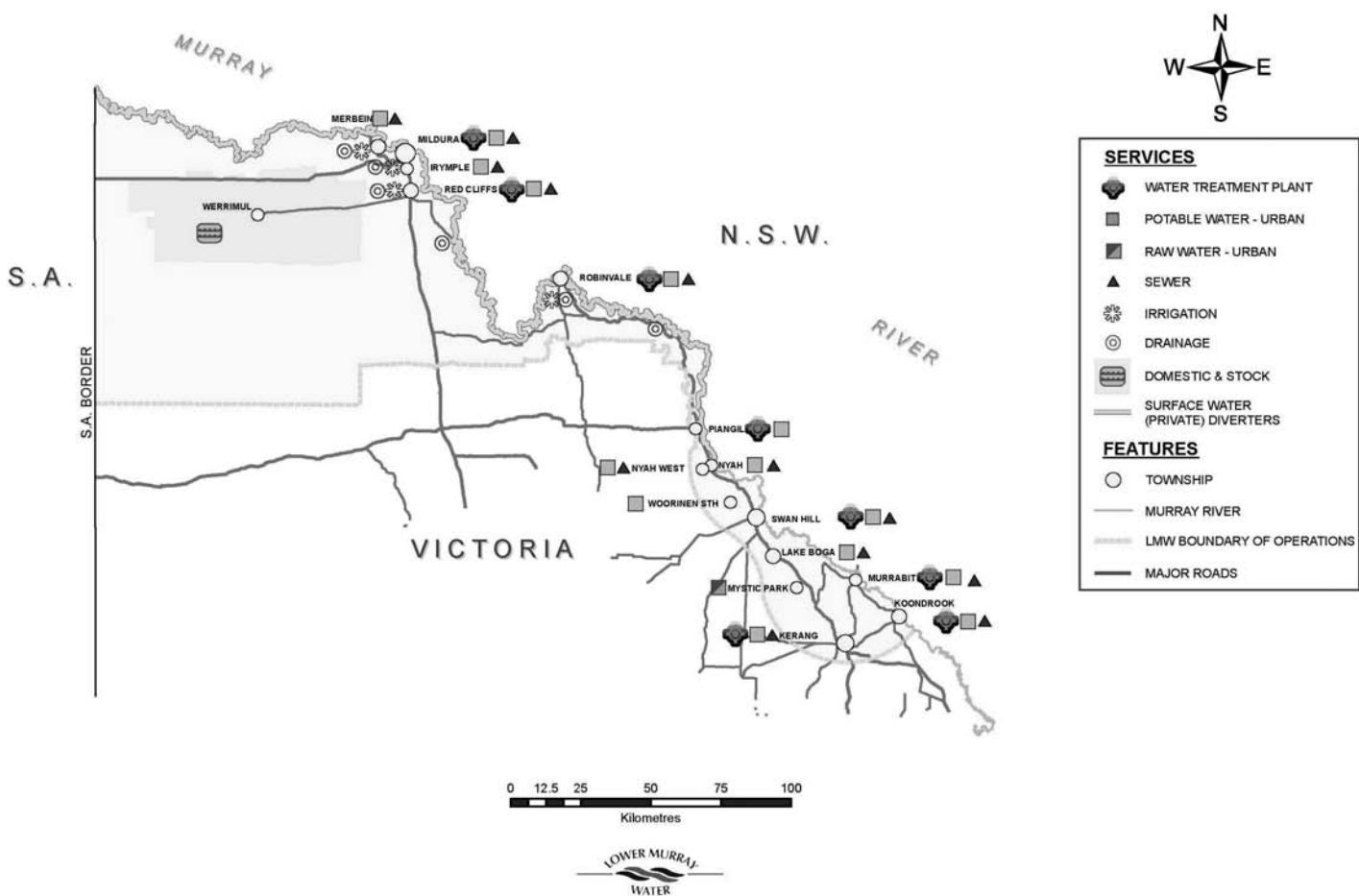




**Annual Report 2013/14**

# 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 4,899 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 358,481ML;
- 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 1,147 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"> <li>Continued to monitor Blue Green Algae in the Murray River, as convening agency, making appropriate public announcements as required</li> <li>Continued training of water treatment plant operators to further enhance skills and achieve compliance with Department of Health requirements</li> <li>Continued our program of all relevant staff having Australian Drinking Water Guidelines training</li> <li>Completed refurbishment of clarifier at Swan Hill Water Treatment Plant</li> </ul>

### Wastewater Treatment and Recycling

Objective	Objective Set	Action Taken
Seek opportunities to recycle wastewater	Strategic Plan	<ul style="list-style-type: none"> <li>Continued to seek to investigate new water recycling/reuse opportunities</li> <li>Continuation of supply of irrigation drainage water from the Red Cliffs Irrigation District to the Red Cliffs Golf Club for re-use</li> <li>Continuation of the use of reclaimed water from the Mildura Water Treatment Plant by Mildura Rural City Council for the irrigation of recreation reserves</li> <li>Providing improved quality of reclaimed water from Robinvale Wastewater Treatment Plant for fodder production</li> </ul>
Continue to meet the levels of service as set out in the Statement of Obligations and other prescribed health and environmental regulations	Strategic Plan	<ul style="list-style-type: none"> <li>Construction of approximately 4.2km of water and 2.6km of sewer mains to service new subdivisions and properties in our service area</li> <li>Rehabilitation of 4.8km of sewer mains in our service region</li> <li>Replacement of approximately 4.4km of water mains in our service region</li> </ul>
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"> <li>Completion of works on Kerang Wastewater Treatment Plant</li> </ul>

### 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 allocation	Strategic Plan	<ul style="list-style-type: none"> <li>The \$120 million Sunraysia Modernisation Project commenced implementation in the 13/14 season after funding approval was provided in December 2013.</li> <li>Upgrades to the pumps at Mildura Central and Red Cliffs irrigation pump stations continued</li> <li>Continued with our capital works program across our irrigation districts</li> <li>Completed installation of new low voltage supplies to district pump stations</li> </ul>

## Our Objectives

### Budgetary and Governance

Objective	Objective Set	Action Taken
Responsible Corporate Governance—to management our business affairs in a manner consistent with the best standards of corporate governance	Corporate Goal 7	<ul style="list-style-type: none"> <li>Continued our program of Director training, further enhancing board skills</li> <li>Attendance by our Chair and Managing Director at the annual Australian Institute of Company Directors' conference</li> <li>Continued annual inspection of 150 plus worksites as part of the Hazard Removal Program</li> <li>Continued program of meetings of Audit &amp; Risk Committee and Governance Committee</li> <li>Update and enhance our Business Continuity Plan</li> <li>Implementation of new IT Strategy Plan</li> </ul>
To align the business objectives with Essential Services Commission principals	Strategic Plan	<ul style="list-style-type: none"> <li>Implement Water Plan 3 (2013-2018) as approved by the ESC in June 2013</li> <li>Compliant ESC regulatory audit result</li> </ul>

### Environmental

Objective	Objective Set	Action Taken
<b>Sustainability of our Environment</b> —Minimise the environmental impact of water usage by all customer groups	Corporate Goal 4	<ul style="list-style-type: none"> <li>Continued to encourage reclaimed water projects to reduce extractions from the Murray River</li> <li>Continued to partner in the delivery of a project to reduce potential environmental impacts from pump infrastructure on the river</li> <li>Continued community education and awareness program for water conservation</li> <li>Continued to assist with the planning and delivery of Environmental Flows, including Cardross Basin, Koorlong Basin and Woorlong Wetlands</li> </ul>
<b>Sustainability of our Environment</b> —Implement State Environmental Sustainability Objectives	Corporate Goal 4	<ul style="list-style-type: none"> <li>GHG emissions—continued reduction of office based consumption of electricity</li> <li>Biodiversity—continued to manage threatened species (Hooded Scaly-foot lizard and the Murray Hardyhead Fish)</li> <li>Waste production—continue with our waste management program</li> </ul>

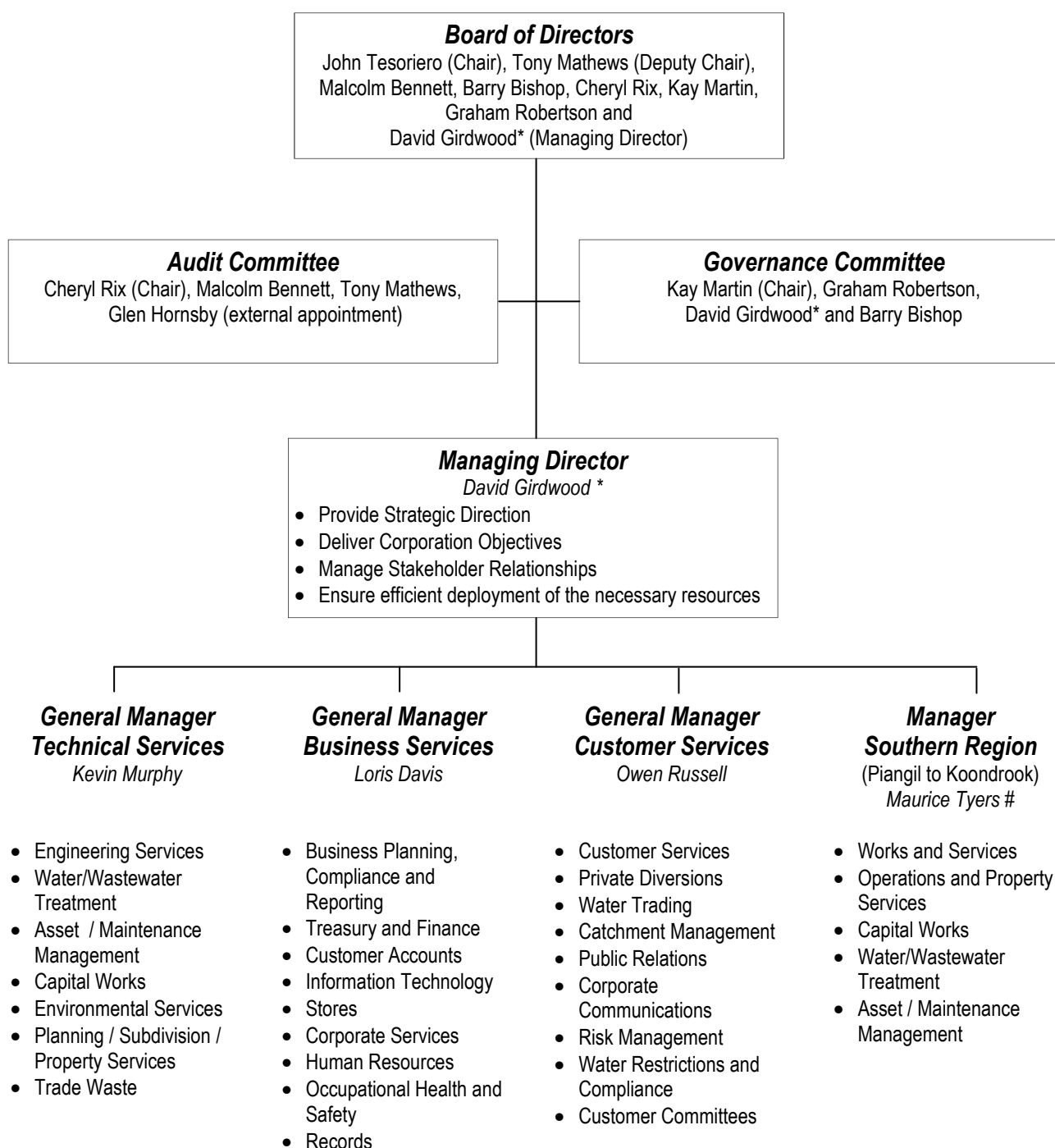
## Our Objectives

### Customer, Staff and Stakeholder

Objective	Objective Set	Action Taken
<b>Motivated and Empowered People</b> —to maintain a quality, appropriately skilled and committed workforce	Corporate Goal 5	<ul style="list-style-type: none"> <li>Continued our “Corporate Wellness program” for staff</li> <li>Continued training of staff in various aspects of operations, including having our water treatment plant operators progressing through Certificate III in Water Industry Operations</li> <li>In line with Study Leave and Training and Development Policies, supported staff undertaking further education</li> </ul>
<b>Positive Customer, Staff and Stakeholder Relationships</b> —to maintain positive relationships and communications with rural and urban customers, government and other stakeholders	Corporate Goal 2	<ul style="list-style-type: none"> <li>Continued our program of Customer Service Advisory Committee (CSAC), Customer Consultative Committee (CCC) and Strategic Advisory Committee (SAC) meetings throughout the year</li> <li>Conducted the 2013/14 Customer Satisfaction Surveys</li> <li>Conducted the Lower Murray Water Employee Satisfaction Survey</li> </ul>
Increase awareness and understanding of water related issues in the entire community	Communications Strategic Plan	<ul style="list-style-type: none"> <li>Continued the production of e-news “Inflow” to subscriber base</li> <li>Continued provision of education programs and activities for primary school children</li> <li>Participated in a range of projects aimed to promote environmental awareness, including the staging of a morning tea event during the Seniors’ Festival</li> <li>Continued involvement in National Water Week activities through:               <ul style="list-style-type: none"> <li>Promoting the national poster competition</li> <li>Co-ordinating; and running an activity at, the local multi-agency event for primary school children</li> </ul> </li> <li>Participated in the toilet retrofit program (concluded September 2013)</li> <li>Participated in the Rural Water Awards</li> </ul>
Develop partnerships with local businesses and groups to educate on water issues	Communications Strategic Plan	<ul style="list-style-type: none"> <li>Relationships with media in our service area maintained throughout the year</li> <li>Responded to requests from schools for development of presentations and learning resources targeted to particular areas of the curriculum</li> <li>Continued our involvement with various agencies to promote water issues, including Sunraysia Riverwatch</li> <li>Our Board continued to meet with Councils in our Southern region annually</li> </ul>

# Our People

## Our Structure



\* David Girdwood was appointed Acting Managing Director from 5th May, 2014 upon Ron Leamon's retirement

# Maurice Tyers was appointed Acting Manager, Southern Region from 5th May, 2014



## 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 2013/14 year changes to our Board comprised:

- John Tesoriero, Tony Mathews and Graham Robertson were appointed to the Board from 1st October 2013 to 30th September 2015
- John Tesoriero was appointed Chair from 1st October 2013
- Tony Mathews was appointed Deputy Chair from 17th October 2013
- Leonie Burrows, Peter Jones and Dugald Graham concluded their terms with the Board on 30th September 2013
- Ron Leamon retired from Lower Murray Water, effective 5th May 2014
- David Girdwood was appointed Acting Managing Director from 5th May 2014

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

**John Tesoriero**, is currently Chair of the Board of Directors, of Lower Murray Water and until recently Project managed the development of a business case for the Sunraysia Irrigation Modernisation Project for the Mildura Development Corporation. John has extensive experience in the water industry including General Manager, Water Supply for Southern Rural Water, Chief Executive Officer of the First Mildura Irrigation Trust and General Manager Western Murray Irrigation. John is a former Chairperson of the Murray Valley Citrus Board and was previously the Chief Executive Officer of that organisation. John is also a member of the Mildura Base Hospital Community Advisory Board. He has a Graduate Diploma of Business (Administration) and is a member of the Australian Institute of Company Directors.

**Tony Mathews**, (Deputy Chair) has in excess of forty years' experience in the aviation industry including extensive work in regional aviation as a chief pilot and general manager. His roles included Chief Pilot (1982 - 1986) and General Manager (1986 - 2002) Qantas Regional Airlines. Mr Mathews is the Chair Mildura Private Hospital Advisory Board (2003 - current), member of Airservices Australia (2012 - current), Mildura District Health Fund (2012 - present) and RCP Finance (2011 - current). Mr Mathews has qualifications as an airline transport pilot and commercial pilot.

**Malcolm Bennett** is a self employed dried fruit grower in the Merbein Pumped Irrigation District with an Associate Diploma in Mechanical Engineering. He is a member of the Audit Committee

and a Board representative on the Project Control Group for the Sunraysia Modernisation Project. He is also the Chair of the Community Advisory Group for the SMP. He is the Secretary of the Merbein Branch of Dried Fruits Australia and a Member of Australian Institute of Company Directors.

**Barry Bishop** was a former Member of the Grain Elevators Board and the Australian Wheat Board; he Chaired the Stored Grains Research Laboratory in Canberra and was a Director of the Bread Research Institute in Sydney. He is a recipient of the Miles Bourke Award for services to agriculture. He represented North West Province in the Victorian Parliament 1992-2006. He was Deputy President and Chairman of Committees of the Legislative Council, Party Whip and Spokesperson for Transport, Ports and Commodities. He served on the Environment and Natural Resources, the Road Safety and Legislative Council Standing Orders Committees. He is President of Swan Hills Association of Independent Retirees and Chair of a Governance Entity that links two Community Service Providers.

**David Girdwood** has worked with Lower Murray Water since 2008 as part of the Executive Team in the role of Manager—Southern Region. David holds a Bachelor of Science and prior to joining Lower Murray Water, he worked in the food manufacturing industry for 14 years both domestically and internationally with Nestle.

**Kay Martin**, 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.

**Graham Robertson** is a horticulturist, currently farming pomegranates and citrus in Cardross, Victoria (1983 – current). He was previously a member of the Australian Federal Police (1975 – 1982). He has been a councillor of Mildura Rural City Council (2005 - 2008) and a member of a number of industry organisations including chair of the Australian Dried Fruits Association for a four year term and a member of the Victorian Dried Fruit Board for 12 years.

**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
Malcolm Bennett	13	13
Barry Bishop	13	13
Leonie Burrows *	3	3
David Girdwood ^	2	2
Dugald Graham *	3	3
Peter Jones *	3	3
Ron Leamon ^	11	11
Kay Martin ~	13	13
Tony Mathews # ~	10	10
Cheryl Rix	13	9
Graham Robertson #	10	10
John Tesoriero #	10	9

# Directors Tesoriero, Mathews and Robertson appointed to the Board effective 1st October 2013. Director Tesoriero appointed as Chair effective 1st October 2013

~ Director Martin Deputy Chair to 30th September 2013; Director Mathews appointed Deputy Chair effective 1st October 2013

^ David Girdwood appointed Acting Managing Director effective 5th May 2014, following Ron Leamon's retirement

\* Directors Burrows, Jones and Graham concluded their terms on 31st September 2013

### Board Committees

#### Audit and Risk Committee

Our Audit and Risk 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 and Risk Committee is able to review and evaluate the effectiveness of controls and practices. At 30th June 2014, the Committee comprised Cheryl Rix (Chair), Malcolm Bennett, Tony Mathews and Glen Hornsby, an external appointment to the Committee. The Committee met on five occasions in 2013/14. 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 and Risk Committee	
	Eligible to attend	Attended
Malcolm Bennett ^	3	3
Dugald Graham *	2	2
Peter Jones *	2	2
Tony Mathews ~	3	3
Cheryl Rix	5	3

\* Directors Jones and Graham concluded their terms on 31st September 2013

~ Director Mathews appointed to the Board effective 1st October 2013

^ Direct Bennett appointed to the Risk and Audit Committee effective 1st October 2013

#### 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 2013/14: 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	
	Eligible to attend	Attended
Malcolm Bennett ^	1	1
Barry Bishop	3	3
David Girdwood ~	1	1
Ron Leamon ~	2	2
Kay Martin	3	2
Graham Robertson ^	2	2

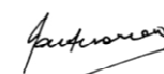
^ Director Robinson replaced Director Bennett on the Governance committee effective 1st October 2013

~ David Girdwood appointed Acting Managing Director effective 5th May 2014, following Ron Leamon's retirement

### Corporate Governance

#### Risk Management

I, John Tesoriero, 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 and Risk Committee verifies this assurance and that the risk profile of Lower Murray Urban and Rural Water Corporation has been critically reviewed within the last 12 months.



John Tesoriero

Chair

3rd September 2014

### Our Chair's Overview

In this my first year as Chair of Lower Murray Water, I am pleased to present this overview for our 2013/14 Annual Report.

There have been a number of significant events throughout the year; the most notable being the securing of \$103 Million in funding from the Commonwealth Government to modernise our irrigation infrastructure in Mildura, Red Cliffs and Merbein. Our organization worked closely with the Mildura Development Corporation and the Department of Environment and Primary Industries to complete the Business case and secure the funding outlined above.

Following the funding announcement by Commonwealth Parliamentary Secretary Simon Birmingham and Victorian Water Minister Peter Walsh in December 2013, we moved to the implementation stage with the establishment of a Project Control Group under the Chairmanship of Mr. Dane Huxley and I'm pleased to report that we have met all our milestones to 30<sup>th</sup> June 2014. The project is due for completion in 2016.

Another achievement was the completion and official opening of the new Millewa Water Quality Treatment Plant Project in early July 2013. This new plant and settling lagoons provides enhanced water quality to the users in the Millewa Rural Water District region. This significant \$3.2M project was partly funded by a \$1.2M grant from the Victorian Government.

The MDBA Plan has continued being implemented throughout the season. We have seen major environmental flows happening in our region with water linked to the Commonwealth environmental water holdings. LMW Staff were involved in policy development to ensure that our organization was ready for the implementation of the new Basin Water Trading Rules which are scheduled to commence on the 1 of July 2014.

Water demand has been influenced by climatic conditions this year. Rainfall for the year was higher than the previous year. As a result water usage for both the rural and urban sectors in 2013/14 was down in comparison to 2012/13. Particularly during October through to February, rainfall was almost 5 times more than for the same period last year.

While being in a position to fund a significant proportion of our statutory depreciation of \$24 Million (based on assets valued at \$771 Million) LMW's consolidated result was a pre-tax accounting loss of \$3.8M, with the urban business showing a pre-tax surplus of \$2.3M.

Our urban sector has continued to perform well as evidenced by the financial result mentioned above. In addition our upgrade program is progressing. Works undertaken throughout the year included the installation of aerators at the Mildura Waste Water Treatment Plant and Automation at the Mildura and Red Cliffs Water Treatment Plants. Rehabilitation works were also undertaken on the Mildura Sewerage system. These projects are strategically important and enable us to continue to provide high quality urban services.

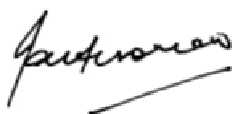
We are hopeful of more favourable market conditions in 2014/15 as we are seeing evidence of replanting of some of the unirrigated properties throughout the pumped districts. We are confident that this development will accelerate following the completion of the SMP. While wine grape prices continue to be low and climatic conditions resulted in a downgrade of dried fruit quality, almond prices have been strong and table grape exports are slowly being introduced to new markets such as South Korea and Japan. There are also positive signs for citrus production with good prices being achieved for quality fruit.

We welcomed two new Directors to our Board during 2013/14 being Directors Tony Mathews and Graham Robertson, both have significant management and industry experience and add to the diversity and range of skills around the Board table. I would like to formally acknowledge and thank the three outgoing Directors, Leonie Burrows, Peter Jones and Dugald Graham who had variously served different periods of directorship.

It is also appropriate that I acknowledge and thank the contribution made by our former Managing Director Ron Leamon who announced his retirement in April. With over 25 years of service and 15 years as Managing Director, Ron made a significant contribution to LMW throughout his tenure. We all wish him well in his retirement.

We are very pleased with the positive relationship that exists with our Customer Service and Advisory Committees for each of our service areas, they provide valuable input into our operations and are an essential part of our organization.

In closing I would like to thank my fellow Directors for their contribution and support, the management team for delivering on our corporate objectives and the staff for their commitment, dedication and loyalty to the organization.



**John Tesoriero**  
Chair

3rd September 2014

### Our Managing Director's Overview

For the first time in nearly fifteen years the MD/CEO overview will not be provided by Mr Ron Leamon due to his well earned retirement. Ron has been working within the Victorian Water Industry for nearly three decades. He has seen user pays implementation, droughts, floods, mergers, and had many achievements in making the water services in the region better for all water users.

The LMW management and staff thank Ron for his exceptional leadership over many years and wish him all the best for his retirement.

A new Managing Director, Phil Endley, has been appointed and is scheduled to commence in September 2014.

The signing of the funding agreement between the Federal and State Governments for the Sunraysia Modernisation Project (SMP) was the culmination of nearly five years of effort. Implementation of the SMP and ensuring its success is a major focus for the organisation. The initial milestones have all been met on time and budget with the major milestone being the Pumps and Pipes Contracts recently being awarded.

While SMP has been and will remain a focus for the organisation over the coming two years, LMW is also concentrating on ensuring our service to our customers is maintained.

Key urban business projects during the year have seen ongoing works at our water treatment plants (WTP's) to upgrade electrical control and SCADA systems to improve reliability and operational efficiencies. Relining works on our sewer network has also been extensive with the aim of reducing interruptions to customers and extending operational life of the asset.

The upgrade of the Rural telemetry network has enabled better control of our channel network leading to improved customer service. Many of the lessons learnt from these projects will be applied to the SMP.

None of the above could have been achieved without the dedicated efforts of the LMW management and staff. Particularly during this time of transition it has been pleasing to see the efforts of management and staff to continue to provide dedicated service to our customers.

I thank the Board of LMW in particular the Chair Mr John Tesoriero for their support of management and staff during this busy time and period of transition for the organisation.



**David Girdwood**  
**(Acting) Managing Director**

## 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 Privacy, OHS, Public Liability and Incident Reporting, Human Resources, Environment and Emergency Management awareness sessions during 2013/14. Ongoing regulatory OHS, environmental, risk management, public liability and water treatment training has continued to be a high priority for us. Twelve Water Treatment employees have completed Certificate III in Water Operations and we have had two other employees complete a Diploma of Project Management and a Master of Engineering this year. 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 Certificate IV in Electrical Instrumentation, Diploma of Management, Advanced Diploma of Industrial Automation, Bachelor of Information and Technology and Systems, Bachelor of Technology (Information Systems) and Bachelor of Engineering degrees.

#### Staff Trends and Profiles

	2012/13						2013/14					
	Male			Female			Male			Female		
	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE
Executive	4	4	1	1	5	5	4	4	1	1	5	5
Administration	17	16.84	31	28.07	48	44.91	18	18	32	29.85	50	47.85
Operations	76	76	1	1	77	77	76	76	1	1	77	77
Engineering/Technical	33	32.08	3	2.63	36	34.71	34	33.2	3	2.63	37	35.83
Sub-total	130	128.92	36	32.7	166	161.62	132	131.2	37	34.48	169	165.68
Vacancies					0	0					1	1
Totals					166	161.6					170	166.68

Age Group	Male		Female		Total	
	Head Count	FTE	Head Count	FTE	Head Count	FTE
15-24 years	3	3	2	2	5	5
25-34 years	21	21	2	1.78	23	22.78
35-44 years	25	25	12	10.64	37	35.64
45-54 years	42	42	11	10.06	53	52.06
55-64 years	37	37	9	9	46	46
65-65+ years	4	3.2	1	1	5	4.2
Total	132	131.2	37	34.48	169	165.68

The staff turnover rate for 2013/14 was 7.2%

#### Workplace Merit and Equity

We take all reasonable steps to identify and preclude any unlawful discrimination 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 2013/14.

#### 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 proactive Northern and Southern OH&S Committees that are well supported by management and these Committees have a direct influence on OH&S outcomes. We have increased the Safety committee member numbers in the Southern Region bringing in new skills, experience and enthusiasm. 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 meet regularly to discuss OH&S matters, share knowledge and practices and suggest where improvements can be made within the organisation. A Health and Wellbeing committee continues to promote health and wellbeing programs to all staff and LMW is an active member of the Healthy Together Mildura Program. Thirty seven staff participated in the 10,000 step challenge which was well supported by participating staff. 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 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, safety representatives, supervisors and management. The number of hazards removed now exceeds 1,000 over the past seven 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	2012/13	2013/14
Days Lost - Workcover	45.5	61
- per FTE	0.28	0.36
Number of Lost Time Injuries	6	5
Lost Time Injury Frequency Rate*	21	18.36
Percentage of annual Workplace Inspections completed	100%	100%

\*Number of Injuries x 1,000,000 / total hours worked

## 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 town via 10 treatment plants.

### Our Urban and Wastewater Statistics 2013/14

District Name	Note	Residential Customers				Non-residential Customers				Total number of customers	7 Total potable water volume (1+4)	8 Total recycled water volume (2+3+5+6)	9 Total consumption (7+8)	Average annual consumption #	Weekly residential potable water consumption	Non-revenue Water			13 Total non-revenue water (10+11+12)	Total water all sources (9+13)
		Number	1 Potable water volume	2 Recycled wastewater volume	3 Recycled stormwater volume	Number	4 Potable water volume	5 Recycled wastewater volume	6 Recycled stormwater volume							10 Leakage	11 Firefighting	12 Other *		
Kerang		1774	698			327	154			2101	852	0	852	948	13	61		23	84	936
Koondrook		430	146			57	20			487	166	0	166	191	3	16		4	20	186
Lake Boga	1	419	190			54	31			473	221	0	221	0	4				0	221
Mildura	2,3	18093	8544			2158	2332	2982		20251	10876	2982	13858	10,588	164	407		292	699	14557
Murrabit		42	17			13	5			55	22	0	22	26	0	0		6	6	28
Mystic Park	4	12	5			3	1			15	6	0	6	9	0				0	6
Nyah	1	297	148			42	49			339	197	0	197	0	3				0	197
Nyah West	1	255	126			35	23			290	149	0	149	0	2				0	149
Piangil		97	42			19	43			116	85	0	85	89	1	17		3	20	105
Red Cliffs		1476	604			171	475			1647	1079	0	1079	1,060	12	98		29	127	1206
Robinvale		777	345			195	153	220		972	498	220	718	519	7	29		13	42	760
Swan Hill		4825	1953			857	761			5682	2714	0	2714	3,407	38	170		91	261	2975
Woorinen Sth	1	152	81			16	16			168	97	0	97	0	2				0	97
		28649	12899			3947	4063	3202		32596	16962	3202	20164	16,837	248	798	0	461	1259	21423
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 Mildura, Koorlong and Merbein Recycled Wastewater																			
Note: 4	Water supplied is raw, non potable																			
#	Average annual consumption calculated between 2009-10 and 2013-14																			

### Our Rural Customers

We provide river quality water services to 4,899 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 1,147 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 2014 are shown in the section titled "Our Bulk Entitlements, Transfer of Water Entitlements, Allocations and Licences and Irrigation Water Usage".

## Our Customers

### Customer Consultation

#### Strategic Advisory Committee (SAC)

The Strategic Advisory Committee (SAC) provides advice directly to the LMW 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 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. The Chair of the Committee was Danny Lee until his resignation from the committee on the 28th May 2014.

SAC Meeting Attendance Schedule 2013/2014		
	Meetings Eligible to Attend	Attended
Danny Lee	4	4
Warren Lloyd	4	4
Frank Dimasi	4	4
Greg Milner	4	4
Don Marciano	4	4
Nancy Prevedello	4	4
Jim Belbin	4	4
Greg Hutchison	4	4

#### 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.

CSAC Members' Attendance at Meetings July 2013 to June 2014								
CSAC Members	Meetings Eligible to Attend	Attended	CSAC Members	Meetings Eligible to Attend	Attended	CSAC Members	Meetings Eligible to Attend	Attended
<b>Merbein</b>			<b>Millewa</b>			<b>Red Cliffs</b>		
David Beard	4	4	Ian Arney	1	0	Tim Milner	3	3
Stephen Bennett	4	3	Neil Boord	1	1	Graham Nice	3	3
Roslyn Hudson	4	4	Kevin Coogan	1	1	Giovanni Paolucci	3	3
Lindsay McClelland	4	4	Ron Hards	1	1	Frank Pedulla	3	2
Robert Mazza	4	0	Allen Harmer	1	1	Matt Ryan	3	3
Richard Wells	4	3	Vacancy	0	0	John Strangio	3	0
<b>Mildura</b>			<b>Private Diverters</b>			<b>Robinvale</b>		
Jason Bottams	4	4	Jane Finch	1	0	Don Albanese	3	2
Steven Frasca	4	4	Tim Millen	1	1	Ian Boyd	3	2
Darren Gardner	4	3	Tyson Milne	1	1	Lindsay Camera	3	3
Peter Jones	4	4	Anthony Spiers	1	1	Frank Costantino	3	3
Vacancy	0	0	Andrew Young	1	0	Cossy Giofrelle	3	3
Vacancy	0	0	Vacancy	0	0	Ken Stringer	3	3

#### 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 once in the 2013/14 year to discuss water quality and supply; including matters such as service standards, pricing and capital works, current maintenance works and the Fairer Water Bills initiative.

CCC Members' Attendance at Meetings July 2013 to June 2014		
CCC Members	Meetings Eligible to Attend	Attended
Geoff Quinn	1	1
Brendan Barry	1	0
Graeme Jilbert	1	1
Deborah Quinn	1	0
Graeme Hayes	1	1
Colin Myers	1	1
Dione Thompson	1	0

## Our Customers

### Customer Communication

We are committed to continuously improve our customer service and communications with all our customers to inform and educate them of water related matters.

We have recently broadened our communication stream into social media and we are still providing information to our customers by newspapers, newsletters, radio and television campaigns.

Our website continues to be a major focus for disseminating information directly to our customers. Information is provided to customers via our monthly newsletter on water allocations and seasonal outlooks, water restrictions, upcoming events and community programs as well as important information relating to works being carried out as part of our Capital Works program.

Our annual customer satisfaction survey is continuing via an electronic method, this year a percentage of customers were again asked to complete the electronic survey. Questions related to customers satisfaction level water quality and service, sewerage service, ease of contact and overall satisfaction.

#### Urban Customer Survey Results

Topic	2014	2013
Overall satisfaction	88.80%	85.50%
Water Quality	92.17%	87.3%
Sewerage	97.92%	91%
Ease of contact	99.08%	98.2%

#### Urban Commercial Customer Survey

Topic	2014	2013
Overall satisfaction	93.90%	82.40%
Water Quality	96.20%	100.0%
Sewerage	97.20%	100%

#### Rural Customer Survey Results

Topic	2014	2013
Overall satisfaction	58.97%	65.81%
Understand bill	68.08%	64.6%
Ease of contact	89.37%	84.6%

### 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 2013/14	Overall Water Industry	Lower Murray Water
Enquiry	135	0
Unassisted Referral	604	3
Assisted Referral	1,757	9
Stage 1	175	0
Stage 2	143	3
Stage 3	4	0
<b>Total</b>	<b>2,818</b>	<b>15</b>



## Our Commitment to our Environment and Our Region

### Environmental Sustainability

#### *Sustainable Water Use*

##### *Efficiency of Irrigation Systems*

We continued to install new variable speed drives into our main irrigation pumping stations in Sunraysia. This will provide a better level of control for flows through the channel and pipeline network.

##### *Water Recycling*

Lower Murray Water continues to encourage sustainable reuse schemes to reduce raw water extracted from the Murray River.

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

- Koorlong Wastewater Treatment Plant treats wastewater from Mildura, Irymple and Red Cliffs and produces Class C reuse water for use on high value horticulture. Planning has also commenced for diversion of flows from the Merbein WWTP to Koorlong WWTP
- Mildura Wastewater Treatment Plant: Class C reclaimed water for irrigation of tree lots, permanent pastures and fodder. At Robinvale Wastewater Treatment Plant: Class C water for fodder (Lucerne) production

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

- Reclaimed water from the Mildura West Water Treatment Plant is used at Mildura Golf Club
- Reclaimed water from the Mildura Water Treatment Plant is used by Mildura Rural City Council for the irrigation of recreation reserves

The volume of irrigation drainage water has been declining in recent years, due to improved irrigation practices. Consequently, all Agreements for the reuse of irrigation drainage water have been reviewed and aligned with water availability.

##### *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**

Lower Murray Water is proud to continue our association with 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 and the surrounding environment and ensuring its preservation for the benefit of current and future generations. In 2013/14 we continued our ongoing sponsorship of SRW, joining other agencies and local businesses in demonstrating ongoing commitment to this important community service.

##### **Seniors' Festival Event**

Following the very successful morning tea event in 2012, in conjunction with the Mildura Rural City Council's annual Seniors' Festival in October 2013, we again 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 2014.

##### **Toilet Retrofit Program**

We concluded our toilet retrofit program in September 2013. As part of the program customers were offered a toilet retrofit installed by a local plumber, including rebates and discounts. To qualify, customers were required to replace an old inefficient single or dual flush cistern with a new water efficient dual flush toilet. From July-September 2013 four toilets were replaced in our service area. The total number of toilets replaced in our service area for the duration of the program was 45.

##### **Rural Water Awards 2014**

We commenced planning for the Rural Water Awards which will be presented in the 14/15 year.

##### **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 Lower Murray Darling CMA, we held an interactive event on the student free entry day of the Mildura Show (Thursday 15th October 2013). During the event, which ran from 10am to 2.30pm, 451 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 Coordinating 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 2014 school year. In the 2013 competition we received over 430 entries from 8 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 2013/14 we have been working to update the program and also 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.

##### *Sustainable and resilient water service systems*

###### *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.

## Our Commitment to our Environment and Our Region

### *Environmental Flows*

Lower Murray Water assists the Mallee Catchment Authority to deliver priority watering actions as outlined in the Victorian Environmental Water Holder (VEWH) Seasonal Watering Plan. A small number of actions involve delivery of environmental water through our irrigation and drainage infrastructure. The 2013/14 Seasonal Watering Statements allowed volumes for LMW delivery of up to: 1000ML - Cardross Basins, 150ML - Koorlong Basin and 750ML - Woorlong Wetlands (Basin 12). The water was used to achieve environmental outcomes, including the protection of the Murray Hardyhead fish and assisting the restoration of salt affected wetlands. We have worked with Mallee CMA to ensure environmental water is provided in accordance with the Environmental Water Delivery Plans, whilst also ensuring that irrigators' access to water is not compromised. We also assist, where required, with advice and administration of environmental water extractions at a number of other sites in our operating area, and in the development of Environmental Watering Management Plans.

### *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 2013/14 year.

### *Other Statutory Obligations*

#### *Regional Catchment Strategy*

The Mallee Regional Catchment Strategy (RCS) 2013-19 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 coordinating their efforts. We will continue to assist in the implementation of the Mallee RCS, working with the Mallee Catchment Management Authority (CMA) on approvals for new irrigation developments, salinity management and environmental projects, and participating in committees that provide technical support and monitor the projects emanating from the Regional Catchment Strategy.

This year, we were involved in the development of the Mallee Waterway Strategy 2014-22 which delivers against the RCS. The Mallee Waterway Strategy sets regional goals for waterway management, identifies priority waterways, and details an adaptive, strategic works program for the next eight years.

### *Biodiversity*

Integrated invasive plant and animal control continues at all our sites and areas of high conservation value receive targeted attention:

- Koorlong Offset Site - 25ha of high value vegetation. A five year review of biodiversity management will be undertaken in Spring 2014
- Mildura West Water Treatment Plant – home to a population of Hooded Scaly-foot (HSF) (*Pygopus schraderi*), a legless lizard. Cardross and Koorlong Basins – home to both indigenous and translocated populations of Murray Hardyhead (*Craterocephalus fluvialis*), a small fish. This year the translocated population was used to source fish for a new

population at Merbein's Brickworks Lagoon

Biodiversity is a key consideration in the concept design for new infrastructure projects. This year we have incorporated into our planning processes the new information and mapping arising from recent changes to Victoria's native vegetation permitted clearing regulations.

### *Victorian Waterway Management Strategy*

We strive to achieve healthy rivers, streams and floodplains through our own works and by supporting our partner agencies. The Victorian Waterway Management Strategy (VWMS) provides an integrated framework for management and policy direction for waterway health across the state. The VWMS has informed the development of the Mallee Regional Waterway Strategy 2014-22, of which we are a partner in the delivery of the works program. Recent works to improve our waterways include:

- Delivery of environmental water to Cardross Basins, Koorlong Basin and Woorlong Wetlands
- Kings Billabong Park – a natural Billabong used for storage of irrigation water. We continue to work with Mallee CMA to implement a partial drawdown of the Billabong to enhance environmental values
- Frontage Action Plan works – removal of weeds and hard rubbish from our pump stations and associated land

### *SEPP Waters of Victoria*

Department of Environment and Primary Industries, Environment Protection Authority and Office of Living Victoria are currently undertaking a review of the SEPP (Waters of Victoria). We will contribute to this review through involvement in the Water Industry Reference Group. We continue to work to reduce the impact of our activities on receiving water environments. Recent works include:

- Expanding the network of irrigation drainage monitoring to include the Bumbang – Boundary Bend area
- Completion of the upgrade of the Kerang WWTP to improve the quality of treated wastewater discharging to Fosters Swamp

### *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

#### *Energy Use*

2013/14 energy used from electricity in our Kerang, Swan Hill and Mildura Offices is 12,918MJ or 4.2 tCO<sub>2</sub>-e per FTE. This is a reduction of 497MJ or 0.2 tCO<sub>2</sub>-e per FTE.

#### *Corporate Water Consumption*

Water consumption at our Fourteenth street complex in Mildura for the 2013/14 year totaled 9903kl. 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 breaks down to 67.69kl per FTE or 1388 litres per square metre of office area.

## Our Commitment to our Environment and Our Region

### Paper Use

We continued to monitor our paper use throughout 2013/14. During this period we purchased 1200 reams of A4 copy paper at our northern offices. This represents 8.2 reams per FTE. In keeping with our environmental aims, all of our copy paper for the 2013/14 year manufactured from 100% recycled paper.

### Transportation

The total kilometers traveled by our vehicle fleet was 1747696 km. Based on the fuel usage, the energy consumption for the diesel fleet was 8,210GJ and 2,620GJ for the unleaded fleet, equivalent to 756tCO<sub>2</sub>-e total (0.43tCO<sub>2</sub>-e per 1000km). We continue to encourage alternatives to private vehicle use to and from work, although options are limited due to limited availability of public transport. We hold an annual barbeque to celebrate and support "Ride to Work Day". We encourage our staff to cycle to work if possible and provides support for cyclists with a dedicated bicycle facility. Cyclists have access to a secure bike storage area and a basic workshop to carry out minor repairs.

### Greenhouse Gas Emissions

Our net greenhouse gas (GHG) emissions for 2013/14 were 41,034t CO<sub>2</sub>-e. Our net figure is an overall increase of 2030t CO<sub>2</sub>-e compared to the 2012/13 net emissions.

	2009/10	2010/11	2011/12	2012/13	2013/14
	(tCO <sub>2</sub> -e)				
Irrigation supply and drainage	14,480	13,241	21,987	27,094	22,944
Urban water treatment and supply	5,337	5,311	6,383	7,519	7,437
Wastewater collection and treatment	6,312	9,061	10,725	10,294	11,445
Transport and stationary fuel	717	887	805	775	756
Corporate offices	628	773	744	717	691
Green Power	-4,371	-4,313	-3,481	-5,152	0
Sequestered from tree plantations	-2,080	-2,140	-2,240	-2,240	-2,240
<b>Net Total</b>	<b>21,022</b>	<b>22,820</b>	<b>34,922</b>	<b>39,007</b>	<b>41,034</b>

Our increase in net GHG emissions is due to us no longer purchasing and reporting Green Power as a deduction. The gross emissions were actually slightly less than last year, due primarily to a reduction in irrigation water pumped (reduction of 4,150 tCO<sub>2</sub>-e). Electricity consumption in our offices and emissions from transport continued their downward trend. This year, improvements to reduce GHG emissions from our offices included:

- A new phone system which uses 1/3 power load of the previous system, and
- Removal of redundant hardware and cabling and altering set point temperature from 18/19 degrees to 20/21 degrees on our air conditioning system

### Waste Production and Management

We are committed to the principle of "reduce, reuse and recycle". We seek to divert as much recyclable waste from the general waste stream as possible. The amount of waste that was sent for recycling rose in all categories this year.

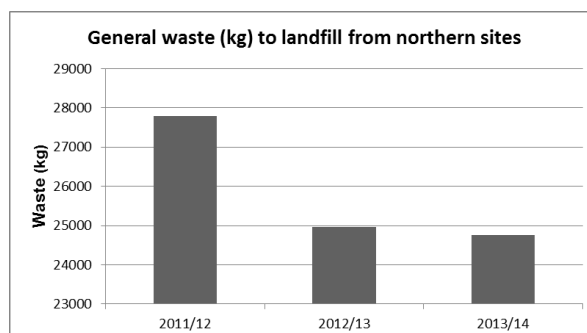
	2009/10	2010/11	2011/12	2012/13	2013/14
	(kWh/ML)				
Irrigation supply	0.14	0.26	0.23	0.21	0.21
Urban water treatment and supply	0.32	0.41	0.4	0.39	0.41
Wastewater collection and treatment	0.56	0.7	0.82	0.81	0.77

### Fluorescent lamps

We recycle all used fluorescent tubes and lamps across all of our sites. This initiative completely removes used fluorescent lamps from the general waste stream, thus preventing their toxic compounds leaking into the environment. Used fluorescent tubes and lamps are securely stored on site until they are picked up by a contractor and taken to a metropolitan recycling facility.

### General waste

During 2013/14, the 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. At the Fourteenth Street offices, the total amount of waste sent to landfill was 24765kg or 169.3kg per FTE. This figure includes the waste generated by the workshop, the urban and rural water supply and irrigation and sewer maintenance crews.



### Recyclables

We continued our emphasis on recycling during 2013/14. Our goal continues to be to divert as much recyclable waste from the general waste stream as possible. Our waste procedure is continuously monitored and new opportunities for recycling are adopted as and when they arise. At our Fourteenth Street offices, 6423kg of waste was sent for recycling. This figure represents the combined total of the commingle waste as well as paper and cardboard. It does not include any other recycled wastes. This is a 16% increase over the previous year. The amount of waste recycled represents 26% of the total amount of waste generated. 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 2013/14, 66 drums were delivered to *drumMUSTER*.

*Batteries and scrap metal produced as part of water supply operations*  
*\* as fluorescent lamps are still awaiting collection at this time of this report,*

Recycled Waste	2010/11	2011/12	2012/13	2013/14
Comingled	1,110	1,084	1,384	1,793
Paper (kg)	5,514	7,073	4,157	8,492
Printer cartridges (kg)	65.63	34.10	68.72	60.32
Batteries (kg)	798	2,470	1,845	2,002
Scrap Metal (kg)	34,050	71,340	12,120	38,373
Styrofoam (m3)	6.1	9	12	13
Fluorescent Lamps (kg)	0	0	54	~60*

*final figures have not yet been determined*

### Waste Oil

All of the waste oils and hydraulic fluids produced across all of our facilities are recycled through the local municipal oil recycling programs.

### Work Boots

We continued our partnership with a local workwear supplier to recycle used footwear. During the 2013/14 year we sent away one 240 litre bin of used footwear for recycling. Boots and shoes are processed and the materials they contain are used in the

## Our Commitment to our Environment and Our Region

manufacturing of mats and other floor coverings.

### Major Water Users

We have one customer who is not a natural person and who has potable water supplied by LMW for purposes that are not farming, irrigation or domestic purposes. That organisation is Treasury Wines Estate (Lindemans Karadoc Winery).

Volumetric Range - ML per year	No Customers
Equal to or greater than 200ML and less than 300ML	1
Equal to or greater than 300ML and less than 400ML	0
Equal to or greater than 400ML and less than 500ML	0
Equal to or greater than 500ML and less than 750ML	0
Equal to or greater than 750ML and less than 1000ML	0
Greater than 1000ML	0
<b>Total No customers</b>	<b>1</b>

Name of Customer	Information as to customer's participation in water conservation program
Treasury Wine Estates Ltd (Lindemans Karadoc Winery)	Is part of the waterMAP and EREP programs and has submitted compliant annual reports as part of these programs.

### WaterMap

We participate in the WaterMap program for the state. This is a voluntary program which assists eligible non-residential water customers across Victoria to:

- assess their water usage
- identify inefficiencies and opportunities for water savings
- prepare an action plan to implement water conservation activities
- annually report on the implementation of water conservation activities.

### Water Efficiency

We encourage, through community education and water efficient product exchanges, the wise use of potable water. We have ongoing showerhead and trigger nozzle exchange programs which operate throughout the year.

### Water Cycle

We promote the water cycle to school children as a part of our community education in schools program.

## Social Sustainability

### Community Service Obligations

Community Service Obligation Provided	2012/13	2013/14
Concessions to Pensioners	\$2,002,103.13	\$2,050,986.98
Rebates for not-for-profit organisations under the water and sewerage rebate scheme	\$165,558.56	\$162,313.44
Utility Relief Grants Scheme	\$9,085.13	\$14,989.22
Haemodialysis Life Support Machine Water Concessions	\$204.32	\$214.60
Hardship Relief Grant Scheme for Sewerage Connections	#	#

# 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 slightly wetter year than 2012/13 which resulted in a decrease in water usage. Overall expenditure was down even though there was \$1.2M in output costs related to the Sunraysia Modernisation Project and that depreciation forms a considerable portion of expenditure being \$24.6M. We ended the year with a similar trading position than last year (\$3.1M loss), a loss of \$2.5M after tax.

We saw an increase in Income for capital purposes – developer contributions, from \$1.9M in 2012/13 to \$2.8M in this year. Operations and maintenance expenditure decreased from the previous year which was driven by a decrease in spillable water account charge of \$3M.

We invested \$21.5M in capital works projects of which \$9.5M was related to the Sunraysia Modernisation Project during 2013/14. Infrastructure, plant, equipment and buildings total \$771.3M. New loans of \$6.6M were taken out during the year.

The \$120M Sunraysia Modernisation Project commenced in 2013/14 with \$10.7M being spent during the year.

Although we show accumulated funds deficit of \$69.7M, the bulk of this has occurred due to change in accounting standards, the transition to IFRS (International Financial Reporting Standards) and the tax treatment of past valuations. Operating deficits are driven by a high depreciation rate as a result of increases in infrastructure, land and buildings valuations from cyclical revaluations of those assets.

### Summary of Financial Results

Financial Summary	2009/10 \$ '000	2010/11 \$ '000	2011/12 \$ '000	2012/13 \$ '000	2013/14 \$ '000
Core Business Revenue	46,888	42,960	51,248	59,023	55,642
Capital Contributions	3,915	2,573	2,713	1,968	2,768
Government Contributions	20	1,812	475	324	2,000
Other Revenue	4,994	4,295	3,337	3,976	3,599
<b>Total Revenue</b>	<b>55,817</b>	<b>51,640</b>	<b>57,773</b>	<b>65,291</b>	<b>64,009</b>
Direct Expenditure	21,917	27,173	27,155	29,146	25,346
Administration Expenditure	13,043	13,474	16,860	12,851	13,844
Depreciation Expense	17,199	17,283	22,858	23,964	24,550
Borrowing Cost Expenses	1,146	3,228	3,601	3,734	4,070
Other Expenses	0	0	0	0	0
<b>Total Expenditure</b>	<b>53,305</b>	<b>61,158</b>	<b>70,474</b>	<b>69,695</b>	<b>67,810</b>
<b>Net result before tax</b>	<b>2,512</b>	<b>-9,518</b>	<b>-12,701</b>	<b>-4,404</b>	<b>-3,801</b>
Current Assets	24,884	24,799	24,322	25,088	56,454
Non Current Assets	586,779	806,065	804,774	783,508	777,451
<b>Total Assets</b>	<b>611,663</b>	<b>830,864</b>	<b>829,096</b>	<b>808,596</b>	<b>833,905</b>
Current Liabilities	14,820	12,939	16,696	15,048	20,081
Non Current Liabilities	107,488	182,608	185,651	167,369	163,089
<b>Total Liabilities</b>	<b>122,308</b>	<b>195,547</b>	<b>202,347</b>	<b>182,417</b>	<b>183,170</b>
Net cash flow from operations	20,682	7,606	10,718	18,932	21,388
Payments for property, plant and equipment (including infrastructure)	64,715	19,275	18,098	20,869	20,968

### Summary of Financial Performance

Performance Indicator	2009/10	2010/11	2011/12	2012/13	2013/14
Internal Financing Ratio	N/A	41.63%	58.37%	87.68%	99.53%
Gearing Ratio	7.19%	6.35%	7.03%	7.66%	7.99%
Interest Cover (EBIT)	5.00	-2.50	-3.00	-0.30	Not supplied as a performance indicator
Interest Cover (Cash)	32.00	2.00	2.40	6.70	6.90
Return on Assets	0.53%	Not supplied as a performance indicator			-0.02%
Return on Equity	0.39%	Not supplied as a performance indicator			-0.40%

## Our Financial Summary

### Loan Liability as at 30th June 2014

LOAN NO.	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
<b>WATER DISTRICT</b>						
TCV29873		13 - 14	2,000,000.00	2.800	2,000,000.00	0.00
<b>TOTAL WATER DISTRICT</b>			<b>2,000,000.00</b>		<b>2,000,000.00</b>	<b>0.00</b>
<b>TOTAL LOAN LIABILITY - WATER DISTRICT</b>			<b>2,000,000.00</b>		<b>2,000,000.00</b>	<b>0.00</b>
<b>SEWERAGE DISTRICT</b>						
TCV1		11 - 41	20,000,000.00	5.835	1,017,738.01	18,982,261.99
TCV6298		11 - 14	1,000,000.00	5.135	1,000,000.00	0.00
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
<b>TOTAL SEWERAGE DISTRICT</b>			<b>29,000,000.00</b>		<b>2,017,738.01</b>	<b>26,982,261.99</b>
<b>TOTAL LOAN LIABILITY - SEWERAGE DISTRICT</b>			<b>29,000,000.00</b>		<b>2,017,738.01</b>	<b>26,982,261.99</b>
<b>ROBINVALE SEWERAGE DISTRICT</b>						
3		73 - 13	250,000.00	6.900	250,000.00	0.00
<b>TOTAL ROBINVALE SEWERAGE</b>			<b>250,000.00</b>		<b>250,000.00</b>	<b>0.00</b>
<b>TOTAL LOAN LIABILITY - ROBINVALE</b>			<b>250,000.00</b>	<b>0.00</b>	<b>250,000.00</b>	<b>0.00</b>
<b>SWAN HILL SEWERAGE DISTRICT</b>						
26		73 - 13	100,000.00	6.400	100,000.00	0.00
28		73 - 13	100,000.00	7.400	100,000.00	0.00
<b>TOTAL SWAN HILL SEWERAGE</b>			<b>200,000.00</b>		<b>200,000.00</b>	<b>0.00</b>
<b>TOTAL LOAN LIABILITY - SWAN HILL</b>			<b>200,000.00</b>		<b>200,000.00</b>	<b>0.00</b>
<b>FIRST MILDURA IRRIGATION DISTRICT</b>						
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
<b>TOTAL MILDURA IRRIGATION</b>			<b>8,100,000.00</b>		<b>1,050,000.00</b>	<b>7,050,000.00</b>
<b>RED CLIFFS IRRIGATION DISTRICT</b>						
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
<b>TOTAL RED CLIFFS IRRIGATION</b>			<b>2,000,000.00</b>		<b>0.00</b>	<b>2,000,000.00</b>
<b>ROBINVALE IRRIGATION DISTRICT</b>						
TCV1		11 - 41	20,000,000.00	5.835	1,017,738.01	18,982,261.99
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
<b>TOTAL ROBINVALE IRRIGATION</b>			<b>25,000,000.00</b>	<b>21.53</b>	<b>1,017,738.01</b>	<b>23,982,261.99</b>
<b>TOTAL LOAN LIABILITY - IRRIGATION</b>			<b>35,100,000.00</b>		<b>2,067,738.01</b>	<b>33,032,261.99</b>
<b>UNALLOCATED LOANS</b>						
TCV			6,600,000.00	0.00	0.00	6,600,000.00
<b>TOTAL UNALLOCATED LOANS</b>			<b>6,600,000.00</b>		<b>0.00</b>	<b>6,600,000.00</b>
<b>TOTAL LOAN LIABILITY - UNALLOCATED LOANS</b>			<b>6,600,000.00</b>		<b>0.00</b>	<b>6,600,000.00</b>
<b>TOTAL LOAN LIABILITY - CORPORATION</b>						<b>66,614,523.98</b>
<i>LESS separately held Loan Redemption Reserves as at</i>					<i>30-Jun-14</i>	<i>\$0.00</i>
<b>TOTAL ADJUSTED LOAN LIABILITY - CORPORATION</b>					<b>30-Jun-14</b>	<b>66,614,523.98</b>

# Our Performance Reporting

## Financial Performance Indicators

KPI Number	Key Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to Prior Year	Notes	Variance to Target	Notes
<b>F1</b>	<b>Cash Interest Cover</b> Net operating cash flows before net interest and tax / net interest payments (times)	6.7	6.9	5.8	3%		19%	1b
<b>F2</b>	<b>Gearing Ratio</b> Total debt (including finance leases) / total assets x 100	7.66%	7.99%	8.9%	4%		-10%	2b
<b>F3</b>	<b>Internal Financing Ratio</b> Net operating cash flow less dividends / net capital expenditure x 100	87.68%	99.53%	51.2%	14%	1a	94%	3b
<b>F4</b>	<b>Current Ratio</b> Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	1.67	2.81	1.88	68%	2a	49%	4b
<b>F5</b>	<b>Return on Assets</b> Earnings before net interest and tax / average assets x 100	-0.13%	-0.02%	-0.4%	-85%	3a	-95%	5b
<b>F6</b>	<b>Return on Equity</b> Net profit after tax / average total equity x 100	-0.49%	-0.40%	-0.8%	-18%	4a	-50%	6b
<b>F7</b>	<b>EBITDA Margin</b> Earnings before interest, tax, depreciation and amortisation / total revenue x 100	35.04%	38.11%	32.4%	9%		18%	7b
<b>Notes:</b>								
1a.	LMW's capital expenditure is very similar to the previous year however the net operating cash flow in 2013-14 exceeded 2012-13 by \$2M due to \$800K of net SMP (Sunraysia Modernisation Project) output funding and \$800K of developer contributions due to an increase in land development during 2013-14.							
2a.	The current Ratio is mainly affected by the cash holdings as at 30 June 2014. LMW received SMP funding payments of \$30M in 2013-14 of which \$26M remains in the bank for SMP contract payments to be made when works are completed July-August 2014.							
3a.	The net earnings before interest and tax for 2013-14 is -\$158K where as in 2012-13 the net earnings was -\$1.090M. The main difference is due to the operating result before net interest and tax in 2013-14 being a loss of \$3.801M compared to 2012-13 of \$4.404M.							
4a.	The loss after tax is less in 2013-14 than 2012-13, -\$2.799M compared to -\$3.095M, with LMW receiving a \$27M SMP equity contribution during 2013-14.							
1b.	The interest received or paid did not vary from target significantly, however the other revenue received from water allocation sales exceeded target (\$140K) due to higher than anticipated prices, sales of Tower Gardens estate \$732K and the revenue from developer contributions also exceeded target by \$900K.							
2b.	LMW's loan debt is \$7M more than targeted in the corporate plan, however LMW's cash equivalents exceeds the corporate plan by \$20M which is due mainly to the improved gearing ratio than target.							
3b.	The better than targeted internal financing ratio is due to the improved actual cash flows than target, being a net \$800K of SMP output funding, \$140K water allocation sales, \$732K Tower Garden land sales and \$900K of developer contributions.							
4b.	The current Ratio is mainly affected by the cash holdings as at 30 June 2014. LMW received SMP funding payments of \$30M in 2013-14 of which \$26M remains in the bank for SMP contract payments to be made when works are completed July-August 2014.							
5b.	The net earnings before interest and tax for 2013-14 is -\$158K where as the target was -\$3.340M. The net interest or tax did not vary from target significantly, the main difference is due to the operating result in 2013-14 being a loss of \$2.799M compared to the target of \$6.197M.							
6b.	The loss after tax is less in 2013-14 than targeted, this is due to LMW's improved operating result as explained in above comments.							
7b.	LMW's actual to target variance in net interest, tax or depreciation is not significant, the majority of the variance is due to the revenue from water sales, Tower Garden land sales and developer contributions.							

## Water and Sewer Performance Indicators

KPI Number	Key Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to Prior Year	Notes	Variance to Target	Notes
<b>WS1</b>	<b>Unplanned Water Supply Interruptions</b> No. of customers receiving 1 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	0.071%	0.0%	0.4%	100%	3a	-100%	3b
<b>WS2</b>	<b>Interruption Time</b> Average duration of unplanned water supply interruptions (minutes)	50.5	43	64	-15%	4a	-33%	4b
<b>WS3</b>	<b>Restoration of Unplanned Water Supply</b> Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	100%	99.6%	99.5%	0%		0%	
<b>SS1</b>	<b>Containment of Sewer Spills</b> Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers	100%	100.0%	97.0%	0%		3%	
<b>SS2</b>	<b>Sewer Spills Interruptions</b> No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100%	100.0%	99.6%	0%		0%	
<b>Notes:</b>								
3a.	Water mains that were previously causing multiple interruptions have been replaced, an overall reduction in water main bursts has been experienced across the region.							
3b.	The comparison between the actual and target is negligible, but as our result is nil, a 100% variance to target is reported.							
4a.	Continual improvement in work practices along with our mains replacement program is contributing to a reduction in major main breaks which results in any minor leaks now taking less time to repair.							
4b.	The target is an indicative number based on averaged actuals, this included some years where repair times were higher than expected, therefore it is anticipated that our future targets will be more commensurate with our reduced results.							

## Our Performance Reporting

### Water (Rural) Performance Indicators

KPI Number	Key Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to Prior Year	Notes	Variance to Target	Notes
<b>WSR1</b>	<b>Rural Water Supply Deliveries</b> Number of orders delivered / total number of orders x 100	99.8%	99.8%	100.0%	0%	5a	0%	
<b>WSR2</b>	<b>Unavailability of Domestic and Stock Supply</b> Duration that domestic and stock service is unavailable in excess of on-property storage	N/A	0.0%	N/A	N/A	6a	N/A	6a
<b>WSR3</b>	<b>Groundwater Supply</b> Number of transfers processed within target period / total number of transfers processed x 100	N/A	0.0%	N/A	N/A	7a	N/A	7a
<b>Notes:</b>								
5a.	Lower Murray Water provided deliveries in accordance with our service standards.							
6a.	This performance indicator is new indicators for 2013-14 under MRD 01. Consequently, 2012-13 result, 2013-14 target and variance explanation are not applicable (N/A).							
7a.	This performance indicator is new indicators for 2013-14 under MRD 01. Consequently, 2012-13 result, 2013-14 target and variance explanation are not applicable (N/A).							

### Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to Prior Year	Notes	Variance to Target	Notes
<b>CR1</b>	<b>Water Quality Complaints</b> No. of complaints per 100 customers	0.074	0.049	0.176	-34%	8a	-72%	5b
<b>CR2</b>	<b>Sewerage Service Quality Complaints</b> No. of complaints per 100 customers	0.003	0.001	0.011	-67%	9a	-91%	6b
<b>CR3</b>	<b>Sewer Odour Complaints</b> No. of complaints per 100 customers	0.006	0.003	0.019	-50%	10a	-84%	7b
<b>CR4</b>	<b>Billing Complaints</b> No. of complaints per 100 customers	0.41	0.034	0.118	-92%	11a	-71%	8b
<b>Notes:</b>								
8a.	We received less complaints (2014: 16) compared to last year (2013: 24) due to no abnormal events and our planned mains flushing program.							
9a.	Four sewer complaints were received during 2014 (2013: 1). Two of the 2014 complaints were not LMW's responsibility and two related to a rising main issue resulting in a gas trap structure being installed.							
10a.	We received only one complaint for sewer odours compared with two last year and upon investigation no work was required.							
11a.	Billing complaints were significantly less this year due to cooler weather and less water usage. In 2012-13, our region experienced very warm and dry conditions, resulting in bill price shock to customers. Total complaints for 2014 were 11 (2013: 130).							
5-8b.	The targets for all of these KPI's are based on averaged five year actuals, this includes years where we have experienced abnormal weather events and conditions (flood event in 2012 and previous drought conditions) which during these years resulted in increased complaints. With such a low number of complaints this year (32 in total for all categories) the comparison of target to actual is mainly due to a return of normal operating conditions.							

### Environmental Performance Indicators

KPI Number	Key Performance Indicator	2012-13 Result	2013-14 Result	2013-14 Target	Variance to Prior Year	Notes	Variance to Target	Notes
<b>E1</b>	<b>Effluent Re-Use Volume (End Use)</b>	87%	100.0%	100.0%	15%	12a	0%	
<b>E2</b>	<b>Total Net CO<sub>2</sub> Emissions</b> Net tonnes CO <sub>2</sub> equivalent	39,004	41,034	33,377	5%	13a	23%	9b
<b>Notes:</b>								
12a.	The water supplied in 2012-13 was less than the reuse water available, a re-use customer could not take all the reuse water produced from the Koorlong Wastewater Treatment Plant. In 2013-14 the customer was able to take and use the re-use water produced and available from the plant.							
13a.	The increase in net GHG emissions is due to LMW no longer purchasing and reporting green power as a deduction. The gross emissions were actually slightly less than last year, due primarily to a reduction in irrigation water pumped in 2013-14.							
9b.	LMW exceeding internal targets for GHG emissions because the volume of water LMW treated and delivered for 13-14 was more than forecast, resulting in 3954tCO <sub>2</sub> -e difference (52%). The remainder of the variance is due to the GHG intensity targets not being achieved. LMW used more electricity to deliver or treat water than targeted intensity figures.							



## Our Performance Reporting

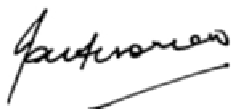
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### CERTIFICATION OF PERFORMANCE STATEMENT FOR 2013/14

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect of 2013-14 financial year is presented fairly in accordance with the Financial Management Act 1994.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2013-14 Corporate Plan, the actual and comparative 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 and/or between the actual results in the current year and the previous year.

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



**John Tesoriero**  
Chair



**Philip Endley**  
Managing Director

Dated this 3rd day of September 2014



Victorian Auditor-General's Office

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### 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 2014 of the Lower Murray Urban and Rural Water Corporation which comprises the performance report, 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 2014 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 2014 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  
4 September 2014



John Doyle  
Auditor-General

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

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## 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.

In January 2014, LMW applied to the Minister for Water Peter Walsh to amend our Bulk Entitlement (River Murray – Lower Murray Urban & Rural Water - Irrigation) Conversion Order 1999 and repeal the Bulk Entitlement (River Murray – First Mildura Irrigation Trust) Conversion Order 1999. The Minister approved these items in March 2014.

## Urban

The total Lower Murray Water Urban Bulk Entitlement (UBE), plus water shares held by LMW, is 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. There was no new offtake points created. We experienced no difficulties in complying with the bulk entitlement provisions. We have an ongoing 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 15years. 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 2013/14 year. There was no permanent transfer of any part of our UBE. There was 14,278.6ML of allocation from the UBE traded out in the season. There was 2,236ML 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 358,481ML of High Reliability Water. We complied with our two Irrigation BWEs in the current season and no new bulk entitlement was granted to us with respect to the River Murray. On 1st July 2013 a Bulk Entitlement amendment to remove some volumes associated with losses to the Robinvale Irrigation District and the Carwarp/Yelta Waterworks District was approved. With this amendment 1150ML was transferred to the Victorian Environmental Water Holder from the Robinvale losses as a part of the completion of the Robinvale High Pressure Irrigation System.

On the 24 March 2014 the Minister for Water approved the application by LMW to:

- amalgamate the provisions to supply Lower Murray Water's irrigation districts into one bulk entitlement Order, in order to internalise the management of the loss allowance between the irrigation districts and simplify administration of the bulk entitlements;
- reduce the distribution loss allowance for Lower Murray Water's irrigation districts from 18,550 ML to 15,392 ML to offset the transfer of the first instalment of water savings to the Commonwealth Government from the SMP; and
- make other related changes and minor corrections to the Bulk Entitlement.

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 1,012ML and the Koorlong Lakes with 300ML of environmental water for biodiversity purposes. This water allocation was held by the Victorian Environmental Water Holder. LMW is implementing a meter replacement program across the irrigation Merbein, Mildura and Red Cliffs districts as a part of the implementation of the SMP

## Irrigation Water Demands

This season saw average irrigation demand in the region. This was due to the hot summer period and average rainfall. Customers received a 100% water allocation early in the season on 16 September 2013.

## Our Water Plan

Our Water Plan was endorsed by the Essential Services Commission (ESC) in June 2013 setting prices for the period 1st July 2013 to 30th June 2018 in the urban business of the Corporation. In the rural business, revenue caps were set for the same time frame.

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

## Irrigation Water Usage as at 30th June 2014

District / Area / Waterway ("District")	Total water shares allotted to district and diversion	Total domestic & stock allowance (High)	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	31,402.7		32,872.0	28,242.0	24.0	28,266.0		1,012.0	1,012.0					29,278.0
Robinvale	20,181.2		18,149.0	18,048.0		18,048.0								18,048.0
Merbein	20,867.6		20,684.0	18,083.0	77.0	18,160.0								18,160.0
FMD	53,622.4		38,945.0	33,842.0	50.0	33,892.0								33,892.0
Millewa WWD		700.0	3,848.0									834.9		4,682.9
Murray below Nyah	230,189.5									353,276.0	919.0		354,195.0	354,195.0
LMU&RWC Total	356,263.4	700.0	114,498.0	98,215.0	151.0	98,366.0	0.0	1,012.0	1,012.0	353,276.0	919.0	834.9	354,195.0	458,255.9

**Note1** - Includes Red Cliffs or Merbein water shares including entitlements attached to properties supplied via those systems, but located outside the District boundary.  
**Note2** - Volume shown is total extracted from river. The Millewa's 3848 is river extraction less private diverter extraction which is reported in Diversions  
**Note3** - Includes water delivery to Red Cliffs or Merbein district properties and other properties supplied via those systems, but located outside the District boundary.  
**Note4** - Carwarp WWD via Red Cliffs or Yelta-Wargan WWD via Merbein.  
**Note5** - Volume shown for delivery of environmental water to Cardross Basin.

## Allocation Bank Account Statements

Inflows	Volume (ML)	Outflows	Volume (ML)
Net carryover at 1 July 2013	375,927	Water usage	-483,215
Seasonal allocation	408,598	Trade out (3) (4)	-40,146
Trade in (3)	179,950	Spillable water write-off	-339,074
		Allocation adjustments	-37
<b>Total inflows</b>	<b>964,475</b>	<b>Total outflows</b>	<b>-862,472</b>
		<b>Unused water at 30 June 2014</b>	<b>102,002</b>
		<b>Less: End of year adjustments</b>	
		Overuse	-329
		Evaporation on 30 June carryover	4,873
		Write-off on 30 June (5)	2,042
			<b>6,585</b>
		<b>Equals: Carryover carried forward to 1 July 2014</b>	<b>95,418</b>

- Note 1.** This table provides a summary of water made available in allocation accounts managed by LMW during the 2013/14 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 Lower Murray Water from interstate and from Goulburn-Murray Water allocation accounts. 'Trade out' is defined as the volume of trades from Lower Murray Water allocation accounts to interstate and to Goulburn-Murray Water allocation accounts. A summary of all trades including within authority trades can be found in the 'Allocation Trade Summary' report.
- Note 4.** The 'allocation adjustments' shown in this table include amendments to allocation made during the year.
- Note 5.** 30 June 2014 write-off reported in this table includes:
- Write-off in the Goulburn system where carryover is only allowed to 100% of entitlement volume (60 ML).
  - Write-off in the Murray system where carryover is only allowed to 100% of entitlement volume (1,580 ML).
  - Write-off of ABAs in the Murray system that are no longer linked to active entitlements (400 ML).
- Note 6.** 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	623	277	900
	Volume (ML)	190,368	76,320	266,687
Interstate trade outbound	Number	143	52	195
	Volume (ML)	393,228	7,721	400,949
Trade within authority	Number	8,579	1,240	9,819
	Volume (ML)	1,213,665	51,894	1,265,559
Trade between authorities - buyer	Number	455	360	815
	Volume (ML)	43,927	102,919	146,846
Trade between authorities - seller	Number	360	455	815
	Volume (ML)	102,919	43,927	146,846
Total buyers	Number	9,657	1,877	11,534
	Volume (ML)	1,447,960	231,133	1,679,092
Total sellers	Number	9,082	1,747	10,829
	Volume (ML)	1,709,813	103,542	1,813,354
Total trades*	Number	9,705	2,024	11,729
	Volume (ML)	1,900,180	179,861	2,080,042
Net Trade In	Number	575	130	705
	Volume (ML)	-261,853	127,591	-134,262

\* 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 in 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.

## Urban Water River Extraction Volumes in ML (There was no new offtake points created for our Urban Bulk entitlement in 13/14)

Diversión Point		ML Raw Water
Mildura 7th St & Merbein		11,068.66
Mildura West		1,209.13
Red Cliffs		1,175.98
Robinvale		550.88
Swan Hill		3,866.00
Piangil		107.98
Kerang Total (calculation)		995.70
Murray	628.56	
G.M.W. Channel	366.93	
Loddon	0.22	
Murrabit Total (calculation)		36.52
GMW Dam	35.13	
Murray	1.39	
Koondrook		203.51
Mystic Park		14.02
Total		19,228.39

## 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	16,575.8	77	3,832.5	49				
Murray	331,662.5	5,839	6,410.4	64	95,558.3	10	1,311.8	54
<b>Regulated Total 30 June 2014</b>	<b>348,238.3</b>	<b>5,916</b>	<b>10,242.9</b>	<b>113</b>	<b>95,558.3</b>	<b>10</b>	<b>1,311.8</b>	<b>54</b>
<i>Regulated Total 30 June 2013</i>	<i>371,586.4</i>	<i>6,001</i>	<i>9,584.6</i>	<i>104</i>	<i>100,489.8</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 2014.

**Note 2.** Bulk entitlements include Loss Provisions in the Murray basin.

**Note 3.** The volume of water shares in LMW's jurisdiction decreased by 22,690 ML from 2012/13 due to:

- i. 26,045 ML of LMW Non Water User water shares were transitioned to GMW during the year.
- ii. the net transfer of 341 ML of water shares from Goulburn-Murray Water to Lower Murray Water during the year.
- iii. The issue of 3,441 ML of new water shares, (3,158 ML of this is made up of one water share issued to the Commonwealth for the Sunraysia Modernisation Project)

### Usage in Regulated Trading Zone Sources per Delivery System and Owner Type

Delivery System	Environmental Usage (ML)	Urban Usage (ML)	Irrigator Usage (ML)	Grand Total (ML)
First Mildura Irr. District	352	103	33,941	<b>34,396</b>
Merbein Irrigation District	-	-	18,168	<b>18,168</b>
Red Cliffs Irrigation District	-	-	27,200	<b>27,200</b>
Robinvale Irrigation District	-	-	18,254	<b>18,254</b>
Murray River	11,254	19,515	354,195	<b>384,964</b>
Loddon River	-	0.2	-	<b>0.2</b>
Torrumbarry Irrigation Area	-	245	-	<b>245</b>
<b>Grand Total</b>	<b>11,607</b>	<b>19,863</b>	<b>451,759</b>	<b>483,228</b>

**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.** Usage is split into usage type by taking the owner type of the holders of each allocation account.

**Note 4.** The above table does not include losses incurred in providing water through its regulated systems.

### Groundwater Entitlement and Use as at 30th June 2014

Groundwater Management Areas	Irrigation			Other		Total
	Licences	Volume	Authorised area	Licences	Volume	Authorised volume
Sunraysia				1	174.0	174.0
<b>TOTAL</b>				1	174.0	174.0

### Private Diversions from Waterways as at 30th June 2014

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	1,147	230,189.0		53,000					<b>230,189.0</b>

# 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			
	GOLDBURN MURRAY WATER																						
	BUYER																						
	GOLDBURN MURRAY WATER																	NEW SOUTH WALES				SOUTH AUST.	
	1A Greater Goulburn	1B Boort	2A Broken - Casey's	2B Broken - Casey's to Goulb	3 Lower Goulburn	4A Campaspe - Eppalcock to WWC	4C Lower Campaspe	5A Loddon - CC/Tull to LWP	5B Bullaroak	6 VIC Murray - Dart to Barnah	6B Lower Broken Creek	7 VIC Murray - Barnah to SA	9A Owens	9B King	20 Snowy	1A Greater Goulburn	1B Boort	7 VIC Murray - Barnah to SA	10 NSW Murr U/S Barnah Choke	11 NSW Murr D/S Barnah Choke	13 Murrumbidgee	14 Lower Darling	
1A Greater Goulburn	455,765	25,021																					
1B Boort	32,050	10,807																					
2A Broken - Nill to Casey's																							
2B Broken - Casey's to Goulb																							
3 Lower Goulburn	12,236	186																					
4A Campaspe - Eppalcock to WWC	21,205	2,519																					
4C Lower Campaspe	448																						
5A Loddon - CC/Tull to LWP	3,395	147																					
5B Bullaroak																							
6 VIC Murray - Dart to Barnah	27,075	4,878																					
6B Lower Broken Creek	3,392	100																					
7 VIC Murray - Barnah to SA	54,890	20,906																					
9A Owens																							
9B King																							
20 Snowy																							
1A Greater Goulburn	378	1,500																					
1B Boort																							
7 VIC Murray - Barnah to SA	10,736	1,787																					
10 NSW Murr U/S Barnah Choke	7,484	2,659																					
11 NSW Murr D/S Barnah Choke	8,594	918																					
13 Murrumbidgee	7,322	8,349																					
14 Lower Darling	175																						
12 South Australian Murray	18,451	2,114																					
TOTAL PURCHASED	663,995	81,890	2	432	7,030	12,861	131	6,854	269	265,387	6,620	316,828	182	272	83,509	26,719	0	204,414	4,556	5,158	6,480	3,344	381,412
NUMBER OF TRADES	5,042	362	1	6	57	43	4	61	10	14,300	117	2,500	5	5	14	59	0	1,818	18	33	15	8	121



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

**Northern Systems—Transfer and Variation of High Reliability Water Shares (Volume ML)**

SOURCE	DESTINATION																				Total Trades (ML)	Number of Trades	Net Out (ML)
	Goulburn-Murray Water																						
	Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torumbarry Irrigation Area	LMW - NWU	Murray River	Robinvale, Red Cliffs, F.MID			
Broken River	523	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	523	9	-4
Bullarook		6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	1	0
Campaspe Irrigation Area		0	0	654	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	654	5	342
Campaspe River		0	0	1,302	0	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,342	22	-615
Central Goulburn Irr. Area		0	0	0	22,603	5,074	76	0	37	14	2	0	574	177	0	82	4	2,082	300	0	31,024	595	3,697
GMW - NWU	4	0	282	3,227	12,269	8	127	1,073	1,229	10	5	1,488	525	0	417	16,633	723	1,717	9	39,745	250	-10,555	
Goulburn River	0	0	0	0	12	264	3,225	0	42	0	0	0	150	272	0	0	77	0	0	0	4,042	70	708
Loddon River	0	0	0	0	0	107	0	1,354	0	0	0	0	56	0	0	0	0	0	0	0	1,518	31	36
Murray River	0	0	0	0	0	2,110	0	0	4,965	770	0	0	0	0	0	105	0	0	0	0	7,949	110	1,072
Murray Valley Irrigation Area	0	0	0	0	0	9,292	0	0	0	28,525	0	0	0	0	0	54	0	0	0	0	37,871	367	7,290
Nyah, Tresco and Woorinen	0	0	0	0	0	624	0	0	117	0	2,605	0	0	0	0	150	0	0	70	0	3,565	89	890
Ovens River	0	0	0	0	0	0	0	0	0	0	0	1,166	0	0	0	0	0	0	0	0	1,166	33	-5
Pyramid-Boort	0	0	0	0	200	2,616	0	0	0	0	0	0	11,996	0	0	55	1,568	1,038	236	0	17,708	142	3,075
Rochester Irrigation Area	0	0	0	0	172	1,962	0	0	240	42	0	0	185	14,355	0	57	131	470	0	0	17,614	241	2,223
Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shepparton Irrigation Area	0	0	30	0	1,114	2,173	25	0	0	0	0	0	184	62	0	10,114	80	0	0	0	13,781	283	3,004
Torumbarry Irrigation Area	0	0	0	0	0	5,545	0	0	296	0	8	0	0	0	0	33,416	752	696	17	40,729	503	-11,602	
LMW - NWU	0	0	0	0	0	3,777	0	0	108	0	0	0	0	0	0	24	399	551	506	0	5,365	47	-2,816
Murray River	0	0	0	0	0	3,407	0	0	0	0	0	0	0	0	0	0	1,669	16,746	268	22,090	215	1,390	
Robinvale, Red Cliffs, Merbein, F.MID	0	0	0	0	0	1,041	0	0	0	0	50	0	0	0	0	145	1,049	384	9,466	12,135	472	1,870	
Total Trades (ML)	527	6	312	1,956	27,328	50,300	3,334	1,481	6,877	30,580	2,676	1,171	14,633	15,391	0	10,778	52,331	8,181	20,699	10,265	258,826		0
Number of Trades	11	1	4	25	542	525	66	29	112	294	72	34	131	208	0	232	479	104	215	401	3,485		

**Note 1.** This table summarises all recorded water entitlement transfer, divide and transfer and variation applications for high reliability water shares. Some other trades were still in progress at year end and will be finalised in 2014/15.

**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.

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

### Northern Systems—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																LMW - NWU	Murray River	Robinvale, Red Cliffs, Merbein, FMID					
	Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area				Torumbarry Irrigation Area				
Goulburn-Murray Water	Broken River	136	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	136	7	0
	Bullarook	0	0	13	302	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	1	0
	Campaspe Irrigation Area	0	0	0	695	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	315	2	288
	Campaspe River	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	718	13	-280	
	Central Goulburn Irr. Area	0	0	0	0	13,624	344	17	0	21	121	0	191	159	0	757	870	0	164	0	16,267	310	1,258	
	GMW - NWU	0	0	0	0	391	2,312	0	49	60	3,540	0	23	848	0	441	2,313	0	1	0	9,976	80	3,195	
	Goulburn River	0	0	0	0	4	0	932	0	0	0	0	0	0	0	0	37	0	0	0	972	26	11	
	Loddon River	0	0	0	0	0	0	0	566	0	0	0	18	0	0	0	0	0	0	0	583	20	-31	
	Murray River	0	0	0	0	0	0	0	402	0	2,284	9	0	0	0	0	107	0	0	0	2,802	46	438	
	Murray Valley Irrigation Area	0	0	0	0	0	0	0	930	0	20,180	0	0	0	0	24	0	0	0	0	21,134	237	-2,975	
	Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	0	0	1,255	0	0	0	0	0	32	0	0	0	1,287	26	23	
	Ovens River	0	0	0	0	0	0	0	0	0	0	586	0	0	0	0	0	0	0	0	586	20	0	
	Pyramid-Boort	0	0	0	0	344	337	0	0	0	0	0	6,390	289	0	27	1,060	105	0	0	8,553	69	1,387	
	Rochester Irrigation Area	0	0	0	0	424	314	0	0	0	221	0	272	7,446	0	378	192	0	12	0	9,258	121	463	
	Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Shepparton Irrigation Area	0	0	14	0	199	583	12	0	0	0	0	218	53	0	7,881	146	0	0	0	9,106	180	-402	
Torumbarry Irrigation Area	0	0	0	0	0	1,560	0	0	0	48	0	54	0	0	24,946	0	404	100	0	27,112	295	-2,590		
LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	105	0	0	0	105	1	-105		
Murray River	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	212	0	0	212	5	-580		
Robinvale, Red Cliffs, Merbein, FMID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0	100	2	-100		
Total Trades (ML)	136	3	27	998	15,008	6,782	960	614	2,365	24,109	1,264	586	7,165	8,795	0	9,508	29,702	210	791	200	109,223		0	
Number of Trades	7	1	2	13	310	80	26	20	46	237	26	20	69	121	0	180	295	1	5	2			1,461	

**Note 1.** This table summarises all recorded water entitlement transfer, divide and transfer and variation applications for low and spill reliability water shares. Some other trades were still in progress at year end and will be finalised in 2014/15.

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

**Note 3.** A variation application occurs without a change in ownership.

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

### Transfer of High Reliability Water Shares (Volume ML)

**Note 1.** This table summarises all recorded water entitlement transfer and divide and transfer applications for high reliability water shares. Some other trades were still in progress at year end and will be finalised in 2014/15.

**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	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torumbary Irrigation Area			LMW - NWU	Murray River	Robinvale, Red Cliffs, Merbein, FIMD	
Broken River	72	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	72	4	
Bullarook	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Campaspe Irrigation Area	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	0	0	0	0	14	1	
Campaspe River	0	0	0	360	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	360	5	
Central Goulburn Irr. Area	0	0	0	22	3,135	65	0	0	0	0	0	0	306	424	0	112	0	0	0	0	0	4,063	123
GMW - NWU	0	0	0	0	344	2,157	0	0	402	700	0	0	206	312	0	337	1,457	0	0	0	5,915	81	
Goulburn River	0	0	0	0	17	0	285	0	0	0	0	0	0	0	0	12	0	0	0	0	314	10	
Loddon River	0	0	0	0	0	0	154	0	0	0	0	0	0	0	0	0	0	0	0	0	154	8	
Murray River	0	0	0	0	21	29	0	490	0	0	0	0	0	0	0	0	0	0	0	0	539	18	
Murray Valley Irrigation Area	0	0	0	0	48	577	0	0	0	4,334	0	0	0	221	0	0	48	0	0	0	5,227	82	
Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	9	0	0	523	0	0	0	0	0	0	0	0	0	532	12	
Ovens River	0	0	0	0	0	0	0	0	0	0	0	196	0	0	0	0	0	0	0	0	196	9	
Pyramid-Boort	0	0	0	0	191	0	18	0	0	0	0	0	800	272	0	218	0	0	0	0	1,498	23	
Rochester Irrigation Area	0	0	0	0	159	154	0	0	0	0	0	0	289	1,316	0	53	0	0	0	0	1,972	42	
Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Shepparton Irrigation Area	0	0	0	0	757	0	0	0	0	0	0	0	27	378	0	1,552	0	0	0	0	2,714	68	
Torumbary Irrigation Area	0	0	0	0	642	673	37	106	0	0	32	0	93	192	0	146	5,640	0	0	0	7,560	120	
LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	105	0	0	0	0	0	0	0	105	1	
Murray River	0	0	0	0	164	0	0	0	0	0	0	0	0	12	0	0	404	0	0	0	579	9	
Robinvale, Red Cliffs, Merbein, FIMD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0	0	100	200	3	
Total Purchases (ML)	72	0	0	383	5,477	3,654	321	172	1,007	5,034	556	196	1,826	3,126	0	2,443	7,648	0	0	100	32,016		
Number of Purchases	4	0	1	5	123	81	10	8	18	82	12	9	23	42	0	68	120	1	9	3		619	

**Note 1.** This table summarises all recorded water entitlement transfer and divide and transfer applications for low and spill reliability water shares. Some other trades were still in progress at year end and will be finalised in 2014/15.

**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 86 consultancies under \$10,000 was \$295,322.14 for the 2013/14 year. Details of consultancies over \$10,000 are on page 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 2014. 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 \$26.50 applies at the time of this report's publication. In the 2013/14 year there were 3 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.vic.gov.au](http://www.lmw.vic.gov.au) and upon request. The website home page can be accessed, and this site browsed, without disclosing personal information. The site does not use cookies.

### Major Contracts (those over \$10M)

We entered into one contract with a value of over \$10M in the 2013/14 financial year. This contract was advised on the LMW website.

### Major External Reviews

We did not carry out any major reviews of Lower Murray Water during 2013/14.

### Major Research and Development Activities

We did not undertake any major research and development activities in 2013/14.

### 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

Web: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

There were no disclosures under the Act in 2013/14.

### 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

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### 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.

## Our Statutory Information

### Consultancies—over \$10,000

CONSULTANCY NAME AND PROJECT REFERENCE	START DATE	END DATE	TOTAL PROJECT APPROVED FEE (EXCL GST)	EXPENDITURE 13/14 (EXCL GST)	FUTURE EXPENDITURE (EXCL GST)
<b>ALAN G WILLIAMS</b>				<b>17,243</b>	
IT CONSULTANCY & DOCUMENTATION - PROCLAIM UPGRADE	1/07/2013	30/06/2014	18,000	17,243	-
<b>CEENA PTY LTD</b>				<b>226,266</b>	
MILDURA WTP AUTOMATION PROJECT	1/07/2013	30/06/2014	65,000	65,547	-
REDCLIFFS WTP AUTOMATION PROJECT	1/07/2013	30/06/2014	45,000	44,539	-
MILDURA & RED CLIFFS WTP AUTOMATION	1/07/2013	31/12/2014	188,960	38,960	150,000
RED CLIFFS WTP CIVIL/MECH Consultancy	1/07/2013	31/08/2014	80,868	77,220	3,648
<b>GHD PTY LTD</b>				<b>704,240</b>	
CONTRACT No 0186 - SMP - Desing and Engineering Consultancy	1/12/2013	30/06/2016	581,835	372,283	209,552
MILDURA 14TH ST WATERMAIN DESIGN	1/07/2013	30/06/2014	185,860	185,860	-
MILDURA WWTP SWBD & CONTROL SYS UPGRADE	1/07/2013	30/06/2014	63,785	63,785	-
SMP ENVIRO ASSESSMENTS & APPROVALS	1/12/2013	30/06/2014	50,000	50,000	-
WATER PLAN PROJECT SCOPING	1/07/2013	30/06/2014	17,000	16,900	-
WATER SUPPLY RETIC MISC ADVICE	1/07/2013	30/06/2014	15,500	15,412	-
<b>VAHID HEMMATI</b>				<b>32,109</b>	
ENGINEERING SERVICES	1/07/2013	30/06/2014	33,000	32,109	-
<b>ARMIN AUSTRALIA PTY LTD</b>				<b>18,125</b>	
SMP PROCUREMENT	1/12/2013	30/06/2014	20,000	18,125	-
<b>BLACK FALCON CONSULTING PTY LTD</b>				<b>16,200</b>	
BUSINESS CONTINUITY CONSULTING	1/07/2013	30/06/2014	16,200	16,200	-
<b>BLUEROSE CONSULTING PTY LTD</b>				<b>28,840</b>	
SMP PROFESSIONAL FEES	1/12/2013	30/06/2016	50,000	28,840	21,160
<b>BLUESTONE COMMERICAL INTERNATIONAL PTY LTD</b>				<b>13,909</b>	
SMP PROJECT DELIVERY MANAGEMENT	1/12/2013	30/06/2016	20,000	13,909	6,091
<b>CLEANSIGHT PTY LTD</b>				<b>19,000</b>	
EVALUATION LMW ENERGY USAGE	1/07/2013	30/06/2014	19,000	19,000	-
<b>DENCH McLEAN CARSON</b>				<b>20,971</b>	
RISK PLANNING SMP	1/12/2013	30/06/2016	50,000	20,971	29,029
<b>DEPARTMENT SUSTAINABILITY &amp; ENVIRONMENT</b>				<b>59,402</b>	
NORTHERN MONITORING COSTS	1/07/2013	30/06/2014	60,000	59,402	-
<b>EVERTHING INFRASTRUCTURE GROUP</b>				<b>31,103</b>	
SMP CONSULTING	1/12/2013	30/06/2016	80,000	31,103	48,897
<b>HUNTER WATER AUSTRALIA</b>				<b>551,365</b>	
MILDURA STAGE 2 PROCESS DESIGN	1/12/2013	31/10/2014	116,020	89,295	26,725
FY1314 CONSULTANCY CONTRACT HWA	1/07/2013	30/06/2014	409,125	409,125	-
RED CLIFFS AUTOMATION	1/07/2013	31/10/2014	82,397	52,945	29,453
<b>INFOR GLOBAL SOLUTIONS (ANZ) PTY LTD</b>				<b>19,940</b>	
UPGRADE CONSULTING	1/07/2013	30/06/2014	20,000	19,940	-
<b>INFORMATION MANAGEMENT SERVICES PTY LTD</b>				<b>58,135</b>	
IT STRATEGY	1/07/2013	30/06/2014	60,000	58,135	-
<b>McMULLAN SOLICITORS</b>				<b>20,640</b>	
SMP LEGAL CONSULTING	1/12/2013	30/06/2016	60,000	20,640	39,360
<b>MOORE STEPHENS ACCOUNTANTS &amp; ADVISORS</b>				<b>27,202</b>	
ESC REGULATORY AUDIT	1/07/2013	30/06/2014	27,500	27,202	-
<b>NEWSALERT PR PTY LTD</b>				<b>15,225</b>	
SMP PUBLIC RELATIONS	1/12/2013	30/06/2016	30,000	15,225	14,775
<b>ORICA AUSTRALIA PTY LTD</b>				<b>15,625</b>	
QUANTITATIVE RISK ASSES CHLORING GAS	1/07/2013	30/06/2014	15,500	15,625	-
<b>PITCHER PARTNERS</b>				<b>23,382</b>	
SMP PROFESSIONAL SERVICES	1/12/2013	30/06/2016	60,000	23,382	36,618
<b>SACS CONSULTING PTY LTD</b>				<b>42,158</b>	
RECRUITMENT MANAGING DIRECTOR	1/07/2013	30/06/2014	42,500	42,158	-
<b>SAGE AUTOMATION (SA) PTY LTD</b>				<b>82,770</b>	
CITECT TO CLEAR SCADA CONSULTANCY	1/07/2013	30/06/2014	83,000	82,770	-
<b>SCHNEIDER ELECTRICAL</b>				<b>21,044</b>	
CLEAR SCADA STANDARDS	1/07/2013	30/06/2014	21,000	21,044	-
<b>SINCLAIR KNIGHT MERZ</b>				<b>831,005</b>	
SMP HYDRAULIC & GEOTECH DESIGN	1/12/2013	30/09/2014	218,851	196,132	22,719
SUNRAYSIA MODERNISATION CONSULTING	1/12/2013	30/09/2014	700,000	634,873	65,127
<b>SOUTHERN CROSS CONSULTING GROUP PTY LTD</b>				<b>15,544</b>	
2013 NTER REVIEW	1/07/2013	30/06/2014	15,544	15,544	-
<b>TECHNOLOGY ONE LIMITED</b>				<b>40,203</b>	
PROCLAIM UPGRADE	1/07/2013	30/06/2015	350,000	40,203	309,797
<b>TRUSCOTT - CRISIS LEADERS</b>				<b>26,255</b>	
BUSINESS CONTINUITY CONSULTANCY	1/07/2013	30/06/2014	15,000	14,277	-
EMERGENCY MANAGEMENT CONSULTANCY	1/07/2013	30/06/2014	12,000	11,977	-
<b>TTR DESIGN SERVICES PTY LTD</b>				<b>75,339</b>	
SMP METERING	1/12/2013	30/06/2016	100,000	75,339	24,661
<b>UTILACOR PTY LTD</b>				<b>14,159</b>	
ENERGY MANAGEMENT	1/07/2013	30/06/2014	14,500	14,159	-
<b>Grand Total</b>			<b>4,112,945</b>	<b>3,067,396</b>	<b>1,037,613</b>

## Our Financial Report

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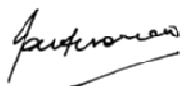
### Certification

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 2014 and financial position of the Corporation as at 30 June 2014.

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 3rd September 2014.



**J Tesorerio**  
Chair



**P Endley**  
Managing Director



**L Davis**  
General Manager—Business Services





Victorian Auditor-General's Office

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## 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 2014 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.

## Our Financial Report

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### 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 2014 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 2014 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  
4 September 2014



John Doyle  
Auditor-General

## Our Financial Report

### Comprehensive Operating Statement for the year ended 30th June 2014

	Notes	2014 \$'000	2013 \$'000
<b><u>REVENUE FROM OPERATING ACTIVITIES</u></b>			
Operating Revenue	1(b), 3(a)	55,642	59,023
Termination Fees		128	106
Income for Capital Purposes	1(b), 3(b)	4,768	2,292
Other Revenue	1(b), 3(c)	3,125	3,487
		-----	-----
		63,663	64,908
		-----	-----
<b><u>REVENUE FROM NON-OPERATING ACTIVITIES</u></b>			
Interest Revenue	1(b), 3(d)	427	420
Net Gain/(Loss) from Disposal of Non-Financial Assets	1(d), 3(e)	(81)	(37)
		-----	-----
		346	383
		-----	-----
<b>TOTAL REVENUE</b>		<b>64,009</b>	<b>65,291</b>
		-----	-----
<b><u>EXPENSES FROM OPERATING ACTIVITIES</u></b>			
Direct Expenses	1(c), 4(a)	48,290	51,702
Administration Expenses	1(c), 4(b)	15,450	14,259
Finance Costs	1(c), 4(c)	4,070	3,734
		-----	-----
<b>TOTAL EXPENSES</b>		<b>67,810</b>	<b>69,695</b>
		-----	-----
<b>NET RESULT BEFORE TAX</b>		<b>(3,801)</b>	<b>(4,404)</b>
Income Tax Expense/(Revenue)	6	(1,236)	(1,309)
		-----	-----
<b>NET RESULT FOR THE YEAR</b>		<b>(2,565)</b>	<b>(3,095)</b>
		=====	=====
<b><u>OTHER COMPREHENSIVE INCOME</u></b>			
Net Gain/Loss on Physical Asset Revaluation Surplus	21	(1,199)	3,607
Income Tax Relating to Components of Other Comprehensive Income	21	360	(1,082)
		-----	-----
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>(839)</b>	<b>2,525</b>
		-----	-----
<b>TOTAL COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>(3,404)</b>	<b>(570)</b>
		=====	=====

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

## Our Financial Report

### Balance Sheet as at 30th June 2014

		Notes	2014 \$'000	2013 \$'000
<b>CURRENT ASSETS</b>				
	Cash and Cash Equivalents	1(d), 7	39,726	7,909
	Receivables	1(d), 8	7,446	8,281
	Inventories	1(d), 9	3,064	2,969
	Prepayments	1(d)	281	242
			<b>50,517</b>	<b>19,401</b>
	Assets Held for Sale	1(d), 10	5,937	5,687
<b>Total current assets</b>			<b>56,454</b>	<b>25,088</b>
<b>NON-CURRENT ASSETS</b>				
	Receivables	1(d), 8	71	131
	Infrastructure, Property, Plant and Equipment	1(d), 11	771,329	777,335
	Biological Assets	1(d), 12	57	58
	Intangible Assets	1(d), 13	5,994	5,984
<b>Total non-current assets</b>			<b>777,451</b>	<b>783,508</b>
<b>TOTAL ASSETS</b>			<b>833,905</b>	<b>808,596</b>
<b>CURRENT LIABILITIES</b>				
	Payables	1(e), 14	5,721	6,289
	Interest Bearing Liabilities	1(e), 15	9,267	3,840
	Employee Benefits	1(e), 16	5,093	4,763
	Provisions	1(e), 17	-	156
<b>Total current liabilities</b>			<b>20,081</b>	<b>15,048</b>
<b>NON-CURRENT LIABILITIES</b>				
	Interest Bearing Liabilities	1(e), 15	57,348	60,015
	Employee Benefits	1(e), 16	291	308
	Deferred Tax Liabilities	1(i), 19	105,438	107,034
	Other Liabilities		12	12
<b>Total non-current liabilities</b>			<b>163,089</b>	<b>167,369</b>
<b>TOTAL LIABILITIES</b>			<b>183,170</b>	<b>182,417</b>
<b>NET ASSETS</b>			<b>650,735</b>	<b>626,179</b>
<b>EQUITY</b>				
	Contributed Capital	1(f), 20	565,566	537,606
	Physical Asset Revaluation Surplus	1(f), 21	153,664	154,503
	Accumulated Deficit	22	(68,495)	(65,930)
<b>TOTAL EQUITY</b>			<b>650,735</b>	<b>626,179</b>

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 2014

	Notes	Contributed Capital \$'000	Physical Asset Revaluation Surplus \$'000	Accumulated Deficit \$'000	Total \$'000
<b>BALANCE AT 1 JULY 2012</b>	20, 21, 22	537,606	151,978	(62,835)	626,749
<b>TOTAL COMPREHENSIVE RESULT FOR THE YEAR</b>		-	2,525	(3,095)	(570)
<b>TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:</b>					
Contributed Capital	20	-	-	-	-
<b>TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER</b>		-	-	-	-
<b>BALANCE AS AT 30 JUNE 2013</b>	20, 21, 22	537,606	154,503	(65,930)	626,179
<b>TOTAL COMPREHENSIVE RESULT FOR THE YEAR</b>		-	(839)	(2,565)	(3,404)
<b>TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:</b>					
Contributed Capital	20	27,960	-	-	27,960
<b>TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER</b>		27,960	-	-	27,960
<b>BALANCE AS AT 30 JUNE 2014</b>	20, 21, 22	565,566	153,664	(68,495)	650,735

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 2014

	Notes	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Rates & Meter Charges		55,455	58,145
Proceeds from Scheme Debtors		60	48
Government Contributions		2,000	324
Income for Capital Purposes		2,768	1,968
Interest Received		427	420
GST Received from the ATO		3,779	3,629
Other Revenue		3,871	4,902
		-----	-----
<b>Total Receipts</b>		68,360	69,436
		-----	-----
<b>Payments</b>			
Payments to Suppliers & Employees		(42,661)	(46,508)
GST Paid to the ATO		(242)	(262)
Interest and Other Costs of Finance Paid		(4,069)	(3,734)
		-----	-----
<b>Total Payments</b>		(46,972)	(50,504)
		-----	-----
<b><u>Net Cash provided by/(used in) Operating Activities</u></b>	<b>24</b>	<b>21,388</b>	<b>18,932</b>
		-----	-----
<b>Cash Flows provided by/(used in) Investing Activities</b>			
Payments for Purchases of Property, Plant and Equipment		(20,968)	(20,869)
Payments for Purchases of Intangible Assets		(522)	(722)
Proceeds from Sale of Property, Plant and Equipment	3(e)	1,199	514
		-----	-----
<b><u>Net Cash provided by/(used in) in Investing Activities</u></b>		<b>(20,291)</b>	<b>(21,077)</b>
		-----	-----
<b>Cash Flows provided by/(used in) Financing Activities</b>			
Proceeds from Borrowings		6,600	10,000
Repayment of Borrowings		(3,840)	(4,417)
Government Capital Contribution Received		27,960	-
		-----	-----
<b><u>Net Cash provided by/(used in) Financing Activities</u></b>		<b>30,720</b>	<b>5,583</b>
		-----	-----
Net Movement in Cash and Cash Equivalents		31,817	3,438
Cash and Cash Equivalents at the Beginning of the Financial Year		7,909	4,471
		-----	-----
<b><u>Cash and cash equivalents at the end of the year</u></b>	<b>7</b>	<b>39,726</b>	<b>7,909</b>
		=====	=====

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 2014

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Accounting

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 for the period ending 30 June 2014. 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. The Corporation is a not-for-profit entity for the purpose of preparing the financial statements.

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

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The annual financial statements were authorised for issue by the Board on the 3rd September 2014.

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

#### Financial Statement Presentation

The Corporation has applied the revised AASB 101 Presentation of Financial Statements which became effective for reporting periods beginning, on or after, 1 July 2013, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on, or after, 1 July 2013.

#### Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

#### Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact described as below.

#### AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when LMW is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. LMW has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited. In light of AASB 13, LMW has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised.

However, AASB 13 has predominantly impacted the disclosures of the Corporation. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including *AASB 7 Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2013-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under *AASB 7 Financial Instruments: Disclosures*.

#### AASB 119 Employee Benefits

In 2013-14, the Corporation has applied AASB 119 (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for the defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets.

The revised standard also changes the accounting definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by LMW as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits.

In light of AASB 119, LMW has reviewed its employee benefits change in classification for short-term and long-term provisions and considers the measurement of the annual leave provision to be not

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

material. Consequently, the change in accounting policy has not been applied retrospectively.

### 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 test 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 pay;and 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.

### (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 revenue 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, in the period in which it is incurred.

#### Fair Value of Resources Received free of Charge

The value of all goods and services received free of charge or for nominal consideration are recognised as revenue when the Corporation gains control of them, irrespective of whether restrictions or conditions are imposed over the use of the contributions. 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.



# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### 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 under "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.

However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributions by Owners in accordance with *FRD 119A Transfers through Contributed Capital*.

### 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

#### Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance 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 197 basis points is applied to all new financial accommodation (previously 110 basis points) accessed from Treasury Corporation of Victoria (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 Infrastructure property, plant and equipment (iii)).

The depreciation rates applied to asset classes (2014 and 2013) are:

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

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### Employee Benefits

These expenses include all costs related to employment 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 purpose of the environmental contribution is set out in the Water Industry (Environmental Contributions) Act 2004, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives. The contribution period has been extended to cover the period 1 July 2012 until 30 June 2016.

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.

### Other Expenses

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

### (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.

### 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 provision for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount 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.

Irrigation receivables past due attract penalty interest, which the Essential Service Commission are the regulators for setting the rate to apply annually. The penalty interest rate that applied during 2014 was 6.9% (2013: 10.0%)

### 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.

### 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.

### Infrastructure, 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 (2013: \$1000) and useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Each class of infrastructure, property, plant and equipment are carried at either fair value, or at independent 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 or nominal 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

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

Comprehensive Operating Statement.

#### *(i) Measurement of Infrastructure, 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) 103E Non-Current Physical Assets.

Revaluations are conducted in accordance with FRD 103E. 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.

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 103E. 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 occurred as at 30 June 2011 and 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 are 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 infrastructure, 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)

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

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.

### Biological Assets

For livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes.

An increase or decrease in the fair value of these biological assets is recognised in the Comprehensive Operating Statement.

### Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance. 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:

### Permanent Water Entitlements

	Water Share Entitlements	Development Costs	Software
Useful lives	Indefinite	Finite	Finite
Amortisation method used	Not amortised or revalued	3 years – straight line	3 years – straight line
Internally generated / acquired	Acquired	Internally generated	Acquired
Impairment test / Recoverable amount testing	Tested 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

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

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.

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

Provisions made in respect of employee benefits expected to be settled wholly within 12 months after the end of the reporting period, 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 wholly settled within 12 months after the end of the reporting period, 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.

Liabilities for wages and salaries, annual leave and sick leave are all recognised in the provision for employee benefits as 'current liabilities', because the Corporation does not have the unconditional right to defer settlements of these liabilities.

##### (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 wholly settle within 12 months; and
- undiscounted value – component that the Corporation expects to wholly settle within 12 months.

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

**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 relevant superannuation plans in respect to the services of Corporation's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Corporation is required to comply with.

### *(iv) Employee Benefit Oncosts*

Employee benefit oncosts, including payroll tax and worker's compensation, are recognised and disclosed separately in Note 16.

### *(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.

Sixteen Executive Officers (2013: 12) 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 a present 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 in accordance with *FRD 119A Transfers through Contributed Capital*.

#### **Physical Asset Revaluation Reserve**

The physical asset revaluation reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.

### **(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.

##### *Financial Liabilities*

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

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

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

goods and services.

### (ii) 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 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).

Consistent with *AASB 7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of fair value measurement hierarchy, the Corporation has provided the required disclosure 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.

### (h) Fair Value

Consistent with *AASB 13 Fair Value Measurement*, the Corporation determines the policies and procedures for both recurring fair value measurements such as infrastructure, property, plant and equipment and financial instruments and for non recurring fair value measurements such as assets held for sale, in accordance with the requirements of AASB 13 and relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Corporation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

In addition, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation, based on the lowest level input that is significant to the fair value measurement as a whole, at the end of each reporting period.

The Valuer General Victoria (VGV) is the Corporation's independent valuation agency. On occasion, the Corporation also uses the services of Elders Limited for sheep stock fair value valuations and Barnden Cleary for land and building fair value valuations.

The Corporation, in conjunction with VGV, and other external valuers, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

### (i) 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.

The deferred tax assets and deferred tax liabilities are disclosed on the net basis in the balance sheet.

### (j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 25) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### (k) 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 30) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### (l) 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 2013/14 to be \$0 (2012/13: \$0).

### (m) 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.

### (n) 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. As at 30 June 2014, the following standards and

interpretations had been issued but were not mandatory for financial year ending 30 June 2014. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement)	1 January 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. The Corporation is yet to assess the full impact of this standard.

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2013-14 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Corporation's reporting. The AASB Interpretation in the list below is also not effective for the 2013-14 reporting period and is considered to have insignificant impacts on the Corporation's reporting.

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).  
2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.  
2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements  
2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments  
AASB Interpretation 21 Levies.

# Our Financial Report

## 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.

2013/14										
Financial Instruments	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Financial assets</b>										
Cash and Cash Equivalents	33,123	6,600	-	-	-	-	-	3	39,726	2.21
Receivables – property	2,714	-	-	-	-	-	-	2,966	5,680	3.47
Receivables – other	389	-	-	-	-	-	-	1,448	1,837	1.46
Investments	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>36,226</b>	<b>6,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,417</b>	<b>47,243</b>	<b>2.33</b>
<b>Financial liabilities</b>										
Payables	-	-	-	-	-	-	-	5,285	5,285	N/A
Interest Bearing Liabilities	6,600	2,667	3,659	2,698	4,740	2,784	43,467	-	66,615	5.14
<b>Total financial liabilities</b>	<b>6,600</b>	<b>2,667</b>	<b>3,659</b>	<b>2,698</b>	<b>4,740</b>	<b>2,784</b>	<b>43,467</b>	<b>5,285</b>	<b>71,900</b>	<b>4.76</b>
2012/13										
Financial Instruments	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective
		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	%
<b>Financial assets</b>										
Cash	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	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>11,589</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,732</b>	<b>16,321</b>	<b>3.48</b>
<b>Financial liabilities</b>										
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
<b>Total financial liabilities</b>	<b>-</b>	<b>3,840</b>	<b>2,672</b>	<b>3,659</b>	<b>2,698</b>	<b>4,740</b>	<b>46,246</b>	<b>5,953</b>	<b>69,808</b>	<b>4.88</b>

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



## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### (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 2014	Carrying Amount \$'000	Interest Rate Risk			
		-0.5%		+0.5%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
<b>Financial assets</b>					
Cash and Cash Equivalents	39,726	(199)	(199)	199	199
Receivables	7,517	(16)	(16)	16	16
<b>Financial Liabilities</b>					
Interest Bearing Liabilities	66,615	33	33	(33)	(33)
<b>Total increase/(decrease)</b>		(181)	(181)	181	181

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

#### (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 2014, 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.

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

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

2013/14							
Financial Instruments	Carrying Amount	6 months or less	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	5,285	5,285	-	-	-	-	-
Interest Bearing Liabilities	66,615	7,906	1,361	3,659	2,698	7,524	43,467
<b>Total financial liabilities</b>	<b>71,900</b>	<b>13,191</b>	<b>1,361</b>	<b>3,659</b>	<b>2,698</b>	<b>7,524</b>	<b>43,467</b>
2012/13							
Financial Instruments	Carrying Amount	6 months or less	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	5,953	5,953	-	-	-	-	-
Interest Bearing Liabilities	63,855	543	3,297	2,672	3,659	7,438	46,246
<b>Total financial liabilities</b>	<b>69,808</b>	<b>6,496</b>	<b>3,297</b>	<b>2,672</b>	<b>3,659</b>	<b>7,438</b>	<b>46,246</b>
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

	2014 Carrying Amount \$'000	2014 Net Fair Value \$'000	2013 Carrying Amount \$'000	2013 Net Fair Value \$'000
<b>Financial Assets</b>				
Cash and Cash Equivalents	39,726	39,726	7,909	7,909
Receivables	7,517	7,517	8,412	8,412
<b>Total Financial Assets</b>	<b>47,243</b>	<b>47,243</b>	<b>16,321</b>	<b>16,321</b>
<b>Financial Liabilities</b>				
Payables	5,285	5,285	5,953	5,953
Interest Bearing Liabilities	66,615	73,858	63,855	68,547
<b>Total Financial Liabilities</b>	<b>71,900</b>	<b>79,143</b>	<b>69,808</b>	<b>74,500</b>

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 liabilities measured and recognised at fair value by level of the fair value measurement hierarchy:

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

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) of indirectly (derived from prices), and Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Liabilities</b>				
Interest Bearing Liabilities	-	73,858	-	<b>73,858</b>
<b>Total Financial Liabilities</b>	<b>-</b>	<b>73,858</b>	<b>-</b>	<b>73,858</b>

## Notes to the Financial Statements for the year ended 30th June 2014

		TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
(a) Operating Revenue comprises:		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
General Tariff Charges		36,152	38,980	6,041	5,734	11,711	11,095	18,400	22,151
Government Pensioner Rate Reimbursement		2,051	2,002	780	762	1,226	1,180	45	60
Metered Charges		16,517	17,171	11,214	11,535	-	-	5,303	5,636
Trade Waste Charges		760	704	-	-	760	704	-	-
Customer Service Obligations		162	166	52	41	110	125	-	-
		55,642	59,023	18,087	18,072	13,807	13,104	23,748	27,847
		TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
(b) Income For Capital Purposes:		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Developer/Capital Contributions		2,768	1,967	1,143	552	1,152	403	473	1,012
Government Contributions		2,000	324	-	-	-	-	2,000	324
Scheme Contributions		-	1	-	-	-	1	-	-
		4,768	2,292	1,143	552	1,152	404	2,473	1,336
Income for developer/capital purposes are once off payments which may not occur in future periods.									
		TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
(c) Other Revenue:		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Income from Fees		1,271	1,231	493	444	372	324	406	463
Rent/Lease Income		1,180	888	1,098	818	24	27	58	43
Sundry Income		674	1,368	79	80	273	289	322	999
		3,125	3,487	1,670	1,342	669	640	786	1,505
		TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
(d) Interest Revenue comprises:		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest from cash and cash equivalents		257	144	33	41	33	35	191	68
Interest on Charges		146	241	-	-	-	-	146	241
Interest on Private Schemes		24	35	11	16	13	19	-	-
		427	420	44	57	46	54	337	309
		TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
(e) Net gain/(loss) on disposal of non-financial assets		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Proceeds from sale of non-financial assets		1,199	514	340	146	289	124	570	244
Disposal of non-financial assets other than assets held for sale		(482)	(551)	(139)	(156)	(115)	(133)	(228)	(262)
Disposal of non-financial assets - assets held for sale		(798)	-	(226)	-	(193)	-	(379)	-
		(81)	(37)	(25)	(10)	(19)	(9)	(37)	(18)

## Notes to the Financial Statements for the year ended 30th June 2014

#### 4. EXPENDITURE

[illegible]

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### 5. DEPRECIATION & AMORTISATION

Depreciation & Amortisation expense for the year:

	2014 \$'000	2013 \$'000
Depreciation		
Infrastructure	22,388	22,039
Buildings	555	519
Plant, Equipment and Vehicles	1,095	1,100
	24,038	23,658
Software Amortisation	512	306
	24,550	23,964
Allocated to direct expenses (Refer Note 4a)	22,944	22,556
Allocated to administration expenses (Refer Note 4b)	1,606	1,408
	24,550	23,964

### 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:

	2014 \$'000	2013 \$'000
a. The components of tax expense comprise:		
Current Tax Payable	-	-
Deferred tax relating to temporary differences	1,236	1,442
Adjustments for current tax on prior periods	-	(133)
	1,236	1,309
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in Deferred Tax Asset (Note 19)	(467)	(523)
(Decrease)/Increase in Deferred Tax Liability (Note 19)	(1,129)	296
Decrease/(Increase) in Equity (Note 19)	360	(1,082)
	(1,236)	(1,309)

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

Net result from ordinary activities before income tax	(3,801)	(4,404)
Prima facie tax payable on net result from ordinary activities before income tax at 30% (2013: 30%)	(1,140)	(1,321)
Add tax effect of:		
Other non allowable items	21	12
Recoupment of losses	-	-
	(1,119)	(1,309)
Tax effect of:		
Other items of income and expenditure	(117)	-
Correction to prior year tax expense	-	-
Income Tax Expense recognised in the Comprehensive O	(1,236)	(1,309)

### 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:

	2014 \$'000	2013 \$'000
Cash on hand	3	3
Cash at bank	24,573	7,906
Deposits at call	-	-
Investments due less than 3 months	15,150	-
	39,726	7,909

Cash on hand is non interest bearing

The Cash at bank and investments are bearing floating interest rates between 2.00% and 2.66% (2013: bearing 2.25% and 4.25%).

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### 8. RECEIVABLES

##### Receivables comprise of

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current Receivables:</b>								
Tariffs & Charges	6,035	6,792	2,888	3,208	212	205	2,935	3,379
Scheme Debtors	318	318	92	92	226	226	-	-
Other Debtors	1,448	1,366	355	367	413	290	680	709
Provision for Impairment of Tariffs and Charges	(355)	(195)	(95)	(50)	(39)	-	(221)	(145)
<b>Total Current Receivables</b>	<b>7,446</b>	<b>8,281</b>	<b>3,240</b>	<b>3,617</b>	<b>812</b>	<b>721</b>	<b>3,394</b>	<b>3,943</b>
<b>Non Current Receivables:</b>								
Scheme Debtors	71	131	31	63	40	68	-	-
<b>Total Non Current Receivables</b>	<b>71</b>	<b>131</b>	<b>31</b>	<b>63</b>	<b>40</b>	<b>68</b>	<b>-</b>	<b>-</b>

##### (a) Provision for impaired receivables

As of 30 June 2014, receivables of \$354,968 (2013: \$194,705) 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:

	2014 \$'000	2013 \$'000
0 - 6 months	-	-
Over 6 months:	355	195
	<b>355</b>	<b>195</b>

Movements in the provision for impaired receivables are as follows:

	2014 \$'000	2013 \$'000
Opening balance at 1 July	(195)	(210)
Provision for impairment recognised during the year	(160)	-
Receivables written off during the year as uncollectable	-	15
Closing balance at 30 June	<b>(355)</b>	<b>(195)</b>

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 2014 receivables of \$4,420,903 (2013: \$4,605,001) 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:

	2014 \$'000	2013 \$'000
0 - 3 months	1,637	1,906
3 - 6 months	786	804
Over 6 months	1,998	1,895
	<b>4,421</b>	<b>4,605</b>

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 also approximates to fair value.

	2014 Carrying Amount \$'000	2014 Net Fair Value \$'000	2013 Carrying Amount \$'000	2013 Net Fair Value \$'000
Scheme Debtors	71	71	131	131

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of Scheme Debtors. The Corporation does not hold any collateral as security. Refer to Note 2 for more information of the risk management policy of the Corporation.

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### 9. INVENTORIES

Values as at 30 June, were:

	2014 \$'000	2013 \$'000
Stores and Consumables	3,064	2,969
Total Inventories	3,064	2,969

#### 10. ASSETS HELD FOR SALE

(a) Movements during the reporting period	2014 \$'000	2013 \$'000
Balance 1 July - Land held for Sale	5,687	7,912
Re-classification - Land not treated as held for sale	-	(2,247)
Additions (Note 11)	2,247	22
Revaluation increment/(decrement) (Note 21)	(1,199)	-
Sales	(798)	-
	5,937	5,687

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 the land is now not highly probable.

#### (b) Fair value measurement hierarchy for assets held for sale as at 30 June 2014

The following table provides the fair value measurement hierarchy of the Corporation's non-financial physical assets held for sale.

	Carrying Amount as at 30 June 2014	Fair Value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
Land Held for Sale at Fair Value				
Non-specialised Land	5,937	-	5,937	-
<b>Total of Land Held for Sale at Fair Value</b>	<b>5,937</b>	<b>-</b>	<b>5,937</b>	<b>-</b>
<b>Total Assets Held for Sale at Fair Value</b>	<b>5,937</b>	<b>-</b>	<b>5,937</b>	<b>-</b>

Fair value was determined by an independent valuer using the market approach 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.

Land held for sale is carried at fair value less costs of disposal.

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### 11. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

(a) Classes of infrastructure, property, plant and equipment											
	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE		ADMINISTRATION		
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	
Land - at valuation	13,091	15,338	1,994	1,994	4,799	4,799	3,372	5,619	2,926	2,926	
Land - subsequent additions at fair value	554	582	275	275	6	6	101	101	172	200	
Total land at fair value	13,645	15,920	2,269	2,269	4,805	4,805	3,473	5,720	3,098	3,126	
Buildings - at valuation	16,185	16,233	8,679	8,679	689	737	853	853	5,964	5,964	
Buildings - subsequent additions at fair value	2,974	1,796	32	32	720	717	2,062	1,047	160	-	
Less: Accumulated depreciation	(1,583)	(1,036)	(492)	(328)	(148)	(105)	(225)	(125)	(718)	(478)	
Total buildings at fair value	17,576	16,993	8,219	8,383	1,261	1,349	2,690	1,775	5,406	5,486	
Infrastructure - at valuation	686,802	685,435	188,324	188,410	128,889	128,889	369,589	368,136	-	-	
Infrastructure - at fair value	92,065	73,298	16,740	13,804	59,559	53,044	15,766	6,450	-	-	
Less: Accumulated depreciation	(65,505)	(43,157)	(20,829)	(13,633)	(14,650)	(9,707)	(30,026)	(19,817)	-	-	
Total Infrastructure at fair value	713,362	715,576	184,235	188,581	173,798	172,226	355,329	354,769	-	-	
Plant, Equipment & Vehicles	14,740	13,747	-	-	11	11	226	226	14,503	13,510	
Less: Accumulated depreciation	(9,023)	(9,020)	-	-	(10)	(8)	(149)	(149)	(8,864)	(8,863)	
Total plant, equipment and vehicles at fair value	5,717	4,727	-	-	1	3	77	77	5,639	4,647	
Works In Progress at cost	21,029	24,119	5,001	2,863	1,629	4,559	14,359	15,761	40	936	
	771,329	777,335	199,724	202,096	181,494	182,942	375,928	378,102	14,183	14,195	

#### 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.

As required by FRD 103E, Lower Murray Water conducted an annual fair value assessment of land and buildings as at 30 June 2014. The annual assessment determined the fair value of land or buildings to be no greater than 10%, in accordance with FRD 103E 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 103E, Lower Murray Water conducted an annual fair value assessment of non-current physical infrastructure assets as at 30 June 2014. The annual assessment determined the fair value of the non-current physical infrastructure assets to be no greater than 10%, in accordance with FRD 103E no fair value movement is required to be recognised.



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## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### (c) Fair value measurement hierarchy for assets as at 30 June 2014

The following table provides the fair value measurement hierarchy of the Corporation's non-financial physical assets as at 30 June 2014.

		Carrying Amount as at 30 June 2014	Fair Value measurement at end of reporting period using:		
			Level 1	Level 2	Level 3
Land at Fair Value					
	Non-specialised Land	11,444	-	11,444	-
	Specialised Land	2,201	-	-	2,201
<b>Total of Land at Fair Value</b>		<b>13,645</b>	<b>-</b>	<b>11,444</b>	<b>2,201</b>
Buildings at Fair Value					
	Non-specialised Buildings	5,951	-	5,951	-
	Specialised Buildings	11,625	-	-	11,625
<b>Total Buildings at Fair Value</b>		<b>17,576</b>	<b>-</b>	<b>5,951</b>	<b>11,625</b>
Plant, Equipment and Vehicles at Fair Value					
	Vehicles	3,581	-	-	3,581
	Plant and Equipment	2,136	-	-	2,136
<b>Total of Plant, Equipment and Vehicles as Fair Value</b>		<b>5,717</b>	<b>-</b>	<b>-</b>	<b>5,717</b>
Infrastructure at Fair Value					
	Water Storage	13,310	-	-	13,310
	Water Pumping Stations	8,956	-	-	8,956
	Sewer Pumping Stations	14,253	-	-	14,253
	Irrigation Pumping Stations	25,740	-	-	25,740
	Water Treatment Plants	59,005	-	-	59,005
	Waste Water Treatment Plants	53,340	-	-	53,340
	Water Pipeline Infrastructure	102,964	-	-	102,964
	Sewer Pipeline Infrastructure	106,205	-	-	106,205
	Irrigation Pipeline Infrastructure	314,984	-	-	314,984
	Other Structures	14,605	-	-	14,605
<b>Total Infrastructure at Fair Value</b>		<b>713,362</b>	<b>-</b>	<b>-</b>	<b>713,362</b>
		-----	-----	-----	-----
<b>Total Property, Plant and Equipment at Fair Value</b>		<b>750,300</b>	<b>-</b>	<b>17,395</b>	<b>732,905</b>
		=====	=====	=====	=====

There were no changes in valuation throughout the period to June 2011

For all assets measured at fair value, the current use is considered the highest and best use.

#### Non-specialised Land and Buildings

To the extent that non-specialised land and buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

#### Specialised Land and Buildings

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets. For the Corporation's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

#### Plant and Equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, plant and equipment are classified as Level 3 fair value measurements.

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### Vehicles

Vehicles use the depreciated replacement cost in estimating the fair value. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Corporation in which relevant depreciation rates are set during use to reflect the utilization of the vehicles. As depreciation adjustments are considered as significant, unobservable inputs in nature, vehicles are classified as Level 3 fair value measurements.

### Infrastructure

Infrastructure assets are valued using the depreciated replacement cost method as described in Note 11 (a). As depreciation adjustments based on asset age, theoretical asset remaining useful life, asset condition assessment ratings are considered as significant, unobservable inputs in nature, all the classes within the Infrastructure category are classified as Level 3 fair value measurements.

2013-2014		Balance 1 July	Additions	Transfers in (out) of Level 3	Disposals	Depreciation	Impairment	Revaluation	Transfer from (to) Assets Held for Sale	Balance 30 June
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	Specialised Land	2,201	-	-	-	-	-	-	-	2,201
Buildings	Specialised Buildings	11,895	3	-	-	(273)	-	-	-	11,625
Plant, Equipment, and Vehicles	Vehicles	3,095	1,347	-	(438)	(423)	-	-	-	3,581
Infrastructure	Plant and Equipment	1,632	1,178	-	(2)	(672)	-	-	-	2,136
	Water Storage Tanks	13,992	-	-	-	(682)	-	-	-	13,310
	Water Pumping Stations	9,485	137	-	-	(666)	-	-	-	8,956
	Sewer Pumping Stations	14,286	587	-	-	(620)	-	-	-	14,253
	Irrigation Pumping Stations	20,528	6,314	-	-	(1,101)	-	-	-	25,741
	Water Treatment Plants	61,569	1,063	-	-	(3,627)	-	-	-	59,005
	Waste Water Treatment Plants	52,116	3,374	-	-	(2,150)	-	-	-	53,340
	Water Pipeline Infrastructure	103,536	1,758	-	(92)	(2,238)	-	-	-	102,964
	Sewer Pipeline Infrastructure	105,824	2,554	-	-	(2,173)	-	-	-	106,205
	Irrigation Pipeline Infrastructure	321,377	2,597	-	(27)	(8,963)	-	-	-	314,984
	Other Structures	12,863	1,993	-	(85)	(167)	-	-	-	14,604
		734,399	22,905	-	(644)	(23,755)	-	-	-	732,905

	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)	Sensitivity of Fair Value Measurement to changes in significant unobservable inputs
<b>Specialised Land</b> (1,514 ha)	Market Approach	Community Service Obligation (CSO) adjustment VGV provided to Egan National Valuers (Vic)	20%	A significant increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value. No changes to the zoning of the land held in this category being held for public entity use.
<b>Specialised Buildings</b> (37 Buildings)	Depreciated replacement cost	Direct cost per square metre	\$4.50 - \$897.56 per sqm (\$135 per sqm)	A significant increase or decrease in direct cost per square metre adjustment would result in a significant higher or lower fair value. No change in the buildings held by LMW, they are still considered restricted assets.
		Useful life of specialised buildings	30-60 years (45 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW has not made any significant change to the useful life of the specialised buildings held.
<b>Vehicles</b> (133 Vehicles)	Depreciated replacement cost	Cost per unit	\$5,000 - \$131,500 per unit (\$26,936 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value of the LMW vehicle fleet.
		Useful life of vehicles	8-10 years (9 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW has not changed vehicle management policy during the 2013-14 year.
<b>Plant and Equipment</b> (1020 units)	Depreciated replacement cost	Cost per unit	\$0 - \$36,733 per unit (\$1,099 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value of the LMW plant and equipment.
		Useful life of plant and equipment	1-60 years ( 5 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower its valuation. LMW have assessed that the condition of the assets have not significantly changed.

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

<b>Water Storage Tanks</b> (23 storage tanks)	Depreciated replacement cost	Cost per Unit	\$83,0950 - \$1,680,039 per unit (\$578,695 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW water storage assets have not varied over the past year.
		Useful life of water storage tanks	60-100 years (80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Water Pumping Stations</b> (36 pump stations)	Depreciated replacement cost	Cost per Unit	\$41,109 - \$678,908 per unit (\$248,769 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW's water pump stations have not varied over the past year.
		Useful life of water pumping stations	25-80 years (55 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Sewer Pumping Stations</b> (112 pump stations)	Depreciated replacement cost	Cost per Unit	\$30,292 - \$882,866 per unit (\$146,304 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW's sewer pump stations have not varied over the past year.
		Useful life of sewer pumping stations	10-80 years (70 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Irrigation Pumping Stations</b> (22 pump stations)	Depreciated replacement cost	Cost per Unit	\$41,516 - \$7,686,285 per unit (\$1,186,629 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW's irrigation pump stations are undergoing upgrades currently. The upgrades will be capitalised at cost, no significant change to the 2011 revaluation values for the remainder of assets.
		Useful life of irrigation pumping stations	40-120 years (80 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. The upgraded assets condition will be assessed when completed, capitalised and in use. Currently LMW have assessed that the condition of the assets have not significantly changed. The upgraded pump stations useful lives will still remain within the useful life range.
<b>Water Treatment Plants</b> (9 treatment plants)	Depreciated replacement cost	Cost per Unit	\$736,111 - \$14,404,091 per unit (\$6,556,080 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW's water treatment plants have not varied over the past year.
		Useful life of water treatment plants	5-80 years (26 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Wastewater Treatment Plant</b> (14 treatment plants)	Depreciated replacement cost	Cost per Unit	\$137,505 - \$35,807,394 per unit (\$3,831,671 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW's wastewater treatment plants have not varied over the past year.
		Useful life of wastewater treatment plants	10-100 years (90 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Water Pipeline Infrastructure</b> (906,649 metres)	Depreciated replacement cost	Cost per metre	\$50 - \$878 p/m (\$113.65 p/m)	A significant increase or decrease in cost per metre would result in a significant higher or lower fair value. LMW's 2011 revaluation rates have not significantly changed. LMW's distribution network has not significantly varied over the past year.
		Useful life of water pipeline infrastructure	50-110 years (60 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Sewer Pipeline Infrastructure</b> (632,843 metres)	Depreciated replacement cost	Cost per metre	\$50 - \$750 p/m (\$171.40 p/m)	A significant increase or decrease in cost per metre would result in a significant higher or lower fair value. LMW's 2011 revaluation rates have not significantly changed. LMW's sewer network has not significantly varied over the past year.
		Useful life of sewer pipeline infrastructure	50-100 years (50 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Irrigation Pipeline Infrastructure</b> (1,982,000 metres)	Depreciated replacement cost	Cost per metre	\$50 - \$1,944 p/m (\$158.92 p/m)	A significant increase or decrease in cost per metre would result in a significant higher or lower fair value. LMW's 2011 revaluation rates have not significantly changed. LMW's Irrigation or drainage networks has not varied significantly over the past year.
		Useful life of irrigation pipeline infrastructure	50-110 years (60 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.
<b>Other Structures</b>	Depreciated replacement cost	Cost per Unit	\$10,661 - \$4,707,243 per unit (\$442,565 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value. LMW's other structures have not varied significantly over the past year.
		Useful life of other structures	15-100 years (31 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. LMW have assessed that the condition of the assets have not significantly changed.

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### 12. BIOLOGICAL ASSETS

The Corporation recognises livestock as biological assets.					
		<b>2014</b>	<b>2013</b>		
Livestock head count as at 30 June		484	512		
		<b>2014</b>	<b>2013</b>		
		<b>\$'000</b>	<b>\$'000</b>		
<b>Movements in carrying amounts of livestock</b>					
Opening balance at 1 July		58	53		
Increase due to births/transfers in		45	46		
Increase due to purchases		-	-		
Increase/(decrease) due to fair value adjustment		(1)	5		
Decrease attributable to disposal/transfers out		(45)	(46)		
Closing balance at 30 June		57	58		
		=====	=====		
Fair value was determined by an independent valuer using the market approach by analysing livestock prices in comparable proximity and condition to the livestock being valued.					

#### 13. INTANGIBLE ASSETS

2013-2014	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software Development Costs	1,187	113	409	-	-	(512)	1,197
Water Shares	4,797	-	-	-	-	-	4,797
	-----	-----	-----	-----	-----	-----	-----
	5,984	113	409	-	-	(512)	5,994
	=====	=====	=====	=====	=====	=====	=====
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 Shares	4,797	-	-	-	-	-	4,797
	-----	-----	-----	-----	-----	-----	-----
	5,568	39	683	-	-	(306)	5,984
	=====	=====	=====	=====	=====	=====	=====

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### 14. PAYABLES

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unsecured Liabilities:								
Trade and Accrued Creditors	4,173	4,796	902	1,139	1,171	1,389	2,100	2,268
Deposits	483	622	122	221	325	348	36	53
Advances for Works Program	532	383	-	-	-	-	532	383
Other	533	488	280	224	253	180	-	84
	5,721	6,289	1,304	1,584	1,749	1,917	2,668	2,788

##### (a) Fair Value

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

#### 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)	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Secured:									
Loans		66,615	63,855	9,267	3,840	13,881	13,769	43,467	46,246
		66,615	63,855	9,267	3,840	13,881	13,769	43,467	46,246

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.

For an analysis of the sensitivity of interest bearing liabilities to interest rate risk and foreign exchange risk refer to Note 2.

##### (b) Credit Standby Arrangement with Banks

	2014 \$'000	2013 \$'000
Credit Facility	250	211
Amount Utilised	-	-
Unused Credit Facility	250	211

##### (c) Fair value

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	2014 Carrying Amount \$'000	2014 Net Fair Value \$'000	2013 Carrying Amount \$'000	2013 Net Fair Value \$'000
Loans	66,615	73,858	63,855	68,547

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

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### 16. EMPLOYEE BENEFITS

	TOTAL		CURRENT		NON-CURRENT	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave	1,699	1,581	1,699	1,581	-	-
Accumulated Sick Leave	20	17	20	17	-	-
Long Service Leave	3,495	3,194	3,204	2,886	291	308
Accrued Bonus	170	279	170	279	-	-
Aggregate Carrying Amount of Employee Benefits	5,384	5,071	5,093	4,763	291	308
=====						
Employee numbers at end of financial year: 169 (2013: 166)						
<b>Employee Benefit and related On-Costs</b>						
	TOTAL		CURRENT		NON-CURRENT	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave On-Costs	211	196	211	196	-	-
Long Service Leave On-Costs	498	454	457	410	41	44
Total On-Costs	709	650	668	606	41	44
=====						

<b>Annual Leave</b>		
	2014	2013
	\$'000	\$'000
Current:		
Short term benefits, expected to be settled wholly within 12 months after the end of the period measured at nominal value	-	1,581
Long term benefits, not expected to be settled wholly within 12 months after the end of the period measured at present value	1,699	-
	-----	-----
	1,699	1,581
The following assumptions were adopted in measuring the present value of annual leave entitlements:		
Calculated average hours of leave taken by staff annually	133	
Discount rate for annual leave not settled wholly within 12 mths	2.455%	
<b>Long Service Leave</b>		
The Corporation's legal liability to Long Service Leave attributable to its employees at 30 June 2014 was \$3,495,429 which has been fully funded.		
	2014	2013
	\$'000	\$'000
Current:		
Short term benefits, unconditional and expected to settle wholly within 12 months of the period measured at nominal value	-	2,592
Long term benefits, unconditional and expected to settle wholly after 12 months after the end of the period measured at present value	3,204	294
	-----	-----
	3,204	2,886
Non Current		
Long Service Leave being less than 7 years of continuous service measured at present value	291	308
	-----	-----
	3,495	3,194
=====		
The following assumptions were adopted in measuring the present value of long service leave entitlements:		
	2014	2013
Weighted average increase in employee costs	4.438%	4.60%
Weighted average discount rates	2.55%	3.63%
Weighted average settlement period	13	13

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

#### 17. PROVISIONS

	2014	2013
Current	\$'000	\$'000
Land Remediation	-	156
	-	156
<b>Movement in Provisions</b>		
<b>2013-2014</b>	<b>Land Remediation</b>	<b>Total</b>
Opening balance at 1 July	156	156
Payments	(156)	(156)
Closing balance at 30 June	-	-
<b>2012-2013</b>	<b>Land Remediation</b>	<b>Total</b>
Opening balance at 1 July	177	177
Payments	(21)	(21)
Closing balance at 30 June	156	156

The land provision stated above has 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, accumulation and defined benefit, each of which is funded differently.

##### *Accumulation*

Vision Super's accumulation category, Vision MySuper/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 (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee Legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. 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.

Effective from 1 July 2014, the Superannuation Guarantee contribution rate is legislated to increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

##### *Defined Benefit*

As provided under Paragraph 34 of AASB 119, Lower Murray Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Lower Murray Water in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

##### *Funding Arrangements*

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. The Fund's employer funding arrangements comprise of three components, which are detailed below:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

Lower Murray Water is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the trust Deed, as they accrue.

##### *Regular Contributions*

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Lower Murray Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, Lower Murray Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit)

##### *Funding Calls*

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160,



# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including [Employer name]) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period;
- The service periods of all deferred members split between the deferred members pre- 1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit

obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for 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.

### *Retrenchments Increments*

During 2013-14, the Corporation was not required to make payments to the Fund in respect of retrenchment increments (\$0 in 2012/13). Lower Murray Water's liability to the Fund as at 30 June 2014, for retrenchment increments, accrued interest and tax is \$0 (\$0 in 2012/13).

### *Shortfall Amounts*

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Lower Murray Water is a contributing employer.

The Corporation was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012. The Corporation has not been advised of any further adjustments.

Lower Murray Water's share of the shortfall amounted to \$3,084,600 (excluding contributions tax) which was accounted for in the 2011/12 Comprehensive Operating Statement within Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

The amount of the shortfall has been paid which settled this funding call due 1 July 2013.

### *Accrued Benefits*

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation 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

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

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

2014. The anticipated completion date of this actuarial investigation is 19 December 2014.

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	2014 \$'000	2013 \$'000
State Superannuation Board Revised Scheme	Defined Benefit	3	17.30%	36	35
State Superannuation Board New Scheme	Defined Benefit	5	9.50%	30	30
Vision Super	Defined Benefit	30	9.25%	227	217
Vision Super Saver	Accumulation	106	9.25%	639	629
Others	Various	52	9.25%	215	135
Total Contributions to all funds				1,147	1,046
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 TAXES

Deferred Tax Assets	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in Comprehensive Operating Statement		
Employee benefits	1,722	1,390
Other	125	322
Tax losses	23,305	22,973
	25,152	24,685
<b>Movements</b>		
Opening balance at 1 July	24,685	24,162
Credited/(charged) to the Comprehensive Operating Statement	467	523
Under/(Over) Provision	-	-
Closing balance at 30 June	25,152	24,685
Deferred Tax Liabilities	2014 \$'000	2013 \$'000
Deferred tax liability comprises:		
Tax allowances relating to property, plant, and equipment	130,589	131,717
Other	1	2
Current Tax Liability	-	-
Deferred Tax Liability	130,590	131,719
<b>Movements</b>		
Opening Balance 1 July	131,719	131,423
Charged/(credited) to the Comprehensive Operating Statement	(769)	(919)
Under/Over Provision	-	-
Current Tax Liability	-	133
Charged/(credited) to equity	(360)	1,082
Closing balance 30 June	130,590	131,719
<b>Net Deferred Assets/(Liabilities)</b>	(105,438)	(107,034)

## 20 CONTRIBUTED CAPITAL

	2014 \$'000	2013 \$'000
Opening balance 1 July	537,606	537,606
Capital transactions with the State in its capacity as owner arising from:		
- Capital Contributions (funding for the Sunraysia Modernisation Project)	27,960	-
Closing balance 30 June	565,566	537,606

## 21. PHYSICAL ASSET REVALUATION SURPLUS

	2014 \$'000	2013 \$'000
<b>Movements in Physical Asset Revaluation Surplus</b>		
Balance 1 July	154,503	151,978
Revaluation increment/(decrement)	(1,199)	3,607
Tax effect of revaluation increment/(decrement)	360	(1,082)
Balance 30 June	153,664	154,503
	2014 \$'000	2013 \$'000
<b>Movements by class</b>		
Land		
Balance 1 July	3,256	3,256
Revaluation increment/(decrement)	(1,199)	-
Tax effect of revaluation increment/(decrement)	360	-
Balance 30 June	2,417	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	146,886	144,361
Revaluation increment/(decrement)	-	3,607
Tax effect of revaluation increment/(decrement)	-	(1,082)
Balance 30 June	146,886	146,886

# Our Financial Report

## Notes to the Financial Statements for the year ended 30th June 2014

### 22. ACCUMULATED DEFICIT

	2014 \$'000	2013 \$'000
Accumulated Deficit at 1 July	(65,930)	(62,835)
Net Surplus/(Deficit) for the year after Income Tax Expense	(2,565)	(3,095)
Accumulated Deficit at 30 June	(68,495)	(65,930)

### 23. EQUITY

	2014 \$'000	2013 \$'000
Total Equity at 1 July	626,179	626,749
Total Other Changes in Equity Recognised in the Statement of Changes in Equity	24,556	(570)
Total Equity at 30 June	650,735	626,179

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

	2014 \$'000	2013 \$'000
Net result for the year after income tax	(2,565)	(3,095)
Add/(less) Non Cash Flows in Net result		
Depreciation/Amortisation	24,550	23,964
Income for Capital Purposes	-	-
Income Tax Expense/(Revenue)	(1,236)	(1,309)
Assets Written off	207	100
Loss/(Gain) on Disposal of Non-Current Physical Assets	81	37
	21,037	19,697
Changes in Assets & Liabilities:		
Decrease/(Increase) in Receivables	894	218
Decrease/(Increase) in Inventories	(94)	128
Decrease/(Increase) in Prepayments	(40)	15
Increase/(Decrease) in Payables & Provisions	(723)	(1,429)
Increase/(Decrease) in Employee Benefits	314	303
Net Cash provided by/(used in) Operating Activities	21,388	18,932

### 25. COMMITMENTS

Commitments are disclosed at their nominal value and inclusive of the goods and services tax payable. Included in the Capital commitments is the commitment of the Funding agreement between Lower Murray Water and the Commonwealth and State Governments for the Sunraysia Modernisation Project (SMP). The funding agreement is for \$119M of capital works to be completed with \$103M being funded by the Commonwealth Government. Capital Receivables are in-line with milestone payments to be made by the Commonwealth Government in connection with the Sunraysia Modernisation Project (SMP).

Capital Commitments for Incomplete Contracts	2014 \$'000	2013 \$'000
Payment due within one year	68,403	6,613
Payments due between One to three years	43,025	-
	111,428	6,613

Included in the Capital commitments is the commitment of the Funding agreement between Lower Murray Water

and the Commonwealth and State Governments for the Sunraysia Modernisation Project (SMP). The funding agreement is for \$119M of capital works to be completed with \$103M being funded by the Commonwealth Government.

Operating Lease Commitments	2014 \$'000	2013 \$'000
Payment due within one year	34	-
Payments due between One to three years	34	-
	68	-
Environmental Contribution Commitments	2014 \$'000	2013 \$'000
Payment due within one year	1,639	1,639
Payments due between two to three years	1,639	1,639
	3,278	3,278
Capital Receivables	2014 \$'000	2013 \$'000
Receivables due within one year	53,000	-
Receivables due between two to three years	19,475	-
	72,475	-

Capital receivables are in-line with milestone payments to be made by the Commonwealth government in connection with the Sunraysia Modernisation Project

### 26. RESPONSIBLE PERSON DISCLOSURE

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period.

(i) Names of Persons who were responsible persons at any time during the financial year ended 30 June, 2014:

The Hon P Walsh MP	
Mr J Tesoriero (Chairperson)	01 October 2013 - 30 June 2014
Ms L Burrows	01 July 2013 - 30 September 2013
Ms K Martin (Deputy Chairperson)	
Mr G Robertson	01 October 2013 - 30 June 2014
Mr T Mathews	01 October 2013 - 30 June 2014
Mr M Bennett	
Ms C Rix	
Mr B Bishop	
Mr D Graham	01 July 2013 - 30 September 2013
Mr P Jones	01 July 2013 - 30 September 2013
Mr R Leamon (Managing Director)	01 July 2013 - 2 May 2014

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 the Managing Director's absence.

Mr D Girdwood	5 May to 30 June 2014
Mr Owen Russell	10 Days
Mrs Loris Davis	6 days

(ii) Total Remuneration received or due and receivable by responsible persons totalled \$423,576 (2013: \$431,590).

## Our Financial Report

### Notes to the Financial Statements for the year ended 30th June 2014

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

	2014	2013	(iii)
\$1 - \$10,000	2	2	
\$10,001 - \$20,000	7	6	
\$20,001 - \$30,000	1	-	
\$40,001 - \$50,000	-	1	
\$270,001 - \$280,000	1	-	
\$280,001 - \$290,000	-	1	
Total Numbers	11	10	

Annual remuneration of Managing Director has been disclosed above.

(iv) Superannuation and other transactions:

Superannuation contributions have been paid on behalf of Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9.25%. Contributions of \$38,435 (2013: \$37,386) were paid on behalf of the Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9.25%.

(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 executive remuneration for 2013-14 has increased by 30%.

The Corporation has filled 2 positions in 2013-14, 1 position was vacant in 2012-13 and 1 new position.

	Total Remuneration		Base Remuneration	
	2014	2013	2014	2013
\$100,000 - \$110,000	-	1	1	1
\$110,001 - \$120,000	1	1	3	2
\$120,001 - \$130,000	3	2	3	2
\$130,001 - \$140,000	3	1	3	1
\$140,001 - \$150,000	3	1	1	-
\$150,001 - \$160,000	1	-	-	3
\$160,001 - \$170,000	-	3	1	-
\$170,001 - \$180,000	2	-	1	1
\$180,001 - \$190,000	-	1	1	1
\$190,001 - \$200,000	1	-	1	-
\$200,001 - \$210,000	1	1	-	1
\$210,001 - \$220,000	-	1	1	-
\$220,001 - \$230,000	1	-	-	-
Total Numbers	16	12	16	12
Total Annualised Employee Equivalent (AEE) *	16	12	16	12

Total Remuneration received or due and receivable by the Executives listed above totalled:

2,442,466	\$1,876,085	2,298,234	\$1,741,113
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Two other positions within the Corporation have moved from enterprise bargain agreement to contract due to the enhanced roles and responsibilities of the positions.

\* 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).

There were no contractors charged with significant management responsibilities.

### 27. AUDITOR REMUNERATION

	2014 \$'000	2013 \$'000
Remuneration of Auditors		
Victorian Auditor General's Office - Audit Services	85	83
	85	83

### 28. EX-GRATIA EXPENSES

The Corporation did not have any ex-gratia expenses for 2013-14 (2013: \$0)

### 29. EVENTS OCCURRING AFTER BALANCE DATE

On 11 May 2014 the Minister for Water announced the Victorian Government's Fairer Water Bills initiative to deliver more than \$1 billion of savings that will be made across Victoria's urban water sector over the next four years.

As part of this initiative, Lower Murray Water's residential water using customers are entitled to a bill reduction, based on LMW's average customer usage of 488kl, the reduction ranges from \$13 - \$16 in their yearly bill for each of the next four years, starting from 2014-15.

The core efficiency saving of this initiative over the four years is estimated to be \$6.1 million.

The Australian Federal government repealed the Carbon Tax on the 17th July 2014. At this early stage, this affect will have on LMW's pricing structure has not been determined however saving made will be passed on to customers at the earliest opportunity via reduced water volumetric tariffs.

The Essential Service Commission has initiated proceedings with Lower Murray Water for the review of water pricing to commence. To date the impacts of the Carbon Tax being repealed on the Corporation's energy costs are not known. Our energy retailer, AGL, has indicated to the Corporation that they will advise us of our energy rates by mid September 2014.

### 30 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

At 30 June 2014 the Board was unaware of any liability or assets, contingent or otherwise not already disclosed elsewhere in these financial statements.

## Appendix 1—Disclosure Index

The 2013/14 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 2013/14 is compliant with all statutory reporting requirements.



**Philip Endley**  
Managing Director  
3rd September 2014

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Printed by Sunnyland Press,  
3 Scott Crescent, Mildura VIC 3500  
Phone 03 5023 4199

Printed on 100% Recycled Paper  
ISSN: 1325-1139



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