

Annual Report

Lower Murray Water

2017/18



**LOWER MURRAY
WATER**

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Chair and Managing Director's Report

In accordance with the *Financial Management Act 1994*, I am pleased to present Lower Murray Urban and Rural Water Corporation's Annual Report for the year ending 30th June 2018.



Cheryl Rix
Chair

Lower Murray Urban and Rural Water Corporation

Chair's Report

Lower Murray Water has experienced a year of many changes including the appointment of a new Chair. I am pleased to present to you my first report as Chair.

We have focused on enhancing our engagement with our customer base. Our urban customers depend on us for the delivery of safe, reliable drinking water and the processing of wastewater. Representatives of our urban customers have let us know they want us to minimise our costs while maintaining quality services. They value our local presence and want us to work with minimal environmental impact.

We have incorporated these needs into our everyday thinking and they are reflected in our five-year pricing submission approved by the Essential Services Commission. We have also developed a long term urban capital works program to meet the current and projected needs of our urban customers.

Similarly, as part of engagement with our rural customers, we have received feedback that these customers want us to supply water when they need it, keeping costs to a minimum, be easy to contact and quick to respond whilst being compliant with Government regulations. Our customers are continuing to be at the centre of our activities. As a result, we have carefully reviewed our operating costs and are taking a strategic approach to our capital investment program as some of our rural assets reach the end of their useful economic life.

Following on from the highly successful Sunraysia Modernisation Project (SMP), we were pleased to receive \$3.025 million in support from the Commonwealth Government towards SMP2. The Commonwealth Funding is supported by investment from the customers of the new and enhanced infrastructure.

SMP2 confirms confidence in the future of the older irrigation districts and has long term economic benefits for the region.

We have actively participated in the Sunraysia Rejuvenation Project with a range of stakeholders, all of whom are dedicated to increasing horticultural production in our irrigated districts.

Even with relatively buoyant demand and prices for horticultural produce at present, the areas we serve face a number of challenges, one of which is climate change. We have raised awareness within State and Commonwealth Government Departments of the water delivery risks in the River Murray at peak times. This year has been a very dry year and plans are in place to manage drought if the situation worsens. Our focus is on ensuring the longer-term resilience of Lower Murray Water and our customers.

We have also pledged our commitment to achieving zero net emissions before 2050, with an interim target of a 39% emission reduction by June 2024.

During the financial year ended 30th June 2018, we recorded strong net cash inflows from operations of \$21.3 million. This positive cash flow assisted us to fund a capital works program of \$23 million, with the balance of the program being funded from existing cash resources. We have a significant water infrastructure asset base to serve our customers which has an associated depreciation, amortisation and impairment charge of \$27 million. Our financial result before tax was a loss of \$7.8 million.

We want to continue working within our community to develop resilient cities and towns and enhance the prospects for growth and employment within our region. We have hosted several groups to showcase our expertise and region.

Chair and Managing Director's Report

Our community driven art projects including the riverfront mural in Mildura, the mosaics in Merbein and the Swan Hill mural, are all wonderful examples of collaboration and reflect our regions' vibrant cultural scene.

All of what we do requires people who demonstrate dedication and commitment to serve the community. We would like to thank the outgoing Chair John Tesoriero, long serving Director Kay Martin and Director Tony Mathews, all of whom fulfilled this ethos. Tony continues to serve as Chair of our Project Control Group for externally funded infrastructure projects.

We have been fortunate to have three new Directors who bring a range of skills to the Board. In October 2017, we welcomed Michelle Oates, a legal practitioner based in Mildura, Rob Fowler, an independent consultant based in Bendigo with expertise in climate change and energy systems and Warren Lloyd, a local grower of dried fruit and a community leader. I thank the Board for their support and their guidance in determining the strategic direction for the organisation.

Our Managing Director Philip Endley, and his Executive Team have achieved much to date through their leadership and dedication to the organisation. I know the Board is looking forward to providing strategic focus and guidance to support Philip's leadership of his highly capable Executive Team as they navigate the challenges before us.

We also have the benefit of a skilled and loyal team of employees and I thank them all for their commitment over the last year.

Lower Murray Water is well placed to deliver on its promises and will continue to engage with its customers and stakeholders to work together for a future of prosperity.



Swan Hill Mural 2018



Corroboree Celebrations Mildura 2018



Merbein Irrigation Historical Signage 2017

Chair and Managing Director's Report

Managing Director's Report

The past year has continued to deliver change to Lower Murray Water, both internally and externally, and yet it is important to recognise that some things don't change at all.

Our job continues to be to deliver water at the quality our customers want and at the best price we can achieve. Whether you are residents or business operators and owners you want good, safe, reliable services. It was a great pleasure for our executives, managers and staff to meet so many of you over the past twelve months as we developed our plans for the next five years. We have listened to your views about what you want from us over the coming years. You have told us that we need to keep improving, keep innovating but be good value for money, resilient and helpful. We will do our best to achieve this.

We benefit from our staff, who demonstrate great loyalty to the organisation. We have some people with upwards of twenty-five years of service and we have one who has been here fifty years and continues to work with obvious pleasure. This gives us great continuity and most of us live in the communities we serve, so we belong in the region and want to be successful. We live a long way from Melbourne and need to be self-sufficient!

Our Leadership Team has changed substantially over the last few years and now combines long-term water managers, like myself, with incomers from other industries with new ideas. It brings a diversity of thinking to our organisation and we want to extend that diversity over the next few years so that we employ an even wider variety of people through our business and are as representative of our community as possible.

During the past twelve months we worked with other agencies to deliver the first, successful stage of the Sunraysia Rejuvenation Project; this has assisted potential investors in the irrigation districts and bought some of the unproductive land back into horticultural use. We are working now to design the next stage of the project. We have worked with customers and investors to develop the Sunraysia Modernisation Project 2, and recently have had the great news that this will

be supported by the Commonwealth. We have delivered our scheduled programs for this year, including projects as diverse as pipe relining, new communication and computing equipment and a new supply line to the Mildura airport.

We continue to work on our technology and processes to become more efficient and provide better services. A good example is our new website, developed over the past year, with further enhancements planned to make it easier for customers to work with us. Another is our use of handheld devices to make it easier for our field staff to get information when they are operating across our huge service area, from Kerang to Cullulleraine.

Like everyone else, we have been faced with rising electricity costs. Electricity is very important to Lower Murray; we spend about 8% of our revenue on power, primarily in driving the irrigation pumps that deliver water to our rural customers. Over the past twelve months we have developed new approaches to this challenge; we call it a portfolio, but really it is a combination of renewable energy, different types of contracts and implementing measures to increase our efficiency. This will enable us to keep our power costs more predictable.

Our other great challenge is, of course, the River Murray. We have been working very closely with other agencies, such as the Mallee Catchment Management Authority and Goulburn Murray Water, to both protect the river and try to ensure that we can provide water to all our customers when they need it. We have been briefing our customer committees and other stakeholders as we have gone through the year; we will continue to do this, knowing that these are good times, but water shortages may return at some point.

Finally, I would like to thank Cheryl, our Chair, and the Board of Lower Murray Water for their hard work and for their support for our development.



Philip Endley
Managing Director

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 19 August 2008 the then 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 period 1st July 2017 to 30th June 2018 our relevant Minister was the Hon. Lisa Neville MP, Minister for Water.

Statement of Obligations

Effective 20th December 2015, the Statement of Obligations issued under the *Water Industry Act 1994* details our obligations regarding performance and functions, including Environmental Management. A Statement of Obligations (Emissions Reduction) was submitted and is effective from 18th March 2018.

Vision

The Board envisages that we will be a leading regional Water Corporation in Victoria by:

- close engagement with our community and customers
- being resilient in times of adversity and change
- being a regional leader

We will deliver outcomes to our communities by:

- catering for sustained growth in our urban business
- promoting growth in our rural business
- being sustainable, measured by finance, a productive culture and a lighter environmental footprint

Objectives and Strategies

- customer focused—right service, right time
- maintaining compliant performance while improving cost effectiveness of operations and assets
- increasing use of modernised infrastructure across the Corporation
- increasing the resilience of services to changing and extreme weather
- managing the Corporation in accordance with expected standards of corporate behaviour
- managing the Corporation's assets and finances responsibly and sustainably
- providing an engaged, skilled and diverse workforce to deliver our vision and mission
- providing our services equitably and with respect to a diverse community

Region

Our area of operation extends from Kerang to the South Australian border taking in the municipalities of Mildura, Swan Hill and Gannawarra.

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 interrelationship between this resource and the social and economic fabric of our region.

Nature of services provided

We provide:

- urban water services to 14 townships via nine treatment plants to approximately 74,000 customers along the Murray River in Victoria from Koondrook to Merbein;
- wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants;
- river quality water services to 2,661 irrigation and 1,905 stock and domestic customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura, to 291 Millewa rural district and some areas of the waterworks district of Yelta;
- the collection and disposal of subsurface drainage water from the four pumped irrigation districts, as well as from private diverters in Nangiloc, Robinvale and Boundary Bend;
- oversight of irrigation and drainage design in new agricultural developments ensuring conformity with salinity management plan development guidelines;
- management of the private diversion licences of 1,196 water users along the Murray River in Victoria between Nyah and the South Australian border;
- the assessment and approval of licencing, water share and allocation trade applications;
- reclaimed water for third party use;
- water supply delivery to important environmental and recreational sites; and
- management of the region's urban and rural bulk water entitlements.

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.

By-Laws

The Corporation currently has one By-Law: *By-Law No 2 Urban Water Restrictions*. This By-Law 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 also has a Permanent Water Saving Plan which sets out permanent water restrictions and prohibitions within our service district. During 2014/15 two By-Laws were replaced with Regulations. By-Law No 1 Water Supply and Sewerage Administrative By-Law was replaced by Water (Estimation, Supply and Sewerage) Regulations 2014; and By-Law No 4 Trade Waste By-Law was replaced by Water (Trade Waste) Regulations 2014.

Drought Preparedness Plan

Our Drought Preparedness Plan was reviewed and ongoing preparations are occurring to ensure the plan remains current. We were not required to invoke the plan at any time during 2017/18.

Pricing Submission

During 2017/18 our 2018-2023 Pricing Submission was submitted to the Essential Services Commission (ESC) for review and endorsement. The ESC is the economic regulator of the Victorian water sector. The sector is comprised of 19 water businesses providing bulk and retail water and wastewater services to all of Victoria's urban and rural irrigation customers.

The Pricing Submission outlines pricing, revenue requirements, service standards and capital works for the five-year period for our urban and rural business sectors. Our Pricing Submission was endorsed by the ESC in June 2018 setting prices for the period 1st July 2018 to 30th June 2023 in the urban business of the Corporation. In the rural business, revenue caps were set for the same time frame.

Obligations and duties

| Area | Obligations and Duties |
|--|--|
| Rural Water Services | Deliver rural water services in the most cost-effective way |
| | Lead and/or participate in projects for irrigator benefits |
| | Conduct a rural capital works program |
| Urban Water and Sewerage Services | Deliver urban water and sewerage services in the most cost-effective way |
| | Conduct an urban capital works program |
| | Meet our requirements under the <i>Safe Drinking Water Act 2003</i> |
| Serving our customers and stakeholders | Assist our customers to increase water efficiency through education and awareness programs |
| | Effectively engage with our community and stakeholders on relevant issues |
| | Engage school children in water education programs |
| | Meet all Customer Charter requirements |
| Governance and Finance | Be a leading regional Water Corporation in Victoria |
| | Grow our services and expand our delivery, to support regional growth in both urban and rural sectors |
| | Manage the Corporation in accordance with expected standards of corporate behaviour |
| | Maintain an engaged, skilled and empowered workforce |
| | Meet our requirements and obligations under various legislation, our Statement of Obligations and Letter of Expectations and other Government policies |
| Caring for our Environment | Conduct independent review of Board Effectiveness |
| | Plan and manage our operations in an environmentally responsible and sustainable manner |
| | Move towards zero net emissions |
| | Invest in renewables and other technologies to reduce our 'footprint' |

Key Achievements and Highlights of 2017/18 and Future Initiatives

Key Achievements and Highlights 2017/18

Serving Our Customers

- Continued to deliver high quality urban and rural water services
- Streamlined our engagement with our customer committees, fostering an open, positive and dynamic relationship
- Continued development of our new website with a customer first focus
- Improved our customer service through the introduction of online services via our revised website
- Delivering irrigation services
- Refurbishment of Reactor B1 at Koorlong Waste Water Treatment Plant
- Completed an automation upgrade at Murrabit Water Treatment Plant
- Completed a sewer rehabilitation program in Mildura, Swan Hill and Kerang
- Continued our work with multiple agencies to deliver the Sunraysia Rejuvenation Project
- Continued our focus on improvement of key stakeholder relationships
- Continuing to engage with our customers and the community through our collaborative art projects such as the murals and mosaics
- Continued development of our Engagement Strategy Manual and IAP2 accreditation
- Continued to build on our customer interaction and engagement through our various social media platforms
- We placed in the top quadrant of Customer Service Benchmarking Australia's customer service index
- Updated our workflows and internal customer relationship systems
- Commenced development of our first 'Reflect' Reconciliation Action Plan (RAP)
- Established our RAP Working Group
- Commenced Cultural Awareness training for staff and executives
- Developed our Acknowledgement of Country

Committing to the Environment and Region

- Pledged zero net emissions by 2050 and a 39% reduction in t CO₂-e by 2024/25
- Continued to support our community through:
 - Environmental and Cultural based sponsorships and partnerships
 - Partnering and sponsoring multiple local school education projects
 - Spearheading local water related education events and programs
- Partnering with land managers in addressing key environmental threats within our service regions including pest plants and animal control
- Partnering with other local agencies to deliver the various community and cultural projects at Kings Billabong, including canoe launches (State Investment on Ground works) and fishing platforms (Victorian Fisheries Authority)
- Continue to manage threatened species (Hooded Scaly-foot Lizard and Murray Hardyhead) at our sites
- Commenced planning for progressive rollout of onsite solar power generation
- Continued our program of waste reduction and recycling
- Commenced initiatives such as the construction of a biosolids hardstand to improve the quality of the biosolids produced for beneficial land application
- Continued to encourage and provide for reclaimed water projects

Key Achievements and Highlights of 2017/18 and Future Initiatives

Key Achievements and Highlights 2017/18

The Lower Murray Water Team

- Delivered second year initiatives detailed in our Occupation Health & Safety Strategy:
 - Completed our first Safety Culture Index with 90% participation. Overall our safety culture is rated as being within the 'Sustainable' level - the second highest category. We aim to move to the highest category, 'High Performing', over time
 - Achieved our lowest Lost Time Injury Frequency Rate (3.2) in nine years
 - Achieved a further reduction to our WorkCover premium– it has reduced each year over the last four years
- Completed our second Organisational Culture Inventory (OCI) with an 89% participation rate. The results showed a slight improvement in constructive styles from the previous survey and will inform future initiatives to grow a high-performance culture
- Improved gender balance in senior leadership roles, increasing the proportion of female leaders from 14% to 28%
- One of our Customer Service Officers, Holly Lush, received the SuniTAFE Trainee of the Year Award
- Water Services Association Australia (WSAA) survey rated us as equal number one for Customer Trust in a national survey

Governance and Obligations

- Welcomed and inducted three new Directors to our Board
- Welcomed a new Chair and members of the Governance, Risk and Finance and Audit Committees to continue the functions of the committees
- Independent review of Board performance and effectiveness and implemented training and development for the Board and individual members
- Reviewed the Governance and Risk Committee Terms of Reference
- The Risk Committee implemented a Risk Management Framework, reviewed the Risk Policy and Risk Appetite Statement
- Conducted our business affairs within the requirement and obligations of our Statement of Obligations, relevant Acts and Government Policies and Letter of Expectations
- Improved our compliance with the Financial Management Compliance Framework
- Continued our progressive implementation of the Asset Management Accountability Framework
- Completed our external regulatory audit in May 2018, successfully complying with the obligations under the *Safe Drinking Act 2003*, and *Safe Drinking Water Regulations 2015*
- Launched our three year "Transform" Program to deliver savings and efficiencies
- Released our Corporate Plan 2018/19
- Created and implemented a Domestic Violence Guide for staff and customers
- Conducted extensive community consultation in developing our Pricing Submission 4 2018-2023
- Continued our shared services arrangement with Yarra Valley Water

Key Achievements and Highlights of 2017/18 and Future Initiatives

Future Initiatives

Serving Our Customers

- Commencement of the SMP2 project
- Continue to lead irrigator benefits from the Sunraysia Rejuvenation Project
- Continue our collaboration with stakeholders and community
- Continue and enhance our general water awareness and school education programs
- Continue to support our customers and communities through sponsorship involvement and/or participation in community events
- Continue to implement our Transform Program to improve our business efficiency and reduce our cost to serve
- Maintain awareness of emerging technologies to improve performance and processes which will benefit our customers
- Improved service capabilities for our customers through additional online services

Committing to the Environment and Region

- Work with and develop relationships with local cultural bodies to ensure that our community and cultural obligations are being met to the highest standard
- Support OzFish Sunraysia re-snagging the Murray River and other water bodies' programs (Kings Billabong) by donating root balls from the decommissioned Koorlong Wastewater Treatment Plant tree-lot
- Invest in renewables and other technologies where these help in meeting our pledge of a 39% reduction in t CO₂-e by 2024/25
- Continue with our aim to achieve 100% beneficial reuse of biosolids

Lower Murray Water Team

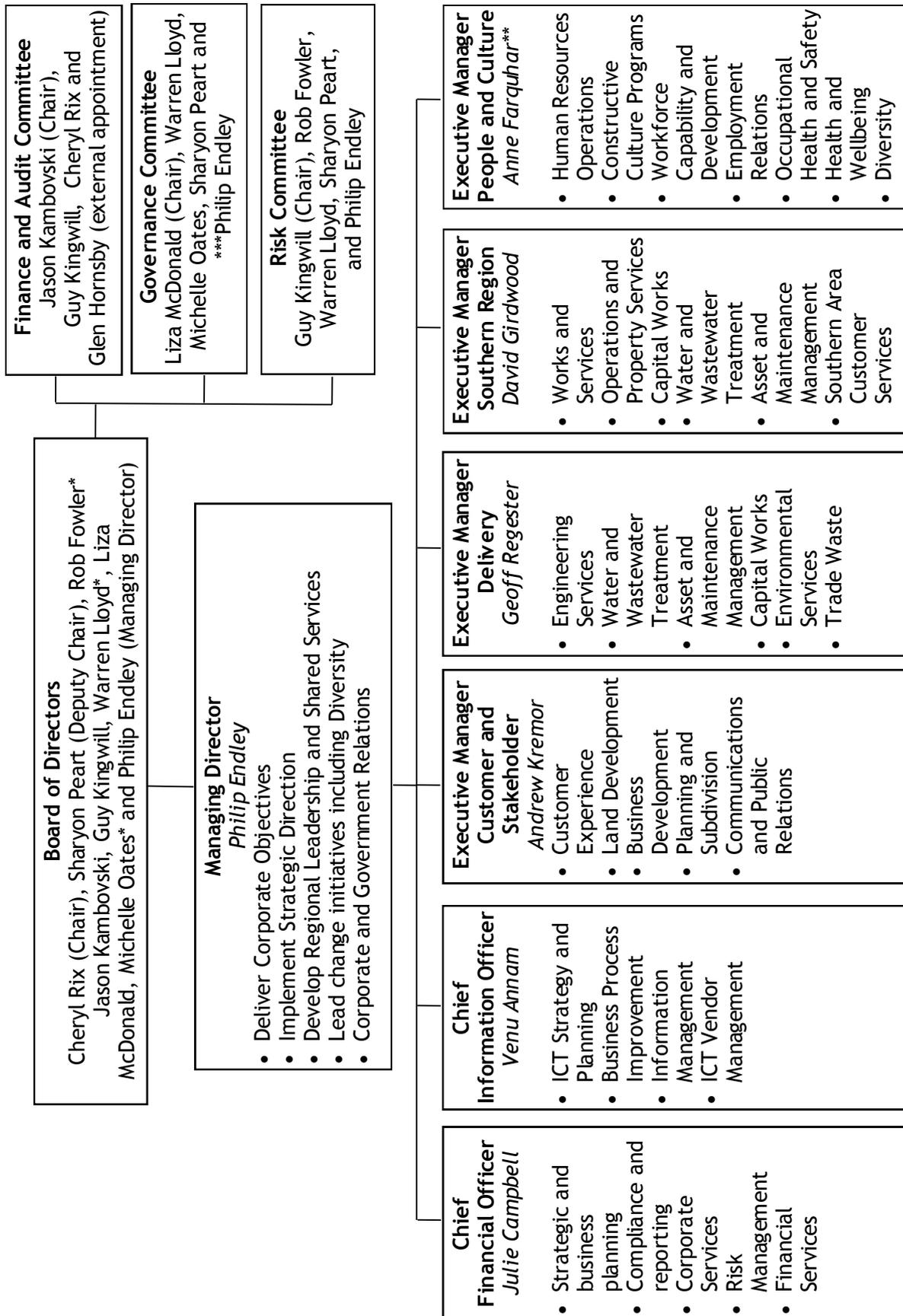
- Invest in our assets, our people and provide opportunities to develop capability and enable adoption of new technologies
- Developing a positive culture that fosters high levels of performance, commitment and satisfaction
- Implementation of an Occupational Health and Safety Management System that meets best practice framework and methodologies and improves our safety outcomes

Governance and Obligations

- Invest in our assets; our assets are our people, communities, physical infrastructure, information infrastructure and renewables
- Align our "System Management" project plan to our business planning framework
- Conduct a review of procurement and continue to pursue coordinated procurement opportunities

The Lower Murray Water Team

Organisational Structure



* Directors appointed 1 October 2017

** Anne Farquhar is an external secondment

*** Philip Endley left Committee 29 June 2018

The Lower Murray Water Team

Our Board

The Lower Murray Urban and Rural Water Corporation Board comprises nine Directors of which eight are non-executive Directors appointed by the Minister for Water, and one Executive Director who is the Managing Director, appointed by the Board under the *Water Act 1989*.

The Board is appointed to ensure the strategic planning and direction of the Corporation complies with Government objectives for the provision of reliable and secure water for irrigation and domestic and stock purposes, wastewater and drainage, and salinity mitigation services.

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

Board Membership

Cheryl Rix is Chair of our Board of Directors. Cheryl is the Corporate Services Officer and Chief Risk Officer at Mildura Health having previously been the Program Manager for Northern Mallee Leaders and the former General Manager Western Murray Irrigation Ltd. Cheryl was the Chair of the Lower Murray Darling Catchment Management Authority (New South Wales). Cheryl is a past member of the National Community Bank Strategic Advisory Board for Bendigo and Adelaide Bank's Community Bank Network and is also a past board member of Wentworth District Capital Limited and Mildura Development Corporation. Cheryl holds a Bachelor of Commerce and is a Graduate of the Australian Institute of Company Directors and has completed the Mastering the Boardroom program. Cheryl is a Chartered Accountant Fellow and a Fellow of the Australian Rural Leadership Foundation. Cheryl is a member of our Finance and Audit Committee.

Philip Endley, BSc MBA GAICD joined Lower Murray Water in 2014 as Managing Director, moving to Mildura with his family. His career includes senior Executive roles and Board positions; commencing his working life in the aerospace sector, he has over 28 years' experience in the water sector with consultants,

contractors, water utilities and engineering organisations. In 1999, Philip moved to Australia as a founding Director of Katalyst21, and then worked for United Utilities Australia and Osmoflo Pty Ltd. His international experience includes Europe, South-East Asia, China and North and South America. As part of his role Philip invests much effort in building a collaborative culture between Mildura-based agencies to create better outcomes for the community.

Jason Kambovski is working at Westpac Banking Corporation within their Institutional Bank as Head of Public Sector, where he is responsible for managing the Bank's engagement with the Victorian, Tasmanian and South Australian Governments. He has over 20 years' experience in the financial services sector, having worked for Deloitte, Perpetual Trustees and the Commonwealth Bank in various senior roles including Head of Government, National Executive Manager and as a Business Development Manager. Jason has completed both a Bachelor of Law and a Bachelor of Commerce (majoring in Accounting and Finance and Commercial Law) and is a Graduate of the Australian Institute of Company Directors. He is the Chair of our Finance and Audit Committee.

Guy Kingwill is an experienced Company Director and CEO. He is a Director of Tasmanian Irrigation Pty Ltd and Agriculture Capital Management Australia Pty Ltd. Previously he was the Managing Director/CEO of Tandou Ltd. He is a member of Chartered Accountants Australia New Zealand and a Fellow of the Australian Institute of Company Directors. He is the Chair of our Risk Committee and a member of our Finance and Audit Committee.

Warren Lloyd comes from a family that has been involved in irrigated horticulture in the Mildura area from its pioneering beginnings. Since 2005, along with his father and uncle, he has been managing the family dried fruit property, giving him considerable expertise in horticulture and irrigation. Warren has Chaired our Strategic Advisory Committee since 2016 and Customer Services Advisory Committee from 2008 to 2014. He has been a Board Member of Dried Fruits Australia since 2010. Warren holds a Bachelor of Education and prior to returning to the family business, was a secondary school

The Lower Murray Water Team

teacher working in two different states. Warren is a member of our Risk and Governance Committees.

Liza McDonald is a stakeholder and strategic communications specialist. Liza is the Managing Director of LMD Advisory Pty Ltd, a strategic stakeholder engagement and management advisory company. Liza has designed nationally award-winning engagement strategies and previously was a Partner in a Melbourne based engagement consultancy. Liza has held senior regulatory Victorian Public Service executive roles including Director for Industry Reform and Implementation at the Taxi Services Commission, General Manager Service Delivery Bus and Regional Services at the Department of Transport, in addition to senior executive roles in the former Victorian Taxi Directorate. Liza has held ministerial advisory positions in her career and has completed the Australian Institute of Company Directors course. Liza is the Chair of our Governance Committee.

Michelle Oates is a senior Solicitor with MIR Lawyers, Mildura, specialising in commercial, family and property law. She is also Deputy Chair of the Chaffey Aged Care Board, a committee member for Chances for Children and a Director of Mallee Family Care. Michelle has commercial law experience in primary industry, water management and land transfers, and advises clients and stakeholders on corporate governance. Michelle holds a Bachelor of Laws and Legal Practice (Hons) and a Bachelor of Justice and Society. Michelle is a member of our Governance Committee.

Sharyon Peart moved from Melbourne to the Mallee in 2003, where she lived on a large citrus, dried fruit and wine grape growing property at Nangiloc. Sharyon's background in corporate business, sales, marketing and team management gave inspiration to the small business she owns and operates. She has been the sole director since she created the company in 2005, specialising in retail consultation, managing women's health and well-being. Sharyon served Mildura Rural City as a Councillor for nine years and gained much experience as portfolio councillor for art and education, later community services and wellbeing, and governance and finance. Sharyon is the Chair of the Mallee Catchment Management Authority,

Deputy Chair of Vic Catchments, a member of the LaTrobe University Advisory Board and a member of the Victorian Agricultural Advisory Council. Sharyon has sound experience in corporate governance, financial management, environmental management, agricultural water uses and associated impacts on the environment, strategic planning, community engagement, relationship building and has completed the Australian Institute of Company Directors course. Sharyon is a member of our Risk Committee and Governance Committee.

Rob Fowler is an independent consultant based in regional Victoria. He is currently Head of Certification for the London-based Climate Bonds Initiative as well as serving on the Boards of Lower Murray Water and The Tilling Group. He has been working in climate change and green finance since 2002 and during that time his clients have included major corporations, international banks, the UNFCCC, national and provincial governments, service providers, industry associations and non-profit organisations. He has previously held senior advisory and management roles with Booz and Company, the New South Wales Cabinet Office, the Independent Pricing and Regulatory Tribunal of New South Wales and LEK Consulting, with a focus on energy, carbon markets, climate change and sustainability. Rob holds a Bachelor of Mechanical Engineering and during his professional career has lived and worked in Melbourne, Sydney, Shanghai, Singapore, Abu Dhabi, Boston, Bangkok, East Kalimantan and country Victoria. Rob is a member of our Risk Committee.

Directors' Attendance at Board Meetings

| Directors | Board Meetings | |
|-------------------|--------------------|----------|
| | Eligible to attend | Attended |
| Philip Endley | 11 | 11 |
| Jason Kambovski | 12 | 10 |
| Liza McDonald | 12 | 9 |
| Guy Kingwill | 12 | 12 |
| *Warren Lloyd | 8 | 8 |
| *Michelle Oates | 8 | 8 |
| *Rob Fowler | 8 | 7 |
| Sharyon Peart | 12 | 10 |
| **Cheryl Rix | 12 | 12 |
| ***John Tesoriero | 4 | 2 |
| *** Tony Mathews | 4 | 4 |
| *** Kay Martin | 4 | 3 |

* Directors appointed to the LWM Board—1 October 2017

** Cheryl Rix appointed Chair of LMW—1 October 2017

*** Directors not reappointed from 1 October 2017

The Lower Murray Water Team

Our Staff

Workforce Data

| | June 2017 | | | | | | | June 2018 | | | | | | |
|-------------------------|-----------------------|---------------|--------------------------|--------------------------|--------------|-----------------------|------------|-----------------------|--------------|--------------------------|--------------------------|--------------|-----------------------|------------|
| | All employees | | | Ongoing | | Casual | | All employees | | | Ongoing | | Fixed term and Casual | |
| | Number (Headcount) | FTE | Full-time (Headcount) | Part-time (Headcount) | FTE | Number (Headcount) | FTE | Number (Headcount) | FTE | Full-time (Headcount) | Part-time (Headcount) | FTE | Number (Headcount) | FTE |
| Demographic Data | | | | | | | | | | | | | | |
| Gender | | | | | | | | | | | | | | |
| Man | 137 | | | | | | | 136.0 | | | | | | |
| Woman | 41 | | | | | | | 50.0 | | | | | | |
| Self-described | n | n | n | n | n | n | n | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Age | | | | | | | | | | | | | | |
| 15-24 | 7 | 7 | 6 | | 6 | 1 | 1 | 8.0 | 8.0 | 4.0 | 0.0 | 4.0 | 4.0 | 4.0 |
| 25-34 | 23 | 22.1 | 21 | 1 | 21.9 | 1 | 0.2 | 26.0 | 26.0 | 25.0 | 0.0 | 25.0 | 1.0 | 1.0 |
| 35-44 | 39 | 38.1 | 33 | 6 | 38.1 | | | 46.0 | 45.2 | 40.0 | 5.0 | 44.2 | 1.0 | 1.0 |
| 45-54 | 45 | 44 | 40 | 5 | 44 | | | 42.0 | 40.2 | 37.0 | 4.0 | 40.1 | 1.0 | 0.1 |
| 55-64 | 58 | 57.5 | 53 | 5 | 57.5 | | | 56.0 | 55.2 | 49.0 | 6.0 | 54.2 | 1.0 | 1.0 |
| 65+ | 6 | 5.8 | 5 | 1 | 5.8 | | | 8.0 | 7.8 | 7.0 | 1.0 | 7.8 | 0.0 | 0.0 |
| Totals | 178 | 174.5 | 158 | 18 | 173.3 | 2 | 1.2 | 186.0 | 182.4 | 162.0 | 16.0 | 175.3 | 8.0 | 7.1 |
| Areas | | | | | | | | | | | | | | |
| Executives | 6 | 6 | | | | | | 6.0 | 6.0 | | | | | |
| Administration | 53 | 49.6 | | | | | | 58.0 | 54.6 | | | | | |
| Operations | 79 | 79 | | | | | | 81.0 | 81.0 | | | | | |
| Engineering / | | | | | | | | | | | | | | |
| Technical | 40 | 39.9 | | | | | | 41.0 | 40.8 | | | | | |
| Sub-total | 178 | 174.5 | | | | | | 186.0 | 182.4 | | | | | |
| Vacancies | 1 | 1 | | | | | | 4.0 | 4.0 | | | | | |
| Totals | 179 | 175.50 | | | | | | 190.0 | 186.4 | | | | | |

| Classification | A | B | C | D | E | Total |
|----------------|-----------|-----------|-----------|-----------|-----------|------------|
| Band 1 | 6 | 2 | 2 | 12 | 13 | 35 |
| Band 2 | 3 | 8 | 5 | 45 | | 61 |
| Band 3 | 3 | 3 | 16 | | | 22 |
| Band 4 | 1 | 6 | 15 | | | 22 |
| Band 5 | 3 | 5 | 12 | | | 20 |
| Band 6 | 0 | 0 | 1 | | | 1 |
| Band 7 | 0 | 0 | 2 | | | 2 |
| Contract Staff | | | | | | 23 |
| Total | 16 | 24 | 53 | 57 | 13 | 186 |

Staff turnover for the 2017/18 year was 8.9%

Executive Officer Information

An executive officer (EO) is defined as an executive under Part 3 of the PAA or a person to whom the Victorian Government's Policy on Executive Remuneration in Public entities applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year. The definition of an EO does not include a statutory office holder or an Accountable Officer.

The following table discloses the EOs of Lower Murray Water for 30 June 2018.

| Executive Classification | 2016/17 | | | | | | 2017/18 | | | | | |
|--------------------------|------------|-----|------------|-----|------------|-----|------------|-----|------------|-----|------------|-----|
| | Male | | Female | | Total | | Male | | Female | | Total | |
| | Head count | FTE |
| Executive | 5 | 5 | 1 | 1 | 6 | 6 | 5 | 5 | 1 | 1 | 6 | 6 |

The Lower Murray Water Team

Workforce Philosophy

We are committed to the growth and prosperity of our region and recognise the importance of investing in our people to better serve our community.

Growth Through People

We continue our long-term plans to increase capability, broaden workforce diversity, develop a constructive, high performance culture, provide a fair, equitable and safe work environment, and develop 'bench strength' for key roles to ensure workforce sustainability. Our 2016-2018 People and Culture Strategy 'Growth Through People' outlines four key levers to transform the organisation: organisation design, capability, diversity and communication. As well as the four levers of our strategy, our continued investment in culture and safety provides the platform for sustainable high performance.

Organisation Design

In 2017/18, we embedded the structural changes identified in the 2016 review, improved our business processes and commenced implementation of our three year 'Transform' project to deliver savings and efficiencies and better enable our workforce to deliver services.

Capability

We provide opportunities for staff to develop and improve their capability and knowledge to contribute to our overall business performance and ensure we have the skills to meet future needs.

To inform development priorities we continued our succession planning and talent management process. This process helps to identify potential successors to senior and critical roles and determine any capability gaps.

During 2017/18 staff have participated in technical, professional and safety training, with an average of 3.8 days training per person.

Key programs included:

Leadership

Two staff graduated from the Northern Mallee Leaders Program, which is one of ten regional community leadership

programs operating across Victoria to develop leaders for vibrant and sustainable communities.

All people managers attended a workshop to develop consistent, effective people management skills and enhance leadership capability.

Our Executive team completed a 360-degree feedback survey, the Lifestyles Inventory, (LSI) which is a sister tool to the Organisational Culture Inventory survey. The results provide insights about how their leadership style affects culture and performance and informs development actions.

Education and Awareness Programs

All staff attended awareness sessions on Safety, Fraud, Cultural Heritage, and how to identify and manage Domestic Violence. Mental Health Training was also undertaken by a number of staff.

Staff Development Achievements

Our Senior Technical Officer Hydraulics, Satvinder Singh completed his certification for Irrigation Design from Irrigation Australia and is one of only ten in the state to have received this qualification.

Holly Lush, Customer Service Officer, completed a Certificate III Business Administration and received the Trainee of the Year Award from SuniTAFE. Holly has now commenced her Certificate IV in Leadership and Management.

Deva Chinnarajan, our SCADA expert, graduated from the Peter Cullen Trust Women in Water Leadership Program.

Leesa Merrett, Manager Communications and Engagement, received her Diploma in Marketing from Deakin University.

Diversity and Inclusion

Our Diversity and Inclusion Strategy provides aspirational and measurable targets that aim to support a constructive and inclusive culture, and ensure we employ a workforce that is truly representative of our community.

In 2017/18 we continued our support of employees seeking access to flexible work arrangements, with 40% of staff utilising this benefit.

We are working towards creating a balanced working environment where equal opportunity

The Lower Murray Water Team

and diversity are valued. As part of our Diversity and Inclusion Strategy, we have a target of 35% of women in senior leadership roles by 2020.

We value staff with non-binary gender identities at all levels from VPS Officers through the executives. We acknowledge that due to historic and current barriers to disclosure of non-binary gender identities, staff may not choose to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels.

The table below outlines our actual progress against this target in 2017/18 and 2016/17

| Diversity and Inclusion Strategy initiative | Target | Actual Progress in 2017/18 | Actual Progress in 2016/17 |
|---|-------------|----------------------------|----------------------------|
| Gender profile at senior leadership roles | 35% by 2020 | 28% | 14% |

Communication

We continue to provide relevant, timely communications to staff, through an informative fortnightly newsletter 'Grow with the Flow', as well as regular staff awareness sessions run by the Managing Director and the Executive Team. These sessions provide updates on business performance and key projects and provide a forum for interactive discussion.

Workplace Culture

Workplace culture is a critical determinant of business performance. The results of our second culture survey in May 2018 indicated a slight improvement in constructive styles. This is a pleasing result during a period of significant change. The data provides insights and raises awareness about the importance of workplace culture and how our behaviours impact performance. All staff attended sessions to explore the results and determine key actions relating to behaviours, systems and processes, to improve the work environment and enable higher levels of performance and staff satisfaction.

Our 'Behaviours for Growth' commitment, co-developed with staff, provides the framework for how we work together, in a supportive and collaborative work environment.

We recognise that our behaviours have an

impact on others and on our workplace culture and we are committed to having a work environment that is enjoyable, inclusive, fair and equitable for all. This commitment is incorporated into our code of conduct and guides recruitment, development and performance discussions.

We have continued our shared services partnership with Yarra Valley Water (YVW), utilising human resources support to improve our culture, systems and processes efficiently by leveraging YVW's experience in these areas.

Workplace Merit and Equity

Merit and equity is an important foundation for fostering a diverse and inclusive workplace. We are committed to ensure a workplace free from any discrimination, bullying, harassment, victimisation, racial and religious vilification practices within the organisation and to create and promote equality of opportunity for our staff.

Staff Contact Officers have been trained by the Victorian Equal Opportunity and Human Rights Commission. Our Code of Conduct, the Charter of Human Rights and other Merit and Equity items including internal policies, are published on our intranet and are discussed at induction and at annual information refresher sessions for all staff.

Health and Wellbeing

We also understand the importance of health and wellbeing in the workplace and at home, and support a number of activities.

We encourage staff to utilise our Employee Assistance Program and provide other informative sessions to raise awareness of health related issues including diabetes, heart disease, stroke, prostate cancer and mental wellbeing.

Self-funded programs continue to be popular, with staff undertaking activities such as mindfulness meditation and corporate massage during their break time. Other key activities throughout the year included the 10,000 Steps Challenge, Big Aussie Barbie and Ride2 Work Day.

Our staff actively participate in activities to raise awareness and funds for a variety of organisations such as Sudden Infant Death Syndrome, Jeans for Genes, Red Cross Blood services and Meals on Wheels.

Family Violence

In 2015 the Victorian Government established the Royal Commission into Family Violence and in 2016, it tabled its report that included 227 recommendations for improving the community's response to the scale and risk of family violence.

As a result, the Essential Services Commission amended their customer service codes to help address the issues surrounding family violence and the impacts on society, setting the requirements for the Victorian Water sector to implement. We have a significant role to play in the community in response to this systemic issue, developing policies and guidelines to support our customers and staff who may be experiencing family violence.

Staff have been trained in family violence awareness and our Customer Support Officers, who work directly with our customers identifying as family violence victims, have undertaken additional training in order to avoid repeat disclosure and for ease of access to confidential conversations regarding their accounts.

Occupational Health and Safety (OHS)

We are committed to continuously improving health, safety and wellbeing in our workplaces so as to protect the wellbeing of, and prevent injury or illness to, our employees, contractors and the communities in which we operate.

We recognise that Occupational Health and Safety is not only important, but 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.

2017/2018 involved considerable efforts in planning for the next three years to ensure that we achieve "Exceptional Safety and Wellbeing Practices". To achieve this, we are committed to developing and maintaining an Occupational Health and Safety Management System that meets best practice framework and methodologies.

Our OHS Strategy has two focus areas, 'Safety Behaviours' and 'Management System'.

The 'Behavioural' focus area seeks to embed safe and healthy behaviours by identifying and providing training opportunities and support programs, working closely with People Managers, and the Executive Team to:

- Educate and empower all People Managers on safety roles and responsibilities in accordance with legal and corporate requirements
- Establish a culture that values employee safety and wellbeing through business practices
- Support safety-conscious behaviour through active leadership and consultation

| Statistics | | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|--|-------------|---------|---------|---------|---------|----------|
| Days Lost | - Workcover | 61 | 39 | 99 | 7 | 42 |
| | - per FTE | 0.36 | 0.23 | 0.59 | 0.005 | 0.23 |
| Number of Lost Time Injuries | | 5 | 2 | 3 | 1 | 1 |
| Lost Time Injury Frequency Rate (LTIFR) # | | 18.36 | 6.5 | 9.9 | 3.53 | 3.2 |
| Percentage of annual Workplace Inspections completed | | 100% | 100% | 100% | 100% | 100% |
| Reported Hazards / Incidents | | N/A | N/A | N/A | 63 | 63 |
| Average Cost per Claim | | N/A | N/A | N/A | \$2,960 | \$15,263 |

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

2016/17 44 hazards, 19 incidents reported

2017/18, 28 hazards, 37 incidents reported

Our Bulk Water Entitlements

Urban Bulk Entitlement

Bulk Entitlement (River Murray—Lower Murray Urban and Rural Water—Urban) Conversion Order 1999 as at June 2011

| Water Supply System | Off-take Point | Clause 20.1(b) | Clause 20.1(d) | Notes |
|---------------------|--------------------------------------|-----------------------------------|-------------------------------|-------|
| | | Annual Amount of Water Taken (ML) | Amount of Water Returned (ML) | |
| Koondrook | Koondrook Pump Station | 270 | 0 | |
| Murrabit | Metered Outlet No 4266A | 34 | 0 | |
| Kerang | Kerang Pump Station Pump outlet 2542 | 547 | 0 | |
| Kerang | Koondrook-Kerang pipeline | 612 | 0 | |
| Swan Hill | Swan Hill Pump Station | 4026 | 0 | |
| Woorinen | Linked to Swan Hill | * | 0 | |
| Nyah West | Linked to Swan Hill | * | 0 | |
| Nyah | Linked to Swan Hill | * | 0 | |
| Piangil | Piangil Pump Station | 134 | 0 | |
| Robinvale | Robinvale Pump Station | 632 | 0 | |
| Redcliffs | Red Cliffs Pump Station | 1371 | 0 | |
| Mildura | Mildura Pump Station | 10582 | 0 | |
| Mildura West | Mildura West Pump Station | 3143 | 0 | |
| Mystic Park | Kangaroo Lake | 16 | 0 | |

*Diverted through Swan Hill Pumps

Notes:

- The Lower Murray Water Urban Bulk Entitlement (UBE) has 30,970.9ML of high reliability share.
- There were no amendments to the UBE and no water was returned from urban off-take points.
- Clause 20.1 (c) There were no new river off-take points created. We have an ongoing urban meter replacement program that commenced five years ago.
- Clause 20.1 (e) Urban water meters are replaced according to the amount of water than has passed through the meter, or if it is older than 15 years. For example, 20mm meters are replaced when they have registered 6ML, 25mm meters after 9.5ML. We undertake to periodically calibrate and check our bulk extraction meters to ensure compliance with our Bulk Water Entitlement. This program is ongoing under LMW's obligations with the Australian Metering Standards 4747. All LMW Urban BWE offtake points operate under telemetry systems for instantaneous reporting.
- The urban area of our region was on Permanent Water Savings Rules for the entire 2017/18 year.
- Clause 20.1 (f), (g), (h) There was no permanent transfer of any part of our UBE. There was 10,584 ML of allocation from the UBE traded out. No overuse was recorded against the Urban ABA.
- Clause 20.1 (i), No new bulk entitlement was granted to LMW during the 2017/18 year.
- Clause 20.1 (j), Clause 20.1 (k) LMW has complied with all provisions of its Bulk Entitlement during 2017/18.

Irrigation Bulk Entitlement

Bulk Entitlement (River Murray—Lower Murray Urban and Rural Water—Irrigation) Conversion Order 1999 as amended 2015

| Area supplied | Off-take point | Clause 20.1 (b) Annual Amount of Water Taken (ML) | Clause 20.1 (d) Amount of Water Returned (ML) |
|---|--|--|--|
| Robinvale irrigation district | Robinvale pumping station | 19,228 | 0 |
| Red Cliffs irrigation district, and remaining Carwarp area of Carwarp-Yelta waterworks district | Red Cliffs pumping station | 33,928 | 0 |
| Merbein irrigation district, and Yelta part of Carwarp-Yelta waterworks district | Merbein pumping station | 21,074 | 0 |
| Millewa waterworks district and diversion licences | Millewa river pump | 21,239 | 0 |
| This is counted as the point where water is diverted from the River Murray | Central Main Pump Station, at King's Billabong | 38,824 | 0 |
| Used to replenish King's Billabong where River Murray flows are at insufficient level to do this (see clause 18.10) | Psyche Bend pumps | N/A | N/A |
| Along River Murray between the Nyah pumps and the South Australian border, and around King's Billabong | Private diversion points | 456,579 | 0 |

Notes

- Our irrigation customers transacted water shares and allocation trades and these are reported by the Victorian Water Register annually.
- Customers received a 100% water allocation on 2 October 2017.
- Clause 22.1 (e) The annual amount supplied via Lower Murray Urban and Rural Water's distribution system to the bulk entitlement held by the Environmental Water Holder was 954,287kl to Lake Hawthorn, Koorlong Basin and Cardross Basin.
- Clause 22.1 (f) The annual amount supplied to primary entitlement holders other than those referred to in paragraph (e) was 0
- Clause 22.1 (g) LMW is implementing Australian Standards 4747, to work towards total compliance by 2025. With all diversion customers now under a telemetry system and on-going meter upgrade program (Bulk Water Metering Program 2011) for our in-district customers. Rural meters were replaced under the Sunraysia Modernisation Project which was completed in 2016. Our metering program for our diverters and in district customers has created one of the most advanced metering and usage reporting frameworks in Australia. By using electromagnetic flow meters, with telemetry attached, we can provide instantaneous usage and flow information to customers from our website based ordering and information system. This information is also uploaded overnight into the Victorian Water Register providing up to date balances for customers.
- Clause 22.1 (h) No transfers occurred of any temporary or permanent water of this bulk entitlement or of primary entitlements.
- Clause 22.1 (i) LMW did not transfer any entitlement or assignment of water allocation under the Act.
- Clause 22.1 (j) (k) No amendments were made during 2017/18 to the bulk entitlement and no new bulk entitlement granted to LMW with respect to the River Murray.
- No new irrigation district off-take points were agreed to, or used.
- No new installation of pipe or channels were made to return water into the River Murray.
- Clause 22.1 (l) (m) LMW has fully complied with its Bulk Entitlement provisions.

Engaging with Our Customers

Strategic Advisory Committee (SAC)

The purpose of the Strategic Advisory Committee (SAC) is to provide considered opinion and feedback to our Board and Executive Management on strategy, policy and industry matters. As at 30th June 2018 the membership comprised:

Robert Albanese, Stephen Bennett, Zoe Dicheria, Frank Dimasi, Ron Hards, Allen Harmer, Tyson Milne (Deputy Chair), Greg Milner, Tim Milner, Rocky Violi, Richard Wells and Andrew Young. The committee met regularly during 2017/18 and provided valuable feedback and input into various strategic issues including the SMP2 business case and the development of the Pricing Submission 4 2018-2023.

Customer Service Advisory Committee (CSAC)

Established in accordance with the Water Act 1989, we have six Customer Service Advisory Committees (CSAC) representing the Pumped Districts of Mildura (FMID), Merbein, Red Cliffs and Robinvale, the Millewa Rural District and our Private Diversion customers between Nyah and the South Australian border. Each of the Committees has a membership of six elected irrigation customers. During 2017/18 the Committees provided guidance and feedback on a range of topics including financials, works programs, SMP2 updates, our Pricing Submission 2018-2023, river management and water sharing and other items specific to each district.

| Customer Service Advisory Committee Members 2017/18 | |
|---|--|
| Merbein | David Beard, Stephen Bennett, Lindsay McClelland, Andrew Hudson, Richard Wells and one vacancy |
| Millewa | Ron Hards, Allan Harmer, Annette Lambert, Colin Hunt, Neil Boord and one vacancy |
| Red Cliffs | Tim Milner, Giovanni Paolucci, Frank Pedula, Matt Ryan, John Strangio, Rocco Tassone |
| Mildura | Steven Frasca, Peter Jones, Greg Milner, Tim Milner, Peter Middleton, Don Marciano |
| Private Diverters | Andrew Fremder, Tim Millen, Tyson Milne, Anthony Spiers and two vacancies |
| Robinvale | Ian Boyd, Lindsay Camera, Frank Costantino, Ken Stringer and 2 vacancies |

Customer Consultative Committee (CCC)

Our northern and southern urban customers are represented on a combined Customer Consultative Committee (CCC), made up of members Graham Hayes, Graeme Jilbert, Colin Myers, Deborah Quin, Geoff Quinn and Dione Thompson. In 2017/18 the committee members took part in our focus group meetings to provide feedback and advice on service standards and our Pricing Submission 2018-2023. We held several meetings in both our Southern (Swan Hill) and Northern (Mildura) area of operations.

Engagement Strategy 2016-2018

We continued to implement our Engagement Strategy which will guide staff in undertaking engagement activities and provides an overarching approach to engagement for the organisation. It provides a framework to ensure meaningful and informed consultation with our customers and stakeholders in our decision making. It will strengthen our partnerships with customers, community and stakeholders, while creating trust and transparency with our decision-making processes. Training has been rolled out across the business to ensure a good understanding of engagement principles and methods. We are currently finalising our Engagement Manual for staff to use as part of ongoing operations and delivery of our projects for engagement with customers and small business/commercial operations.

Our Urban Customers

We provide urban water services to approximately 74,000 customers in 14 townships via nine treatment plants along the Murray River in Victoria from Kerang to Mildura and provide wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants.

| Water Consumption Report 2017/18 | | | | | | | | | | | | | | | | | | |
|----------------------------------|------|-----------------------|------------------------|------------------------------|------------------------------|--------|------------------------|------------------------------|---------------------------|------------------------------------|---|---------------------------|---|------------------------------|------------|-----------------|---------------------------------------|--------------------------------|
| 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 ¹ | 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 | | |
| Kerang | | 1814 | 750 | | 317 | 195 | | | 2131 | 945 | 0 | 945 | 1081 | 146 | | 26 | 172 | 1117 |
| Koondrook | | 446 | 179 | | 53 | 18 | | | 499 | 198 | 0 | 198 | 236 | 42 | | 5 | 47 | 245 |
| Lake Boga | 1 | 429 | 217 | | 52 | 35 | | | 481 | 252 | 0 | 252 | 0 | | | | 0 | 252 |
| Mildura | 2,3 | 19031 | 9844 | | 2114 | 2639 | 2954 | | 21145 | 12483 | 2954 | 15437 | 13055 | 110 | | 332 | 442 | 15879 |
| Murrabit | | 43 | 22 | | 12 | 9 | | | 55 | 31 | 0 | 31 | 37 | 0 | | 1 | 1 | 32 |
| Mystic Park | 4 | 12 | 6 | | 3 | 1 | | | 15 | 7 | 0 | 7 | 14 | | | | 0 | 7 |
| Nyah | 1 | 303 | 161 | | 40 | 61 | | | 343 | 222 | 0 | 222 | 0 | | | | 0 | 222 |
| Nyah West | 1 | 256 | 128 | | 34 | 30 | | | 290 | 158 | 0 | 158 | 0 | | | | 0 | 158 |
| Piangil | | 100 | 46 | | 17 | 62 | | | 117 | 108 | 0 | 108 | 124 | 8 | | 4 | 12 | 120 |
| Red Cliffs | | 1545 | 731 | | 165 | 474 | | | 1710 | 1206 | 0 | 1206 | 1286 | 153 | | 33 | 186 | 1392 |
| Robinvale | | 795 | 414 | | 189 | 161 | 205 | | 984 | 575 | 205 | 780 | 600 | 54 | | 16 | 70 | 850 |
| Swan Hill | | 4933 | 2112 | | 845 | 823 | | | 5778 | 2935 | 0 | 2935 | 4023 | 118 | | 98 | 216 | 3151 |
| Woorinen Sth | 1 | 155 | 90 | | 16 | 15 | | | 171 | 105 | 0 | 105 | 0 | | | | 0 | 105 |
| | | 29862 | 14700 | | 3857 | 4523 | 3159 | | 33719 | 19224 | 3159 | 22383 | 20456 | 631 | 0 | 515 | 1146 | 23529 |

Our Urban and Wastewater Statistics 2017/18

All figures have been rounded to the nearest whole numeral

Notes:

- 1 Supplied from Swan Hill
- 2 Includes Merbein and Irymple for water
- 3 Includes Mildura, Koorlong and Merbein Recycled Wastewater
- 4 Water supplied is raw, non-potable
- ¹ Average annual consumption calculated between 2013/14 and 2017/18
- ² Unavoidable losses

Per Capita Daily Residential Drinking Water Consumption

We provide drinking water to a population of around 74,000. The total annual consumption of water was 14,700 megalitres across this population in our region. This equates to an average of 555 litres per person, per day. This calculation is based on the population figure provided by the 2016 Census - "average household population" multiplied by our water connections for each town.

Our Rural Customers

We provide river quality water services to 4,857 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura and the Millewa rural district and some areas of the waterworks districts of Yelta. In addition, we manage the private diversion licences of 1,196 water users along the Murray River in Victoria between Nyah and the South Australian border.

Major Water Users (Non-Farming or Irrigation)

We have one customer who is not a natural person and who has potable water supplied by us for purposes that are not farming, irrigation or domestic purposes. This customer is Beringer Blass Wines Estates Limited.

| Volumetric Range - ML per year | No of customers | Participation in water efficiency programs |
|---|-----------------|--|
| Equal to or greater than 100ML and less than 200ML | 1 | No known participation |
| Equal to or greater than 200ML and less than 300ML | 0 | |
| 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 | |
| Total No Customers | 1 | |

Communicating with Our Customers

We are committed to continuing to improve our quality service that meets our customers' needs. Our focus is delivering the right service at the right time, to support our customers. As part of our engagement strategy we are continuously improving our customer service and communications with customers to inform, collaborate, engage and form strong relationships. We have strongly engaged with our customers through our social media which has proven a successful way of interacting with a diverse range of people. Our website continues to be a major channel for providing information directly to our customers and we are continuing to improve online business processes to give our customers more flexibility and accessibility to our services.

Information on water allocations and seasonal outlooks, permitted water times, major projects, employment opportunities and upcoming events and community programs, as well as important information relating to works being carried out as part of our Capital Works program, is provided to customers via our e-news updates and online media channels.

During 2017/18 important information about water quality, upcoming maintenance and water supply interruptions were provided to customers via a SMS (Short Message Service) alert service, email and on our website. Our SMS alert service enables instant notification to our customers on water related issues such as quality, supply and disruption matters.

We ran a campaign to encourage customers to provide up to date contact information to ensure we can keep them informed of important information.

With the development of our update videos and increased social media posts we were able to reach more than 80,000 community members across our service regions over the past year.

Resolving Customer Complaints

Complaints may be lodged by telephone, via our website or in writing to one of our offices. 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 the complaint has been properly investigated and ensure the final decision has considered 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. If the complaint is still not resolved, then 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 the 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 their 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 are dispute resolution specialists and are impartial in resolving complaints between parties.

| EWOV 2017/18 | Overall Water Industry | Lower Murray Water |
|---------------------|------------------------|--------------------|
| Enquiry | 123 | 2 |
| Unassisted Referral | 408 | 4 |
| Assisted Referral | 1,181 | 11 |
| Investigation | 216 | 4 |
| TOTAL | 1,928 | 21 |

Committing to the Environment and Region

Collaboration with Stakeholders/ Community

As a commitment to our region, we are regularly involved in a number of stakeholder groups to share information on customer relations, communications, care of the River Murray and environment, community and school education opportunities. We are pleased to be involved with other groups as required for specific event collaboration.

Choose Tap Coalition

We have continued our collaboration with the Choose Tap Coalition, an initiative created by Yarra Valley Water. Choose Tap is a broad, community-based initiative promoting tap water as the best choice for the planet, people's health and their hip pocket. Being part of the coalition provides us with access to a strong common brand, including related support collateral and provides a platform for sharing related ideas across the water industry. The Choose Tap Coalition's vision of advocating the use of tap water is a positive fit with our commitment to be environmentally sustainable, encouraging refillable drink bottles over the use of plastic bottles.

Communications Group

We meet regularly with representatives from Mildura Rural City Council (MRCC), Mallee Catchment Management Authority (MCMA), Sunraysia Institute of TAFE and LaTrobe University, DELWP and Parks Victoria to share information on communication and customer service issues and projects.

Environmental Education Task Group (EETG)

We participate in bi-monthly EETG meetings to share education opportunities with representatives from MRCC, Loddon Mallee Waste Resource Recovery Group Mallee CMA and Parks Victoria.

Environmental Protection Agency (EPA) Water Industry Reference Group

As a member of this reference group we can raise water industry related issues and concerns to both the EPA and the wider water industry. This group is also where the EPA go to seek early input from the water industry on new or amended EPA programs, policies and guidance.

Greening Mildura

We are proud to support Greening Mildura, a Sunraysia-based organisation dedicated to restoring vegetation values of our region.

The Bob Corbould Wetlands forms part of our managed land parcels portfolio. In 2016/17 we supported the Greening Mildura Bob Corbould Wetlands project where 5,340 trees were planted throughout the wetland. We continue to support this project through ongoing maintenance with plans for 2018/19 to include slashing of invasive weed species and additional seed bombing of native species to further enhance the success of the original plantings.

First Peoples Engagement

We are currently finalising our first 'Reflect' Reconciliation Action Plan (RAP) in consultation with our local Traditional Owners. We recently established our RAP Working Group to enable better communication flow with First Peoples groups within our service area. As part of our continued commitment to meaningful and effective engagement with the Traditional Owners of our lands and waterways, we have developed our Acknowledgement of Country. We recognise the waterways of the region are highly significant to Aboriginal people and support cultural, economic and environmental values. Knowledge sharing is a key component to a positive and successful relationship. We will continue to ensure Aboriginal values are considered as part of our planning and business operations.

Industry Water Association—Special Interest Groups (SIG)

Our staff regularly meet with other Victorian Water Industry SIGs covering communications, governance, energy, customer service and technical aspects of our industry. The SIG's meet on a quarterly basis to share the latest information, best practices and developments which support our continuous improvement efforts.

International Water Networks Large Scale Renewable Project

We are one of thirteen water corporations who collaborated to participate in this project to source renewable electricity from a project

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located in North West Victoria. The project is due to be commissioned in late 2019 and will contribute to meeting our emissions targets while lowering the cost of energy.

Lake Hawthorn Management Plan

Lake Hawthorn, a few kilometers northwest of the Mildura CBD is an important local water body. Lake Hawthorn is also part of our managed land parcels portfolio. The Lake receives its water mainly from Mildura Rural City Council's (MRCC) storm water system and our irrigation drainage system. The Lake also plays a role in the salinity inception scheme managed by Goulburn-Murray Water (GMW). In addition to these important functions, the Lake has ecological and social amenity values. We continue to work with our fellow agencies; MRCC, Mallee CMA and GMW to ensure the ecological and social amenity values of Lake Hawthorn are managed effectively.

Loddon Mallee Education for Sustainability Network

The network was established to share ideas and information between organisations delivering environmental sustainability programs and services to schools within the Loddon Mallee region. We value our involvement in the network as it brings us into contact with agencies from the wider Loddon Mallee region we would not normally liaise with.

Partnerships within our Communities

We have created partnerships with groups and organisations within our communities to deliver community engagement projects which result in better outcomes for our customers and stakeholders. Groups partnered with in the 2017/18 year include Lions Clubs, Historical Societies, Cultivator Inc, LaTrobe University and SuniTAFE.

Sponsorship and Donation Program

We continue to support our region through our Sponsorship and Donation Program. Not for profit groups and businesses conducting events for charitable fundraising purposes are able to apply for support for their activities or events. In the 2017/18 year we supported 63 organisations through a combination of cash sponsorships, staff attendance, in-kind support and the provision of merchandise.

We recognise the environmental impact of bottled water packaging and in joining the Choose Tap Coalition we phased out bottled water as a sponsorship product during the 2017/18 year.

Sunraysia Regional Algal Coordination Committee

We are one of the Victorian Convening Agencies within the region for Blue Green Algae (BGA) monitoring and reporting. The monitoring of the Murray River is undertaken by our staff and the NSW Department of Environment and Water and is reported back through the Sunraysia Regional Algal Coordination Committee (SRACC).

Sunraysia Rejuvenation Project (SRP)

We are one of the founding agencies of the SRP, a multi-agency project designed to ensure the improvements delivered by the Sunraysia Modernisation Project (SMP) become tangible benefits for growers and investors in the Merbein, Mildura and Red Cliffs irrigation districts. The agencies involved in the SRP include the Mallee CMA, Mildura Rural City Council, Mildura Regional Development (MRD) and the Department of Environment, Land, Water and Planning (DELWP). Funding has been provided by DELWP and Regional Development Victoria. This cross-agency initiative to increase employment and business activity in the region is continuing to deliver tangible results. SRP Program Director Jeff Milne works with agencies, growers and developers to assist in streamlining processes to redevelop dried-off properties in the Sunraysia pumped districts as well as improving efficiencies of businesses on smaller properties. Merbein has seen strong redevelopment occurring recently with new plantings on many of the previously dried-off properties now underway.

Sunraysia River Watch Inc (SRW)

We are proud to continue our association with SRW, a community program that aims to assist in the protection of the river and its environment. SRW is dedicated to increasing the appreciation of the river and the surrounding environment and ensuring its preservation for the benefit of current and future generations. In 2017/18 we continued our ongoing sponsorship and membership of SRW, joining other agencies and businesses in demonstrating ongoing commitment to this important community service.

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Water Refill Stations

We have a number of water refill stations operating across our service area. In addition to units we fully fund, we collaborate with local groups who contribute to funding. We utilise the 'Choose Tap App' to share the location of publicly available units.

Water Refill Stations—Grants for Schools

We continue to offer our Water Refill Station Grant Program for schools, whereby we invite applications to support the school through the contribution of \$1,500 toward the purchase of a water refill station.

Community Education and Water Awareness Campaigns

Flush Facts Campaign

Following the 2015 launch of an educational campaign to assist in combating the large number of incorrect items being flushed, particularly 'flushable' wipes, we have continued to use these messages on a variety of platforms. We had a fantastic response to a social media clip "Don't Flush It!" which was developed by Goulburn Murray Water. We continue to include this campaign as part of our school education programs at the primary level.

Giveaway and Exchange Programs

Through community water efficient product exchanges, we aim to raise awareness of water issues and promote the wise use of potable water. We have ongoing exchange programs which operate throughout the year, including trigger nozzles and showerheads. Ongoing education aligns with our exchange and giveaway programs to ensure watering times are abided by and to encourage customers to monitor and manage their own water consumption.

Home Water Audit

To assist our customers in understanding their household water use and areas where water could be saved, we have developed a self-auditing tool for households which is available on our website.

Seniors' Festival Event

Commencing in 2014, in conjunction with MRCC's annual Seniors' Festival in October, we hold a free information event. The afternoon

tea includes presentations by guest speakers, giveaways and prizes and all attendees are provided with a 'goody bag' containing water wise products, information and vouchers from local businesses. The event is always fully subscribed and is now on our annual calendar, to be held again on Thursday 11th October 2018.

Rural Water Awards

In 2014 and 2016 we partnered with Southern Rural Water, Grampians Wimmera Mallee, Coliban Water, Vic Water, Victorian Farmers Federation (VFF) and the Department of Environment, Land, Water and Planning (DELWP) to hold the Biennial Rural Water Awards. The awards seek to recognise and reward Victorian Rural Water users who are demonstrating new and innovative methods or use of technology, water volume savings or increased productivity and return on investment. We have committed to supporting the awards again in 2018 with customers able to nominate in the categories of *Irrigation District Water Users, Groundwater Users, Surface Water Users, Community and Education Groups and Farm to Plate*.

School Education Programs

In addition to responding to individual teacher requests for classroom presentations, visits to our water treatment plant or provision of classroom resources to suit particular curriculum activities, we have participated in a range of educational events; and continue to provide our "Dripster" program to schools. We currently have 30 schools participating in the School Water Efficiency Program (SWEP), a government initiative assisting schools to implement low cost, water efficient plumbing solutions.

Dripster's Super Water Saver Education Program

Launched in September 2011, this education program remains popular. The program has four sections: Wonders of Water, The Water Cycle, How Water Works and From Raw to Ready and back again (the wastewater process). Sections of the full program are available as modules, with two modules each available for the year groups of Prep, 1-2, 3-4 and 5-6. In response to feedback from teachers the program is updated and refreshed as

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required. Our program has been updated to incorporate the Choose Tap characters and includes activities relating to the sugar levels in popular food and drinks.

Dripster's Super Water Saving Game

Schools in our service area can borrow our game, in a tabletop or oversized floor mat version, which is provided with question sets, playing pieces and giveaways for the students. Teachers can request question sets in our existing topics, or we can develop questions around a specific curriculum topic. We are investigating options for Choose Tap inclusion.

Interactive Environmental Primary School Activity

In conjunction with MRCC, Landcare, EnviroEdu, Loddon Mallee Waste and Resource Recovery Group (LMWRRG), Mallee CMA, Local Land Services Western (LLSW) and NSW Maritime, we held an interactive event on the student free entry day of the Mildura Show. During the event 578 students ranging from Prep to Grade 6 participated in multiple activities. At the end of their hour, 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 engaged Eaton Gorge Theatre Company to present a performance incorporating themes from our "Flush Facts" campaign and general water saving messages. Planning is underway for the 2018 event which will be held as a stand-alone event over two days; 6th and 7th September. We have 10 agencies participating in the 2018 event and by hosting the event over two days we are able to accommodate more students. At the time of compiling this report, the event has over 500 students subscribed to take part.

National Water Week Poster Competition

As part of the celebrations of National Water Week 2017, 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 develop a calendar which was then distributed to schools early in the 2018 school year. In the 2017 competition we received 465 entries from schools in our service area. We had a record number of highly commended entries due to the quality of artwork received.

Welcome to Preps 2018

Commencing in 2015, our program to educate the new generation of school students began, offering a free lunch cooler bag and 450ml drink bottle set for each enrolled Prep child for the new school year.

Participation in both years 2016 and 2017 has been very successful with 2,187 sets given out to date. Our bottles and cooler bag have been updated to include the 'Choose Tap' message, along with a swing tag attached combining the messages of rehydration, healthy eating and waste minimisation.

World Environment Day

On Monday 4th June 2018 we took part in an event to mark World Environment Day. Arranged by MRCC we conducted an activity for approximately 75 primary school students celebrating "Water". Our activity was our life-size Dripster's Super Water Saving Game, with the questions relating to our ongoing "Flush Facts" campaign. With one set of questions, the students were asked if a statement was true or false; and a correct answer meant they could lift the lid on our display toilet and select a 'stress shape' turtle. The reaction to both the game and the 'lucky dip toilet' was terrific.

Environmental Sustainability

Sustainable Water Use

We plan and manage our operations in an environmentally responsible and sustainable manner, while contributing to the economic, social and cultural development of the region.

Water Recycling

We continue to encourage schemes that promote the sustainable reuse of treated and recycled water. Such schemes have a positive environmental impact by lowering the demand impact on the Murray River. Under the various schemes, water is initially treated according to the relevant EPA Guidelines and then supplied for a variety of beneficial uses.

These include:

- **Koorlong Wastewater Treatment Plant**—wastewater from Red Cliffs, Irymple and parts of Mildura is treated to Class C standards then supplied to a primary producer for use in horticulture

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- **Mildura Wastewater Treatment Plant**—this plant treats wastewater from the remaining part of Mildura to Class C standards. It is then used onsite for the production of pastures, fodder and for irrigating tree-lots
- **Robinvale Wastewater Treatment Plant**—wastewater from the Robinvale area is treated to Class C standards and then used to produce high grade fodder
- **Mildura Water Treatment Plant**—water used in the backwashing and treatment operations is diverted to a separate storage lagoon and then supplied to Mildura Rural City Council for irrigation of the Aerodrome Ovals sporting complex
- **West Mildura Water Treatment Plant**—reclaimed water from the backwashing and treatment operations is supplied to Mildura Golf Club for the irrigation of its fairways and greens
- **Irrigation drainage**—water collected by our irrigation drainage system is utilised by a number of individuals for various purposes, ranging from pasture and crop production through to amenity supply.

Environmental Flows

We work with the Mallee Catchment Management Authority (MCMA) to provide environmental water delivery under the Victorian Environmental Water Holder (VEWH) Seasonal Watering Plans. Under the direction of MCMA we use our irrigation and drainage assets to provide water to regional wetlands and floodplains which includes Lake Hawthorn, Koorlong Basin and the Cardross Basins to maintain and improve their environmental health.

Environmental water is used to achieve environmental outcomes, including the protection of the endangered Murray Hardyhead, as well as assisting with the restoration of salt affected wetlands. We work closely with MCMA to ensure environmental water is provided in accordance with the Environmental Water Delivery Plans. At the same time, we balance the needs of our irrigators to ensure their access to water is not compromised.

The Efficiency of Irrigation Systems

Sunraysia Modernisation Project 2 (SMP2)

In June 2018 we were notified that we were successful in obtaining \$3.025 million in funding from the Commonwealth National Water Infrastructure Development Fund for SMP2. This funding will enable over 2000 hectares of productive land to be developed through modernising existing channels, increasing the capacity of termination structures and constructing an 80ML off-stream storage. SMP2 would not have been possible without the support of existing in-district Customer Committees. Importantly, existing in-district irrigation customers will benefit from costs being spread across a wider customer base while retaining their existing level of supply reliability.

Urban Water Strategy (UWS)

As part of the Statement of Obligations we are required to develop an Urban Water Strategy. This strategy considered all aspects of the urban water cycle across a 50-year planning horizon. We completed our UWS and we annually publish the Water Security Outlook in November. Our Drought Preparedness Plan has also been updated during 2018. Following customer consultation, we altered the UWS to show yearly purchases of 360ML of high reliability water entitlement to maintain a 50% buffer between annual average usage and entitlement held. These annual purchases have been programmed into our Pricing Submission 4 (2018-2023).

Sustainable/Resilient Water Services Systems

We consider water efficiency, sustainable and resilient water service systems an integral part of our operations.

Other Statutory Obligations

Regional Catchment Strategy

The Mallee Regional Catchment Strategy (RCS) 2013-2019 is the key regional planning instrument. It provides guidance on works and developments impacting land and water values across the Mallee.

We will continue to assist in the implementation of the Mallee RCS, working with the Mallee CMA:

- on approvals for new irrigation developments
- salinity management and environmental projects
- participating in committees that provide technical support and monitor the projects emanating from the RCS

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State Environmental Protection Policy (Waters of Victoria)

We continue to work to both understand and reduce the impact of our activities on water environments. This includes:

- continuous monitoring of irrigation drainage water as it flows to the River Murray and other floodplain sites. Monitoring includes volume data and electrical conductivity measurement. We partner with both MCMA and DELWP in this program
- partnering with the MCMA on an investigation into the impacts of urban and peri-urban development on the quality and volume of irrigation drainage water
- participating in a detailed assessment, commissioned by MCMA, of the environmental risks associated with irrigation drainage water

The State Environmental Protection Policy is currently under review and the finalised policy will be released during 2018/19.

Victorian Biodiversity Strategy

Within our managed land parcels portfolio there are a number of sites that are in areas that have high conservation values. These sites are subject to ongoing works aimed at controlling pest plants and animals to ensure the native species populations remain viable and resilient. Sites that are currently being managed include:

- **Benetook Offset Site** - Located near Lake Koorlong, this 25-hectare site has been subject to intensive conservation over the last decade. In 2005 all major pest animal and weed species were removed to allow native species to re-establish. The site remains under ongoing management to ensure its conservation values are retained and showing signs of significant native species re-establishment which will be reassessed in 2018/19
- **Koorlong Wastewater Treatment Plant** - a 21-hectare section of old-growth mallee located within the grounds of the Koorlong Wastewater Treatment Plant and secured under the Bushbroker scheme, this site is managed by us to ensure it remains free of weeds and animal pest species. This site also has an additional 14 hectares that has been assessed and can be added to the offset pool

- **West Mildura Water Treatment Plant** - a 15-hectare area to the south of the plant facilities is home to a population of legless lizards (*Pygopus schraderi*), one of only six locations in Victoria where they are known to exist. In addition to ongoing weed control at the site we conduct feral animal control to reduce predatory pressure on the lizards
- **Fosters Swamp, Kerang** - we release treated water into Fosters Swamp, a RAMSAR listed wetland. A study conducted in 2008 demonstrated that the water released from our operations has a positive effect on the wildlife in this area.

Victorian Waterway Management Strategy (VWMS)

We strive to achieve healthy rivers, streams and floodplains through our own works and by supporting our partner agencies. The 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.

Social Sustainability

Meeting our Customer Service Obligations

| Value of Community Service Obligation provided | 2016/17 \$ | 2017/18 \$ |
|---|---------------------|---------------------|
| Concessions to Pensioners | 2,237,625.28 | 2,192,309.05 |
| Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme | 160,945.97 | 209,242.40 |
| Utility Relief Grants Scheme | 17,882.83 | 12,023.10 |
| Haemodialysis Life Support Machine Water Concessions | 457.80 | 303.81 |
| Hardship Relief Grant Scheme for Sewerage Connections | # | # |
| TOTAL | 2,416,911.88 | 2,413,878.36 |

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

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Greenhouse Gas and Energy Reporting

Greenhouse Gas Emissions

We continue our commitment to reduce our emissions to meet our pledge of a 39% reduction in t CO₂-e by 2024/25.

Our net greenhouse gas (GHG) emissions for 2017/18 were 44986t CO₂-e. This result is up slightly on the previous year but is in line with earlier values. This reflects an increase in the population as well as no movement offsite of Biosolids due to the construction of the hardstand.

| Performance Indicator | Tonnes CO ₂ -e | | | | Variance (%) | Comments |
|--|---------------------------|-------------------------------|-----------------------|----------------|--------------|--|
| | Baseline | 2017-18 Corporate Plan Target | 2017-18 Pledge Target | 2017-18 Result | | |
| Irrigation supply and drainage | 23911 | NA | NA | 23153 | NA | Baseline and target individual values not developed for 2017/18. 18/19 individual baseline and target will be available. |
| Water treatment and supply (Urban) | 7424 | | | 7169 | | |
| Sewerage/Wastewater collection and treatment | 11386 | | | 13919 | | |
| Transport and stationary fuel | 782 | | | 806 | | |
| Corporate offices | 690 | | | 719 | | |
| Green Power | -1850 | | | 0 | | |
| Offsets (Tree Plantation) | -2100 | | | -780 | | |
| Total | 40243 | | | 40144 | | |

Biosolids

The Victorian Environmental Protection Authority (EPA) has recognised the potential of biosolids to improve soil health and is promoting their application to land as a safe recycling method. In line with this we have developed a *Biosolids Regional Environment Improvement Plan* (REIP) which has been approved by the EPA. In 2016/17 the first step was taken towards achieving our goal through the beneficial land application of stockpiled biosolids from Koorlong and Mildura Waste Water Treatment Plants (WWTP) which saw 1,883 tonnes of biosolids from the Koorlong WWTP applied to a dry-land agricultural property 21km west of the plant. A further 498 tonnes of biosolids from the Mildura WWTP were applied to land onsite. This was proven to be a successful venture with the receiver of the biosolids reporting a significant increase in yield. We aim to continue in the direction of beneficial land application of biosolids.

We started the construction of a biosolids hardstand late in 2017/18 to improve the handling and processing of the biosolids on site and through this improvement of management techniques we aim to achieve a reduction in the time required to stockpile biosolids, while producing a more valuable by-product.

Total Energy Usage

We continue with our commitment to reduce our energy consumption, currently we have not purchased any electricity as green power, however 2018/19 should see investment in this area.

| Performance Indicator | (a) Total energy use (MWh) | Renewable energy use (MWh) | | | | | | | (h) Renewable energy use (%) ((h)/(a))*100 | Renewable energy Generated for Export (MWh) | Renewable energy use target 17/18 (%) | Total energy use target 17/18 (MWh) | Comments |
|--|----------------------------|----------------------------|--------------------|----------------|------------|-----------------|-----------|-----------|--|---|---------------------------------------|-------------------------------------|--|
| | | (b) Solar Panels | (c) Hydro-electric | (d) Wind Power | (e) Biogas | (f) Green-power | (g) Other | (h) Total | | | | | |
| Irrigation supply and drainage | 21438 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | NA | NA | 18/19 individual targets will be available. Total energy use was up 11.3% on target energy use value |
| Water treatment and supply (Urban) | 6638 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Sewerage/Wastewater collection and treatment | 3882 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Corporate offices | 666 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Offsets (Tree Plantation) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |
| Net total | 32624 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | |

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We recognise the serious threat climate change poses to our region and our business. We have pledged to reduce our greenhouse gas emissions across all areas of our business over the coming years. Spearheading this will be the progressive rollout of onsite solar power generation at various sites in both our northern and southern regions which will be completed during 2018/19.

Office Based Environmental Impacts

Energy Usage

In 2017/18 energy used from electricity at our Kerang, Swan Hill and Mildura Offices was 3.9t CO₂-e or 13148.6MJ per full time employee (FTE) which is down 7% from last year.

| Performance Indicator | 2017/18 Megajoules | % | Tonnes CO ₂ -e |
|--|-----------------------|------------|---------------------------|
| Irrigation supply and drainage | 77,175,893.30 | 65.71 | 23,153 |
| Water treatment and supply (Urban) | 23,897,112.70 | 20.35 | 7,169 |
| Sewerage/Wastewater collection and treatment | 13,984,990.30 | 11.91 | 4,196 |
| Corporate offices | 2,398,305.13 | 2.04 | 719 |
| Green Power | - | 0 | 0 |
| Offsets | - | (-)2.2 | -780 |
| Total | 117,456,301.43 | 100 | 34,457 |

Waste and Recycling

We actively seek to divert as much recyclable waste material from the general waste stream as possible. The total amount of general waste sent to landfill from the northern sites in 2017/18 was 31,463kg or 172.5kg per FTE. This figure includes the waste generated by the workshop, the urban and rural water supply, irrigation and sewer maintenance crews. The total Greenhouse Gas (GHG) emissions associated with this waste disposal was 44.04t CO₂-e as all other waste goes to recycling streams that do not require GHG emissions reporting.

We continued our emphasis on recycling during 2017/18. We are committed to the principle of “reduce, reuse and recycle”. Our waste procedure is continuously updated and new opportunities for recycling are adopted as and when they arise. At our Fourteenth Street office in Mildura, 6,697kg of waste was sent for recycling. The amount of waste recycled represents 17% of the total amount of waste generated.

drumMUSTER

We are an on-going 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, 40 drums were delivered to *drumMUSTER* during 2017/18.

Fluorescent Lamps

We recycle all used fluorescent tubes and lamps across our sites. This initiative completely removes our 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 collected by a contractor and taken to a metropolitan recycling facility.

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Waste Oil

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

| Recycled Waste | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|------------------------|---------|---------|---------|---------|---------|
| Commingled (kg) | 1,793 | 1,709 | 1,657 | 1,634 | 1,267 |
| Paper (kg) | 8,492 | 4,301 | 4,798 | 8,629 | 5,430 |
| Printer Cart. (kg) | 60 | 70 | 67 | 28 | 30 |
| Batteries (kg) | 2002 | 3,867 | 3,380 | 6,035 | 3,670 |
| Scrap Metal (kg) | 38,373 | 58,973 | 35,560 | 24,262 | 18,542 |
| Styrofoam (m3) | 13 | 14 | 8 | 8 | 11 |
| Fluorescent Lamps (kg) | ~60* | ~120* | ~180* | ~240* | ~300* |

*Fluorescent lamps are still awaiting collection. Final figures have not yet been determined.

Paper Use

Paper use is in keeping with our environmental aims with all our copy paper for the year manufactured from 100% recycled paper. During the 2017/18 year, we purchased 800 reams of A4 copy paper for our northern offices, this is 100 reams less than previous years. This represents 4.93 reams per full-time employee. The decrease in paper usage over the previous two financial years reflects the introduction of the 'secure print' system in early 2016/17.

Water Consumption

Water consumption at our Kerang, Swan Hill and Mildura Offices for the 2017/18 year was 12,623kl. This equates to 69.2kl per full time employee and the units of water used were 3.11kl per m² for the 2017/18 financial year.

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 at the plant wash-down facilities.

Transportation

The total kilometres travelled by our vehicle fleet during 2017/18 was approximately 1,421,169km for the diesel fleet and 628,537km for the unleaded fleet. Based on the fuel usage, the energy consumption for the diesel fleet was 9,031,728.36MJ; and 2,410,611.62MJ for the unleaded fleet. Combined, this is equivalent to 804.74 tCO₂-e total (0.51 tCO₂-e per 1000km).

We continue to encourage alternatives to private vehicle use for commuting to and from work, however options are limited due to limited availability of public transport. We encourage our staff to cycle to work if possible and provide support for cyclists with a dedicated bicycle facility.

We also encourage the use of technologies such as television and video conferencing where possible with a total distance travelled by air being approximately 36,000km per month.

Greenhouse Gas Emissions

We continue our investigation and investment into renewables and other technologies to meet our pledge of a 39% reduction in t CO₂-e by 2024/25. Currently we have not purchased any Greenhouse Gas emissions offsets.

| Performance Indicator | 2017/18 Tonnes CO ₂ -e |
|-----------------------|--------------------------------------|
| Energy Use | 719.49 |
| Vehicle Transport | 806 |
| Air Travel (Approx) | 49.68 |
| Waste Disposal | 44.04 |
| Purchased GHG Offsets | 0 |
| Total | 1619.21 |

Governance and Obligations

Letter of Expectations

The Minister's Letter of Expectations (LOE) outlines the Victorian Government's key priorities for the water sector as below:

| Priority Area | KPI | Measure | LMW Actions | Reporting |
|--|--|--|--|-----------------------|
| 1. Climate Change Provide services that minimise environmental impacts, mitigate climate change and put in place adaptation strategies | E2 Emission reduction pledges. Pledges to commit to specific actions to achieve net zero emissions eg Take 2 Pledge | Total net CO2 emissions equivalent tonnes. Baseline established in the year 2016/17 | * Emissions Reduction Pledge submitted to State Government (March 2017) * Solar PV Projects: Mildura head office (to be completed by EOFY), other projects by December 2018 * Appointment of power/energy engineer (Q1 2018/19) * Large scale renewable project proposal | Annual Report (MRD06) |
| | E3 Climate adaptation Apply the guidelines for assessing the Impact of Climate Change on Water Suppliers in Victoria and demonstrate adaptation by: * their application in drought preparedness and urban water strategies * Rural water corporations develop low flow contingency plans that include an appropriate range of climate scenarios (as applicable) | Report on progress towards commitments. Baseline established in the year 2016/17 | * Urban Water Strategy 2017-2066 developed in accordance with Guidelines for Assessing the Impact of Climate Change on Water Supplier in Victoria * LMW Drought Preparedness Plan 2017 * Purchasing Additional Water Entitlement for duration of Water Plan 4 * Reducing Demand for Potable Water through education programs within schools and water efficiency programs | Annual Report |
| 2. Customer and Community Outcomes All aspects of service delivery will be customer and community centred | C1 Customer satisfaction with response (including digitally) | Percentage of responses that meet or exceed customer expectations. Baseline established in the 2016/17 ESC WATER PERFORMANCE REPORT Performance of Victorian Urban water and sewerage businesses | * Monitor progress | No report required |
| | C2 ESC Customer satisfaction survey | Aggregate customer satisfaction score for water corporation. Baseline established in the 2016/17 ESC WATER PERFORMANCE REPORT Performance of Victorian Urban water and sewerage businesses | * Annual customer satisfaction surveys | No report required |
| | C3 Appropriate engagement methods used when working with communities | A strategy that demonstrates approaches to community engagement that are open, honest and occur frequently | * LMW Engagement Strategy 2016-2018 * LMW IAP2 engagement training (2016/17) * 1 LWM personnel certified in IAP2 and now progressing to advanced level, 1 further LMW personnel to become certified (FY2018/19) | Annual Report |
| | CR1 Water quality complaints about colour, turbidity, taste and odour reduced year on year | No. of water quality complaints regarding discolouration, taste, odour, stained washing, illness or cloudy water (ESC CRS 4) Baseline established in the 2016/17 ESC WATER PERFORMANCE REPORT Performance of Victorian Urban water and sewerage businesses | * Existing KPI (ESC) | Annual Report (MRD01) |
| | CR4 Billing / payment issue complaints | Reduced number of complaints year on year | * Existing KPI (ESC) * SMS reminders for missed arrangement payments (payment plans) | Annual Report (MRD01) |

Governance and Obligations

Letter of Expectations

| Priority Area | KPI | Measure | LMW Actions | Reporting |
|---|--|---|---|--------------------|
| 3. Water for Aboriginal cultural, spiritual and economic values Recognise and support Aboriginal cultural values and economic inclusion in the water sector | AC1 Effective engagement of Aboriginal communities for involvement in business opportunities and access to water for economic development | A strategy that demonstrates how the water corporation will build capability and understanding of procurement processes to address barriers for Aboriginal enterprises to supply goods/services to water corporations | * Reconciliation Action Plan (Reflect component submitted to Reconciliation Australia June 2018 for review process) | Annual Report |
| | | Number of sponsorships of Aboriginal people in relevant study and training courses, including scholarships, vocational education and traineeships. Staff have undertaken a cross-cultural training course (by relevant Traditional Owners) in the last 5 years | * Board and Management Diversity Working Group formed (June 2018) * We will launch an Inclusive Employment Program in Water Plan 4 (to engage 3 trainees over Water Plan 4 period, timeframe to be confirmed) * Online training via Centre for Cultural Competence Australia (Board and Executive to be completed by July 2018) | Annual Report |
| | AC2 Effective engagement of Traditional Owners for inclusion of Aboriginal values in water planning | Number of engagement with Traditional Owners in water planning and management and report on outcomes. Number of pilot programs to test different ways to achieve shared benefits | * 11 engagements through the Reconciliation Action Plan Process * Reconciliation Action Plan will identify potential programs * Business case to engage an Aboriginal Water Officer (DELWP Aboriginal Water Grants March 2018 unsuccessful, investigating submission to second tranche of funding) | |
| 4. Resilient and liveable cities and towns Contribute to healthy communities by supporting safe, affordable, high quality services and resilient environments | L1 Enabling local government and communities to realise liveable benefits | Engagement with local councils and sponsorship of integrated water management programs | * Integrated Water Management forum with DELWP, MRCC, and MCMA (October 2017, June 2018) | Annual Report |
| | L2 Water efficiency (Urban only) | Number of engagements with local government, schools and community groups | * 50 engagements with schools * 7 community events (hosted by us involving the community) | Annual Report |
| | L3 Victorian water bills are amongst the lowest in Australia | Total residential bills based on a) average consumption b) 200kl consumption | For 2017/18 LMW's total residential bills, based on measurement at 492kl average consumption and 200KL consumption, achieved the following results: a) \$969.53 b) \$771.16 | Annual Report |
| | L4 Hardship programs | a) Percentage of customers on instalment plans b) number of customers applied and awarded hardship grants | * Debt Recovery Policy NOTE: figures for the Hardship Relief Grant Scheme for Sewerage Connections are not available to us as payment goes directly to the plumber | No report required |

Governance and Obligations

Letter of Expectations

| Priority Area | KPI | Measure | LMW Actions | Reporting |
|---|---|---|---|-------------------------------------|
| 5. Recognising recreational values support the wellbeing of rural and regional communities by considering the recreational values in water management | Explicit inclusion of recreational values in water / waterway planning, information provision and infrastructure | Report on efforts taken to work with community members and other government agencies to explore cost effective opportunities to provide complementary social, recreational and economic benefits | <ul style="list-style-type: none"> * DELWP review of recreational values in Sunraysia (tour of Lake Cullulleraine / Lake Hawthorn / Kings Billabong August 2017) * Collaboration with Councils, CMAs through Lake Hawthorn Steering Committee, Riverwatch, MCMA committees, VEWH and CEWH projects as required | Annual Report |
| 6. Leadership and Culture Water corporations reflect the needs of our diverse communities | G1 Gender and cultural diversity in workforce including gender equity in executive leadership | <ul style="list-style-type: none"> * Diversity Inclusion Plan/s provided to DELWP to establish baseline for each water corporation * Follow up on annual basis for predicted increase in the number of females occupying senior executive positions over a five-year period * Adopt a 1% target for Aboriginal people in the business consistent with Vic government policy and commit to a stretch target of 3% by 2020 (DELWP policy) * Increase capacity of Traditional Owners to participate in boards and committees | <ul style="list-style-type: none"> * Diversity and Inclusion Strategy (submitted to the Board in November 2016) * Board and Management Diversity Working Group formed (June 2018) * Diversity and Inclusion Annual Plan (by 30 December 2018) * Recruitment practices updating including 50/50 gender mix shortlist, offering flexible options, using a balance panel approach * Target for Aboriginal representation in Diversity and Inclusion Strategy is greater than 1% requirement * Business case to engage an Aboriginal Water Officer (DELWP Aboriginal Water Grants March 2018 unsuccessful, investigating submission to second tranche of funding) * Reconciliation Action Plan (Draft Reflect component submitted to Reconciliation Australia June 2018) | Annual Report |
| | | Number of respondents to the VPSC People Matter Survey from each water corporation to increase over time. Results indicate favourable response to implementation of diversity inclusion plan | <ul style="list-style-type: none"> * People Matter Survey response rate - 42% May 2017 - 36% June 2014 - 34% July 2012 | No report required |
| | G2 Annual board performance report prepared | Board performance report submitted in a timely manner with recommendations for continuous improvement | * Review by Integrity Governance of Board Performance (submitted) | No report required |
| | G3 Health and Safety | Performance indicators adopted to monitor occupational health and safety in line with FRD 22G, section 6.10. | <ul style="list-style-type: none"> * We participate in the WSAA Health and Safety Excellence Project * OHS Management System AS4801 Alignment Project (2018-2020) | Annual Report |
| 7. Financial Sustainability Delivering safe and cost-effective water and wastewater services in a financially sustainable way | F1 interest cover F2 gearing ration F3 internal financing ratio F4 current ratio F5 return on Assets F6 return on equity F7 EBITDA Margin F8 Credit rating | Maintenance or improvement in credit rating | * Monthly Finance Reporting to Board includes progress against financial indicators | Annual Report F1 to F7 only (MRD01) |

Governance and Obligations

Governance Committee

The objectives of the Governance Committee are:

- to assist the Board in the discharge of 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 arrangements for executive remuneration; and
- to assist the Board in the discharge of its duty with regard to its employment responsibilities for the Managing Director

The Governance Committee has fulfilled their required responsibilities as per the Terms of Reference.

| Governance Committee | | |
|------------------------|-----------------------|--------------------|
| Directors | July 2017 - June 2018 | |
| | Attended | Eligible to Attend |
| *Liza McDonald (Chair) | 2 | 3 |
| Sharyon Peart | 4 | 5 |
| *Michelle Oates | 3 | 3 |
| *Warren Lloyd | 3 | 3 |
| Philip Endley | 5 | 5 |
| **Guy Kingwill | 2 | 2 |
| ** Kay Martin (Chair) | 2 | 2 |

*Directors appointed 1 October 2017

** Directors left Committee 1 October 2017

*** Philip Endley left Committee 29 June 2018

Finance and Audit Committee

The responsibilities of the Finance and Audit Committee include oversight and review of:

- Internal audit
- External audit
- Financial reporting matters
- Compliance with the laws, regulations and internal policies
- Internal control

The Finance and Audit Committee has fulfilled their required responsibilities as per the Terms of Reference.

All members of the Finance and Audit Committee are independent non-executive directors with the exception of Glen Hornsby, who is an independent externally appointed member.

| Finance and Audit Committee | | | |
|-----------------------------|----------------------------------|-----------------------|--------------------|
| Name | Term | July 2017 - June 2018 | |
| | | Attended | Eligible to attend |
| Jason Kambovski (Chair) | 1 July 2017 to 30 June 2018 | 5 | 6 |
| Cheryl Rix | 1 July 2017 to 30 June 2018 | 6 | 6 |
| *Guy Kingwill | 1 October 2017 to 30 June 2018 | 3 | 4 |
| Glen Hornsby | 1 July 2017 to 30 June 2018 | 4 | 6 |
| **Tony Mathews | 1 July 2017 to 30 September 2017 | 2 | 2 |
| **Liza McDonald | 1 July 2017 to 30 September 2017 | 1 | 2 |

* Directors Appointed to Committee - 1 October 2017

** Directors left Committee - 1 October 2017

Risk Committee

This committee assists the Board in carrying out its duties by:

- providing independent and objective review
- monitoring corporate activity within the scope of its remit
- making recommendations to the Board for resolution
- assisting the Board in the Corporation's governance and exercising of due care, diligence and skill in relation to risk management.

The Risk Committee has fulfilled their required responsibilities as per the Terms of Reference.

| Risk Committee | | |
|------------------------|-----------------------|--------------------|
| Directors | July 2017 - June 2018 | |
| | Attended | Eligible to Attend |
| Guy Kingwill (Chair) | 5 | 5 |
| *Sharyon Peart | 2 | 2 |
| *Rob Fowler | 1 | 2 |
| *Warren Lloyd | 2 | 2 |
| **Tony Mathews (Chair) | 3 | 3 |
| **Cheryl Rix | 2 | 3 |

* Directors Appointed to Committee - 1 October 2017

** Directors left Committee - 1 October 2017

Financial Management Compliance Attestation Statement

I, Cheryl Rix, on behalf of the Lower Murray Water Board, certify that Lower Murray Water Urban and Rural Water Corporation has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions.



Cheryl Rix
Chair
Lower Murray Water Urban and Rural Water Corporation
29 August 2018

Advertising campaigns valued at \$100,000

Our expenditure in the 2017/18 reporting period on government advertising campaigns did not exceed \$100,000.

Consultancies over \$10,000

In 2017/18, there were 32 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017/18 in relation to these consultancies was \$2,354,691.29 (excl. GST). Details of the individual consultancies are outlined on our website at www.lmw.vic.gov.au

Consultancies under \$10,000

In 2017/18, there were 30 consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2017/18 in relation to these consultancies was \$89,084.66 (excl. GST).

Compliance with the building and maintenance provisions of the Building Act 1993

We maintain our 46 buildings in accordance with the statutory requirements of the *Building Act 1993*, *Building Regulations 2018* and the National Construction Code. We have mechanisms in place to ensure our buildings conform with the necessary building standards.

We have an asset management system to regulate our mechanisms for inspection, reporting, scheduling and carrying out of rectification and maintenance works on existing buildings.

During 2017/18 we did not undertake any major works projects on our buildings, there were no building or occupancy permits, emergency orders and/or building orders issued in relation to the buildings we own or control.

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. The Act allows us to refuse access, either fully or partially, to certain documents or information. If an applicant is not satisfied by a decision made by us, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter. Our Authorised Officer is Matthew Wilkes, Coordinator Compliance. Requests under FOI must be in writing, addressed to:

FOI Officer
Matthew Wilkes
Coordinator Compliance
PO Box 1438
Mildura Vic 3502
Email: matthew.wilkes@lmw.vic.gov.au

An application fee of \$28.90 applies and all requests should clearly identify what types of material/documents are being sought. During 2017/18 we received one request from the general public which had yet to be finalised at the time of this report.

Capital Projects

We did not complete any capital projects that exceeded the Total Estimated Investment disclosure threshold of \$10 million during the 2017/18 year.

Information and Communication Technology Expenditure (ICT)

For the 2017/18 reporting period, we had a total ICT expenditure of \$3,790,000 with the details shown below:

| All operational ICT expenditure | ICT expenditure relating to projects to create or enhance ICT capabilities | | | |
|---------------------------------|--|-------------------------------------|--------------------------------|-----------------------------|
| | Business As Usual (BAU) ICT expenditure | Non-Business As Usual (Non-BAU) ICT | Operational Expenditure (OPEX) | Capital Expenditure (CAPEX) |
| \$3,631,000 | \$159,000 | \$0.00 | \$128,000 | |

- ICT expenditure—refers to our costs in providing business-enabling ICT services. It comprises Business As Usual (BAU), ICT Expenditure and Non-Business As Usual (Non-BAU) ICT Expenditure
- Non-BAU ICT expenditure relates to extending or enhancing our current ICT capabilities
- BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

Local Jobs First—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. Local Jobs First—VIPP aims to foster industry development, by encouraging Victorian government departments and public bodies to genuinely consider Victorian, Australian and New Zealand supply. We are required to apply Local Jobs First—VIPP in all procurement and project activities valued at \$1 million or more.

- *Contracts commenced to which Local Jobs First—VIPP applied:* 0
- *Contracts completed to which Local Jobs First—VIPP applied:* 0

Major Contracts

We did not award any major contracts (valued at \$10million or more) during 2017/18.

A major contract is a contract entered into during the reporting period valued at \$10 million or more.

Competitive Neutrality Policy Victoria (CNP)

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service. We continue to comply with the requirements of the Competitive Neutrality Policy.

Privacy and Data Protection Act 2014

Protection of privacy, personal and health information is an important aspect of our operations. We are bound to comply with the *Privacy and Data Protection Act 2014*, the *Health Records Act 2001* and the *Charter of Human Rights & Responsibilities Act 2006*. Our Privacy and Data Protection Policy and Privacy Charter are available at www.lmw.vic.gov.au and upon request at any of our offices.

Protected Disclosures Act 2012

We are committed to the aims and objectives of the *Protected Disclosures Act 2012*, 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. We are not a public organisation under the Act so disclosures about us, our employees, officers or members must be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

Address: GPO Box 24234
Melbourne Vic 3001
Website: www.ibac.vic.gov.au
Phone: 1300 735 135

Although we are not able to receive disclosures, we have in place a procedure, as required under Section 58 of the Act, setting out how we will protect people

against detrimental action that might be taken against them in reprisal for making a protected disclosure or cooperating in an investigation into a protected disclosure complaint. Our procedure may be accessed at www.lmw.vic.gov.au

Statement of Availability of Other Information

The following information is available on request, subject to the *Freedom of Information Act 1982* and the *Privacy and Data Protection Act 2014*:

Details of:

- publications produced by us about our Corporation and how these can be obtained
- changes in prices, fees, charges, rates and levies charged by us
- major promotional, public relations and marketing activities undertaken by us to develop community awareness of our Corporation and our services
- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of any major external reviews carried out by us
- details of major research and development activities undertaken by us.

The following information is located within this report:

- a general statement on industrial relations within our organisation and details of time lost through industrial accidents and disputes
- a list of our major committees, the purpose of each committee and the extent to which the purposes have been achieved

Details of:

- any major external reviews carried out on the organisation (none conducted during 2017/18)
- major research and development activities undertaken by us (none conducted during 2017/18)
- assessments and measures undertaken to improve the occupational health and safety of employees
- all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement

Information not applicable to us:

- details of shares held by a Senior Officer as nominee or held beneficially in a Statutory Authority or subsidiary
- details of overseas visits undertaken (no Board members or staff participated in overseas work-related trips during 2017/18).

Statement of Availability of Other Reportable Information

Subject to the provisions of the *Freedom of Information Act 1982* and *Privacy and Data Protection Act 2014*, all relevant information required under the *Financial Management Act 1994* is available upon request.

Requests for information should be directed to contactus@lmw.vic.gov.au or 03 5051 3400.

Subsequent Events

There were no events occurring after balance date which may significantly affect the Corporation's operation in subsequent reporting periods, which has not already been disclosed within this report.

Performance Report

Financial Performance Indicators

| KPI Number | Key Performance Indicator | 2016-17 Result | 2017-18 Result | 2017-18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| F1 | Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments (times) | 4.80 | 7.92 | 7.20 | 65.0% | 1 | 10.0% | |
| F2 | Gearing Ratio Total debt (including finance leases) / total assets x 100 | 5.58% | 5.11% | 4.90% | -8.4% | - | 4.3% | - |
| F3 | Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure x 100 | 55.37% | 92.35% | 87.80% | 66.8% | 2 | 5.2% | - |
| F4 | Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance) | 1.68 | 1.37 | 3.18 | -18.5% | 3a | -56.9% | 3b |
| F5 | Return on Assets Earnings before net interest and tax / average assets x 100 | -0.96% | -0.52% | -0.33% | -45.8% | 4a | 57.6% | 4b |
| F6 | Return on Equity Net profit after tax / average total equity x 100 | -1.13% | -0.76% | -0.60% | -32.7% | 5a | 26.7% | 5b |
| F7 | EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100 | 26.23% | 32.71% | 35.6% | 24.7% | 6a | -8.1% | 6b |

Notes: Variances greater than 10% described below

1. Cash receipts from service and usage charges were \$2.1M higher than 2016/17 which was due to the prior year having a higher than average rainfall, resulting in a decline in demand for water compared to the hot and dry 2017/18 year.
2. Internal Financing Ratio for 2017/18 increased significantly from 2016/17 due to a \$9.6M increase in net operating cash flow, with the majority due to the prior year creditors payments being \$9M higher than current year.
- 3a. In the 2016/17 year, the corporation held higher levels of cash for the SMP project which reduced throughout the 2017/18 year. The current ratio is impacted by the change in cash holdings being \$5.7M less in 2017/18.
- 3b. The unfavourable current ratio variation compared to target is due to cash holdings being \$6.8M lower. Current liabilities were also higher with reclassification of employee benefits contributing to increased liabilities of \$3.7M. The Corporate Plan target defines long service leave provisions as a non-current liability, thus reducing the current liability value used in the target calculation.
- 4a. The favourable movement in the return on assets compared to 2016/17 is attributed to EBIT being \$4.1M higher than the prior year. Prior year results were affected by higher rainfall which reduced water usage revenue as well as Blackwater and Blue Green Algae events and the decommissioning of assets after completion of SMP.
- 4b. The unfavourable variance between the target and actual return on assets was due to an increased deficit of \$1.3M. Factors affecting EBIT were increases in costs relating to consultants, irrigation reticulation maintenance and settlement of litigation.

Performance Report

Financial Performance Indicators continued

Notes continued:

- 5a. The favourable movement in return on equity compared to prior year is due to the net loss after tax being \$2.8M lower in the current year, with prior year revenue less due to higher rainfall and increased expenditure associated with Blackwater and Blue Green Algae events and decommissioning of redundant assets after completion of SMP.
- 5b. The unfavourable variance between the target and return on equity is due to an increased net loss after tax of \$1.2M compared to target. Factors affecting the result were increases in costs relating to consultants, irrigation reticulation maintenance and Lehman Brothers settlement.
- 6a. The EBITDA result is \$5.3M higher than prior year due to increased water usage revenue as well as a decrease in expenditure from prior year costs relating to Blackwater and Blue Green Algae events and write off of redundant assets after SMP completion.
- 6b. The EBITDA target has been restated from -4.8% to 35.6% as an error was detected with the Corporate Plan's financial templates. The correct target was supplied to DELWP within its submission of the corporate plan's financial templates.

Water and Sewerage Service Performance Indicators

| KPI Number | Key Performance Indicator | 2016-17 Result | 2017-18 Result | 2017-18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| WS1 | Unplanned Water Supply Interruptions No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100 | 0.00% | 0.00% | 0.05% | 0.0% | | -100.0% | 7 |
| WS2 | Interruption Time Average duration of unplanned water supply interruptions (minutes) | 57.02 | 59.33 | 63.73 | 4.1% | | -6.9% | 8 |
| WS3 | Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100 | 99.42% | 99.37% | 99.48% | -0.1% | | -0.1% | |
| SS1 | Containment of Sewer Spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers | 100% | 100% | 97.0% | 0.0% | | 3.1% | |
| SS2 | Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours | 100% | 99% | 99.6% | -1.0% | | -0.6% | |

Notes: Variances greater than 5% described below

7. Favourable variance to target is due to no unplanned interruptions. The 2017-18 Corporate Plan target was expressed as a number (15 customers receiving 5 unplanned interruptions) as presented in the LMW urban customer charter. The target has been disclosed in this performance report as a percentage as per the KPI definition.
8. Favourable variance to target is in line with previous years results showing a consistent approach to responding and addressing unplanned interruptions to customers.

Customer Responsiveness Performance Indicators

| KPI Number | Key Performance Indicator | 2016-17 Result | 2017-18 Result | 2017-18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|--|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| CR1 | Water Quality Complaints No. of complaints per 1000 customers | 3.863 | 1.000 | 0.424 | -74.1% | 9a | 135.8% | 9b |
| CR2 | Sewerage Service Quality Complaints No. of complaints per 1000 customers | 0.010 | 0.034 | 0.126 | 240.0% | 10a | -73.0% | 10b |
| CR3 | Sewer Odour Complaints No. of complaints per 1000 customers | 0.310 | 0.102 | 0.892 | -67.1% | 11a | -88.6% | 11b |
| CR4 | Billing Complaints No. of complaints per 1000 customers | 0.290 | 0.444 | 1.322 | 53.1% | 12a | -66.4% | 12b |

Notes: Variances greater than 5% described below

- 9a. Favourable variance to prior year saw a significant decrease in colour, taste and odour complaints from 2016-17. This was attributed to the return of mostly normal climate conditions and river water quality with the exception of heat wave conditions during summer, as a result powdered activated carbon (PAC) dosing was increased at treatment plants to address organic taste and odour during this event. LMW undertook mains flushing on most occasions which resolved water quality issues.
- 9b. Unfavourable variance to prior year result however LMW's sewerage complaints are very low, generally 1 - 2 complaints annually which are mainly due to root blockages. LMW have an ongoing sewer main maintenance program which keeps LMW's sewer service complaints to low occurrences.
- 10a. Unfavourable variance to prior year result however LMW's sewerage complaints are very low, generally 1 - 2 complaints annually which are mainly due to root blockages. LMW have an ongoing sewer main maintenance program which keeps LMW's sewer service complaints to low occurrences.
- 10b. Favourable variance to target is due to customers experiencing the benefits of LMW's ongoing sewer main maintenance program.
- 11a. Favourable variance to prior year is a result of a decrease in sewer odours complaints this year three (3) compared with nine (9) last year. Two (2) of these complaints related to pump stations one each in Swan Hill and Kerang which saw crews remove a beehive from a sewer vent, along with changing filter material and the removal of three (3) septic tank systems upstream to eliminate odour at another. The remaining one (1) in Mildura was investigated and warranted no further action.
- 11b. LMW's favourable variance to target can be attributed to our ongoing sewer maintenance program and rectification work at some sewer sites which had ongoing issues.
- 12a. The unfavourable variance to prior year result saw an increase of five (5) billing complaints to fifteen (15) up from the previous year number of ten (10). The majority of complaints centred around high consumption which is attributed to the heat wave conditions the region experienced over summer. To ensure customers do not experience bill shock in periods of sustained summer high temperature periods, LMW have committed to further communicate and educate customers on efficient and water saving methods.
- 12b. Favourable variance to target as the Corporate Plan's target is based on past complaints over a five year period. The corporate plan's prescribe method to set targets is to use the averaged time period however for LMW includes the high number of complaints received during the 2011 floods and 2012 hot and dry weather conditions. As these years with abnormal weather conditions cycle out of the averaging period, LMW's targets will reduce to reflect our operations in normal weather conditions.

Performance Report

Environmental Performance Indicators

| KPI Number | Key Performance Indicator | 2016-17 Result | 2017-18 Result | 2017-18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|--|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| E1 | Effluent Re-Use Volume (End Use) | 43.30% | 63.38% | 60.0% | 46.4% | 13a | 5.6% | 13b |
| E2 | Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent | 19,094 | 21,021 | 18,180 | 10.1% | 14a | 15.6% | 14b |

Notes: Variances greater than 5% described below

- 13a/b. Favourable variance to prior year and target is attributed to the dryer weather conditions in 2017-2018 and better utilisation of the available land, which has consequently led to the need for more water. In addition, a total of 102.17ML was recycled at the Merbein waste water treatment plant which was intended to reduce the level of water in the wet weather storage, reduce potential odour issues as part of a plan to decommission this waste water treatment plant.
- 14a. Unfavourable result to the prior year reflects the region's population growth and dry weather conditions in 2017-18. In addition, LMW constructed a hardstand to store biosolids which has seen no movement of biosolids off LMW's Koorlong waste water site.
- 14b. Unfavourable result to target which is attributed to the 2017-18 hot weather conditions creating higher energy usage to treat and supply higher customer water usage. LMW has started to invest in alternative energy sources being our own solar installations. With the progressive roll out of onsite solar power generation at various sites in our northern region, LMW will start to see a decrease in emissions in the coming years.

Water (Rural) Service Performance Indicators

| KPI Number | Key Performance Indicator | 2016-17 Result | 2017-18 Result | 2017-18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|---|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| WSR1 | Rural Water Supply Deliveries | 99.88% | 99.74% | 95.0% | -0.1% | | 5% | 15a |
| WSR2 | Unavailability of Domestic and Stock Supply Duration that domestic and stock service is unavailable in excess of on-property storage | 0.0% | 0.0% | 0.0% | 0.0% | | 0.0% | |
| WSR3 | Groundwater Supply Number of transfers processed within target period / total number of transfers processed x 100 | 0.0% | 0.0% | 0.0% | N/A | 16a | N/A | 16a |

Notes: Variances greater than 5% described below

- 15a. Favourable variance to target is due to the lower target set allowing for possible interruptions for installation of major works for the Sunraysia Modernisation Project. The target has been revised for 2018-19 now that the project has been completed.
- 16a. LMW do not process transfers from groundwater supplies.

Performance Report

Customer (Rural) Responsiveness Performance Indicators

| KPI Number | Key Performance Indicator | 2016-17 Result | 2017-18 Result | 2017-18 Target | Variance to Prior Year | Notes | Variance to Target | Notes |
|------------|--|----------------|----------------|----------------|------------------------|-------|--------------------|-------|
| CRR4 | Billing Complaints No. of complaints per 1000 customers | 0.330 | 0.000 | 2.190 | -100.0% | 17a | -100.0% | 17b |
| E2 | Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent | 23084 | 23966 | 21914 | 3.8% | | 9.4% | 18b |

Notes: Variances greater than 5% described below

- 17a. The favourable variance to prior year is due to no complaints being recorded for the 2017-18 year against two (2) complaints recorded in 2016-17.
- 17b. Favourable variance to target as expected. The Corporate Plan's prescribe method to set targets is to use than averaged 5 year time period however for LMW includes the high number of complaints received during the 2011 floods and 2012 hot and dry weather conditions. As these years with abnormal weather conditions cycle out of the averaging period, LMW's targets will reduce to reflect our operations in normal weather conditions.
- 18a. Unfavourable result compared to the target year which is mainly due to higher energy consumption used at the pump stations to deliver irrigation water throughout the hot and dry year of 2017-18. The LMW irrigation districts are experiencing growth with rejuvenation occurring to previously dried off properties. now that the region is experiencing better commodity prices for the crops produced. now that the region is experiencing better commodity prices for the crops produced.

Certification of Performance Report for 2017/18

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect of the 2017/18 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 responsible Minister and as set out in the 2017/18 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined 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 Performance Report to be misleading or inaccurate.



Cheryl Rix
Chair



Philip Endley
Managing Director



Julie Campbell
Chief Financial Officer

Dated this day of 29 August 2018

Independent Auditor's Report

To the Board of the Lower Murray Urban and Rural Water Corporation

| | |
|---|---|
| Opinion | <p>I have audited the accompanying performance report of the Lower Murray Urban and Rural Water Corporation (the corporation) for the year ended 30 June 2018, which comprises the:</p> <ul style="list-style-type: none"> • financial performance indicators • water and sewage service performance indicators • customer responsiveness performance indicators • environmental performance indicators • water (rural) service performance indicators • customer (rural) responsiveness indicators • certification of performance report. <p>In my opinion, the performance report of the corporation for the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the <i>Financial Management Act 1994</i>.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance report in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the performance report | <p>The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the <i>Financial Management Act 1994</i> and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p> |
| Auditor's responsibilities for the audit of the performance report | <p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.</p> <p>Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.</p> |

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 corporation's internal control.
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
5 September 2018



Paul Martin
as delegate for the Auditor-General of Victoria

2017/18 Financial Summary

Financial Review

Our net operating result after tax was an improvement on 2016-17 with a loss of \$5.7M and short of the Corporate Plan target net operating loss of \$4.3M.

Total revenue of \$69.3M exceeded the Corporate Plan target by \$3M with developer contributions (additional \$1.3M), allocation water trading of (additional \$0.46M) and administration property related other revenue (additional \$0.29M) being the main drivers. During 2017-18 LMW has seen high customer property turn-over along with increased growth throughout the Mildura region ensuring that our customer base, particularly in the urban sector, continues to grow.

Water usage charges and other revenue categories had minor variances when compared to Corporate Plan target.

Operating expenditure exceeded the corporate plan target of \$72.8M by \$4.3M. LMW had unexpected expenses due to varying factors which included; rate write-offs \$0.68M, SMP infrastructure and technology implementation \$0.65M, depreciation \$0.64M, asset write-offs \$0.48M, consultants \$0.46M, additional algae water quality treatment \$0.30M, legal settlement \$0.28M, new data protection requirements (VDPSS) \$0.1M. There were other minor variances across several expenditure categories.

LMW's net cash flow from operations of \$21.2M indicates that whilst a statutory accounting loss is recorded, LMW remains in a viable and strong financial position.

Actual capital investment was \$22M for 2017-18 compared to the \$21.4M capital program target in the Corporate Plan.

Summary of Financial Performance

| Financial Summary | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|----------------|----------------|----------------|----------------|----------------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Core Business Revenue | 55,642 | 57,965 | 60,233 | 60,386 | 64,335 |
| Capital Contributions | 2,768 | 2,577 | 2,081 | 3,683 | 3,538 |
| Government Contributions | 2,000 | 2,550 | 1,500 | 1,125 | 0 |
| Other Revenue | 3,599 | 4,609 | 4,824 | 1,081 | 1,432 |
| Total Revenue | 64,009 | 67,701 | 68,638 | 66,275 | 69,305 |
| Depreciation Expense | 24,550 | 25,874 | 28,425 | 26,250 | 27,433 |
| Borrowing Cost Expenses | 4,070 | 3,865 | 3,664 | 3,474 | 3,265 |
| Other Expenses | 39,190 | 46,405 | 49,302 | 48,484 | 46,447 |
| Total Expenditure | 67,810 | 76,144 | 81,391 | 78,208 | 77,145 |
| Net result before tax | -3,801 | -8,443 | -12,753 | -11,933 | -7,840 |
| Current Assets | 56,454 | 73,761 | 38,675 | 26,798 | 21,506 |
| Non Current Assets | 777,451 | 802,780 | 896,733 | 887,683 | 884,131 |
| Total Assets | 833,905 | 876,541 | 935,408 | 914,481 | 905,637 |
| Current Liabilities | 20,081 | 26,425 | 19,087 | 15,957 | 15,657 |
| Non Current Liabilities | 163,089 | 157,292 | 169,670 | 161,091 | 156,566 |
| Total Liabilities | 183,170 | 183,717 | 188,757 | 177,048 | 172,223 |
| Net cash flow from operations | 21,388 | 18,218 | 21,798 | 11,650 | 21,270 |
| Payments for property, plant and equipment (including infrastructure) | 20,968 | 44,224 | 67,338 | 20,985 | 23,031 |

2017/18 Financial Summary

| Performance Indicator | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|--------------------------|---|---------|---------|---------|---------|
| Internal Financing Ratio | 99.53% | 40.95% | 32.18% | 55.50% | 92.35% |
| Gearing Ratio | 7.99% | 6.88% | 5.74% | 5.58% | 5.11% |
| Interest Cover (EBIT) | Not supplied as a performance indicator | | | | |
| Interest Cover (Cash) | 6.90 | 7.29 | 8.79 | 4.82 | 7.92 |
| Return on Assets | -0.02% | -0.65% | -1.10% | -0.92% | -0.52% |
| Return on Equity | -0.40% | -0.87% | -1.18% | 1.13% | -0.76% |

Loan Liability as at 30 June 2018

| LOAN NO | PURPOSE | PERIOD | AMOUNT RAISED | INT. RATE | REDEEMED | LIABILITY |
|---|---------|---------|----------------------|-----------|---------------------|----------------------|
| SEWERAGE DISTRICT | | | | | | |
| TCV1 | | 11 - 41 | 20,000,000.00 | 5.835 | 2,376,895.10 | 17,623,104.90 |
| TCV6302 | | 11 - 18 | 1,000,000.00 | 5.545 | 1,000,000.00 | 0.00 |
| 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 |
| TOTAL SEWERAGE DISTRICT | | | 25,000,000.00 | | 3,376,895.10 | 21,623,104.90 |
| TOTAL LOAN LIABILITY - SEWERAGE DISTRICT | | | 25,000,000.00 | | 3,376,895.10 | 21,623,104.90 |
| FIRST MILDURA IRRIGATION DISTRICT | | | | | | |
| TCV15656 | | 12 - 22 | 1,000,000.00 | 4.755 | 0.00 | 1,000,000.00 |
| TCV29877 | | 13 - 21 | 1,000,000.00 | 4.260 | 0.00 | 1,000,000.00 |
| TCV29878 | | 13 - 23 | 1,000,000.00 | 4.545 | 0.00 | 1,000,000.00 |
| TCV29879 | | 13 - 23 | 2,000,000.00 | 4.600 | 0.00 | 2,000,000.00 |
| TOTAL MILDURA IRRIGATION | | | 5,000,000.00 | | 0.00 | 5,000,000.00 |
| ROBINVALE IRRIGATION DISTRICT | | | | | | |
| TCV1 | | 11 - 41 | 20,000,000.00 | 5.835 | 2,376,895.10 | 17,623,104.90 |
| TCV17909 | | 12 - 18 | 1,000,000.00 | 3.760 | 1,000,000.00 | 0.00 |
| 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 | 2,000,000.00 | 0.00 |
| TOTAL ROBINVALE IRRIGATION | | | 25,000,000.00 | | 5,376,895.10 | 19,623,104.90 |
| TOTAL LOAN LIABILITY - IRRIGATION | | | 30,000,000.00 | | 5,376,895.10 | 24,623,104.90 |
| TOTAL LOAN LIABILITY - CORPORATION | | | | | | 46,246,209.80 |

2017/18 Financial Summary

Consultancies—over \$10,000

| Consultancy Name and Project Reference | Start Date | End Date | Expenditure 2017/2018 | Future expenditure (Excl GST) |
|--|------------|------------|--------------------------|-------------------------------------|
| | | | \$ | \$ |
| AURECON AUSTRALIA | | | | |
| Mildura WTP Assessment, Design, Roadworks & Surfacing | 1/09/2017 | 31/03/2018 | 9,900.00 | |
| Upgrade to 14th Street Yard | 1/10/2017 | 31/01/2018 | 11,600.00 | |
| AUSSAFE CONSULTING | | | | |
| OH&S Management System Review | 1/06/2018 | 30/06/2018 | 14,900.36 | |
| BBTECH CONSULTING | | | | |
| 2018 SDWA Audit LMW | 1/06/2018 | 30/06/2018 | 17,750.00 | |
| BLACK FALCON CONSULTING | | | | |
| EMP & Exercises Phase Three | 1/12/2017 | 31/12/2017 | 13,870.51 | |
| CARDNO VICTORIA | | | | |
| GI Carousel Mildura WTP | 1/04/2018 | 30/04/2018 | 78,260.00 | |
| DELOITTE FINANCE | | | | |
| 2018 Financial Modelling | 1/09/2017 | 30/09/2017 | 29,625.00 | |
| DEPARTMENT OF ENVIRONMENT LAND WATER & PLANNING | | | | |
| Valuation of various properties | 1/07/2017 | 30/06/2018 | 23,822.73 | |
| Monitoring Costs - various | 1/07/2017 | 30/06/2018 | 60,809.65 | |
| Northern EWA Costs | 1/11/2017 | 30/11/2017 | 15,705.72 | |
| DM ENGINEERING | | | | |
| Air Conditioner Consultancy | 1/04/2018 | 30/06/2018 | 7,000.00 | 15,000.00 |
| B Relift Flowmeter | 1/02/2018 | 31/05/2018 | 1,500.00 | |
| Merbein PS Bearing Test | 1/02/2018 | 28/02/2018 | 1,000.00 | |
| Robinvale Surge | 1/11/2017 | 30/11/2017 | 2,725.00 | |
| SMP Consultancy | 1/07/2017 | 30/06/2018 | 49,350.00 | |
| Solar Consultancy | 1/10/2017 | 30/06/2018 | 49,638.00 | 50,000.00 |
| Technical Services | 1/07/2017 | 30/06/2018 | 6,974.50 | 10,000.00 |
| ENVIROPAX PTY LTD | | | | |
| LMW OHS Management System Alignment | 1/12/2017 | 31/01/2018 | 10,591.00 | |
| ERNST & YOUNG | | | | |
| Retail Electricity Costs Forecast | 1/09/2017 | 30/09/2017 | 17,000.00 | |
| Victoria Protective Data Security Review | 1/09/2017 | 31/05/2018 | 92,066.00 | |
| GHD PTY LTD | | | | |
| Channel Lining Report | 1/09/2017 | 31/03/2018 | 40,969.35 | 70,000.00 |
| Solar Consultancy | 1/02/2018 | 30/06/2018 | 88,382.99 | |
| EIP Red Cliffs WTP | 1/05/2018 | 30/06/2018 | 9,572.00 | |
| EIP Swale Irrigation Koorlong WWTP | 1/09/2017 | 31/12/2017 | 15,327.00 | |
| Kerang Outfall Rising Main Hydraulic | 1/02/2018 | 30/06/2018 | 17,812.00 | |
| Kerang Treated Water Pump Assessment | 1/08/2017 | 31/12/2017 | 13,180.00 | |
| LMW AMAF Gap Analysis, Review & Implementation Support | 1/12/2017 | 31/05/2018 | 16,806.99 | |
| LMW Mildura West WTP Design & Coating | 1/07/2017 | 30/09/2017 | 49,586.00 | |
| LMW Pricing Submission Report | 1/09/2017 | 30/09/2017 | 46,666.00 | |
| LMW Secondment - Various | 1/05/2018 | 30/06/2018 | 59,463.72 | 50,000.00 |
| Mildura Central Pump Station Rising Main | 1/06/2018 | 30/06/2018 | 23,124.00 | 100,000.00 |
| Mildura Master Plan | 1/07/2017 | 30/11/2017 | 27,204.00 | |
| Mildura WWTP Carousel Aeration Basin | 1/04/2018 | 30/06/2018 | 40,428.00 | |
| Risk Assessment Red Cliffs WTP | 1/10/2017 | 31/10/2017 | 7,000.00 | |
| Riverside and 16th Ecological Assessment | 1/04/2018 | 30/04/2018 | 6,362.00 | |
| SMP Principals Consultancy | 1/09/2017 | 30/09/2017 | 30,347.98 | |
| Swan Hill Master Plan | 1/07/2017 | 31/07/2017 | 5,275.00 | |
| Water Supply Miscellaneous Advice | 1/09/2017 | 31/05/2018 | 17,541.00 | |
| GLOBAL SAFETY | | | | |
| Annual GSI Membership | 1/12/2017 | 31/12/2017 | 11,022.71 | |
| GREEN TECHNOLOGY | | | | |
| IWN Flagship | 1/10/2017 | 31/10/2017 | 15,815.00 | |

2017/18 Financial Summary

Consultancies—over \$10,000 continued

| Consultancy Name and Project Reference | Start Date | End Date | Expenditure 2017/2018 | Future expenditure (Excl GST) |
|--|------------|------------|--------------------------|-------------------------------------|
| HUNTER H2O HOLDINGS PTY LTD | | | | |
| Concept Design UV Upgrade | 1/10/2017 | 31/03/2018 | 13,998.06 | |
| Electrical and Automation review | 1/07/2017 | 31/10/2017 | 22,327.50 | |
| LMW Scada & PLC Development | 1/10/2017 | 31/12/2017 | 134,235.76 | |
| Mildura WTP Power Upgrade | 1/04/2018 | 30/06/2018 | 66,857.00 | |
| Kerang RWPS and Genset | 1/06/2018 | 30/06/2018 | 4,560.00 | |
| INTEGRITY GOVERNANCE | | | | |
| Review of the Governance Performance | 1/01/2018 | 30/06/2018 | 25,577.27 | |
| JACOBS GROUP | | | | |
| Generators project | 1/01/2018 | 31/05/2018 | 32,217.00 | |
| 17th Street High Pressure Network Surge | 1/06/2018 | 30/06/2018 | 2,621.25 | |
| Option for Lining Central RM | 1/04/2018 | 30/04/2018 | 15,618.00 | |
| KAPISH SERVICES | | | | |
| HPE Content Manager Upgrade | 1/10/2017 | 31/10/2017 | 16,092.28 | |
| MURRAY CONSULTING | | | | |
| Trade Waste Pricing Model review | 1/08/2017 | 30/11/2017 | 13,074.77 | |
| PAMP HOLDING PTY LTD | | | | |
| Financial Services | 1/07/2017 | 30/06/2018 | 143,893.75 | |
| PRATT NALDER | | | | |
| Corporate Services Support | 1/04/2018 | 31/05/2017 | 11,947.50 | |
| PRICE MERRETT | | | | |
| Level Survey Swan Hill - Various | 1/09/2017 | 28/02/2018 | 4,450.00 | |
| Watermain replacement Lloyd & Frederick | 1/12/2017 | 31/12/2017 | 2,400.00 | |
| Merbein Irrigation Channel Survey | 1/09/2017 | 30/09/2017 | 26,000.00 | |
| QUINCE CONSULTING | | | | |
| Consultancy Services | 1/06/2018 | 30/06/2018 | 33,412.50 | |
| SAGE AUTOMATION | | | | |
| Control Systems Engineer Support | 1/01/2018 | 31/01/2018 | 20,736.00 | |
| Metermade Scada | 1/03/2018 | 30/04/2018 | 59,778.00 | |
| SCHNEIDER ELECTRICAL | | | | |
| Control System Upgrade | 1/07/2017 | 31/07/2017 | 80,822.00 | |
| LMW Central Citect Server | 1/12/2017 | 31/12/2017 | 2,448.00 | |
| On call support | 1/12/2017 | 31/12/2017 | 3,200.00 | |
| SJ Corporate Pty Ltd | | | | |
| Specialist Board Services | 1/07/2017 | 30/06/2018 | 204,227.00 | |
| SOUTHERN CROSS CONSULTING GROUP | | | | |
| 2016 Tax effect Accounting | 1/07/2017 | 30/06/2018 | 17,250.00 | |
| TB & KL SHORE | | | | |
| Consulting Services | 1/07/2017 | 31/10/2017 | 17,130.00 | |
| SUNRAISIA ENVIRONMENT | | | | |
| Robinvale WWTP Soil Survey | 1/09/2017 | 31/05/2018 | 13,863.20 | |
| TEN CONSULTING (CAMDEN ELEVEN PTY LTD T/AS) | | | | |
| 14th Street Depot Roadworks | 1/11/2017 | 30/11/2017 | 4,430.00 | |
| 7th Street WTP Roadworks | 1/03/2018 | 30/06/2018 | 2,750.00 | 5,000.00 |
| Homemaker Main Sewer Stage 1 & 2 | 1/03/2018 | 31/03/2018 | 1,600.00 | |
| Kerang WTP Automation Project | 1/07/2017 | 30/06/2018 | 126,182.50 | 15,000.00 |
| Koondrook WTP Upgrade | 1/07/2017 | 31/10/2017 | 23,890.00 | |
| Mildura WTP Inlet Upgrade | 1/07/2017 | 30/09/2017 | 7,350.00 | |
| Millewa Chlorine Drum Gantry Monorail | 1/01/2018 | 31/01/2018 | 2,055.00 | |
| W-FLOW PTY LTD | | | | |
| SMP Consulting | 1/09/2017 | 28/02/2018 | 11,000.00 | |
| YARRA VALLEY WATER | | | | |
| Services | 1/07/2017 | 30/06/2018 | 77,422.74 | |
| ZEROHARM SAFETY CONSULTANCY | | | | |
| Occupational Health and Safety Consultation Services | 1/07/2017 | 30/06/2018 | 53,300.00 | |
| GRAND TOTAL | | | 2,354,691.29 | 315,000.00 |

2017/18 Financial Report

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Accountable Officer's and Chief Finance and Accounting Officer's Declaration

The attached financial statements for Lower Murray Urban and Rural Water Corporation has been prepared in accordance with Standing Directions 5.2 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 2018 and the financial position of the Corporation at 30 June 2018.

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 statements for issue on the 29th August 2018.



Cheryl Rix
Chair



Philip Endley
Managing Director



Julie Campbell
Chief Financial Officer

Dated this 29th day of August 2018

Independent Auditor's Report

To the Board of the Lower Murray Urban and Rural Water Corporation

| | |
|--|---|
| Opinion | <p>I have audited the financial report of the Lower Murray Urban and Rural Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Information other than the Financial Report, Performance Report and Auditor's Reports | <p>The Board is responsible for the "other information" included in the corporation's annual report for the year ended 30 June 2018. The other information comprises the information in the annual report but excludes the financial report, the performance report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the annual report and accordingly I do not express any form of assurance conclusion thereon.</p> <p>In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p> |
| Board's responsibilities for the financial report | <p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 corporation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
5 September 2018



Paul Martin
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|---|-------|----------------|-----------------|
| <u>Revenue</u> | | | |
| Service charges | 2.1 | 39,666 | 38,468 |
| Water usage charges | 2.1 | 19,319 | 16,512 |
| Government grants and contributions | 2.2 | 2,192 | 3,363 |
| Developer contributions | 2.3 | 3,538 | 3,701 |
| Other income | 2.4 | 4,590 | 4,231 |
| Total Revenue | | 69,305 | 66,275 |
| <u>Expenses</u> | | | |
| Depreciation and impairment | 4.1.1 | 27,093 | 25,858 |
| Amortisation | 4.2 | 340 | 392 |
| Employee benefits | 3.1.1 | 17,998 | 17,778 |
| Repairs and maintenance expense | 3.2 | 7,032 | 7,470 |
| Supplies and services | 3.3 | 13,260 | 14,080 |
| Net loss on disposal of non-financial assets | 4.1.4 | 58 | 43 |
| Environmental contribution | 8.2 | 1,579 | 1,579 |
| Interest | 6.1.2 | 3,265 | 3,474 |
| Other expenses | 3.4 | 6,520 | 7,534 |
| Total Expenses | | 77,145 | 78,208 |
| Net Result before tax | | (7,840) | (11,933) |
| Income tax (expense)/revenue | 8.1.1 | 2,247 | 3,522 |
| Net result for the Period | | (5,593) | (8,411) |
| <u>Other comprehensive income</u> | | | |
| <i>Items that will not be reclassified to net result</i> | | | |
| Change in physical asset revaluation surplus | 9.1.2 | 2,244 | (1,151) |
| Income tax relating to components of other comprehensive income | 8.1.1 | (673) | 347 |
| Total comprehensive income for the period | | 1,571 | (804) |
| Comprehensive result | | (4,022) | (9,215) |

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

BALANCE SHEET

As at 30 June 2018

| | | Notes | 2018 \$'000 | 2017 \$'000 |
|--------------------------------------|---|-------|----------------|----------------|
| CURRENT ASSETS | | | | |
| | Cash and cash equivalents | 6.2 | 4,228 | 9,962 |
| | Receivables | 5.1 | 9,114 | 8,761 |
| | Other assets | 5.3 | 3,775 | 3,630 |
| | Other non-financial assets | | 372 | 315 |
| | Assets classified as held for sale | 4.3 | 4,017 | 4,130 |
| Total current assets | | | 21,506 | 26,798 |
| NON-CURRENT ASSETS | | | | |
| | Receivables | 5.1 | 175 | 303 |
| | Infrastructure, property, plant and equipment | 4.1.1 | 878,160 | 882,108 |
| | Intangible assets | 4.2 | 5,796 | 5,272 |
| Total non-current assets | | | 884,131 | 887,683 |
| TOTAL ASSETS | | | 905,637 | 914,481 |
| CURRENT LIABILITIES | | | | |
| | Payables | 5.2 | 7,070 | 5,300 |
| | Interest bearing liabilities | 6.1 | 2,784 | 4,740 |
| | Employee benefits | 3.1.2 | 5,803 | 5,917 |
| Total current liabilities | | | 15,657 | 15,957 |
| NON-CURRENT LIABILITIES | | | | |
| | Interest bearing liabilities | 6.1 | 43,462 | 46,246 |
| | Employee benefits | 3.1.2 | 128 | 284 |
| | Net deferred tax liabilities | 8.1.2 | 112,976 | 114,548 |
| | Other liabilities | | - | 11 |
| Total non-current liabilities | | | 156,566 | 161,089 |
| TOTAL LIABILITIES | | | 172,223 | 177,046 |
| NET ASSETS | | | 733,414 | 737,436 |
| EQUITY | | | | |
| | Contributed capital | 9.1.1 | 629,573 | 629,573 |
| | Physical asset revaluation surplus | 9.1.2 | 200,690 | 199,118 |
| | Accumulated deficit | 9.1.3 | (96,849) | (91,256) |
| TOTAL EQUITY | | | 733,414 | 737,435 |

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

| | | Contributed capital | Physical asset revaluation surplus | Accumulated deficit | Total |
|--|-------|---------------------|------------------------------------|---------------------|---------|
| | Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2016 | | 629,573 | 199,923 | (82,845) | 746,651 |
| Total comprehensive income for the year as reported in the 2017 financial report | | - | (805) | (8,411) | (9,216) |
| Balance at 30 June 2017 | | 629,573 | 199,118 | (91,256) | 737,435 |
| Total comprehensive income for the year | 9.1 | - | 1,572 | (5,593) | (4,021) |
| Balance at 30 June 2018 | 9.1 | 629,573 | 200,690 | (96,849) | 733,414 |

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

CASH FLOW STATEMENT

For the year ended 30 June 2018

| | Notes | 2018 \$'000 | 2017 \$'000 |
|--|-------|-----------------|-----------------|
| Cash Flows from Operating Activities | | | |
| Receipts | | | |
| Service and usage charges | | 61,565 | 57,856 |
| Government contributions | | - | 1,125 |
| Interest received | | 190 | 411 |
| Developer Contributions | | 94 | 33 |
| Income for capital purposes | | 3,444 | 3,683 |
| Goods and services tax received from the ATO | | 4,014 | 4,712 |
| Other Receipts | | 3,460 | 4,280 |
| Total Receipts | | 72,767 | 72,100 |
| Payments | | | |
| Payments to suppliers & employees | | (47,712) | (56,723) |
| GST paid to the ATO | | (520) | (254) |
| Interest and other costs of finance paid | | (3,265) | (3,473) |
| Total Payments | | (51,497) | (60,450) |
| Net cash inflows from Operating Activities | 6.2.1 | 21,270 | 11,650 |
| Cash flows from Investing Activities | | | |
| Payments for new infrastructure, property, plant and equipment | | (11,547) | (15,949) |
| Payments for renewal/upgade of infrastructure, property, plant and equipment | | (11,484) | (5,036) |
| Payments for intangible assets | | - | (54) |
| Proceeds from sale of infrastructure, property, plant and equipment | | 767 | 188 |
| Net cash outflows from Investing Activities | | (22,264) | (20,851) |
| Cash Flows from Financing Activities | | | |
| Repayment of borrowings | | (4,740) | (2,698) |
| Net cash (outflows)/inflows from Financing Activities | | (4,740) | (2,698) |
| Net increase/(decrease) in cash and cash equivalents | | (5,734) | (11,899) |
| Cash and cash equivalents at the beginning of the financial year | | 9,962 | 21,861 |
| Cash and cash equivalents at the end of the year | 6.2 | 4,228 | 9,962 |

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT***Basis of Accounting***

The financial report includes separate financial statements for Lower Murray Urban & Rural Water Corporation (Lower Murray Water) 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, directors declaration and notes accompanying these statements for the period ending 30 June 2018. 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. Lower Murray Water is a not-for-profit entity for the purpose of preparing the financial statements.

Where appropriate, those AASs 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 29th August 2018.

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

Reporting Lines of Business

The financial information has been prepared based on Lower Murray Water's main functions which gives a more detailed understanding of the different areas of the business. Lower Murray Water provide potable water and wastewater services to Urban customers (Water and Wastewater). The Rural business includes the delivery of river water for irrigation purposes and the provision of drainage services.

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.

Functional and Presentation Currency

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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 Lower Murray Water's operational cycle.

Rounding

Unless otherwise stated, amounts shown in the financial statements are expressed to the nearest thousand dollars ('000). Figures in the financial statements may not equate due to rounding.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets, and certain classes of infrastructure, property, plant and equipment.

Accounting Estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are made in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- The fair value of land, buildings, infrastructure, plant and equipment (note 4.1.2).
- Estimation of useful life (note 4.1.3 and 4.1.4).
- Impairment of assets (note 4.1.3 and 4.1.4).
- Employee benefit provisions (note 3.1.2).
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing statistics, patterns of leave claims, future salary movements and future discount rates (refer note 3.1.2).

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2. FUNDING DELIVERY OF OUR SERVICES**Introduction**

This section provides additional information about how Lower Murray Water is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Lower Murray Water provides water services and waste water collection to urban areas along the Murray from Koondrook to Merbein. Lower Murray Water provides river quality water services to irrigators and manages private diversion licenses. Lower Murray Water's key source of funding is provided from water services charges and volume based tariffs for water delivered.

Income is recognised to the extent it is probable the economic benefits will flow to Lower Murray Water and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Structure

- 2.1 Service and usage charges
- 2.2 Government grants and contributions
- 2.3 Developer contributions
- 2.4 Other income

2.1 Service and usage charges

| | (\$'000) | | (\$'000) | | (\$'000) | |
|--|---------------|---------------|--------------------|---------------|-----------------------|---------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Water service and trade waste charges | 39,666 | 38,468 | 20,941 | 20,235 | 18,725 | 18,233 |
| Water usage charges | | | | | | |
| - Metered charges | 19,319 | 16,512 | 13,381 | 11,505 | 5,938 | 5,007 |
| Total Service and usage charges | 58,985 | 54,980 | 34,322 | 31,740 | 24,663 | 23,240 |

Water service charges are recognised as revenue when levied or determined. Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a quarterly basis for both Water & Wastewater and Irrigation and Drainage.

Water usage charges are recognised as revenue when the water is provided. Meter reading is undertaken progressively during the year. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.2 Government grants and contributions

| | (\$'000) | | (\$'000) | | (\$'000) | |
|--|--------------|--------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Government contributions (non capital) | - | 1,125 | - | 25 | - | 1,100 |
| Government pensioner rate reimbursement | 2,192 | 2,238 | 2,192 | 2,174 | - | 64 |
| Total Government grants and contributions | 2,192 | 3,363 | 2,192 | 2,199 | - | 1,164 |

Government grants and contributions are recognised as operating revenue when the entity obtains control of the contribution. Control is obtained when the entity receives the grant or contribution and they meet certain other criteria as outlined by AASB 1004 *Contributions*.

Government pensioner rate reimbursements relate to funds reimbursed by government, to Lower Murray Water for concessions attributed to customer accounts.

Grants and contributions received from the Victorian State Government are accounted for as Equity - Contributions by Owners in accordance with FRD 119A *Transfers through Contributed Capital*. (Refer to Note 9.1.1)

2.3 Developer contributions

| | (\$'000) | | (\$'000) | | (\$'000) | |
|---|--------------|--------------|--------------------|--------------|-----------------------|------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Developer contributions | | | | | | |
| - Fees paid by developers | 3,444 | 3,530 | 3,170 | 3,380 | 274 | 150 |
| - Assets or services received from developers | 94 | 171 | 94 | 171 | - | - |
| Total revenue | 3,538 | 3,701 | 3,264 | 3,551 | 274 | 150 |

Developer cash contributions are recognised as revenue when the contribution is received.

Developer contributed assets arise where developers pay for the cost of construction of new assets and subsequently gift these assets to the Corporation, which maintains them in perpetuity. In accordance with the requirements of AASB Interpretation 18 - Transfers of Assets from Customers, AASB 1004 Contributions and AASB 118 Revenue, recognition of income occurs when the risks and rewards of ownership have been transferred to the Corporation. This non-cash revenue is recorded as developer contributed assets. Contributions of assets received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.4 Other income

| | (\$'000) | | (\$'000) | | (\$'000) | |
|------------------------------|--------------|--------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Income from fees | 1,376 | 1,371 | 962 | 988 | 414 | 383 |
| Annual water trade income | 1,560 | 1,075 | 1,538 | 1,046 | 22 | 29 |
| Customer service obligations | 222 | 179 | 222 | 179 | - | - |
| Interest income | 190 | 411 | 84 | 104 | 106 | 307 |
| Sundry income | 1,242 | 1,195 | 639 | 524 | 603 | 671 |
| Total other income | 4,590 | 4,231 | 3,445 | 2,841 | 1,145 | 1,390 |

Income is brought to account when services have been provided or charges determined.

Income from Fees relates to multiple charges such as Meter fees, Subdivision processing fees and Information Statement fees received by Lower Murray Water in relation to subdivision works performed.

Annual water trade income is the on selling of bulk water controlled by Lower Murray Water to customers.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3. THE COST OF DELIVERING SERVICES**Introduction**

This section provides additional information about how Lower Murray Water's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

- 3.1 Our people
 - 3.1.1 Employee benefits - comprehensive operating statement
 - 3.1.2 Employee benefits - balance sheet
 - 3.1.3 Superannuation
- 3.2 Repairs and maintenance
- 3.3 Supplies and services
- 3.4 Other expenses

3.1 Our people**3.1.1 Employee benefits - comprehensive operating statement**

| | (\$'000) | |
|---|---------------|---------------|
| | TOTAL | |
| | 2018 | 2017 |
| Employee Benefits | | |
| - salaries and wages, annual leave, long service leave and termination payments | 16,294 | 16,210 |
| - employer superannuation contributions | 1,483 | 1,395 |
| - Directors and Chair remuneration and allowance | 221 | 173 |
| Total employee benefit costs | 17,998 | 17,778 |

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Lower Murray Water to the relevant superannuation plans in respect to the services of Lower Murray Water'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 Lower Murray Water is required to comply with.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Corporation is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.1.2 Employee benefits - balance sheet

Provision is made for benefits accruing to employees in respect of annual leave, long service leave (LSL), accumulated sick leave and accrued bonuses for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

| | (\$'000) | |
|---|--------------|--------------|
| | 2018 | 2017 |
| Current provisions: | | |
| <i>Annual leave</i> | | |
| Unconditional and expected to settle within 12 months | 953 | 1,222 |
| Unconditional and expected to settle after 12 months | 662 | 554 |
| <i>Long service leave</i> | | |
| Unconditional and expected to settle within 12 months | 288 | 235 |
| Unconditional and expected to settle after 12 months | 2,804 | 2,985 |
| <i>Provisions for on-costs</i> | | |
| Unconditional and expected to settle within 12 months | 200 | 79 |
| Unconditional and expected to settle after 12 months | 482 | 642 |
| Accumulated RDO, sick leave & accrued bonus | 414 | 200 |
| Total current provisions for employee benefits | 5,803 | 5,917 |
| Non-current provisions: | | |
| Employee benefits | 112 | 246 |
| On-costs | 16 | 38 |
| Total non-current provisions for employee benefits | 128 | 284 |
| Total provisions for employee benefits | 5,931 | 6,201 |

Reconciliation of movement in on-cost provision

| | (\$'000) |
|------------------------------------|------------|
| | 2018 |
| Opening balance | 759 |
| Amounts utilised during the period | (61) |
| Closing balance | 698 |
| Current | 682 |
| Non-current | 16 |
| Total | 698 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Annual leave and sick leave

Liabilities including non-monetary benefits, annual leave, accumulating sick leave and on-costs are recognised as part of the employee benefit provision as current liabilities, because the water corporation does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and sick leave are measured at:

- undiscounted value - if Lower Murray Water expects to wholly settle within 12 months; or
- present value - if Lower Murray Water does not expect to wholly settle within 12 months

On-costs

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

Long Service Leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL (representing seven or more years of continuous service) is disclosed as a current liability even where Lower Murray Water does not expect to settle the liability within 12 months. Lower Murray Water 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:

- Undiscounted value - if Lower Murray Water expects to wholly settle within 12 months; or
- Present value - if Lower Murray Water does not expect to wholly settle within 12 months.

Conditional long service leave 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. This non-current long service liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction.

Performance payments

Performance based bonus payments for Lower Murray Water's Executive Officers and staff on employment contracts, 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.1.3 Superannuation

Lower Murray Water makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision My Super/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 2018, this was 9.5% as required under the Superannuation Guarantee (SG) legislation).

Defined Benefit

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 pooled multi-employer sponsored plan.

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 the 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. Therefore, the Fund 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 Actuary.

As at 30 June 2017, a triennial/full actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Lower Murray Water is a contributing employer was 103.1%. The financial assumptions used to calculate the VBI's were:

- Net investment returns 6.5% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June quarter 2018 was 106.0%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Employer contributions**Regular contributions**

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, 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 2018, this rate was 9.5% of members' salaries (9.5% in 2017). this rate will increase in line with any increase in the SG 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.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category 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. 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 Lower Murray Water) are required to make an employer contribution to cover the shortfall.

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.

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.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The 2017 full actuarial investigation surplus amounts

The Fund's full actuarial investigation as at 30 June 2017 identified the following for the Defined Benefit category of which Lower Murray Water is a contributing employer:

- A VBI surplus of \$69.8 million
- A total service liability surplus of \$193.5 million, and
- A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2017.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

Lower Murray Water was notified of the 30 June 2017 VBI during August 2017.

The 2018 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2018.

Contributions by Lower Murray Water (excluding any unfunded liability payments) to the superannuation plans for the financial year ended 30 June 2018 are detailed below:

| Scheme | Type of Scheme | Rate | (\$'000) 2018 |
|---|------------------|-------|------------------|
| State Superannuation Board Revised Scheme | Defined benefits | 17.3% | 1 |
| State Superannuation Board New Scheme | Defined benefits | 9.5% | 22 |
| Vision Super | Defined benefits | 9.5% | 161 |
| Vision Super Saver | Accumulation | 9.5% | 786 |
| Others | Various | 9.5% | 513 |
| | | | 1,483 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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.

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2018.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 is \$163K.

3.2 Repairs and maintenance expense

| | (\$'000) | | (\$'000) | | (\$'000) | |
|--------------------------------------|--------------|--------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Repairs and maintenance | | | | | | |
| - Infrastructure | 2,163 | 3,753 | 1,416 | 2,008 | 747 | 1,745 |
| - Other | 1,968 | 1,240 | 1,032 | 672 | 936 | 568 |
| Consumables | 2,901 | 2,477 | 1,586 | 1,344 | 1,315 | 1,133 |
| Total repairs and maintenance | 7,032 | 7,470 | 4,034 | 4,024 | 2,998 | 3,446 |

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. Consumables include materials used in the process of routine maintenance.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.3 Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

| | (\$'000) | | (\$'000) | | (\$'000) | |
|------------------------------------|---------------|---------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Supplies and services | | | | | | |
| Bulk water charge | 3,777 | 4,359 | 664 | 695 | 3,113 | 3,664 |
| Electricity | 5,704 | 5,151 | 1,907 | 1,704 | 3,797 | 3,447 |
| Chemicals | 1,256 | 1,459 | 1,169 | 1,411 | 87 | 48 |
| Consultants # | 2,523 | 3,111 | 1,479 | 1,315 | 1,044 | 1,796 |
| Total supplies and services | 13,260 | 14,080 | 5,219 | 5,125 | 8,041 | 8,955 |

The Bulk water charge relates to Lower Murray Water's entitlement to access bulk water.

Electricity, chemicals, consultants and other charges are recognised as expenses in the period in which they are incurred.

Consultants now include relevant contractors reclassified from repairs and maintenance from 2017.

3.4 Other expenses

| | (\$'000) | | (\$'000) | | (\$'000) | |
|-----------------------------|--------------|--------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Other expenses | | | | | | |
| IT expenses | 1,031 | 965 | 541 | 848 | 490 | 117 |
| Administration expenses * | 1,410 | 1,542 | 853 | 803 | 557 | 739 |
| Bad debt expense * | 789 | 351 | 755 | 333 | 34 | 18 |
| Write off of assets * | 554 | 1,841 | 219 | 512 | 335 | 1,329 |
| Settlement of litigation * | 287 | - | - | - | 287 | - |
| Other * | 2,449 | 2,835 | 1,348 | 1,411 | 1,101 | 1,424 |
| Total other expenses | 6,520 | 7,534 | 3,716 | 3,907 | 2,804 | 3,627 |

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and are deemed relevant for the understanding of this financial report. They are expensed in the period in which they are incurred.

Settlement of litigations are recognised in the period in which the settlement occurs.

* Separate disclosure from Other expenses in 2018.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4. KEY ASSETS AVAILABLE TO SUPPORT DELIVERY OF OUR SERVICES

Introduction

Lower Murray Water controls infrastructure property, plant and equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Lower Murray Water to be utilised for delivery of our services.

Structure

- 4.1 Infrastructure, property, plant and equipment
 - 4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment
 - 4.1.2 Fair value determination: Non-financial physical assets
 - 4.1.3 Depreciation and impairment
 - 4.1.4 Net loss on disposal of non-current assets
- 4.2 Intangible assets
- 4.3 Assets held for sale

4.1 Infrastructure, property, plant and equipment

4.1.1 Reconciliation of movements in carrying values of infrastructure, property, plant and equipment

| | Carrying amount 1 July | Fair value of assets received free of charge or for nominal consider- ations | Additions including developers contribu- tions | Transfers between classes | Disposals | Depreciation | Reval- uation | Transfer from (to) assets held for sale | Carrying amount 30 June |
|--------------------------------------|---------------------------|--|--|---------------------------------|----------------|-----------------|------------------|--|-------------------------------|
| 2017-2018 | | | | | | | | | (\$'000) |
| Land | 11,595 | - | - | 22 | - | - | 2,244 | - | 13,861 |
| Buildings | 9,101 | - | - | 277 | - | (353) | - | - | 9,025 |
| Infrastructure | 846,379 | 94 | 49 | 19,226 | (554) | (25,594) | - | - | 839,600 |
| Plant, Equipment, and Vehicles | 5,522 | - | - | 2,751 | (712) | (1,146) | - | - | 6,415 |
| Works In Progress | 9,511 | - | 22,888 | (23,140) | - | - | - | - | 9,259 |
| | 882,108 | 94 | 22,937 | (864) | (1,266) | (27,093) | 2,244 | - | 878,160 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| | | | | | | | | | (\$'000) |
|--------------------------------|------------------------|--|--|---------------------------|----------------|-----------------|----------------|---|-------------------------|
| 2016-2017 | Carrying amount 1 July | Fair value of assets received free of charge or for nominal considerations | Additions including developers contributions | Transfers between classes | Disposals | Depreciation | Revaluation | Transfer from (to) assets held for sale | Carrying amount 30 June |
| Land | 13,361 | - | 13 | 123 | - | - | (1,215) | (687) | 11,595 |
| Buildings | 9,262 | - | 120 | 72 | (4) | (348) | (1) | - | 9,101 |
| Infrastructure | 830,181 | 171 | 112 | 42,131 | (1,838) | (24,439) | 61 | - | 846,379 |
| Plant, Equipment, and Vehicles | 5,692 | - | 1,232 | 13 | (231) | (1,071) | - | (113) | 5,522 |
| Works In Progress | 32,686 | - | 19,521 | (42,696) | - | - | - | - | 9,511 |
| | 891,182 | 171 | 20,998 | (357) | (2,073) | (25,858) | (1,155) | (800) | 882,108 |

Initial recognition

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, infrastructure, plant, equipment and vehicles, used by Lower Murray Water in its operations. Items with a cost or value in excess of \$1K (2017: \$1K) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Items of infrastructure, property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 4.1.2 for fair value disclosures.

Revaluation of non-current assets

Revaluations are conducted in accordance with FRD 103F. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to the 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 the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Revaluation increments are credited directly to equity in the physical asset revaluation surplus/(deficit), 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/(deficit) in respect of the same class of assets, they are debited to the physical asset revaluation surplus/(deficit).

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 surplus/(deficit) on derecognition of the relevant asset.

An annual fair value assessment, using the land indices provided by the Valuer-General Victoria, indicated a compound movement in the fair value to be material for the financial year ended 30 June 2018. This resulted in a material movement of 18% (\$2,240K). In accordance with the requirements of FRD 103F, Lower Murray Water has performed a managerial revaluation of the land. This is disclosed in Note 4.1.1.

The next scheduled full revaluation for Lower Murray Water will be conducted in June 2021.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.2 Fair value determination non-physical assets**Significant judgement: Fair value measurements of assets and liabilities**

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of Lower Murray Water.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Fair value hierarchy

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, Lower Murray Water 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 the fair value hierarchy as explained above.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| Non-financial physical assets | (\$'000) | (\$'000) | | |
|--|------------------------------------|--|--------------|----------------|
| | Carrying amount as at 30 June 2018 | Fair value measurement at end of reporting period using: | | |
| 2018 | | Level 1 | Level 2 | Level 3 |
| Land at fair value | | | | |
| Non-specialised land | 2,472 | - | 2,472 | - |
| Specialised land | 11,389 | - | - | 11,389 |
| Total of land at fair value | 13,861 | - | 2,472 | 11,389 |
| Buildings at fair value | | | | |
| Non-specialised buildings | 5,413 | - | - | 5,413 |
| Specialised buildings | 3,612 | - | - | 3,612 |
| Total buildings at fair value | 9,025 | - | - | 9,025 |
| Plant, equipment and vehicles at fair value | | | | |
| Vehicles | 4,549 | - | - | 4,549 |
| Plant and equipment | 1,866 | - | - | 1,866 |
| Total of plant, equipment and vehicles as fair value | 6,415 | - | - | 6,415 |
| Infrastructure at Fair Value | | | | |
| Water storage | 13,147 | - | - | 13,147 |
| Water pumping stations | 18,796 | - | - | 18,796 |
| Sewer pumping stations | 19,324 | - | - | 19,324 |
| Irrigation pumping stations | 49,397 | - | - | 49,397 |
| Water treatment plants | 77,238 | - | - | 77,238 |
| Waste water treatment plants | 33,177 | - | - | 33,177 |
| Water pipeline infrastructure | 145,845 | - | - | 145,845 |
| Sewer pipeline infrastructure | 149,106 | - | - | 149,106 |
| Irrigation pipeline infrastructure | 315,427 | - | - | 315,427 |
| Other structures | 18,143 | - | - | 18,143 |
| Total infrastructure at fair value | 839,600 | - | - | 839,600 |
| Total infrastructure, property, plant and equipment at fair value | 868,901 | - | 2,472 | 866,429 |

Above classified in accordance with the fair value hierarchy.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| 2017 | (\$'000) | (\$'000) | | |
|--|------------------------------------|--|--------------|----------------|
| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: | | |
| | | Level 1 | Level 2 | Level 3 |
| Land at fair value | | | | |
| Non-specialised land | 2,256 | - | 2,256 | - |
| Specialised land | 9,339 | - | - | 9,339 |
| Total of land at fair value | 11,595 | - | 2,256 | 9,339 |
| Buildings at fair value | | | | |
| Non-specialised buildings | 5,522 | - | - | 5,522 |
| Specialised buildings | 3,579 | - | - | 3,579 |
| Total buildings at fair value | 9,101 | - | - | 9,101 |
| Plant, equipment and vehicles at fair value | | | | |
| Vehicles | 3,609 | - | - | 3,609 |
| Plant and equipment | 1,913 | - | - | 1,913 |
| Total of plant, equipment and vehicles as fair value | 5,522 | - | - | 5,522 |
| Infrastructure at Fair Value | | | | |
| Water storage | 13,484 | - | - | 13,484 |
| Water pumping stations | 19,219 | - | - | 19,219 |
| Sewer pumping stations | 19,590 | - | - | 19,590 |
| Irrigation pumping stations | 50,467 | - | - | 50,467 |
| Water treatment plants | 77,254 | - | - | 77,254 |
| Waste water treatment plants | 34,371 | - | - | 34,371 |
| Water pipeline infrastructure | 146,145 | - | - | 146,145 |
| Sewer pipeline infrastructure | 147,886 | - | - | 147,886 |
| Irrigation pipeline infrastructure | 319,578 | - | - | 319,578 |
| Other structures | 18,385 | - | - | 18,385 |
| Total infrastructure at fair value | 846,379 | - | - | 846,379 |
| Total infrastructure, property, plant and equipment at fair value | 872,597 | - | 2,256 | 870,341 |

The Valuer General Victoria (VGV) is Lower Murray Water's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure.

Lower Murray Water, in conjunction with VGV, monitors changes in the fair value of property, plant and equipment and infrastructure through relevant data sources to determine whether revaluation is required.

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) 103F Non-Current Physical Assets.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS**Non-specialised land**

Non-specialised land is valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

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

An independent valuation of Lower Murray Water's land was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. A managerial revaluation of non-specialised land was performed at 30 June 2018.

Specialised land, specialised buildings and non-specialised buildings

The current replacement cost approach is used for specialised land, specialised buildings and non specialised buildings, although they are also adjusted for the community service obligation (CSO) to reflect the specialised nature of the land and buildings 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 majority of Lower Murray Water's specialised and non-specialised buildings, the current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant unobservable inputs in nature, specialised and non-specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of Lower Murray Water's specialised land, specialised buildings and non specialised buildings was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. The Corporation conducted a fair value assessment at 30 June 2018 with no material movement identified for Buildings since the 2016 valuation. A managerial revaluation of specialised land was performed at 30 June 2018.

Plant, equipment and vehicles

Plant, equipment and vehicles are held at fair value. When plant, equipment and vehicles are specialised in use, such that they rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Water and sewer infrastructure

Water and sewer infrastructure are valued using the current replacement cost method less all forms of obsolescence and depreciation. This cost represents the replacement cost of the building/infrastructure after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. All forms of obsolescence has also been factored into the current replacement cost calculation.

An independent valuation of Lower Murray Water's water and sewer infrastructure was carried out by Jacobs Australia Pty Limited on behalf of the Valuer-General Victoria. The valuation was performed based on the current replacement cost of the assets. The effective date of the valuation is 30 June 2016.

These assets are classified as level 3 fair value as the lowest level input, the absence of an active market, has a significant impact on the fair value which is unobservable.

Lower Murray Water conducted a fair value assessment as at 30 June 2018 with no material movement identified since the 2016 valuation.

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value movements

A reconciliation from the opening balances to the closing balances for fair value measurements categorised within Level 3 of the fair value hierarchy, disclosing separately changes during the period.

2018

(\$'000)

| | Carrying amount 1 July | Fair value of assets received free of charge or for nominal consider- ations | Additions | Transfers between classes | Transfers in (out) of Level 3 | Disposals | Deprecia- tion | Transfer from (to) assets held for sale/ revaluation | Carrying amount 30 June |
|---------------------------------------|---------------------------|--|-----------|---------------------------------|-------------------------------------|----------------|-------------------|---|-------------------------------|
| Land | | | | | | | | | |
| Specialised land | 9,339 | - | - | - | - | - | - | 2,050 | 11,389 |
| Buildings | | | | | | | | | |
| Non specialised buildings | 5,522 | - | - | 162 | (9) | - | (262) | - | 5,413 |
| Specialised buildings | 3,579 | - | - | 115 | 9 | - | (91) | - | 3,612 |
| Plant, equipment, and vehicles | | | | | | | | | |
| Vehicles | 3,609 | - | - | 2,184 | - | (712) | (532) | - | 4,549 |
| Plant and equipment | 1,913 | - | - | 567 | - | - | (614) | - | 1,866 |
| Infrastructure | | | | | | | | | |
| Water storage tanks | 13,484 | - | - | 147 | - | - | (484) | - | 13,147 |
| Water pumping stations | 19,219 | - | - | 403 | - | - | (826) | - | 18,796 |
| Sewer pumping stations | 19,590 | - | - | 828 | - | - | (1,094) | - | 19,324 |
| Irrigation pumping stations | 50,467 | - | - | 1,685 | - | - | (2,755) | - | 49,397 |
| Water treatment plants | 77,254 | - | - | 4,029 | - | - | (4,045) | - | 77,238 |
| Waste water treatment plants | 34,371 | - | - | 737 | - | - | (1,931) | - | 33,177 |
| Water pipeline infrastructure | 146,145 | 55 | 49 | 2,227 | - | (219) | (2,412) | - | 145,845 |
| Sewer pipeline infrastructure | 147,886 | 39 | - | 4,045 | - | - | (2,864) | - | 149,106 |
| Irrigation pipeline infrastructure | 319,578 | - | - | 5,074 | - | (335) | (8,890) | - | 315,427 |
| Other structures | 18,385 | - | - | 51 | - | - | (293) | - | 18,143 |
| | 870,341 | 94 | 49 | 22,254 | - | (1,266) | (27,093) | 2,050 | 866,429 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2017

(\$'000)

| | Carrying amount 1 July | Fair value of assets received free of charge or for nominal consider- ations | Additions | Transfers between classes | Transfers in (out) of Level 3 | Disposals | Deprecia- tion | Transfer from (to) assets held for sale/ revaluation | Carrying amount 30 June |
|--|---------------------------|--|--------------|---------------------------------|-------------------------------------|----------------|-------------------|---|-------------------------------|
| Land | | | | | | | | | |
| Specialised land# | 9,309 | - | - | 30 | - | - | - | - | 9,339 |
| Buildings | | | | | | | | | |
| Non Specialised Buildings | 5,703 | - | 39 | 72 | (29) | (4) | (259) | - | 5,522 |
| Specialised buildings | 3,559 | - | 81 | - | 29 | - | (89) | (1) | 3,579 |
| Plant, equipment, and vehicles | | | | | | | | | |
| Vehicles | 3,797 | - | 678 | - | - | (231) | (522) | (113) | 3,609 |
| Plant and equipment | 1,895 | - | 554 | 13 | - | - | (549) | - | 1,913 |
| Infrastructure | | | | | | | | | |
| Water storage tanks | 13,967 | - | - | - | - | - | (483) | - | 13,484 |
| Water pumping stations | 20,015 | - | - | 25 | - | - | (821) | - | 19,219 |
| Sewer pumping stations | 20,525 | - | 10 | 135 | - | - | (1,077) | (3) | 19,590 |
| Irrigation pumping stations | 49,046 | - | - | 4,084 | - | - | (2,671) | 8 | 50,467 |
| Water treatment plants | 80,939 | - | - | 259 | - | - | (3,986) | 42 | 77,254 |
| Waste water treatment plants | 36,104 | - | - | 177 | - | - | (1,889) | (21) | 34,371 |
| Water pipeline infrastructure | 143,914 | 40 | 39 | 4,820 | - | (306) | (2,360) | (2) | 146,145 |
| Sewer pipeline infrastructure | 148,997 | 131 | 14 | 1,775 | - | (202) | (2,866) | 37 | 147,886 |
| Irrigation pipeline infrastructure | 297,997 | - | 49 | 30,856 | - | (1,330) | (7,994) | - | 319,578 |
| Other structures | 18,677 | - | - | - | - | - | (292) | - | 18,385 |
| | 854,444 | 171 | 1,464 | 42,246 | - | (2,073) | (25,858) | (53) | 870,341 |

Revaluation disclosed as part of specialised land in 2016/17 are disclosed as revaluation of non-specialised land from 2017/18.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Description of significant unobservable inputs to Level 3 valuations 2018

| | (\$'000) Fair value at 30 June 2018 | (\$'000) Fair value at 30 June 2017 | Valuation technique | Significant unobservable inputs |
|----------------------------------|---|---|-----------------------------|---|
| Specialised land | 11,389 | 9,339 | Market Approach | Community Service Obligation (CSO) adjustment VGV provided |
| Non specialised buildings | 5,413 | 5,522 | Current replacement cost | Direct cost per sqm Useful life of non specialised buildings |
| Specialised buildings | 3,612 | 3,579 | Current replacement cost | Direct cost per sqm Useful life of specialised buildings |
| Vehicles | 4,549 | 3,609 | Current replacement cost | Cost per unit Useful life of vehicles |
| Plant and equipment | 1,866 | 1,913 | Current replacement cost | Cost per unit Useful life of plant & equipment |
| Water storage | 13,147 | 13,484 | Current replacement cost | Cost per unit Useful life of water storage tanks |
| Water pumping stations | 18,796 | 19,219 | Current replacement cost | Cost per unit Useful life of water pumping stations |
| Sewer pumping stations | 19,324 | 19,590 | Current replacement cost | Cost per unit Useful life of sewer pumping stations |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| | | | | |
|---|---------|---------|--------------------------|--|
| Irrigation pumping stations | 49,397 | 50,467 | Current replacement cost | Cost per unit Useful life of irrigation pumping stations |
| Water treatment plants | 77,238 | 77,254 | Current replacement cost | Cost per unit Useful life of water treatment plants |
| Waste water treatment plants | 33,177 | 34,371 | Current replacement cost | Cost per unit Useful life of wastewater treatment plants |
| Water pipeline infrastructure | 145,845 | 146,145 | Current replacement cost | Cost per metre Useful life of water pipeline infrastructure |
| Sewer pipeline infrastructure | 149,106 | 147,886 | Current replacement cost | Cost per metre Useful life of sewer pipeline infrastructure |
| Irrigation pipeline infrastructure | 315,427 | 319,578 | Current replacement cost | Cost per metre Useful life of irrigation pipeline infrastructure |
| Other structures | 18,143 | 18,385 | Current replacement cost | Cost per unit Useful life of other structures |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.3 Depreciation and impairment

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, 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.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life, commencing from the time the asset is held ready for use.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

| <i>Asset</i> | <i>2018</i> |
|---|---------------------------|
| | <i>Useful life: years</i> |
| Water, irrigation and drainage infrastructure | |
| Buildings | 60 |
| Plant and machinery | 8 - 20 |
| Storage tanks / channels / pipelines | 60 - 100 |
| Pumping stations | 10 - 80 |
| Sewerage infrastructure | 10 - 50 |
| Plant and equipment | 8 - 20 |
| Motor vehicles | 8 - 10 |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

There were no changes in rates from prior year.

Impairment

Non-financial assets, including items of Infrastructure, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off, except to the extent that it 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 current replacement cost and fair value less costs to sell. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.4 Net loss on disposal of non-current assets

The deficit from ordinary activities includes the following specific expenses:

| | (\$'000) | | (\$'000) | | (\$'000) | |
|--|-------------|-------------|--------------------|-------------|-----------------------|-------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Net loss on disposal | | | | | | |
| - Proceeds from sale of non-financial assets | 767 | 188 | 403 | 99 | 364 | 89 |
| - Disposal of non-financial assets other than assets held for sale | (712) | (231) | (374) | (121) | (338) | (110) |
| - Disposal of non-financial assets - assets held for sale | (113) | - | (59) | - | (54) | - |
| | (58) | (43) | (30) | (22) | (28) | (21) |

4.2 Intangible Assets

| 2018 | (\$'000) | | | | |
|----------------------------|------------------------|-----------|---------------------------|--------------|-------------------------|
| | Carrying amount 1 July | Additions | Transfers between classes | Amortisation | Carrying amount 30 June |
| Water shares | 4,797 | - | - | - | 4,797 |
| Software development costs | 475 | - | 864 | (340) | 999 |
| | 5,272 | - | 864 | (340) | 5,796 |

| 2017 | (\$'000) | | | | |
|----------------------------|------------------------|-----------|---------------------------|--------------|-------------------------|
| | Carrying amount 1 July | Additions | Transfers between classes | Amortisation | Carrying amount 30 June |
| Water shares | 4,797 | - | - | - | 4,797 |
| Software development costs | 639 | 54 | 174 | (392) | 475 |
| | 5,436 | 54 | 174 | (392) | 5,272 |

Recognition

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

A summary of the policies applied to Lower Murray Water's intangible assets is as follows:

| | <i>Water shares</i> | <i>Software development costs</i> |
|---|---|---|
| Useful lives | Indefinite | Finite |
| Amortisation method used | Not amortised or revalued | 3 years - straight line |
| Internally generated / acquired | Acquired | 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 |

Water Shares 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 they have an indefinite life.

Water shares are tested annually for impairment.

Urban bulk water entitlements are not recorded on the balance sheet as they are held by the organisation in trust, from the State Government. These entitlements enable the organisation to carry out core business operations.

Amortisation

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 below.

Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.3 Assets held for sale

| | (\$'000) | |
|------------------------|--------------|--------------|
| | 2018 | 2017 |
| Land held for sale | 4,017 | 4,017 |
| Vehicles held for sale | - | 113 |
| | 4,017 | 4,130 |

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Lower Murray Water considers that the sale is highly probable, the asset 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 are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from Lower Murray Water's operations and the delivery of services.

Structure

- 5.1 Receivables
 - 5.1.1 Movement in the provision for impaired receivables
 - 5.1.2 Ageing analysis of contractual receivables
- 5.2 Payables
- 5.3 Other assets

5.1 Receivables

| | (\$'000) | | (\$'000) | | (\$'000) | |
|--|--------------|--------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current receivables: | | | | | | |
| Contractual | | | | | | |
| Tariffs & charges | 7,671 | 6,812 | 4,669 | 4,329 | 3,002 | 2,483 |
| Wastewater debtors | 1,544 | 1,741 | 1,544 | 914 | - | 827 |
| Sundry debtors | 248 | 35 | 248 | 35 | - | - |
| Provision for impaired receivables | (904) | (419) | (864) | (379) | (40) | (40) |
| | 8,559 | 8,169 | 5,597 | 4,899 | 2,962 | 3,270 |
| Non contractual other receivables | 37 | 205 | 33 | 107 | 4 | 98 |
| Statutory | | | | | | |
| Other debtors | 518 | 387 | 272 | 203 | 246 | 184 |
| Total current receivables | 9,114 | 8,761 | 5,902 | 5,209 | 3,212 | 3,552 |
| Non current receivables: | | | | | | |
| Contractual | | | | | | |
| Sundry debtors | 175 | 303 | 175 | 302 | - | 1 |
| Total non current receivables | 175 | 303 | 175 | 302 | - | 1 |
| Total receivables | 9,289 | 9,064 | 6,077 | 5,511 | 3,212 | 3,553 |

Receivables consist of:

- Contractual receivables, classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.
- Statutory receivables, do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.1.1 Movement in the provision for impaired receivables

As at 30 June 2018, current receivables of Lower Murray Water with a nominal value of \$904K (2017: \$419K) were impaired. The amount of the provision was \$904K. The individually impaired receivables mainly relate to wastewater, with other charges including infrastructure charges, water usage and service charges.

| | (\$'000) | |
|---|--------------|--------------|
| | 2018 | 2017 |
| Balance at beginning of the year | (419) | (147) |
| Provision for impaired receivables debts recognised during the year | - | (1) |
| Receivables written off during the year as uncollectible | 95 | - |
| Increase in provision recognised in the net result | (580) | (271) |
| Balance at end of the year | (904) | (419) |

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for impaired receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

| (\$'000) | Carrying amount | Not past due and not impaired | Past due but not impaired | | |
|-------------|-----------------|-------------------------------|---------------------------|-------------------|----------|
| | | | 1 - 3 months | 3 months - 1 year | 1 year + |
| 2018 | | | | | |
| Receivables | 8,734 | 3,971 | 1,690 | 1,526 | 1,547 |
| 2017 | | | | | |
| Receivables | 8,472 | 3,006 | 1,526 | 1,232 | 2,708 |

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 5.0% for 2019 (2018: 5.5%) for Irrigation and Drainage customers on the outstanding balance. Interest is not charged for Water and Wastewater customers. The average credit period for sales of goods / services and for other receivables is 45 days (2017: 49 days). There are no material financial assets that are individually determined to be impaired.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Past due but not impaired trade receivables relate to a number of independent customers for whom there is no recent history of default. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 Payables

| | (\$'000) | | (\$'000) | | (\$'000) | |
|--------------------------------|--------------|--------------|--------------------|--------------|-----------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current | | | | | | |
| Contractual | | | | | | |
| Creditors and accrued expenses | 4,270 | 2,961 | 2,344 | 1,303 | 1,926 | 1,658 |
| Deposits | 998 | 708 | 856 | 623 | 142 | 85 |
| Prepaid revenue | 1,409 | 1,359 | 1,400 | 1,347 | 9 | 12 |
| Statutory | 393 | 272 | 196 | 69 | 197 | 203 |
| Total current payables | 7,070 | 5,300 | 4,796 | 3,342 | 2,274 | 1,958 |

Payables consist of:

- contractual payables including creditors and accrued expenses, deposits, and prepaid revenue are classified as financial instruments and measured at amortised cost. Payables represent liabilities for goods and services provided to Lower Murray Water prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts. Statutory payables includes payroll tax, superannuation charges payable and the Financial Accommodation Levy.

All payables are classified as current with none older than 12 months.

Prepaid revenue represents payments received in advance from customers for goods or services not yet provided.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.3 Other assets

| | (\$'000) | |
|---------------------------------------|--------------|--------------|
| | 2018 | 2017 |
| Current | | |
| Inventories and consumables - at cost | 3,673 | 3,559 |
| Biological assets | 102 | 71 |
| Total other assets | 3,775 | 3,630 |

Inventories comprise stores and consumables used in the construction of new works and for the repair and maintenance of existing assets. These inventories are held for consumption in the ordinary course of business operations and measured at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost (WAC) basis.

Biological assets consist of sheep and timber. They are measured at fair value less costs to sell, with any changes recognised in the comprehensive operating statement. Costs to sell include all costs that would be necessary to sell the assets, including freight and direct selling costs.

The fair value of a biological asset is based on its present location and condition. The quoted price in the market, is the appropriate basis for determining the fair value of these assets.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by Lower Murray Water during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Lower Murray Water.

This section includes disclosures of balances that are financial instruments (such as loans and cash balances). Notes 7.1 provide additional, specific financial instrument disclosures.

Structure

- 6.1 Interest bearing liabilities
 - 6.1.1 Maturity analysis of interest bearing liabilities
 - 6.1.2 Interest expense
- 6.2 Cash flow information
 - 6.2.1 Reconciliation of net result to cash flow from operating activities
 - 6.2.2 Financing facilities

6.1 Interest bearing liabilities

| | (\$'000) | |
|---|---------------|---------------|
| | 2018 | 2017 |
| Current interest bearing liabilities | | |
| Loans from TCV | 2,784 | 4,740 |
| Non-current interest bearing liabilities | | |
| Loans from TCV | 43,462 | 46,246 |
| Total Interest bearing liabilities | 46,246 | 50,986 |

Interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities 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 interest bearing liabilities, using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless Lower Murray Water has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.1.1 Maturity analysis of interest bearing liabilities

| | (\$'000) | | (\$'000) | | (\$'000) | | (\$'000) | |
|----------------|---------------|---------------|------------------------|--------------|----------------------------|---------------|-------------------------------|---------------|
| | TOTAL | | CURRENT (12 MONTHS) | | NON-CURRENT (1-5 YEARS) | | NON-CURRENT (OVER 5 YEARS) | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Loans from TCV | 46,246 | 50,986 | 2,784 | 4,740 | 12,631 | 11,427 | 30,831 | 34,819 |
| | 46,246 | 50,986 | 2,784 | 4,740 | 12,631 | 11,427 | 30,831 | 34,819 |

| | (\$'000) | | (\$'000) | | (\$'000) | |
|----------------|---------------|---------------|-----------------------|---------------|--------------------------|---------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Loans from TCV | 46,246 | 50,986 | 21,623 | 22,993 | 24,623 | 27,993 |
| | 46,246 | 50,986 | 21,623 | 22,993 | 24,623 | 27,993 |

6.1.2 Interest expense

| | (\$'000) | | (\$'000) | | (\$'000) | |
|-------------------------------|--------------|--------------|-----------------------|--------------|--------------------------|--------------|
| | TOTAL | | WATER & WASTEWATER | | IRRIGATION & DRAINAGE | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Interest on loans | 2,727 | 2,893 | 1,312 | 1,386 | 1,415 | 1,507 |
| Financial accommodation levy | 538 | 581 | 247 | 263 | 291 | 318 |
| Total interest expense | 3,265 | 3,474 | 1,559 | 1,649 | 1,706 | 1,825 |

'Interest expense' includes costs incurred in connection with the borrowing of funds. Interest costs include interest on bank overdrafts, short term and long term loans and financial accommodation levy charges.

Interest expense is recognised in the period in which it is incurred.

When Lower Murray Water carries borrowings in excess of \$5 Million it is obligated to pay to the Victorian government a Financial Accommodation Levy (FAL). On the basis of the Lower Murray Water's credit rating, a FAL of 121 basis points is applied to all new financial accommodation in 2018 (2017 - 110 basis points) assessed from Treasury Corporation of Victoria (TCV). FAL incurred by Lower Murray Water is accounted for as a borrowing cost for the purpose of presentation in the general purpose financial statements.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.2 Cash flow information

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

| | (\$'000) | |
|---|--------------|--------------|
| | 2018 | 2017 |
| Cash on hand | 3 | 3 |
| Cash at bank | 4,225 | 2,359 |
| Deposits at call | - | 3,600 |
| Investments due less than 3 months | - | 4,000 |
| Balance as per cash flow statement | 4,228 | 9,962 |

6.2.1 Reconciliation of net result for the period to cash flow from operating activities

| | (\$'000) | |
|--|---------------|---------------|
| | 2018 | 2017 |
| Net result for the year after income tax | (5,593) | (8,411) |
| Non cash movements | | |
| Depreciation/amortisation | 27,433 | 26,250 |
| Income tax expense/(revenue) | (2,247) | (3,522) |
| Assets written off | 554 | 1,842 |
| Loss/(gain) on disposal of non-current physical assets | 58 | 43 |
| | 20,205 | 16,202 |
| Movements in assets & liabilities: | | |
| Decrease/(increase) in receivables | 283 | 254 |
| Decrease/(increase) in inventories | (146) | (523) |
| Decrease/(increase) in prepayments | 55 | 129 |
| Increase/(decrease) in payables & provisions | 1,155 | (4,740) |
| Increase/(decrease) in employee benefits | (282) | 328 |
| Net Cash provided by/(used in) operating activities | 21,270 | 11,650 |

6.2.2 Financing facilities

| | (\$'000) | |
|--|------------|------------|
| | 2018 | 2017 |
| Unsecured bank overdraft facility, reviewed annually and payable at call | | |
| Amount unused | 250 | 250 |
| Total | 250 | 250 |

A facility is available to Lower Murray Water if required, as a credit standby arrangement with the Commonwealth Bank of Australia.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Lower Murray Water is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for Lower Murray Water related mainly to fair value determination.

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities

7.1 Financial instruments specific disclosures***Introduction***

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Categories of financial instruments

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). Lower Murray Water recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables); and
- term deposits.

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. Lower Murray Water recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- loans.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Lower Murray Water currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2017-18 reporting period.

These financial instruments include:

| <i>Financial assets</i> | <i>Financial liabilities</i> |
|----------------------------|--|
| Cash and deposits | Payables: |
| Receivables: | For supplies and services |
| Sale of goods and services | Amounts payable to government and agencies |
| Other receivables | Other payables |
| Term deposits | Interest bearing liabilities: |
| | Bank overdraft |

Due to the short-term nature of the financial assets and liabilities held by Lower Murray Water, their carrying value is assumed to approximate their fair value.

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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- Lower Murray Water retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- Lower Murray Water has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Where Lower Murray Water has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Lower Murray Water's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, Lower Murray Water assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets. Impairment losses are recognised in the Comprehensive Operating Statement.

7.1.1 Financial instruments: Categorisation

| 2018 | <i>Contractual financial assets - loans and receivables and cash</i> | <i>Contractual financial liabilities at amortised cost</i> | (\$'000) Total |
|--|--|--|-----------------------|
| Contractual financial assets | | | |
| Cash and cash equivalents | 4,228 | - | 4,228 |
| Receivables | | | |
| Debtors | 9,638 | - | 9,638 |
| Total contractual financial assets | 13,866 | - | 13,866 |
| Contractual financial liabilities | | | |
| Payables | | | |
| Creditors and accrued expenses | - | 4,270 | 4,270 |
| Deposits | - | 998 | 998 |
| Borrowings | | | |
| Loans from TCV | - | 46,246 | 46,246 |
| Total contractual financial liabilities | - | 51,514 | 51,514 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| 2017 | <i>Contractual financial assets - loans and receivables and cash</i> | <i>Contractual financial liabilities at amortised cost</i> | (\$'000) Total |
|--|--|--|-----------------------|
| Contractual financial assets | | | |
| Cash and cash equivalents | 9,962 | - | 9,962 |
| Receivables | | | |
| Debtors | 8,891 | - | 8,891 |
| Total contractual financial assets | 18,853 | - | 18,853 |
| Contractual financial liabilities | | | |
| Payables | | | |
| Creditors and accrued expenses | - | 2,961 | 2,961 |
| Deposits | - | 708 | 708 |
| Prepaid revenue | - | 1,359 | 1,359 |
| Borrowings | | | |
| Loans from TCV | - | 50,986 | 50,986 |
| Total contractual financial liabilities | - | 56,014 | 56,014 |

7.1.2 Financial risk management objectives and policies

Lower Murray Water's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. As a whole, Lower Murray Water's financial risk management program seeks to manage these risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage Lower Murray Water's financial risks within the government policy parameters. Lower Murray Water's main financial risks include credit risk, liquidity risk and interest rate risk.

Risk management is carried out by the management group in conjunction with the Audit and Finance Committee and Risk Committee under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with Lower Murray Water's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Credit risk

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

Lower Murray Water'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. Lower Murray Water has in place a policy and procedure for the collection of overdue receivables.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. Lower Murray Water'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.

Lower Murray Water 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.

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of Lower Murray Water's financial instruments. Market risk comprises of interest rate risk, foreign exchange risk and other price risk. Lower Murray Water's exposure to market risk is primarily though interest rate risk, there is insignificant exposure to foreign exchange risk and insignificant exposure to other price risks.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

Interest Rate Risk

Lower Murray Water's exposure to market interest rates relates primarily to Lower Murray Water's long term loans and funds invested on the money market.

The interest rate on Lower Murray Water's long term loans is fixed. Lower Murray Water occasionally uses short term floating interest rate loans by way of the Treasury Corporation of Victoria's 11am (on call) facility. The short term nature of the floating facility and the fixed long term loans therefore do not expose Lower Murray Water to any material interest rate risk.

Lower Murray Water has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. Lower Murray Water manages its interest rate risk by maintaining a diversified mix of at call floating and fixed rate investment products.

Interest rate exposure of financial instruments

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Lower Murray Water does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Lower Murray Water has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and Lower Murray Water's sensitivity to interest rate risk are set out in the table that follows.

| 2018 | (\$'000) Carrying amount | Interest rate exposure | | | | Interest rate risk sensitivity | | | |
|--|-----------------------------|----------------------------------|---------------------|------------------------|----------------------|--------------------------------|-------------|-------------------|-----------|
| | | Weighted average interest rate % | Fixed interest rate | Variable interest rate | Non-interest bearing | -100 basis points | | +100 basis points | |
| | | | | | | Net result | Equity | Net result | Equity |
| Contractual financial assets | | | | | | | | | |
| Cash and deposits | 4,228 | 0.90 | - | 4,225 | 3 | (42) | (42) | 42 | 42 |
| Contractual financial assets | 9,638 | 1.95 | - | 3,419 | 6,219 | (34) | (34) | 34 | 34 |
| Total financial assets | 13,866 | | - | 7,644 | 6,222 | (76) | (76) | 76 | 76 |
| Contractual financial liabilities | | | | | | | | | |
| Loans with TCV | 46,246 | 5.61 | 46,246 | - | - | - | - | - | - |
| Total financial liabilities | 46,246 | | 46,246 | - | - | (76) | (76) | 76 | 76 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| 2017 | (\$'000) Carrying amount | Interest rate exposure | | | | Interest rate risk sensitivity | | | |
|--|-----------------------------|----------------------------------|---------------------|------------------------|----------------------|--------------------------------|-------------|--------------------------|-----------|
| | | Weighted average interest rate % | Fixed interest rate | Variable interest rate | Non-interest bearing | <i>-100 basis points</i> | | <i>+100 basis points</i> | |
| | | | | | | Net result | Equity | Net result | Equity |
| Contractual financial assets | | | | | | | | | |
| Cash and deposits | 9,962 | 1.11 | 4,000 | 5,959 | 3 | (60) | (60) | 60 | 60 |
| Contractual financial assets | 8,891 | 2.73 | - | 3,311 | 5,580 | (33) | (33) | 33 | 33 |
| Total financial assets | 18,853 | | 4,000 | 9,270 | 5,583 | (93) | (93) | 93 | 93 |
| Contractual financial liabilities | | | | | | | | | |
| Loans with TCV | 50,986 | 5.30 | 50,986 | - | - | - | - | - | - |
| Total financial liabilities | 50,986 | | 50,986 | - | - | (93) | (93) | 93 | 93 |

As at 30 June 2018, all interest bearing liabilities are classified as Level 2 (2017: Level 2).

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets identified in the ordinary course of business include developers who often provide a commitment to the Corporation to construct water and sewerage assets. The assets are constructed within an agreed timeframe, generally 12 months, and upon completion are transferred to the Corporation at no cost.

As at 30 June 2018, various developers have agreed to construct assets. These assets are under construction or have not yet commenced construction.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
- the amount of the obligations cannot be measured with sufficient reliability.

The Board is not aware of any potential contingent liabilities at 30 June 2018.

2017

Intended legal action disclosed in the past two annual reports in relation to recovery of fees and charges disputed by a customer was settled in early 2018, with no financial impact on Lower Murray Water.

US Bankruptcy Court proceedings previously disclosed in the 2017 Financial Report was settled late 2017 for AUD \$285K (US \$220K).

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8. STATUTORY OBLIGATIONS**Introduction**

This section included disclosures in relation to Lower Murray Water's statutory obligations.

Structure

- 8.1 Tax
 - 8.1.1 Income tax
 - 8.1.2 Deferred tax assets and liabilities
- 8.2 Environmental contribution
 - 8.2.1 Environmental commitments

8.1 Tax**8.1.1 Income tax**

Lower Murray Water is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office. The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

| | (\$'000) | |
|--|----------------|----------------|
| | 2018 | 2017 |
| Income statement | | |
| Current income tax expense (paid or payable) | - | - |
| Adjustments to prior years | - | - |
| Deferred income tax expense | | |
| Temporary differences | 2,247 | 3,504 |
| Adjustment for prior years | - | 18 |
| Income tax reported in the Income Statement | 2,247 | 3,522 |
| Statement of changes in Equity | | |
| Current tax - credited/(debited) | - | - |
| Net deferred tax - debited/(credited) directly to equity (refer to Note 8.1.2) | 673 | (347) |
| Income tax reported in equity | 673 | (347) |
| Tax reconciliation | | |
| Net result before income tax expense | (7,840) | (11,933) |
| Tax at the Australian tax rate of 30% (2017: 30%) | (2,352) | (3,580) |
| Non deductible items | 105 | 58 |
| Other | - | - |
| Income tax on profit before tax | (2,247) | (3,522) |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.1.2 Deferred tax assets and liabilities

Lower Murray Water's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the balance sheet.

Deferred tax assets

| | (\$'000) | |
|--|---------------|---------------|
| | 2018 | 2017 |
| Amounts recognised in Comprehensive Operating Statement | | |
| Doubtful debts | 271 | 126 |
| Employee benefits | 1,779 | 1,860 |
| Tax losses | 23,305 | 23,698 |
| Other | 136 | 180 |
| Total deferred tax assets | 25,491 | 25,864 |
| Movements | | |
| Opening balance at 1 July | 25,864 | 25,753 |
| Credited/(debited) to the Comprehensive Operating Statement | (373) | 111 |
| Closing balance at 30 June | 25,491 | 25,864 |
| Deferred tax asset to be recovered after more than 12 months | 2,166 | 2,112 |
| Deferred tax asset to be recovered within than 12 months | 20 | 54 |
| Tax losses | 23,305 | 23,698 |
| Ending balance at 30 June | 25,491 | 25,864 |

Deferred tax liabilities

| | (\$'000) | |
|--|----------------|----------------|
| | 2018 | 2017 |
| Amounts recognised in Comprehensive Operating Statement | | |
| Prepayments | 24 | 23 |
| Amounts recognised directly in equity | | |
| Revaluation of infrastructure property, plant and equipment | 138,443 | 140,389 |
| Total deferred tax liabilities | 138,467 | 140,412 |
| Movements | | |
| Opening balance at 1 July | 140,412 | 144,171 |
| Credited/(debited) to the net result | (2,618) | (3,412) |
| Credited/(debited) to other comprehensive income | 673 | (347) |
| Closing balance at 30 June | 138,467 | 140,412 |
| Deferred tax liabilities to be recovered after more than 12 months | 138,443 | 140,389 |
| Deferred tax liabilities to be recovered within 12 months | 24 | 23 |
| Ending balance at 30 June | 138,467 | 140,412 |
| Net deferred tax liability | 112,976 | 114,548 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.2 Environmental contribution

| | (\$'000) | |
|---------------------------------|----------|-------|
| | 2018 | 2017 |
| Environmental contribution levy | 1,579 | 1,579 |

Lower Murray Water has a statutory obligation to pay an environmental contribution to the Department of Environment, Land, Water and Planning. This contribution is recognised as an expense during the reporting period as incurred.

Environmental contributions are funds collected from water supply authorities under the *Water Industry Act 1994* (the Act). Under a 2004 amendment to the Act, environmental contributions are collected to fund initiatives that seek to promote the sustainable management of water or address adverse water-related environmental impacts.

The Victorian Government has committed to a fourth round or ('tranche') of the environmental contribution. The four-year tranche commenced on 1 July 2016. The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period, from 1 July 2016 to 30 June 2020 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each corporation.

8.2.1 Environmental commitments

At 30 June 2018, Lower Murray Water had outstanding environmental contribution commitments, to be paid is follows:

| | (\$'000) | | |
|---|-----------------------------|--------------------------------------|--------------|
| | <i>Less than 1 year</i> | <i>Between 1 and 5 years</i> | <i>Total</i> |
| 2018 | | | |
| Environmental contribution levy commitments | 1,579 | 3,158 | 4,737 |
| 2017 | | | |
| Environmental contribution levy commitments | 1,579 | 4,737 | 6,316 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 9.1 Equity
 - 9.1.1 Contributed capital
 - 9.1.2 Asset revaluation surplus
 - 9.1.3 Accumulated (deficit)
- 9.2 Events occurring after the balance date
- 9.3 Responsible persons
- 9.4 Related parties
- 9.5 Remuneration of executives
- 9.6 Remuneration of auditors
- 9.7 Australian Accounting Standards issued that are not yet effective

9.1 Equity**9.1.1 Contributed capital**

| | (\$'000) | |
|---|----------------|----------------|
| | 2018 | 2017 |
| Contributed capital | | |
| Balance 1 July | 629,573 | 629,573 |
| Capital contributions from the Victorian Government | - | - |
| Balance 30 June | 629,573 | 629,573 |

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.1.2 Asset revaluation surplus

| | (\$'000) | |
|----------------|----------------|----------------|
| | 2018 | 2017 |
| Land | 2,682 | 1,110 |
| Buildings | (1) | (1) |
| Infrastructure | 198,005 | 198,005 |
| Other | 4 | 4 |
| | 200,690 | 199,118 |

| | (\$'000) | | | | |
|---|--------------|------------|----------------|----------|----------------|
| Movements during the reporting period | Land | Buildings | Infrastructure | Other | Total |
| Opening balance | 1,110 | (1) | 198,005 | 4 | 199,118 |
| Revaluation increment/(decrement) | 2,244 | - | - | - | 2,244 |
| Tax effect of revaluation increment/(decrement) | (672) | - | - | - | (672) |
| Closing balance | 2,682 | (1) | 198,005 | 4 | 200,690 |

9.1.3 Accumulated (deficit)

| | (\$'000) | |
|---|-----------------|-----------------|
| | 2018 | 2017 |
| Accumulated (deficit) | | |
| Accumulated (deficit) at beginning of financial year | (91,256) | (82,845) |
| Net result for the year | (5,593) | (8,411) |
| Accumulated (deficit) at end of financial year | (96,849) | (91,256) |

9.2 Events occurring after the balance date

Subsequent to 30 June 2018, a sale contract has been signed in relation to land held for sale currently disclosed in the balance sheet to the value of \$3.2M. A 10% deposit has been received with full settlement due in the 2018/19 financial year.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.3 Responsible persons

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. The responsible Minister during the 2017-18 reporting period was the Hon. Lisa Neville MP, Minister for Water. Remuneration paid to the respective Minister is shown in the financial statements of the Department of Parliamentary Services. The names of persons who were directors of Lower Murray Water at any time during the financial year are as follows:

| <i>Name</i> | <i>Title</i> | <i>Period of appointment</i> |
|------------------|---------------------------------------|----------------------------------|
| Mr Philip Endley | Managing Director/Accountable Officer | 1 July 2017 to Current |
| Cheryl Rix | Director - Chair | 1 October 2017 to Current |
| | Director | 1 July 2017 to 30 September 2017 |
| Liza McDonald | Director | 1 July 2017 to Current |
| Jason Kambovski | Director | 1 July 2017 to Current |
| Guy Kingwill | Director | 1 July 2017 to Current |
| Sharyon Peart | Director | 1 July 2017 to Current |
| Robert Fowler | Director | 1 July 2017 to Current |
| Michelle Oates | Director | 1 October 2017 to Current |
| Warren Lloyd | Director | 1 October 2017 to Current |
| John Tesoriero | Director - Chair | 1 July 2017 to 30 September 2017 |
| Kay Martin | Director | 1 July 2017 to 30 September 2017 |
| Tony Mathews | Director | 1 July 2017 to 30 September 2017 |

Accountable Officer remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of Lower Murray Water during the reporting period was in the range:

| | |
|---------------------|-----------|
| \$280,001-\$290,000 | (2017-18) |
| \$270,001-\$280,000 | (2016-17) |

Board Members remuneration

| | 2018 | 2017 |
|--|------|------|
| \$1 - \$10,000 | 2 | - |
| \$10,001 - \$20,000 | 4 | 4 |
| \$20,001 - \$30,000 | 4 | 3 |
| \$40,001 - \$50,000 | 1 | 1 |
| Total number of Board Members remuneration | 11 | 8 |

Three directors positions were replaced during 2018, therefore these three directors positions are noted twice in the table above.

| | 2018 | 2017 |
|--|------|------|
| Total remuneration receive or due and receivable by Board Members from the reporting entity was: | 219 | 189 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.4 Related parties

Lower Murray Water is a wholly owned and controlled entity of the State of Victoria.

Related parties of Lower Murray Water include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.
- controlled business interests

All related party transactions have been entered into on an arm's length basis.

Significant transactions with Government related entities

Lower Murray Water made payments of \$1.8M to the Department of Environment, Land, Water and Planning "DELWP". The environmental contribution levy was \$1.6M (see also Note 8.2) with the remaining amounts paid for services provided such as title searches, water transfers, licence fees and monitoring costs.

| | (\$'000) | |
|---|--------------|--------------|
| | 2018 | 2017 |
| Government water rebate provided to customers | 2,192 | 2,238 |
| Amounts recognised as revenue in the Comprehensive operating statement | 2,192 | 2,238 |

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Lower Murray Water, directly or indirectly, this comprises independent Directors and the Managing Director. Key management personnel (as defined in AASB 124 Related Party Disclosures) includes the Portfolio Minister and all Directors listed under responsible persons in note 9.3 who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services' Financial Report.

| | (\$'000) | |
|------------------------------|------------|------------|
| | 2018 | 2017 |
| Compensation of KMPs | | |
| Short-term employee benefits | 460 | 423 |
| Post-employment benefits | 39 | 36 |
| Other long-term benefits | 6 | 6 |
| Total | 505 | 465 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Transactions with key management personnel and other related parties

Given the breadth and depth of Corporation activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Director Sharyon Peart is also the Chairperson of the Mallee Catchment Management Authority (MCMA). The transactions with MCMA were in respect of an arrangement with the Department of Environment, Land, Water and Planning to collect salinity levy's on behalf of MCMA as part of Lower Murray Water's billing cycle. The value of these transactions in 2018 were \$3.291M.

All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making evaluation decisions about the allocation of scarce resources.

9.5 Remuneration of executives

The number of executive officers, other than the minister and accountable officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

| <i>Remuneration</i> | (\$'000) | |
|--|--------------------|--------------|
| | Total remuneration | |
| | 2018 | 2017 |
| Short-term employee benefits | 1,106 | 946 |
| Post-employment benefits | 97 | 90 |
| Other long-term benefits | 129 | 19 |
| Total remuneration (a) & (c) | 1,332 | 1,055 |
| Total number of executives | 11 | 6 |
| Total annualised employee equivalents (b) | 5.5 | 5.1 |

Notes:

- (a) *The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 9.5).*
- (b) *Annualised employee equivalent is based on the time fraction worked over the reporting period.*
- (c) *Total remuneration paid to executives includes payments to contractors during the reporting period.*

9.6 Remuneration of auditors

| | (\$'000) | |
|---|------------|------------|
| | 2018 | 2017 |
| Victorian Auditor-General's Office | | |
| Audit or review of the financial statements | 95 | 102 |
| Other audit services | | |
| Internal Audit | 38 | 60 |
| ESC Audit | 25 | 24 |
| Department of Health Services - Safe Drinking Water | 17 | 17 |
| | 175 | 203 |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.7 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises Lower Murray Water of their applicability and early adoption where applicable.

| <i>Topic</i> | <i>Key requirements</i> | <i>Effective date</i> | <i>Effective date for the entity</i> | <i>Estimated impact</i> |
|---|--|-----------------------|--------------------------------------|---|
| AASB 9 <i>Financial Instruments</i> | The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 Jan 18 | 1 Jul 18 | The assessment has identified that the amendments may result in earlier recognition of impairment losses and at more regular intervals. Lower Murray Water considers it unlikely that there will be a material change as a result of this approach. |
| AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i> | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: - the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and - other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 Jan 18 | 1 Jul 18 | The assessment has identified that the amendments may result in earlier recognition of impairment losses and at more regular intervals. Lower Murray Water considers it unlikely that there will be a material change as a result of this approach. |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| Topic | Key requirements | Effective date | Effective date for the entity | Estimated impact |
|--|---|----------------|-------------------------------|--|
| AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i> | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. | 1 Jan 18 | 1 Jul 19 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 Jan 18 | 1 Jan 18 | The assessment has indicated that there will be no significant impact for Lower Murray Water. |
| AASB 15 <i>Revenue from Contracts with Customers</i> | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 Jan 18 | 1 Jul 18 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Lower Murray Water has assessed that the impact will be predominantly related to contract related revenue. |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| <i>Topic</i> | <i>Key requirements</i> | <i>Effective date</i> | <i>Effective date for the entity</i> | <i>Estimated impact</i> |
|---|--|--|--------------------------------------|---|
| AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: the entity's right to receive payment of the dividend is established; it is probable that the economies benefits associated with the dividend will flow to the entity; and the amount can be measured reliably. | 1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018. | 1 Jul 17 | The assessment has indicated that there will be no significant impact for Lower Murray Water. |
| AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> | This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 Jan 18 | 1 Jan 18 | The assessment has indicated that there will be no significant impact for Lower Murray Water. |
| AASB 2016-7 <i>Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities</i> | This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1 Jan 19 | 1 Jul 18 | The assessment has indicated that there will be no significant impact for Lower Murray Water. |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

| Topic | Key requirements | Effective date | Effective date for the entity | Estimated impact |
|---|--|----------------|-------------------------------|--|
| <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15</i></p> | <p>This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence.</p> <p>The amendments require:</p> <ul style="list-style-type: none"> · a promise to transfer to a customer a good or service that is ‘distinct’ to be recognised as a separate performance obligation; · for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and · for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1 Jan 18 | 1 Jan 18 | <p>The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements.</p> |
| <p>AASB 1058 <i>Income of Not-for-Profit Entities</i></p> | <p>AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 Contributions.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p> | 1 Jan 19 | 1 Jan 19 | <p>Where a significant divergence between the asset value or service provided vs. the monetary consideration paid, AASB 1058 will apply to gross up the revenue to fair value.</p> |

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The following accounting pronouncements are also issued but not effective for the 2017-18 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards.

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