations from target. For financial performance indicators, a significant variation is one where the actual result varies from the target by more than ten percent. For service and environmental performance indicators, a significant variation is one where the actual result varies from the target by more than five percent.

Indicator Definitions

Financial performance indicator definitions

F1	Internal Financing Ratio	Net operating cash flow - dividends / capital expenditure
F2	Gearing Ratio	Total debt (including finance leases) / total assets
F3	Interest Cover (EBIT)	Earnings before net interest and tax expense / net interest expense
F4	Interest Cover (Cash)	Cash flow from operations before net interest and tax payments / net interest payments

Service environmental performance indicator definitions

S1 . Water supply interruptions

S1.1	One interruption per year (number)	Number of customers receiving at least 1 unplanned interruptions in the year
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S2. Interruption time indicators

S2.1	Water supply - unplanned (minutes)	Average duration of unplanned water supply interruptions
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S3. Restoration of water supply

S3.1	Unplanned water supply interruptions restored within 5 hours (%)	The number of unplanned interruptions restored within five hours expressed as a percentage of the total number of unplanned interruptions
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S4. Reliability of sewerage collection services indicators

S4.1	Number of Sewer spills from reticulation and branch sewers (Priority 1 and 2)	<p>Sewer spills from reticulation and branch sewers. Priority 1 spills are those that result in:</p> <ul style="list-style-type: none"> - A public health concern - Significant damage to property - A discharge to a sensitive receiving environment - A discharge from a sewer pipe that is 30 mm diameter or greater; or - A flow >80 L/min <p>Priority 2 spills are minor failures to contain sewage within the sewerage system. They are also any spill affecting several users that results in minor property damage or a surcharge outside a building that does not pose a health risk</p>
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S5. Containment of sewer spillages

S5.1	Sewerage spills contained within 5 hours (%)	The number of sewer spills contained within five hours expressed as a percentage of the total number of sewer spills
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S6. Customer complaints indicators

S6.1	Water quality (number)	Water quality complaints per 1,000 water customers
S6.2	Sewerage service quality and reliability (number)	Sewerage service quality and reliability complaints per 1,000 sewerage customers
S6.3	Billing (number)	Billing complaints per 1,000 water customers
S6.4	Sewerage odours (number)	Sewerage odour complaints per 1,000 sewerage customers

E1. Reuse indicators

E1.1	Effluent reuse (volume)	Effluent reused as a percentage of the volume of treated wastewater available for reuse
E1.2	Biosolids reuse (dry mass)	Biosolids reused as a percentage of the dry mass of biosolids extracted from the treatment system

E2. Sewerage treatment standards

E2.1	Level of compliance with licence agreements (%)	Number of analyses complying with licence agreements as a % of samples. This is based on compliance with monthly notifications limits within each licence
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Our Performance Reporting

Financial Performance Indicators

Ref	Performance indicator	Notes	2011/12 Result	2012/13 Result	2012/13 Target	Variance %
F1	Internal Financing Ratio	1	58.37%	87.68%	46.2%	90%
F2	Gearing Ratio	2	7.03%	7.66%	9.3%	-18%
F3	Interest Cover (EBIT)	3	-3.00	-0.3	-1.0	-67%
F4	Interest Cover (Cash)	4	2	6.7	5.4	24%

Note 1: Mainly due to the capitals works program not proceeding as planned, predominately in the rural area while we await the federal Government's grant funding decision. The change from 2011/12 to 2012/13 was due to increase in water usage income resulting from the dry/hot year our region experienced

Note 2: The Corporation's debt is \$64M against the forecast \$78M. Borrowings were not drawn down as forecast due to the capital works program not proceeding as planned, predominately in the rural area while we await the federal Government's grant funding decision. The change from 2011/12 to 2012/13 was due to an increase in debt as a proportion to fund capital works

Note 3: The Corporation's result was better due to greater than forecast water usage income resulting from the dry/hot year our region experienced. This applies to the difference between years

Note 4: The Corporation's result was better due to greater than forecast water usage income resulting from the dry/hot year our region experienced. This applies to the difference between years

Service and Environmental Performance Indicators

Performance Indicator		Notes	2011/12 Result	2012/13 Result	2012/13 Target	Variance %
Water supply interruptions						
S1.1	One interruption per year (number)		4597	4681	4857	-4%
Interruption time indicators						
S2.1	Water supply - unplanned (minutes)	1	55	50.5	59	-14%
Restoration of water supply						
S3	Unplanned water supply interruptions restored within 5 hours (%)		99.0%	100.0%	99.6%	0.4%
Reliability of sewerage collection services indicators						
S4.1	Number of Sewer spills from reticulation and branch sewers (Priority 1 and 2) <i>A small increase in the number of spills occurred within the Southern and Northern regions which are not attributed to any specific factors</i>	2	10	27	14	93%
Containment of sewer spillages						
S5	Sewerage spills contained within 5 hours (%)		100%	100%	100%	0%
Customer complaints indicators						
S6.1	Water quality (number)	3	1.31	0.074	1.79	-96%
S6.2	Sewerage service quality and reliability (number) <i>Sewer complaints are relative to the number of sewer spills experienced</i>	4	0.18	0.031	0.10	-69%
S6.3	Billing (number) <i>Lower Murray experienced a higher number of billing complaints regarding water usage due to the region experiencing dry weather conditions</i>	5	3.19	4.06	1.00	306.0%
S6.4	Sewerage odours (number)	6	0.11	0.062	0.19	-67.4%

Note 1: Our actual result is the lowest in 5 years, it is anticipated that our long term main replacement program may be contributing to a less main break severity. This applies to the difference between years

Note 2: Fittings on one line (Merbein to Koorlong) have begun to deteriorate which has resulted in a sharp increase in the number of minor leaks. A small increase in the number of spills occurred within the Southern and Northern regions which are not attributed to any specific factors. The Merbein-Koorlong line is the difference between years

Note 3: We received less complaints than the previous year due to no Black Water events occurring. An instrument replacement program along with optimising chemical dosing has also contributed to water quality improvements

Note 4: Sewer complaints are relative to the number of sewer spills experienced. In 2011/12 there was sewer rehabilitation in the southern region which affected the number of reliability complaints compared to 2012/13

Note 5: We experienced a higher number of billing complaints regarding water usage due to the region experiencing dry weather conditions. This applies to the difference between years

Note 6: We experienced two complaints for the year compared to three in 2011/12 and investigations resulted in no further action being taken

Our Performance Reporting

Performance Indicators

	Performance Indicator	Notes	2011/12 Result	2012/13 Result	2012/13 Target	Variance %
E1	Reuse indicators					
E1.1	Effluent reuse (volume)					
	Koorlong	1	94%	94%	100%	-6%
	Kerang		0%	0%	0%	0%
	Koondrook		0%	0%	0%	0%
	Lake Boga		0%	0%	0%	0%
	Merbein	2	0%	0%	1%	0%
	Mildura	3	41%	87%	100%	-13%
	Murrabit		0%	0%	0%	0%
	Nyah/Nyah West		0%	0%	0%	0%
	Robinvale	4	55%	56%	100%	-44%
	Swan Hill		0%	0%	0%	0%
E1.2	Biosolids reuse (dry mass)		0%	0%	0%	0%
E2	Sewage treatment standards					
E2.1	Number of analyses complying with licence agreements as % of samples					
	Koorlong	5	96%	94%	100%	-6%
	Kerang	6	92%	48%	100%	-52%
	Merbein	7	0%	0%	100%	0%
	Mildura	8	78%	83%	100%	17%
	Robinvale	9	92%	44%	100%	56%

- Note 1** The reported reuse volume for Koorlong does not include evaporation losses of 1.1% and water reused on site for tree watering (estimated 1%) of the overall treated volume
- Note 2** The reuse amount was limited to 1% due to the Biological Oxygen Demand noncompliance and failure of the irrigation system
- Note 3** The increase in the reuse percentage at Mildura Wastewater Treatment Plant is attributed to the reduction in the plant's inflows in contrast with the reuse quantities, resulted from the diversion of a significant amount of wastewater from the Mildura sewer network to Koorlong Wastewater Treatment Plant. This applies to the difference between the years
- Note 4** The increase in the reuse percentage at Robinvale Wastewater Treatment Plant is attributed to the installation and commissioning of an irrigation system at the Wastewater Treatment Plant in the last quarter of this calendar year
- Note 5** Four E.Coli results were high due to recontamination of the storage lagoon due to abundant bird life
- Note 6** Twenty six E.Coli results were above the discharge limits due to the construction/expansion works and the plant being partly operational. The plant was fully operational in 2011/12
- Note 7** Minimum water was reused during 2012/13 (< 1 ML) year due to the failure of the irrigation system to operate
- Note 8** One suspended solids result was high due to algal blooms. There were two suspended solids results due to algal blooms in 2011/12
- Note 9** Five Biological Oxygen Demand results were high due to algal blooms, however, the filtered Biological Oxygen Demand result for same samples indicated < 5 mg/L. This applies to the difference between the years

Our Performance Reporting

CERTIFICATION OF PERFORMANCE REPORT FOR 2012/13

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect of the 2012/13 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 Performance Report to be misleading or inaccurate.



L Burrows
Chair

30th August 2013



R Leamon
Managing Director

30th August 2013

INDEPENDENT AUDITOR'S REPORT

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

The Performance Report

The accompanying performance report for the year ended 30 June 2013 of Lower Murray Urban and Rural Water Corporation which comprises the indicator definitions, indicator results, the related notes and the certification has been audited.

The Board Members' Responsibility for the Performance Report

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

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

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

Independent Auditor's Report (continued)

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.

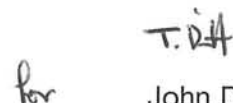
Opinion

In my opinion, the performance report of the Lower Murray Urban and Rural Water Corporation in respect of the 30 June 2013 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 Report

This auditor's report relates to the performance report of the Lower Murray Urban and Rural Water Corporation for the year ended 30 June 2013 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 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 performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
2 September 2013


for John Doyle
Auditor-General

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

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.

On the 1st of July 2013 an amendment of the Lower Murray Water Murray Irrigation Bulk Entitlement and Victorian Environmental Water Holders Flora and Fauna Bulk Entitlement was approved by the Minister for Water, the Hon Peter Walsh MLA.

Urban

The total Lower Murray Water Urban Bulk Entitlement (UBE), including water shares, is now 31,742.5ML of High Reliability water plus 216ML of Low Reliability. There was no amendment to the UBE and no water was returned from 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 four 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. We undertake to periodically calibrate our bulk extraction meters to ensure compliance with our Bulk Water Entitlement. The urban area of our region was on Permanent Water Savings Rules for the 2012/13 year. There was no permanent transfer of any part of our UBE. There was 23,221.9ML of allocation from the UBE traded out in the season. There was 2,630.5ML of allocation traded into our UBE.

Irrigation

Our customers transacted water share and allocation trades (temporary and permanent) and these are reported in this section of our annual report. The amount of water taken by holders of licences can be found in the data on the following pages. Our total Irrigation Bulk Water Entitlement (BWE) totalled 358,826ML of High Reliability Water. We complied with our two Irrigation BWE in the current season and no new bulk entitlement was granted to us with respect to the River Murray. Whilst no change to our BWE occurred in 2012/13 a new Bulk Entitlement was approved on 1st July 2013 which amends our Bulk Entitlement to remove some volumes associated with losses to the Robinvale Irrigation District and the Carwarp/Yelta Waterworks District. This will be reported in the 2013/14 season. No new irrigation district off-take points were agreed to, or used, in the past season. No new installation of pipe or channels was made to return water into the River Murray. We provided the Cardross Basin with 1,000ML and the Koorlong Lakes with 300ML of environmental water for biodiversity purposes. This water allocation was held by the Victorian Environmental Water Holder. Within the season we assigned a total of 4ML to two stock and domestic customers from a rural Bulk Entitlement provision held by us.

Irrigation Water Demands

This season saw above average irrigation demand in the region. This was due to the hot summer period and below average rainfall. Customers received a 100% water allocation on 1st November 2012 and had large allocation balances left at the end of the season to carryover into the 2013/14 year.

Our Water Plan

Our Water Plan was endorsed by the Essential Services Commission (ESC) 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. In July 2012 we commenced public meetings for our customers to have input into the Water Plan 3 (2013-2018). Our Water Plan 3 was approved by the ESC in June 2013.

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

Irrigation Water Usage as at 30th June 2013

District / Area / Waterway ("District")	Total water shares allotted to district and diversion	Total domestic & stock allowance (High Security)	Gross supply at off-takes	User in District			User outside District			Diversions from Rivers and Lakes				Total usage
				Under water share metered	Under water share deemed	Total delivered in district	Water works district	Other	Total delivered outside district	Usage under entitlements metered	Usage under entitlements deemed	Usage under stock & domestic	Total delivered diversions	
	<i>Note1</i>	<i>Note1</i>	<i>Note2</i>	<i>Note3</i>	<i>Note3</i>		<i>Note4</i>	<i>Note5</i>						
	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML
Red Cliffs	31,855.1		35,709.0	32,224.9	42.0	32,266.9		1,000.0	1,000.0					33,266.9
Robinvale	20,222.3		21,652.0	21,636.0		21,636.0								21,636.0
Merbein	21,337.7		23,064.0	20,237.6	104.0	20,341.6								20,341.6
FMD	54,411.3		45,777.0	39,470.7	154.0	39,624.7								39,624.7
Millewa WWD		700.0										762.0		762.0
Murray below Nyah	231,000.0									310,127.1	1,152.0		311,279.1	311,279.1
LMU&RWC Total	358,826.4	700.0	126,202.0	113,569.2	300.0	113,869.2	0.0	1,000.0	1,000.0	310,127.1	1,152.0	762.0	311,279.1	426,910.3

Note 1: Includes Red Cliffs or Merbein water shares including entitlements attached to properties supplied via those systems, but located outside the District boundary

Note 2: Volume shown is total extracted

Note 3: Includes water delivery to Red Cliffs or Merbein district properties and other properties supplied via those systems, but located outside the District boundary

Note 4: Carwarp WWD via Red Cliffs or Yelta-Wargan WWD via Merbein

Note 5: Volume shown for delivery of environmental water to Cardross Basin

Allocation Bank Account Statements

Inflows	Volume (ML)	Outflows	Volume (ML)
Net carryover at 1 July 2012	653,472	Water usage	-544,369
Seasonal allocation	527,396	Trade out ^{(3) (4)}	-311,852
Trade in ⁽³⁾	160,607	Spillable water write-off	-24,874
		Allocation adjustments ⁽⁵⁾	-60,158
Total inflows	1,341,475	Total outflows	-941,252
		Unused water at 30 June 2013	400,223
		Less: End of year adjustments	
		Overuse	-1,415
		Evaporation on 30 June carryover	20,035
		Write-off on 30 June ⁽⁶⁾	939
			19,559
		Equals: Carryover carried forward to 1 July 2013	380,664

Note 1: This table provides a summary of water made available in allocation accounts managed by Lower Murray Water (LMW) during the 2012/13 water year

Note 2: The table shows movement of water for allocation accounts with regulated trading zone sources only. This includes allocations made to all water shares and bundled entitlements, such as supply by agreements and urban bulk entitlements. It does not include water accounted against loss provisions in rural bulk entitlements. Unregulated entitlements are excluded because some are not metered and usage is not fully available

Note 3: 'Trade in' is defined as the volume of trades into LMW from interstate and from Goulburn-Murray Water (G-MW) allocation accounts. 'Trade out' is defined as the volume of trades from LMW allocation accounts to interstate and to G-MW allocation accounts. A summary of all trades including within authority trades can be found in the 'Allocation Trade Summary' report

Note 4: Trade out includes approximately 188 GL of trade to NSW or SA, 118 GL of which was moved to SA for the environment

Note 5: The 'allocation adjustments' shown in this table include amendments to allocation made during the year (e.g. a transaction to move 46 GL from LMW to GMW to allow a large consolidation of Commonwealth water shares to occur)

Note 6: 30 June 2013 write-off reported in this table includes:

1. Write-off in the Goulburn system where carryover is only allowed to 100% of entitlement volume (200 ML)

2. Write-off of ABAs in the Murray systems that are no longer linked to active entitlements (730 ML)

The Victorian Water Register also hold Loss Provision Bulk Entitlements for delivering water in irrigation districts, the accounting for these entitlements is not included in the above table

Note 7: The Victorian Water Register also records Loss Provision Bulk Entitlements for delivering water in irrigation districts. The accounting for these is not included in the above table

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

Allocation Trade Summary

Allocation trade type		Goulburn-Murray Water	Lower Murray Water	Total Northern Victoria
Interstate trade inbound	Number	135	85	220
	Volume (ML)	52,958	52,238	105,196
Interstate trade outbound	Number	440	247	687
	Volume (ML)	562,119	188,357	750,476
Trade within authority	Number	8,500	1,099	9,599
	Volume (ML)	1,163,110	91,795	1,254,905
Trade between authorities - buyer	Number	594	230	824
	Volume (ML)	123,495	108,369	231,864
Trade between authorities - seller	Number	230	594	824
	Volume (ML)	108,369	123,495	231,864
Total buyers	Number	9,229	1,414	10,643
	Volume (ML)	1,339,562	252,402	1,591,964
Total sellers	Number	9,170	1,940	11,110
	Volume (ML)	1,833,598	403,646	2,237,244
Total trades*	Number	9,305	2,025	11,330
	Volume (ML)	1,886,556	455,885	2,342,440
Net Trade In	Number	59	-526	-467
	Volume (ML)	-494,036	-151,244	-645,280

* 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 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

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

Water Entitlements in Regulated Systems

River basin	Water Shares - High Reliability		Water Shares - Low Reliability		Bulk Entitlements		Supply by agreements	
	Volume (ML)	Number	Volume (ML)	Number	Volume (ML)	Number	Volume (ML)	Number
Goulburn	18,017.1	78	3,656.9	47	0.0	0	0.0	0
Murray	353,569.3	5,923	5,927.7	57	100,489.8	16	1,312.1	55
Regulated Total 30 June 2013	371,586.4	6,001	9,584.6	104	100,489.8	16	1,312.1	55
<i>Regulated Total 30 June 2012</i>	<i>479,191.8</i>	<i>6,480</i>	<i>5,195.2</i>	<i>67</i>	<i>100,495.8</i>	<i>16</i>	<i>1,312.1</i>	<i>55</i>

Note 1: This table shows the number and volume of active entitlements in regulated water systems as at 30 June 2013

Note 2: This table is different from 2011/12 reporting in that it no longer reports by delivery system. This is due to some entitlements having multiple delivery systems, and delivery systems relate to the location of delivery and use of water which is reported separately in the regulated usage report

Note 3: Bulk entitlements include Loss Provisions in the Murray Basin

Note 4: The volume of water shares in LMW's jurisdiction decreased by 103,216 ML from 2011/12 due to:

- i. the net transfer of 103,219 ML of water shares from Lower Murray Water to Goulburn-Murray Water during the year
- ii. the issue of 6 ML of new water shares under the Crown Frontage Program and complemented by amendments to LMW's provisional bulk entitlements

Note 5: The volume of bulk entitlements in LMW's jurisdiction decreased by 6 ML from 2011/12 due to amendments to the bulk

Usage in Regulated Trading Zone Sources per Delivery System

Delivery System (grouped)	Volume (ML)
Murray River	429,664.6
Env - Nyah to SA	1,249.8
First Mildura Irr. District	39,544.6
Merbein Irrigation District	20,296.9
Red Cliffs Irrigation District	31,474.3
Robinvale Irrigation District	21,708.8
Torrumbarry Irrigation Area	430.0
Grand Total	544,369.0

Note 1: This table shows usage per delivery system for allocation accounts with regulated trading zone sources

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

Note 3: The above table does not include losses incurred in providing water through its regulated systems. The losses recorded in Murray loss provisions in 2012/13 was 11,998 ML

Groundwater Entitlement and Use as at 30th June 2013

Groundwater Management Area	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

Private Diversions from Waterways as at 30th June 2013

Regulated									
Drainage Basin	Irrigation Licences				Stock & Domestic Only		Other		Total volume
	Licence	Irrigation	D&S		Licences	D&S	Licences		
	No.	ML	ML	Ha	No	ML	No	ML	
Murray-Darling	1,116	231,000.0		53,000					231,000.0

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

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

Allocation Trade (Volume ML)

SELLER	BUYER																							TOTAL SOLD	NUMBER OF TRADES	NET SOLD
	GOULBURN-MURRAY WATER														NEW SOUTH WALES				SOUTH AUSTRALIA							
	LOWER MURRAY WATER														10 NSW Murr U/S Barmah Choke					11 NSW Murr D/S Barmah Choke		13 Murrumbidgee				
1A Greater Goulburn	1B Boort	2A Broken - Nill to Casey's	2B Broken - Casey's to Goulb	3 Lower Goulburn	4A Campaspe - Epallock to WWC	4C Lower Campaspe	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 Owens	9B King	9C Snowy	1A Greater Goulburn	1B Boort	VIC Murray - Barmah to SA		10 NSW Murr U/S Barmah Choke	11 NSW Murr D/S Barmah Choke	13 Murrumbidgee	14 Lower Darling	12 South Australian Murray			
	404,465	7,964			3,301	121	124	457	23,071	3,699	61,204				33,228	2,036	44,065	5,005	10,505	1,291	869	12,380	847	8,077		
	30,716	8,513	88		1,271	475	20		475		7,155				1,852		1,271									
				123																						
	11,821	100			1,640	550			762	120	2,266				3,025		435	500	1,602					1,539		
	11,023	2,306			900	18,543			730		3,603						5,625	650		120				1,538		
	403					540	9				21															
	1,548	306					5,607	354	250	48	1,714			470					125		50					
	64,553	2,209			120				83,070	1,589	41,589			32,514	39	14,778	1,710	9,324	2,788	3,046	59,448	316,787	1,512	146,463		
	6,242	180							8,464	1,994	3,348		81	55		952	890	1,472			3,587	26,864	232	18,155		
	57,797	17,999			1,065	38	746		37,959	1,260	133,678			9,728	1,888	37,727	15,385	11,917	22,896	3,875	379,841	733,796	2,235	396,155		
												321														
													576													
	1,481															712										
	48,153	9,759							5,973		56,683			1,467	4,217	250	86,616	17,507	21,722	6,085	7,213	135,829	401,454	1,984		
	600	1,247					200		3,760		8,016					17,207										
	120																									
	659	200							4,015		1,806															
	200	1,500									100															
	8,368	3,838																								
									1,850		15,600				1,000	23,172										
	648,157	56,122	88	123	7,153	20,267	133	7,229	354	170,325	8,709	337,641	321	576	82,365	9,234	250	242,918	41,648	57,536	14,872	590,856	2,342,440			
	4,839	289	1	7	64	51	5	54	19	1,237	120	2,511	8	11	13	28	1	1,385	184	182	57	49	215	11,330		
	NUMBER OF TRADES																									

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 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 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

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

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

SOURCE	DESTINATION																	Net Out as % of Water Shares (irrigation districts only)				
	GOULBURN-MURRAY WATER																					
	LOWER MURRAY WATER																					
Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irrigation Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Loddon Valley Irrigation Area	Rochester Irrigation Area	Shepparton Irrigation Area	Torumbary Irrigation Area	LMW - NWU	Murray River	Robinvale, Red Cliffs, Merbein, F.M.D	Total Trades (ML)	Number of Trades	Net Out (ML)	Volume of water shares at 1 July 2012
342	2	0	0	0	94	0	0	0	0	0	0	0	0	0	0	0	0	0	436	19	94	
Bullarook	0	20	0	0	141	0	0	0	0	0	0	0	100	0	0	0	0	0	2	1	0	
Campaspe Irrigation Area	0	898	0	0	26	0	0	0	0	0	0	0	0	0	0	0	0	0	261	4	161	479
Campaspe River	0	0	0	28,933	13,066	5	0	285	7	0	0	213	44	30	404	100	358	0	924	28	-200	
Central Goulburn Irrigation Area	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
GMW - NWU	0	100	206	1,174	41,878	36	0	299	1,168	52	50	1,658	2,044	62	5,619	1,450	739	0	56,535	251	-157,043	4.9%
Goulburn River	0	0	0	2	1,154	1,825	0	0	0	0	0	0	120	0	197	0	0	0	3,298	70	1,433	
Loddon River	0	0	0	0	2	0	1,042	0	0	0	0	0	0	0	0	50	0	0	1,094	20	52	
Murray River	0	0	0	0	2	624	0	0	4,466	383	0	0	0	0	2	0	0	0	5,477	70	81	
Murray Valley Irrigation Area	0	0	0	0	12,769	0	0	237	21,921	0	0	0	0	0	0	0	0	0	34,926	349	11,444	197,209
Nyah, Tresco and Woorinen	0	0	0	0	494	0	0	0	2,078	0	0	0	0	0	162	130	25	0	2,888	55	665	28,302
Ovens River	0	0	0	0	50	0	0	0	0	502	0	0	0	0	0	0	0	0	552	26	0	
Loddon Valley Irrigation Area	0	0	0	0	8,282	0	0	0	0	0	12,709	16	25	70	265	89	0	0	21,455	220	6,670	137,555
Rochester Irrigation Area	0	0	0	152	6,707	0	0	0	0	0	0	22,880	239	80	93	0	0	0	29,950	277	4,640	134,445
Shepparton Irrigation Area	0	0	0	423	4,436	0	0	0	4	0	186	307	8,096	174	0	0	0	0	13,626	229	5,165	133,830
Torumbary Irrigation Area	0	0	0	0	11,341	0	0	108	0	10	0	20	0	0	35,034	559	1,589	10	48,669	476	6,453	237,864
LMW - NWU	0	0	0	0	112,494	0	0	3	0	0	0	0	0	0	183	482	648	444	114,254	62	101,855	
Murray River	0	0	0	0	0	0	0	0	0	225	4,339	32,156	24	36,752	271	593						
Robinvale Red Cliffs, Merbein, F.M.D	0	0	0	0	0	0	0	0	84	0	0	0	0	0	17	4,982	556	11,156	16,775	510	5,161	132,504
Total Trades (ML)	342	2	100	1,124	30,346	213,578	1,865	1,042	5,386	23,483	552	14,785	25,310	8,461	42,216	12,399	36,159	11,614	430,997	0		
Number of Trades	17	1	1	30	491	741	59	18	62	247	42	26	165	245	174	368	187	280	396	3,550		

- Note 1:** This table summarises all recorded water entitlement transfer, divide and transfer and variation applications for high reliability water shares during 2012/13. Some other trades were still in progress at year end and will be finalised in 2013/14
- 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 or sale of water shares by a mortgagee (the Water Act does not currently require this to be subject to the 4%)

Our Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

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

SOURCE	DESTINATION																	Total Trades (ML)	Number of Trades	Net Out (ML)						
	GOULBURN-MURRAY WATER																									
	LOWER MURRAY WATER																									
	Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Loddon Valley Irrigation Area	Rochester Irrigation Area	Shepparton	Torumbary	LMW - NWU				Murray River	Robinvale, Red Cliffs, Merbein, F.M.I.D				
Broken River	66	0	0	0	17,069	937	0	0	213	40	0	0	595	724	746	243	0	436	0	0	0	0	85	7	19	
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	
Campaspe Irrigation Area	0	0	0	11	0	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	2	21	
Campaspe River	0	0	0	234	0	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	258	8	-43	
Central Goulburn Irrigation Area	0	0	0	0	0	17,069	937	0	0	213	40	0	0	595	724	746	243	0	436	0	0	0	21,002	353	1,788	
GMW - NWU	0	0	0	56	1,122	5,115	0	0	262	1,870	19	25	214	28	572	2,534	2	906	0	0	0	12,724	94	-2,439	0	
Goulburn River	0	0	0	0	0	35	114	592	0	0	0	0	0	0	32	0	0	0	0	0	0	773	23	181	0	
Loddon River	0	0	0	0	0	49	0	0	209	0	0	0	0	39	0	0	0	0	0	0	0	297	9	88	0	
Murray River	0	0	0	0	0	0	400	0	0	1,736	232	0	0	0	0	0	0	0	1	0	0	2,368	38	153	0	
Murray Valley Irrigation Area	0	0	0	0	0	0	3,079	0	0	0	14,515	0	0	52	0	0	0	0	0	0	0	17,646	225	989	0	
Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	0	0	0	0	462	0	0	0	0	0	12	10	0	0	484	10	2	0	
Ovens River	0	0	0	0	0	0	25	0	0	0	0	264	0	0	0	0	0	0	0	0	0	289	15	0	0	
Loddon Valley Irrigation Area	0	0	0	0	0	320	1,271	0	0	0	0	0	21,941	0	0	526	0	620	91	0	0	24,789	157	1,602	0	
Rochester Irrigation Area	0	0	13	0	0	360	115	0	0	0	0	187	10,413	81	175	0	0	0	0	0	0	11,344	126	1	0	
Shepparton Irrigation Area	0	0	0	0	0	260	538	0	0	0	0	0	130	146	6,522	79	0	101	0	0	0	7,776	144	-144	0	
Torumbary Irrigation Area	0	0	0	0	0	0	3,504	0	0	5	0	0	10	0	0	35,890	8	2,052	151	0	0	41,619	336	2,172	0	
LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-22	0	
Murray River	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	607	0	0	0	607	8	-4,277	0	
Robinvale, Red Cliffs, Merbein, F.M.I.D	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	151	154	304	2	0	0	-91	0	
Total Trades (ML)	66	0	13	301	19,215	15,163	592	209	2,215	16,577	482	289	23,168	11,343	7,920	39,446	22	4,883	396	142,378	0	0	0	1,557	0	
Number of Trades	6	0	1	10	332	161	17	7	31	211	9	15	152	126	137	292	3	44	3	0	0	0	0	0	0	0

Note 1: This table summarises all recorded water entitlement transfer, divide and transfer and variation applications for low and spill reliability water shares during 2012/13. Some other trades were still in progress at year end and will be finalised in 2013/14

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 Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

Transfer of High Reliability Water Shares (Volume ML)

SOURCE	DESTINATION																	Total Sales (ML)	Number Sold			
	GOULBURN-MURRAY WATER											LOWER MURRAY WATER										
	Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irrigation Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Loddon Valley Irrigation Area	Rochester Irrigation Area	Shepparton Irrigation Area	Torumbary Irrigation Area	LMW - NWU			Murray River	Robinvale, F MID	
Goulburn-Murray Water	Broken River	228	0	0	0	0	94	0	0	0	0	0	0	0	0	0	0	0	0	0	322	14
	Bullarook	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Campaspe Irrigation Area	0	0	0	20	0	141	0	0	0	0	0	0	0	0	0	0	0	0	0	161	3
	Campaspe River	0	0	0	232	0	26	0	0	0	0	0	0	0	0	0	0	0	0	0	258	14
	Central Goulburn Irrigation Area	0	0	0	0	8,540	3,031	5	0	285	7	0	213	44	30	404	100	0	0	0	12,657	306
	GMW - NWU	0	0	0	0	338	18,494	36	0	567	52	50	46	386	40	585	1,254	716	0	0	22,562	137
	Goulburn River	0	0	0	0	0	1,154	234	0	0	0	0	0	120	0	197	0	0	0	1,705	49	
	Loddon River	0	0	0	0	0	2	0	451	0	0	0	0	0	0	50	0	0	0	503	13	
	Murray River	0	0	0	0	2	569	0	2,889	383	0	0	0	0	0	2	0	0	0	3,845	48	
	Murray Valley Irrigation Area	0	0	0	0	0	6,558	0	0	3,543	0	0	0	0	0	0	0	0	0	10,101	170	
	Nyah, Tresco and Woorinen	0	0	0	0	0	174	0	0	0	916	0	0	0	0	162	130	25	0	1,407	32	
	Ovens River	0	0	0	0	0	50	0	0	0	0	448	0	0	0	0	0	0	0	498	22	
Loddon Valley Irrigation Area	0	0	0	0	0	4,466	0	0	0	0	0	3,394	16	25	0	265	1	0	8,168	103		
Rochester Irrigation Area	0	0	0	0	78	3,308	0	0	0	0	0	0	1,654	62	80	93	0	0	5,273	112		
Shepparton Irrigation Area	0	0	0	0	0	388	1,774	0	0	0	4	0	186	307	3,219	174	0	0	6,051	138		
Torumbary Irrigation Area	0	0	0	0	0	7,576	0	2	0	10	0	0	0	0	4,999	559	1,589	0	14,734	228		
LMW - NWU	0	0	0	0	0	27	0	3	0	0	0	0	0	0	183	361	108	271	953	33		
Murray River	0	0	0	0	0	0	0	0	0	0	0	0	0	0	225	3,958	9,367	24	13,573	92		
Robinvale, Red Cliffs, Merbein, F MID	0	0	0	0	0	0	0	0	0	0	84	0	0	0	0	17	1,932	348	4,242	6,623	271	
Total Purchases (ML)	228	0	0	252	9,347	47,444	274	451	3,178	4,503	1,061	498	3,838	2,526	3,376	7,076	8,650	12,152	4,537	109,392	1,785	
Number of Purchases	12	0	0	14	239	460	39	11	36	105	20	22	62	90	99	146	114	94	222			

- Note 1:** This table summarises all recorded water entitlement transfer and divide and transfer applications for high reliability water shares during 2012/13. Some other trades were still in progress at year end and will be finalised in 2013/14
- 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 Bulk Entitlements, Transfers of Water Entitlements, Allocations and Licences and Irrigation Water Usage

Transfer of Low Reliability Water Shares (Volume ML)

SOURCE	DESTINATION																	Total Sales (ML)	Number Sold		
	GOULBURN-MURRAY WATER																				
	Broken River	Bullbrook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irrigation Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Loddon Valley Irrigation Area	Rochester Irrigation Area	Shepparton Irrigation Area	Torumbarry Irrigation Area	LMW - NWU			Murray River	Robinvale, Red Cliffs, Merbein, FMID
Goulburn-Murray Water	Broken River	22	0	0	0	0	19	0	0	0	0	0	0	0	0	0	0	0	0	41	5
	Bullbrook	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Campaspe Irrigation Area	0	0	0	11	0	22	0	0	0	0	0	0	0	0	0	0	0	0	34	2
	Campaspe River	0	0	0	71	0	24	0	0	0	0	0	0	0	0	0	0	0	0	95	3
	Central Goulburn Irrigation Area	0	0	0	4,920	881	0	213	40	0	0	595	691	746	243	0	58	0	8,386	172	48
	GMW - NWU	0	0	0	473	2,264	0	0	1,022	19	25	139	22	491	1,240	0	906	0	6,601	15	15
	Goulburn River	0	0	0	35	114	133	0	0	0	0	0	39	0	0	0	0	0	314	7	7
	Loddon River	0	0	0	0	49	0	172	0	0	0	0	0	0	0	0	0	0	260	1	1
	Murray River	0	0	0	0	400	0	638	0	0	2,992	0	0	52	0	0	1	0	4,992	81	81
	Murray Valley Irrigation Area	0	0	0	0	1,948	0	0	0	2,992	0	0	0	0	0	0	0	0	1,514	35	35
Lower Murray Water	Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	0	0	356	0	0	0	0	0	12	10	0	377	6
	Ovens River	0	0	0	0	25	0	0	0	0	0	239	0	0	0	0	0	0	264	13	13
	Loddon Valley Irrigation Area	0	0	0	0	320	1,005	0	0	0	0	1,306	0	0	0	439	0	180	91	3,341	43
	Rochester Irrigation Area	0	0	13	0	360	106	0	0	0	0	0	861	0	175	0	0	0	1,514	85	85
	Shepparton Irrigation Area	0	0	0	0	260	409	0	0	0	0	130	146	3,527	79	0	101	0	4,653	139	139
	Torumbarry Irrigation Area	0	0	0	0	0	3,164	0	0	0	0	0	0	0	0	6,206	8	2,052	0	11,430	2
	LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	182	2
	Murray River	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	0	0	0
	Total Purchases (ML)	22	0	13	82	6,416	10,381	133	172	850	4,286	375	264	2,261	1,752	4,765	8,382	20	3,490	91	43,754
Number of Purchases	4	0	1	3	146	125	9	5	13	72	5	13	44	37	78	91	2	31	1		

Note 1: This table summarises all recorded water entitlement transfer and divide and transfer applications for low and spill reliability water shares during 2012/13. Some other trades were still in progress at year end and will be finalised in 2013/14

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

By-Laws

The Corporation has three By-Laws:

- By-Law No 1 Water Supply and Sewerage Administrative By-Law
- By-Law No 2 Urban Water Restrictions
- By-Law No 4 Trade Waste By-Law

By-Law No 2 Urban Water Restrictions was created using a Model Water Restriction By-Law issued by the Minister for Water on 27th November 2011. It contains the restrictions and prohibitions on the use of water that may be imposed in our Urban water supply districts. The Corporation has also a Permanent Water Saving Plan which sets out permanent water restrictions and prohibitions within our service district. The PWS Plan was reviewed and updated during the year; and gained Ministerial approval on 29th November 2011.

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.

Consultancies—under \$10,000

The total value of the 47 consultancies under \$10,000 was \$370,976.88 for the 2012/13 year. Details of consultancies over \$10,000 are on page 36 and 37.

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 2013. Pecuniary interests are also declared prior to the commencement of Board meetings.

Freedom of Information (FOI) Act 1982

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. We have determined that our 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 \$25.70 applies at the time of this report's publication. In the 2012/13 year there were no requests under FOI.

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.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.

Major Contracts (those over \$10M)

We did not enter into any contracts with a value of over \$10M in the 2012/13 financial year.

Major External Reviews

We did not carry out any major reviews of Lower Murray Water during 2012/13.

Major Research and Development Activities

We did not undertake any major research and development activities in 2012/13.

National Competition Policy

We comply with relevant Victorian Government policies and timetables for National Competition Policy, including competitive neutrality. Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. We continue to implement and apply this principle in our business undertakings.

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.

Protected Disclosures Act 2012

The *Whistleblowers Protection Act* 2001 was repealed on 10th February 2013 and replaced with the *Protected Disclosures Act* 2012. We are committed to the aims and objectives of the Act which is designed to protect people who disclose information about serious wrongdoings with the Victorian Public Sector and provides a framework for the investigation of these matters. The Protected Disclosure Co-ordinator for the Department of Environment and Primary Industries (DEPI) acts as an agent for the Corporation to receive disclosures under the Act, and applies DEPI procedures in managing disclosures. Disclosures of improper conduct by Lower Murray Water or our employees may be made in writing or by telephone; directed to:

Jennifer Berensen
Senior Advisor, Privacy & Ombudsman
Department of Environment and Primary Industries
PO Box 500, East Melbourne Vic 3002
Phone: (03) 9637 8697
Or:
Independent Broad-Based Anti-Corruption
Commission Victoria
IBAC, GPO Box 24234, Melbourne Vic 3001
Phone: 1300 735 135

There were no disclosures under the Act in 2012/13.

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: 0

Contracts completed to which VIPP applied: 0

Our Statutory Information

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 ourselves about Lower Murray Water, and how these can be obtained;
 - changes in prices, fees, charges, rates and levies charged 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.

Consultancies—over \$10,000

CONSULTANCY NAME AND PROJECT REFERENCE	START DATE	END DATE	TOTAL PROJECT APPROVED FEE (EXCL GST)	EXPENDITURE 2012/13 (EXCL GST)	FUTURE EXPENDITURE (EXCL GST)
CEENA PTY LTD				92,386	
MILDURA WTP AUTOMATION PROJECT	1/07/12	30/06/13	27,000	26,160	0
RED CLIFFS WTP AUTOMATION PROJECT	1/07/12	30/06/13	50,000	50,388	0
ROBINVALE WTP AUTOMATION PROJECT	1/07/12	30/06/13	16,000	15,838	0
COMPUPRO COMPUTER SERVICES PTY LTD				10,301	
ADHOC SOFTWARE SUPPORT	1/07/12	30/06/13	12,000	10,301	0
DEACON ENGINEERS PTY LTD				19,296	
RED CLIFFS PUMP STATION - CRANE UPGRADE	1/03/13	30/06/13	19,296	19,296	0
DEPARTMENT OF SUSTAINABILITY & ENVIRNMNT				59,462	
NORTHERN MONITORING COSTS	1/07/12	30/06/13	60,000	59,462	0
GHD PTY LTD				207,463	
RED CLIFFS PUMP STN APPROVALS	1/07/12	30/06/13	19,253	19,272	0
LMW CORROSION MANAGEMENT PLANS STEEL	1/07/12	31/12/13	38,060	22,514	15,546
ROBINVALE RAW WATER INTAKE	1/07/12	30/06/13	32,264	32,370	0
MILDURA WWTP SWITCHBOARDS	1/07/12	31/12/13	49,500	18,512	30,988
KOORLONG STORAGE DESIGN SUPPORT	1/07/12	30/06/13	32,000	29,073	0
LMW WATER PLAN 3 ASSISTANCE	1/07/12	30/06/13	25,000	24,335	0
SEWERAGE MANAGEMENT PLAN	1/07/12	30/06/13	19,950	19,950	0
WATER SUPPLY RETICULATION MISC ADVICE	1/07/12	30/06/13	10,520	11,573	0
MILDURA SUPPLY & RETICULATION REVIEW	1/07/12	30/06/13	20,888	18,948	0
ROBINVALE HIGH PRESSURE SURGE VESSEL DESIGN	1/04/11	30/06/13	10,916	10,916	0
HUNTER WATER AUSTRALIA				819,712	
MILDURA WTP AUTOMATION PROJECT	5/07/13	31/12/13	295,378	295,218	0
PIANGIL WTP IMPROVEMENTS	5/07/13	31/12/13	30,000	27,504	2,496
SWAN HILL WTP AUTOMATION	5/07/13	31/12/13	37,500	36,872	628
KERANG WTP IMPROVEMENTS	1/01/13	30/06/13	12,402	12,402	0
KOONDROOK WTP IMPROVEMENTS	1/01/13	30/06/13	10,025	10,025	0
GENERAL WTP CONSULTING	1/01/13	30/06/13	30,000	29,035	0
PIANGIL WTP CONSULTING	5/07/13	30/06/13	35,000	34,811	0
KERANG SITE MANAGEMENT PLAN	5/07/13	30/06/13	15,513	15,513	0
RED CLIFFS WTP AUTOMATION PROJECT	1/01/13	30/06/13	24,374	24,374	0
ROBINVALE WTP AUTOMATION PROJECT	1/01/13	30/06/13	25,248	21,024	0
PIANGIL WTP AUTOMATION & OPTIMISATION	5/07/13	31/12/13	55,000	36,253	18,747
LMW WTP CAPEX MANAGEMENT	1/07/12	30/06/13	110,000	110,117	0
MILDURA DOCUMENTATION	5/07/13	30/06/13	30,000	30,000	0
SWAN HILL SITE MANAGEMENT PLAN	5/07/13	30/06/13	10,000	10,000	0
SWAN HILL DOCUMENTATION	5/07/13	30/06/13	12,500	12,500	0
SWAN HILL WTP CLARIFIER	5/07/13	30/06/13	16,000	16,760	0
KOONDROOK SITE MANAGEMENT PLAN	5/07/13	30/06/13	10,000	10,000	0
ROBINVALE DOCUMENTATION	5/07/13	30/06/13	10,000	10,000	0
ROBINVALE SITE MANAGEMENT PLAN	5/07/13	30/06/13	10,000	10,000	0
MILDURA SITE MANAGEMENT PLAN	5/07/13	30/06/13	10,000	10,000	0
MILDURA WTP IMPROVEMENTS	5/07/13	30/12/13	30,000	17,303	12,697
PIANGIL SITE MANAGEMENT PLAN	5/07/13	30/06/13	10,000	10,000	0
MURRABIT DOCUMENTATION	5/07/13	30/06/13	10,000	10,000	0
KOONDROOK DOCUMENTATION	5/07/13	30/06/13	10,000	10,000	0
MURRABIT SITE MANAGEMENT PLAN	5/07/13	30/06/13	10,000	10,000	0
INFOR GLOBAL SOLUTIONS (ANZ) PTY LTD				70,272	
HANSEN UPGRADE	1/07/12	30/06/13	70,000	70,272	-272
INFORMATION MANAGEMENT SERVICES PTY LTD				10,833	
HANSEN UPGRADE	1/07/12	31/12/13	11,000	10,833	0
JOYPRO HEALTH & SAFETY PTY LTD				24,000	
OH & S SERVICES	1/07/12	31/10/12	24,000	24,000	0
KEN JOY				36,000	
OH & S SERVICES	1/11/12	30/06/13	36,000	36,000	0
SUB TOTAL (page 1)			1,442,587	1,349,724	80,830

Our Statutory Information

Consultancies—over \$10,000 (continued)

CONSULTANCY NAME AND PROJECT REFERENCE	START DATE	END DATE	TOTAL PROJECT APPROVED FEE (EXCL GST)	EXPENDITURE 2012/13 (EXCL GST)	FUTURE EXPENDITURE (EXCL GST)
MOORE STEPHENS ACCOUNTANTS & ADVISORS				13,302	
ESC REGULATORY AUDIT	1/07/12	30/06/13	13,500	13,302	0
OPTIMATICS PTY LTD				12,112	
MERBEIN SUPPLY SYSTEM OPTIMISATION	1/07/12	31/10/12	12,500	12,112	0
SINCLAIR KNIGHT MERZ				1,401,519	
SMP - RED CLIFFS IRRIGATION MAIN PUMP STATION	1/07/12	30/06/14	400,000	348,289	51,711
SMP - MILDURA IRRIGATION BENETOOK PUMP STATION	1/07/12	30/06/14	75,000	52,311	22,689
SMP - MERBEIN REPLACE MAIN HV RISK	1/07/12	30/06/14	50,000	43,165	6,835
SMP - MILDURA IRRIGATION CENTRAL PUMP STATION	1/07/12	30/06/14	750,000	636,554	113,446
SMP - GENERAL	1/07/12	31/12/13	342,675	321,200	21,476
SOUTHERN CROSS CONSULTING GROUP PTY LTD				17,500	
2012 TAX EFFECT ACCOUNTING REVIEW	1/07/12	30/06/13	17,500	17,500	0
TECHNOLOGY ONE LIMITED				165,687	
FINANCIALS/HR/BUDGETING/PROJECTS/CONTRACTS UPGRADE	1/07/12	30/06/13	110,000	111,155	0
ASSET MANAGEMENT SYSTEM UPGRADE	1/07/12	31/08/13	30,000	22,021	7,979
TIMESHEET CONFIGURATION	1/07/12	30/06/13	18,500	18,620	0
PROCLAIM UPGRADE	1/07/12	30/06/14	97,000	13,890	83,110
TRUSCOTT - CRISIS LEADERS				10,457	
CRISIS MANAGEMENT PLAN, REVIEW OF DOC	1/06/13	31/07/13	10,500	10,457	0
UTILACOR PTY LTD				78,156	
ENERGY MANAGEMENT	1/07/12	30/06/13	78,500	78,156	0
VAHID HEMMATI				52,672	
ENGINEERING SERVICES - PIANGIL RWPS REPLACE SWITCHBOARD	1/07/12	30/06/13	20,000	19,533	0
ENGINEERING SERVICES - SWAN HILL WTP AUTOMATION	1/07/12	30/06/13	19,500	19,554	0
ENGINEERING SERVICES - WOORINEN RELIFT PLC PROGRAM	1/07/12	30/06/13	14,000	13,585	0
WILDLIFE PROFILES PTY LTD				22,145	
MONITORING PROTOCOL HOODED SCALY-FOOT	1/07/12	30/06/13	22,145	22,145	0
SUB TOTAL (page 1)			1,442,587	1,349,724	80,830
SUB TOTAL (page 2)			2,081,320	1,773,550	307,246
TOTAL			3,523,908	3,123,274	388,076

All figures are rounded to the nearest whole numeral

Our Financial Report

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Certification

The attached financial report for Lower Murray Urban and Rural Water Corporation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations 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 accompanying notes, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of the Corporation as at 30 June 2013.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statement for issue on 30th August 2013.



L Burrows
Chair

30th August 2013



R Leamon
Managing Director

30th August 2013



L Davis
General Manager—Business Services

30th August 2013

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 2013 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 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, 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 and fair presentation 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 Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

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.

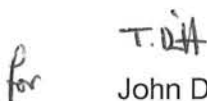
Opinion

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 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, 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 2013 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
2 September 2013


for John Doyle
Auditor-General

Our Financial Report

Comprehensive Operating Statement for the year ended 30th June 2013

	Notes	2013 \$'000	2012 \$'000
<u>REVENUE FROM OPERATING ACTIVITIES</u>			
Operating Revenue	1(b), 3(a)	59,023	51,248
Termination Fees		106	162
Income for Capital Purposes	1(b), 3(b)	2,292	3,113
Other Revenue	1(b), 3(c)	3,487	2,893
		-----	-----
		64,908	57,416
		-----	-----
<u>REVENUE FROM NON-OPERATING ACTIVITIES</u>			
Interest Revenue	1(b), 3(d)	420	442
Net Gain/(Loss) from Disposal of Non-Financial Assets	1(b), 3(e)	(37)	(85)
		-----	-----
		383	357
		-----	-----
TOTAL REVENUE		65,291	57,773
		-----	-----
<u>EXPENSES FROM OPERATING ACTIVITIES</u>			
Direct Expenses	1(c), 4(a)	51,702	48,815
Administration Expenses	1(c), 4(b)	14,259	18,058
Finance Costs	1(c), 4(c)	3,734	3,601
		-----	-----
TOTAL EXPENSES		69,695	70,474
		-----	-----
NET RESULT BEFORE TAX		(4,404)	(12,701)
Income Tax Expense/(Revenue)	6	(1,309)	(3,798)
		-----	-----
NET RESULT FOR THE YEAR		(3,095)	(8,903)
		=====	=====
<u>OTHER COMPREHENSIVE INCOME</u>			
Net Gain/Loss on Physical Asset Revaluation Surplus	21	3,607	136
Income Tax Relating to Components of Other Comprehensive Income	21	(1,082)	(41)
		-----	-----
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		2,525	95
		-----	-----
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		(570)	(8,808)
		=====	=====

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

Our Financial Report

Balance Sheet as at 30th June 2013

		Notes	2013 \$'000	2012 \$'000
CURRENT ASSETS				
	Cash and Cash Equivalents	1(d), 7	7,909	4,471
	Receivables	1(d), 8	8,281	8,527
	Inventories	1(d), 9	3,027	3,155
	Prepayments	1(d)	242	257
	Assets Held for Sale	1(d), 10	5,687	7,912
			25,146	24,322
NON-CURRENT ASSETS				
	Receivables	1(d), 8	131	101
	Property, Plant and Equipment	1(d), 11	777,335	774,943
	Intangible Assets	1(d), 12	5,984	5,568
	Deferred Tax Assets	13	24,685	24,162
			808,135	804,774
TOTAL ASSETS			833,281	829,096
CURRENT LIABILITIES				
	Payables	1(e), 14	6,289	7,695
	Interest Bearing Liabilities	1(e), 15	3,840	4,417
	Employee Benefits	1(e), 16	4,763	4,407
	Provisions	1(e), 17	156	177
			15,048	16,696
NON-CURRENT LIABILITIES				
	Interest Bearing Liabilities	1(e), 15	60,015	53,855
	Employee Benefits	1(e), 16	308	361
	Deferred Tax Liabilities	19	131,719	131,423
	Other Liabilities	1(e)	12	12
			192,054	185,651
TOTAL LIABILITIES			207,102	202,347
NET ASSETS			626,179	626,749
EQUITY				
	Contributed Capital	1(f), 20	537,606	537,606
	Physical Asset Revaluation Surplus	21	154,503	151,978
	Accumulated Funds	22	(65,930)	(62,835)
TOTAL EQUITY			626,179	626,749

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

Our Financial Report

Statement of Changes in Equity for the year ended 30th June 2013

	Notes	Contributed Capital \$'000	Physical Asset Revaluation Surplus \$'000	Accumulated Funds \$'000	Total \$'000
BALANCE AT 1 JULY 2011	20, 21, 22	537,366	151,883	(53,932)	635,317
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	95	(8,903)	(8,808)
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	20	240	-	-	240
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		240	-	-	240
BALANCE AS AT 30 JUNE 2012	20, 21, 22	537,606	151,978	(62,835)	626,749
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	2,525	(3,095)	(570)
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 2013	20, 21, 22	537,606	154,503	(65,930)	626,179
		=====	=====	=====	=====

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

Our Financial Report

Cash Flow Statement for the year ended 30th June 2013

	Notes	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities			
Receipts			
Rates & Meter Charges		58,145	48,271
Proceeds from Scheme Debtors		48	57
Government Contributions		324	475
Income for Capital Purposes		1,968	2,238
Interest Received		420	442
GST Received from the ATO		3,629	3,507
Other Revenue		4,902	4,223
Total Receipts		69,436	59,213
Payments			
Payments to Suppliers & Employees		(46,508)	(44,652)
GST Paid to the ATO		(262)	(242)
Interest and Other Costs of Finance Paid		(3,734)	(3,601)
Total Payments		(50,504)	(48,495)
<u>Net Cash provided by/(used in) Operating Activities</u>	24	18,932	10,718
Cash Flows provided by/(used in) Investing Activities			
Payments for Purchases of Property, Plant and Equipment		(20,869)	(18,098)
Payments for Purchases of Intangible Assets		(722)	(265)
Proceeds from Sale of Property, Plant and Equipment		514	789
<u>Net Cash provided by/(used in) in Investing Activities</u>		(21,077)	(17,574)
Cash Flows provided by/(used in) Financing Activities			
Proceeds from Borrowings		10,000	6,900
Repayment of Borrowings		(4,417)	(2,091)
Government Capital Contribution Received		-	240
<u>Net Cash provided by/(used in) Financing Activities</u>		5,583	5,049
Net Movement in Cash and Cash Equivalents		3,438	(1,807)
Cash and Cash Equivalents at the Beginning of the Financial Year		4,471	6,278
<u>Cash and cash equivalents at the end of the year</u>	7	7,909	4,471
		=====	=====

Financing arrangements

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

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

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 Board on the 30th August 2013.

The principal address is:
Lower Murray Water
741-759 Fourteenth Street
Mildura Vic 3500

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 (e) Employee Benefits).

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.

Accounting estimates

The preparation of financial statements in conformity with AAS's 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.

Management judgement and estimates include:

- Valuation of Land and Buildings where the valuation requires judgement on the current condition of the assets
- Valuation of infrastructure where the valuation requires judgement on the current condition of the assets and the application of the unit costs and estimated useful lives
- Intangible assets (bulk water entitlements) where management is required to assess whether the carrying value reflects the recoverable amount of the Intangible Assets
- Depreciation on non-current physical assets where there is assessment of the estimated useful lives
- Employee benefits provision where assumptions are required for wage growth and CPI movements. An estimate is made on the likelihood of employees reaching unconditional service
- Accruals where for each category of accrual, management must ensure either:
 - service has been received
 - there is an obligation to payand the balance can be reliably measured
- Entity operates as a going concern where LMW is required to make an assessment of the entity's ability to continue as a going concern when preparing the financial report. In assessing whether the going concern assumption is appropriate, management takes into account all available information regarding the future, which is at least, but is not limited to, twelve months from the date of signing the financial report.
- Valuation and disclosure of financial instruments where complex measurements and disclosures are made based on management's intentions in relation to the financial instruments, perception of the current market conditions and anticipation of future market movements
- Impairment provisions where management are required to assess all receivables including debtors, for indicators of impairment
- Impairment of assets where management are required to assess whether there are any indicators of impairment to property, plant and equipment and intangible assets

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

b) Revenue

Service and Usage Charges

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

All Water and Wastewater tariffs/charges 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.

Interest Income

Interest income is recognised using the effective interest rate method.

Resources Received free of Charge

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".

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.

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) Expenses

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 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.

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.

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(d) property, plant and equipment (iii).

The depreciation rates applied to asset classes (2013 and 2012) are:

	Useful Life		Useful Life
	(Years)		(Years)
WATER		IRRIGATION & DRAINAGE	
Storage Tanks	60 - 100	Storages	50 - 350
Pumping Stations	25 - 80	Pumping Stations	40 - 120
Reticulated Networks	50 - 110	Channels	80 - 100
Water Treatment	10 - 80	Rural Water Pipelines	50 - 110
Water Meters	8	Water Meters	10 - 25
Buildings	60 - 75	Buildings	40 - 75
Plant and Machinery	6 - 25	Plant and Machinery	6 - 25
WASTEWATER		ADMINISTRATION	
Sewers	45 - 100	Computer Equipment	3
Trunk Sewer Main	50 - 100	Office Furniture and Equipment	6
Pumping Stations	10 - 80	Motor Vehicles	10
Treatment and Disposal	10 - 100	Buildings	40 - 60
Buildings	40 - 75	Plant	6
Plant and Machinery	6 - 25	Machinery	6
		Communication Equipment	5

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

Employee Benefits

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkSafe premiums.

Superannuation

The amount recognised in the Comprehensive Operating Statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Lower Murray Water makes employer superannuation contributions in respect of most employees to Vision Super. Refer to Note 18 for more details of funding.

Lower Murray Water also makes employer superannuation contributions in respect of its employees to Emergency Services and State Super. 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.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

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.

Environmental Contribution

The Corporation has a statutory authority to pay an environmental contribution to the Department of Environment and Primary Industries. This contribution is recognised as an expense during the reporting period as incurred.

d) Assets

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.

Receivables

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. A 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.

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 are measured at market value.

Prepayments

Prepayments 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.

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.

(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.

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

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

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.

Water infrastructure assets, are 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 sewage 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 derecognition 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, 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.

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.

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

	Water Share Entitlements	Development Costs	Software
Useful lives	Indefinite	Finite	Finite
Amortisation method used	Not amortised or revalued	3 years – straight line	3 years – straightline
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

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

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.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the (lessor) are charged to the Comprehensive Operating Statement on a straight-line basis over the period of the lease, in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

e) Liabilities

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.

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.

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 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 2013 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 to 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 benefit oncosts, including payroll tax and worker's compensation, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(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.

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

Thirteen 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.

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.

f) Equity

Contributed Capital

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.

Grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

g) 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.

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.

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

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.

h) 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.

i) 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.

j) Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note (refer to Note 29) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

k) 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 2012/13 to be \$0 (2011/12: \$0).

l) 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.

m) 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.

n) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. As at 30 June 2013, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2013. The Corporation has not and does not intend to adopt these standards early.

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Notes to the Financial Statements for the year ended 30th June 2013

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> and AASB 2012-6 <i>Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed.	1 January 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> , AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> , AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> and AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i>	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. Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements. AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under tier 2, where the parent higher up the group is reporting either under tier 1 or tier 2.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities, and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset	1 January 2013 / 1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 July 2013.
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> [AASB 2009-11 & AASB 2010-7]	AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 January 2013	This amendment will not affect the financial statements of the Corporation.

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Notes to the Financial Statements for the year ended 30th June 2013

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AAASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	Removes the individual key management personnel disclosure requirements from AASB 124 <i>Related Party Disclosures</i> , to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001. The	1 July 2013	This amendment is expected to have no impact on the Corporation's disclosures.
AAASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	The standard explains how to measure fair value and aims to enhance fair value disclosures.	1 January 2013	The Corporation has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is
AAASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard adds to or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101	1 July 2013	This amendment is expected to have no impact on the Corporation's disclosures.
AAASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This Standard applies to annual reporting periods beginning on or after 1 July 2013. Earlier application is permitted for annual reporting periods beginning on or after 1 July 2009 but before 1 July 2013, provided that the following are also adopted for the same period:	1 July 2013	As noted above, the Corporation does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 1 July 2013
AAASB 2012-2 Amendments to Australian Accounting Standard - Disclosures - Offsetting Financial Assets and Financial Liabilities	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including	1 January 2013	This amendment is expected to have no impact on the Corporation's disclosures.
AAASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally	1 January 2014	As noted above, the Corporation does not plan to adopt these standards until their effective date. As such, this amendment will not be adopted until the year ended 1 January 2014

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Notes to the Financial Statements for the year ended 30th June 2013

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 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 Rate Risk

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

The interest rate on the Corporation's long term borrowings is fixed and therefore the Corporation is not exposed to 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.

Where the corporation engages in longer term borrowing to finance long term infrastructure assets it may seek to extend the term of borrowing beyond the debt portfolio range set out in its Treasury Management Policy so as to reduce the interest rate risk that could occur when refinancing of longer date borrowings are reset.

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

2012/13	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
Financial Instruments		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	7,906	-	-	-	-	-	-	3	7,909	2.62
Receivables – property	3,234	-	-	-	-	-	-	3,363	6,597	4.90
Receivables – other	449	-	-	-	-	-	-	1,366	1,815	2.47
Investments	-	-	-	-	-	-	-	-	-	-
Total financial assets	11,589	-	-	-	-	-	-	4,732	16,321	3.48
Financial liabilities										
Payables	-	-	-	-	-	-	-	5,953	5,953	N/A
Interest Bearing Liabilities	-	3,840	2,672	3,659	2,698	4,740	46,246	-	63,855	5.33
Total financial liabilities	-	3,840	2,672	3,659	2,698	4,740	46,246	5,953	69,808	4.88

2011/12	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
Financial Instruments		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	4,468	-	-	-	-	-	-	3	4,471	3.00
Receivables – property	3,810	-	-	-	-	-	-	2,687	6,497	6.16
Receivables – other	496	-	-	-	-	-	-	1,635	2,131	2.64
Investments	-	-	-	-	-	-	-	-	-	-
Total financial assets	8,774	-	-	-	-	-	-	4,325	13,099	4.51
Financial liabilities										
Payables	-	-	-	-	-	-	-	7,446	7,446	N/A
Interest Bearing Liabilities	2,800	1,617	1,840	2,672	2,659	1,698	44,986	-	58,272	4.20
Total financial liabilities	2,800	1,617	1,840	2,672	2,659	1,698	44,986	7,446	65,718	4.84

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

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Notes to the Financial Statements for the year ended 30th June 2013

(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.

30 June 2013	Carrying Amount	Interest Rate Risk			
		-0.5%		+0.5%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	7,909	(40)	(40)	40	40
Receivables	8,412	(18)	(18)	18	18
Financial Liabilities					
Interest Bearing Liabilities	63,855	-	-	-	-
Total increase/(decrease)		(58)	(58)	58	58

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.

30 June 2012	Carrying Amount	Interest Rate Risk			
		-0.5%		+0.5%	
		Result	Equity	Result	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and Cash Equivalents	4,471	(22)	(22)	22	22
Receivables	8,628	(19)	(19)	19	19
Financial Liabilities					
Interest Bearing Liabilities	58,272	14	14	(14)	(14)
Total increase/(decrease)		(27)	(27)	27	27

(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 2013, 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.

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Notes to the Financial Statements for the year ended 30th June 2013

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

2012/13	Carrying Amount	6 months or less	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
Financial Instruments	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	5,953	5,953	-	-	-	-	-
Interest Bearing Liabilities	63,855	543	3,297	2,672	3,659	7,438	46,246
Total financial liabilities	69,808	6,496	3,297	2,672	3,659	7,438	46,246

2011/12	Carrying Amount	6 months or less	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
Financial Instruments	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	7,446	7,446	-	-	-	-	-
Interest Bearing Liabilities	58,272	2,942	1,475	1,840	2,672	4,357	44,986
Total financial liabilities	65,718	10,388	1,475	1,840	2,672	4,357	44,986

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	2013	2013	2012	2012
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	7,909	7,909	4,471	4,471
Receivables	8,412	8,412	8,628	8,628
Total Financial Assets	16,321	16,321	13,099	13,099
Financial Liabilities				
Payables	5,953	5,953	7,446	7,446
Interest Bearing Liabilities	63,855	68,547	58,272	66,127
Total Financial Liabilities	69,808	74,500	65,718	73,573

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) or 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 2013	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	7,909	-	-	7,909
Receivables	8,412	-	-	8,412
Total Financial Assets	16,321	-	-	16,321
Financial Liabilities				
Payables	5,953	-	-	5,953
Interest Bearing Liabilities	68,547	-	-	68,547
Total Financial Liabilities	74,500	-	-	74,500

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Notes to the Financial Statements for the year ended 30th June 2013

3. REVENUE

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Operating Revenue comprises:								
General Tariff Charges	38,980	35,962	5,734	5,649	11,095	10,820	22,151	19,493
Government Pensioner Rate Reimbursement	2,002	1,875	762	692	1,180	1,129	60	54
Metered Charges	17,171	12,542	11,535	8,414	-	-	5,636	4,128
Trade Waste Charges	704	688	-	-	704	688	-	-
Customer Service Obligations	166	181	41	41	125	140	-	-
	59,023	51,248	18,072	14,796	13,104	12,777	27,847	23,675

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Income For Capital Purposes:								
Developer/Capital Contributions	1,967	2,709	552	1,249	403	1,085	1,012	375
Government Contributions	324	400	-	111	-	95	324	194
Scheme Contributions	1	4	-	-	1	4	-	-
	2,292	3,113	552	1,360	404	1,184	1,336	569

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

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Other Revenue:								
Income from Fees	1,231	1,321	444	499	324	412	463	410
Rent/Lease Income	888	483	818	425	27	14	43	44
Government Contributions (Non Capital)	-	75	-	75	-	-	-	-
Sundry Income	1,368	1,014	80	89	289	272	999	653
	3,487	2,893	1,342	1,088	640	698	1,505	1,107

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(d) Interest Revenue comprises:								
Interest from cash and cash equivalents	144	159	41	37	35	40	68	82
Interest on Charges	241	242	-	-	-	-	241	242
Interest on Private Schemes	35	41	16	18	19	23	-	-
	420	442	57	55	54	63	309	324

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'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	514	789	146	220	124	187	244	382
Disposal of non-financial assets other than assets held for sale	(551)	(855)	(156)	(239)	(133)	(202)	(262)	(414)
Disposal of non-financial assets - assets held for sale	-	(19)	-	(5)	-	(5)	-	(9)
	(37)	(85)	(10)	(24)	(9)	(20)	(18)	(41)

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Notes to the Financial Statements for the year ended 30th June 2013

4. EXPENDITURE

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Direct Expenses comprise:								
Labour	5,940	6,161	2,020	2,123	1,199	1,233	2,721	2,805
Bulk Water Charge	6,012	5,930	688	661	-	-	5,324	5,269
Spillable Water Charge	3,084	1,027	89	2	-	-	2,995	1,025
Chemicals	1,001	1,122	920	1,072	47	31	34	19
Electricity	5,894	4,256	1,291	958	746	623	3,857	2,675
Repairs and Maintenance	5,159	6,455	1,714	2,190	1,061	1,517	2,384	2,748
Depreciation & Amortisation Expense (Refer Note 5)	22,556	21,660	7,207	6,912	5,043	4,892	10,306	9,856
Lease/Rentals Expenses	43	52	42	49	1	3	-	-
Write off of Assets	100	149	100	118	-	-	-	31
Consultants	1,052	1,212	396	544	85	195	571	473
Other Expenses	861	791	323	349	259	308	279	134
	51,702	48,815	14,790	14,978	8,441	8,802	28,471	25,035

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Administration Expenses comprise:								
Salaries & Labour Oncost	7,669	10,662	2,311	3,433	1,898	2,533	3,460	4,696
External Audit Fees (Refer Note 27)	84	93	24	26	20	22	40	45
Bank Charges & Agency Collection Fees	236	228	74	67	55	53	107	108
Insurances	568	565	159	158	135	135	274	272
Environmental Contribution	1,377	1,377	529	529	450	450	398	398
Depreciation & Amortisation Expense (Refer Note 5)	1,408	1,198	535	434	456	370	417	394
Bad Debts, Doubtful Debts and Write Offs	67	209	34	86	12	12	21	111
Directors & Chair Allowance	149	150	42	42	38	36	69	72
Other Expenses	2,701	3,576	882	1,068	671	891	1,148	1,617
	14,259	18,058	4,590	5,843	3,735	4,502	5,934	7,713

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Finance Costs:								
Interest on Loans	3,114	3,017	-	-	1,654	1,685	1,460	1,332
Financial Accommodation Levy	620	584	5	-	311	327	304	257
	3,734	3,601	5	-	1,965	2,012	1,764	1,589

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Notes to the Financial Statements for the year ended 30th June 2013

5. DEPRECIATION & AMORTISATION

Depreciation and Amortisation expense for the year:

	2013	2012
	\$'000	\$'000
Depreciation		
Infrastructure	22,039	21,142
Buildings	519	517
Plant, Equipment and Vehicles	1,100	1,025
	23,658	22,684
Software Amortisation	306	174
	23,964	22,858
Allocated to direct expenses (Refer Note 4a)	22,556	21,660
Allocated to administration expenses (Refer Note 4b)	1,408	1,198
	23,964	22,858

7. CASH AND CASH EQUIVALENTS

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:

	2013	2012
	\$'000	\$'000
Cash on hand	3	3
Cash at bank	7,906	4,468
Deposits at call	-	-
Investments due less than 3 months	-	-
	7,909	4,471

Cash on hand is non-interest bearing.

The Cash at bank are bearing floating interest rates between 2.25% and 4.25% (2012: between 3.00% and 4.25%).

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:

a. The components of tax expense comprise:

	2013	2012
	\$'000	\$'000
Current Tax Payable	-	-
Deferred tax relating to temporary differences	1,442	(3,798)
Adjustments for current tax on prior periods	(133)	-
	1,309	(3,798)

Deferred income tax expenses included in income tax expense comprise:

	2013	2012
	\$'000	\$'000
Decrease/(Increase) in Deferred Tax Asset	(523)	(3,420)
(Decrease)/Increase in Deferred Tax Liability	296	(337)
(Decrease)/Increase in Equity	(1,082)	(41)
	(1,309)	(3,798)

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

	2013	2012
	\$'000	\$'000
Net result from ordinary activities before income tax	(4,404)	(12,701)
Prima facie tax payable on net result from ordinary activities before income tax at 30% (2012: 30%)	(1,321)	(3,810)
Add tax effect of:		
Other non allowable items	12	12
Recoupment of losses	-	-
	(1,309)	(3,798)
Tax effect of:		
Other items of income and expenditure	-	-
Correction to prior year tax expense	-	-
Income Tax Expense recognised in the Comprehensive Operating Statement	(1,309)	(3,798)

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Notes to the Financial Statements for the year ended 30th June 2013

8. RECEIVABLES

Receivables comprise of:

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Current Receivables:</u>								
Tariffs & Charges	6,792	6,707	3,208	2,476	205	261	3,379	3,970
Scheme Debtors	318	395	92	116	226	279	-	-
Other Debtors	1,366	1,635	367	372	290	442	709	821
Provision for Impairment of Tariffs and Charges	(195)	(210)	(50)	(50)	-	-	(145)	(160)
Total Current Receivables	8,281	8,527	3,617	2,914	721	982	3,943	4,631
<u>Non Current Receivables:</u>								
Scheme Debtors	131	101	63	51	68	50	-	-
Total Non Current Receivables	131	101	63	51	68	50	-	-

(a) Provision for impaired receivables

As of 30 June 2013, receivables of \$194,705 (2012: \$209,999) 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 (change of ownership).

The ageing analysis of these receivables is as follows:

	2013	2012
	\$'000	\$'000
0 - 6 months	-	1
Over 6 months	195	209
	195	210

Movement in the provision for impaired receivables are as follows:

	2013	2012
	\$'000	\$'000
Opening balance at 1 July	(210)	(950)
Provision for impairment recognised during the year	-	(25)
Receivables written off during the year as uncollectable	15	765
Closing balance at 30 June	(195)	(210)

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 2013 receivables of \$4,605,001 (2012: \$5,250,384) 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:

	2013	2012
	\$'000	\$'000
0 - 3 months	1,906	1,803
3 - 6 months	804	1,062
Over 6 months	1,895	2,395
	4,605	5,250

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.

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Notes to the Financial Statements for the year ended 30th June 2013

9. INVENTORIES

Values as at 30 June were:

	2013	2012
	\$'000	\$'000
Stores and Consumables	2,969	3,102
Sheep Stock	58	53
	<u>3,027</u>	<u>3,155</u>

10. ASSETS HELD FOR SALE

	2013	2012
	\$'000	\$'000
Balance 1 July - Land held for Sale	7,912	8,166
Land not treated as held for sale	(2,247)	-
Additions	22	-
Revaluation increment/(decrement)	-	-
Sales	-	(254)
	<u>5,687</u>	<u>7,912</u>

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

Land not treated as held for sale was land where the contract for sale had not occurred and sale of land is now not highly probable.

11. PROPERTY, PLANT AND EQUIPMENT

a) Classes of property, plant and equipment

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE		ADMINISTRATION	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - at valuation	15,338	13,546	1,994	1,994	4,799	4,799	5,619	3,372	2,926	3,381
Land - subsequent additions at cost	582	440	275	275	6	43	101	122	200	-
Total land at fair value	<u>15,920</u>	<u>13,986</u>	<u>2,269</u>	<u>2,269</u>	<u>4,805</u>	<u>4,842</u>	<u>5,720</u>	<u>3,494</u>	<u>3,126</u>	<u>3,381</u>
Buildings - at valuation	16,233	16,233	8,679	8,679	737	737	853	853	5,964	5,964
Buildings - subsequent additions at cost	1,796	1,705	32	15	717	674	1,047	1,016	-	-
Less: Accumulated depreciation	(1,036)	(517)	(328)	(164)	(105)	(52)	(125)	(37)	(478)	(264)
Total buildings at fair value	<u>16,993</u>	<u>17,421</u>	<u>8,383</u>	<u>8,530</u>	<u>1,349</u>	<u>1,359</u>	<u>1,775</u>	<u>1,832</u>	<u>5,486</u>	<u>5,700</u>
Infrastructure - at valuation	685,435	680,974	188,410	188,533	128,889	128,889	368,136	363,552	-	-
Infrastructure - at cost	73,298	66,371	13,804	9,179	53,044	52,135	6,450	5,057	-	-
Less: Accumulated depreciation	(43,157)	(21,134)	(13,633)	(6,669)	(9,707)	(4,777)	(19,817)	(9,688)	-	-
Total Infrastructure at fair value	<u>715,576</u>	<u>726,211</u>	<u>188,581</u>	<u>191,043</u>	<u>172,226</u>	<u>176,247</u>	<u>354,769</u>	<u>358,921</u>	<u>-</u>	<u>-</u>
Plant, Equipment & Vehicles	13,747	13,319	-	-	11	11	226	241	13,510	13,067
Less: Accumulated depreciation	(9,020)	(8,701)	-	-	(8)	(7)	(149)	(158)	(8,863)	(8,536)
Total plant, equipment and vehicles at fair value	<u>4,727</u>	<u>4,618</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>4</u>	<u>77</u>	<u>83</u>	<u>4,647</u>	<u>4,531</u>
Works In Progress at fair value	<u>24,119</u>	<u>12,707</u>	<u>2,863</u>	<u>3,451</u>	<u>4,559</u>	<u>1,526</u>	<u>15,761</u>	<u>6,837</u>	<u>936</u>	<u>893</u>
	<u>777,335</u>	<u>774,943</u>	<u>202,096</u>	<u>205,293</u>	<u>182,942</u>	<u>183,978</u>	<u>378,102</u>	<u>371,167</u>	<u>14,195</u>	<u>14,505</u>

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.

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Notes to the Financial Statements for the year ended 30th June 2013

As required by FRD 103D, Lower Murray Water conducted an annual fair value assessment of land and buildings as at 30 June 2013. The annual assessment determined the fair value of land or buildings to be no greater than 10%, in accordance with FRD 103D no fair value movement is required to be recognised.

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.

As required by FRD 103D, Lower Murray Water conducted an annual fair value assessment of non-current physical infrastructure assets as at 30 June 2013. The annual assessment determined the fair value of the non-current physical infrastructure assets to be no greater than 10%, in accordance with FRD 103D no fair value movement is required to be recognised.

In 2012/13 items of infrastructure were revalued and brought to account as they were missed in the 2011 revaluation. This was considered immaterial.

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.

2012-2013	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	13,986	9	(322)	-	-	-	2,247	15,920
Infrastructure	726,211	2	7,914	(119)	(22,039)	3,607	-	715,576
Buildings	17,422	23	67	-	(519)	-	-	16,993
Plant, Equipment, and Vehicles	4,617	1,764	-	(532)	(1,100)	-	(22)	4,727
Works In Progress	12,707	19,754	(8,342)	-	-	-	-	24,119
	<u>774,943</u>	<u>21,552</u>	<u>(683)</u>	<u>(651)</u>	<u>(23,658)</u>	<u>3,607</u>	<u>2,225</u>	<u>777,335</u>

2011-2012	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	13,335	368	254	-	-	29	-	13,986
Infrastructure	731,333	332	15,724	(149)	(21,136)	107	-	726,211
Buildings	17,912	2	25	-	(517)	-	-	17,422
Plant, Equipment, and Vehicles	4,279	1,972	20	(623)	(1,031)	-	-	4,617
Works In Progress	12,833	16,113	(16,239)	-	-	-	-	12,707
	<u>779,692</u>	<u>18,787</u>	<u>(216)</u>	<u>(772)</u>	<u>(22,684)</u>	<u>136</u>	<u>-</u>	<u>774,943</u>

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Notes to the Financial Statements for the year ended 30th June 2013

12. INTANGIBLE ASSETS

2012-2013	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software Development Costs	771	39	683	-	-	(306)	1,187
Water Licences	4,797	-	-	-	-	-	4,797
	5,568	39	683	-	-	(306)	5,984

2011-2012	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software Development Costs	680	49	216	-	-	(174)	771
Water Licences	4,797	-	-	-	-	-	4,797
	5,477	49	216	-	-	(174)	5,568

13. DEFERRED TAX ASSETS

The balance comprises temporary differences attributed to:

	2013 \$'000	2012 \$'000
Amounts recognised in Comprehensive Operating Statement		
Employee benefits	1,390	1,338
Other	322	1,308
Tax losses	22,973	21,516
	24,685	24,162
Movements		
Opening balance at 1 July	24,162	20,742
Credited/(charged) to the Comprehensive Operating Statement	523	3,218
Under/(Over) Provision	-	202
Closing balance at 30 June	24,685	24,162

14. PAYABLES

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unsecured Liabilities:								
Trade and Accrued Creditors	4,796	6,416	1,139	1,530	1,389	1,742	2,268	3,144
Deposits	622	643	221	298	348	293	53	52
Advances for Works Program	383	557	-	-	-	-	383	557
Other	488	79	224	44	180	11	84	24
	6,289	7,695	1,584	1,872	1,917	2,046	2,788	3,777

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Notes to the Financial Statements for the year ended 30th June 2013

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)	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured:								
Loans	63,855	58,272	3,840	4,417	13,769	8,869	46,246	44,986
	63,855	58,272	3,840	4,417	13,769	8,869	46,246	44,986

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

	2013	2012
	\$'000	\$'000
Credit Facility	211	735
Amount Utilised	-	-
Unused Credit Facility	211	735

16. EMPLOYEE BENEFITS

	TOTAL		CURRENT		NON-CURRENT	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave	1,581	1,490	1,581	1,490	-	-
Accumulated Sick Leave	17	9	17	9	-	-
Long Service Leave	3,194	3,080	2,886	2,719	308	361
Accrued Bonus	279	189	279	189	-	-
Aggregate Carrying Amount of Employee Benefits	5,071	4,768	4,763	4,407	308	361

Employee numbers at end of financial year: 166 (2012: 164).

Employee Benefit and related On-Costs

	TOTAL		CURRENT		NON-CURRENT	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave On-Costs	196	186	196	186	-	-
Long Service Leave On-Costs	454	428	410	378	44	50
Total On-Costs	650	614	606	564	44	50

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Notes to the Financial Statements for the year ended 30th June 2013

Long Service Leave

The Corporation's legal liability to Long Service Leave attributable to its employees at 30 June 2013 was \$3,193,769 which has been fully funded.

	2013 \$'000	2012 \$'000
Current:		
Short term benefits, that fall due within 12 months after the end of the period measured at nominal value	2,592	2,604
Long term benefits that do not fall due within 12 months after the end of the period measured at present value	294	115
	2,886	2,719
Non Current		
Long Service Leave being less than 7 years of continuous service measured at present value	308	361
	3,194	3,080

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

	2013	2012
Weighted average increase in employee costs	4.60%	4.31%
Weighted average discount rates	3.63%	2.92%
Weighted average settlement period	13	13

17. PROVISIONS

	2013 \$'000	2012 \$'000
Current		
Land Remediation	156	177
	156	177

Movement in Provisions

	Land Remediation	Total
2012-2013		
Opening balance at 1 July	177	177
Payments	(21)	(21)
Closing balance at 30 June	156	156

	Land Remediation	Total
2011-2012		
Opening balance at 1 July	270	270
Payments	(93)	(93)
Closing balance at 30 June	177	177

The provisions stated above have transferred from the former First Mildura Irrigation Trust.

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

18. SUPERANNUATION

Lower Murray Water makes employer superannuation Contributions in respect of most 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*, Lower Murray Water does not use defined benefit accounting for these contributions.

Lower Murray Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2011, Defined Benefit Plan liabilities. Lower Murray Water makes the following contributions:

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

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 2012, as at 31 December 2011, a funding shortfall of \$453 million for the Fund was determined. A call to Employers for additional contributions was made, Lower Murray Water was issued with an invoice for \$3,084,600 as our share of the shortfall. The invoice was accrued and recognised as an expense in the Comprehensive Operating Statement in 2011-12 financial year. Lower Murray Water paid the invoice which settled this funding call due 1 July 2013.

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Notes to the Financial Statements for the year ended 30th June 2013

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard Board AAS25 follows:

	31-Dec-11
	\$'000
Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	(326,809)
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	4,838,503

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

Net Investment Return	7.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

Lower Murray Water 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 Numbers	Rate	2013	2012
				\$'000	\$'000
State Superannuation Board Revised Scheme	Defined Benefit	3	17.00%	35	34
State Superannuation Board New Scheme	Defined Benefit	5	9.5% - 10%	30	30
Vision Super	Defined Benefit	30	9.25%	217	214
Vision Super Saver	Accumulation	114	9.00%	629	647
Others	Various	36	9.00%	135	128
Total Contributions to all funds				1,046	1,053

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 Lower Murray Water to any of the above funds.

19. DEFERRED TAX LIABILITY

	2013	2012
	\$'000	\$'000
Deferred tax liability comprises:		
Tax allowances relating to property, plant, and equipment	131,717	131,539
Other	2	17
Current Tax Liability	-	(133)
Deferred Tax Liability	131,719	131,423

Movements

Opening Balance 1 July	131,423	131,761
Charged/(credited) to the Comprehensive Operating Statement	(919)	(581)
Under/Over Provision	-	202
Current Tax Liability	133	-
Charged/(credited) to equity	1,082	41
Closing balance 30 June	131,719	131,423

20. CONTRIBUTED CAPITAL

	2013	2012
	\$'000	\$'000
Opening balance 1 July	537,606	537,366
Capital transactions with the State in its capacity as owner arising from:		
- Capital Contributions	-	240
Closing balance 30 June	537,606	537,606

21. PHYSICAL ASSET REVALUATION SURPLUS

	2013	2012
	\$'000	\$'000
Movements in Physical Asset Revaluation Surplus		
Balance 1 July	151,978	151,883
Revaluation increment/(decrement)	3,607	136
Tax effect of revaluation increment/(decrement)	(1,082)	(41)
Balance 30 June	154,503	151,978

	2013	2012
	\$'000	\$'000

Movements by class

Land		
Balance 1 July	3,256	3,256
Revaluation increment/(decrement)	-	-
Tax effect of revaluation increment/(decrement)	-	-
Balance 30 June	3,256	3,256

Buildings		
Balance 1 July	4,361	4,361
Revaluation increment/(decrement)	-	-
Tax effect of revaluation increment/(decrement)	-	-
Balance 30 June	4,361	4,361

Infrastructure		
Balance 1 July	144,361	144,266
Revaluation increment/(decrement)	3,607	136
Tax effect of revaluation increment/(decrement)	(1,082)	(41)
Balance 30 June	146,886	144,361

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Notes to the Financial Statements for the year ended 30th June 2013

22. ACCUMULATED FUNDS

	2013	2012
	\$'000	\$'000
Accumulated Funds at 1 July	(62,835)	(53,932)
Net Surplus/(Deficit) for the year after Income Tax Expense	(3,095)	(8,903)
Accumulated Funds at 30 June	<u>(65,930)</u>	<u>(62,835)</u>

23. EQUITY

	2013	2012
	\$'000	\$'000
Total Equity at 1 July	626,749	635,317
Total Other Changes in Equity Recognised in the Statement of Changes in Equity	(570)	(8,568)
Total Equity at 30 June	<u>626,179</u>	<u>626,749</u>

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

	2013	2012
	\$'000	\$'000
Net result for the year after income tax	(3,095)	(8,903)
Add/(less) Non Cash Flows in Net result		
Depreciation/Amortisation	23,964	22,858
Income for Capital Purposes	-	(471)
Income Tax Expense/(Revenue)	(1,309)	(3,798)
Assets Written off	100	149
Loss/(Gain) on Disposal of Non-Current Physical Assets	37	85
	<u>19,697</u>	<u>9,920</u>
Changes in Assets & Liabilities:		
Decrease/(Increase) in Receivables	218	(1,923)
Decrease/(Increase) in Inventories	128	215
Decrease/(Increase) in Prepayments	15	177
Increase/(Decrease) in Payables & Provisions	(1,429)	2,353
Increase/(Decrease) in Employee Benefits	303	(24)
Net Cash provided by/(used in) Operating Activities	<u>18,932</u>	<u>10,718</u>

25. COMMITMENTS

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

	2013	2012
	\$'000	\$'000
Capital Commitments for Incomplete Contracts		
Payment due within one year	6,613	5,212
Other Commitments		
Environmental Contribution		
Payment due within one year	1,639	1,639
Payments due between two to three years	1,639	1,639
	<u>3,278</u>	<u>3,278</u>

26. RESPONSIBLE PERSONS DISCLOSURE

(i) Names of Persons who were responsible persons at any time during the financial year ended 30 June, 2013:

The Hon P Walsh MLA	
Ms L Burrows (Chairperson)	
Ms K Martin (Deputy Chairperson)	
Mr G Michell	1 July 2012 - 30 September 2012
Ms E Ward	1 July 2012 - 30 September 2012
Mr P Jones	
Mr D Graham	
Mr M Bennett	
Ms C Rix	1 October 2012 - 30 June 2013
Mr B Bishop	1 October 2012 - 30 June 2013
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	5 days

(ii) Total Remuneration received or due and receivable by responsible persons totalled \$431,590 (2012: \$418,719).

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

	2013	2012
\$1 - \$10,000	2	1
\$10,001 - \$20,000	6	7
\$30,001 - \$40,000	-	1
\$40,001 - \$50,000	1	-
\$260,001 - \$270,000	-	1
\$280,001 - \$290,000	1	-
Total Numbers	<u>10</u>	<u>10</u>

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

Our Financial Report

Notes to the Financial Statements for the year ended 30th June 2013

(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 \$37,386 (2012: \$34,249) 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		Base Remuneration	
	2013	2012	2013	2012
\$100,000 - \$110,000	1	-	1	1
\$110,001 - \$120,000	1	1	2	1
\$120,001 - \$130,000	2	1	2	2
\$130,001 - \$140,000	1	2	1	2
\$140,001 - \$150,000	1	-	-	1
\$150,001 - \$160,000	-	2	3	1
\$160,001 - \$170,000	3	1	-	1
\$170,001 - \$180,000	-	2	1	1
\$180,001 - \$190,000	1	-	1	1
\$190,001 - \$200,000	-	1	-	-
\$200,001 - \$210,000	1	1	1	-
\$210,001 - \$220,000	1	-	-	-
Total Numbers	12	11	12	11
Total Annualised Employee Equivalent (AEE)*	12	11	12	11

Total Remuneration received or due and receivable by the Executives listed above totalled \$1,876,085 (2012: \$1,727,588).

Total base remuneration is \$1,741,113 (2012: \$1,578,767).

There were no contractors charged with significant management responsibilities.

*Annualised employee equivalent (AEE) is calculated by dividing the total number of ordinary hours that an employee worked over the reporting period by the total number of full-time working hours per annum (this is generally 38 hours per week for 52 weeks per year).

27. AUDITOR REMUNERATION

	2013 \$'000	2012 \$'000
Victorian Auditor General's Office - Audit Services	83	93
	83	93

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 2013 the Board was aware of the following contingent items:

Four former FMIT Directors have served writs on Lower Murray Water seeking unspecified compensation for damages as a result of being defamed. Another former board member had already settled out of court.

The first phase of the trial has been heard in the Mildura City country circuit of the Supreme Court before a jury and was completed in August 2012. The jury found Lower Murray Water defamed four former directors of the First Mildura Irrigation Trust by publishing a letter written by former Victorian Water Minister Tim Holding on its website.

The second phase of the trial heard Lower Murray Water statutory defences against the defamation and was heard by a Supreme Court judge alone in October 2012. Three of the former directors were awarded \$70,000, while one was awarded \$80,000.

The decision regarding the one director was accepted, but an appeal of the decision of the three former directors receiving \$70,000 has been lodged. The appeal date has not yet been set.

The Corporation is insured for the legal costs incurred in defending the case and any damages and costs to the limit of \$300,000,000. The Corporation is unsure as to the extent of this contingent liability as the quantum will be determined by the court based on the merits of future submissions.

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Appendix 1—Disclosure Index

The 2012/13 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 2012/13 is compliant with all statutory reporting requirements.



Ron Leamon
Managing Director

30th August 2013

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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