



Annual Report 2011/12

Lower Murray Water Operating Area



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Our Profile

Our Establishment

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

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

During the reporting period the Minister for Water was The Hon. Peter Walsh MLA.

Our Services

We provide:

- urban water services to 14 townships via nine treatment plants to approximately 60,000 customers along the Murray River in Victoria from Kerang to Mildura;
- wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 11 treatment plants;
- river quality water services to 4,715 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura, the Millewa rural district and some areas of the waterworks districts of Carwarp and Yelta;
- management of the region's rural bulk water entitlement of 479,191ML;
- the collection and disposal of subsurface drainage water from the four pumped irrigation districts, and Nangiloc, Robinvale and Boundary Bend diversers;
- ensuring drainage design in new agricultural developments conforms with salinity management plan development guidelines;
- management of the private diversion licences of 1,102 water users along the Murray River in Victoria between Nyah and the South Australian border;
- the assessment and approval of water share and allocation trade applications; and
- reclaimed water for third party use.

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

Our Vision

Vital Resource – Vital Service

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

Our Core Business

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

Our Region

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

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

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

Our Goals

- 1. Quality Services Delivery**
To provide high quality drinking water, wastewater, irrigation, drainage and water recycling services to our customers
- 2. Positive Customer, Staff and Stakeholder Relationships**
To maintain positive relationships and communications with rural and urban customers, government and other stakeholders
- 3. Building a Prosperous Region**
To contribute to the economic, social and cultural development of the region and ensure the security of the community's collective water resource
- 4. Sustainability of Our Environment**
To plan and manage all our operations in an environmentally responsible and sustainable manner
- 5. Motivated and Empowered People**
To maintain a quality, appropriately skilled and committed workforce
- 6. Efficient Financial and Asset Management**
To manage the Corporation's assets and financial resources responsibly
- 7. Responsible Corporate Governance**
To manage our business affairs in a manner consistent with the best standards of corporate governance

Urban Water Supply

Objective	Objective Set	Action Taken
Provide quality potable drinking water in accordance with the <i>Safe Drinking Water Act 2003</i> to urban customers in prescribed areas	Strategic Plan	<ul style="list-style-type: none"> • Upgrade to the Robinvale WTP Clarifier was successfully completed • Automation of the Robinvale WTP was commissioned • Continued training of WTP operators to further enhance skills and achieve compliance with DoH requirements • All WTP operators are making steady progress through Certificate III in Water Industry Operations • All relevant staff have received Australian Drinking Water Guidelines Training • Implementation of minor modifications to the treatment process at Mildura Seventh Street WTP to improve treated water quality due to a second consecutive year "Black Water" event • Chemical dosing system at Mildura WTP upgraded • Commencement of scoping of recommendations of the study commissioned in 2011 to identify necessary upgrades to the WTPs to improve treatment efficiency. Resultant projects to commence in 2013 • As Convening Agency, continued to monitor Blue Green Algae in the Murray River and make appropriate public announcements • Upgrades to the computer and telemetry communications systems in the Southern region to monitor and maintain water quality are underway • Trials being carried out at Swan Hill WTP using alternative treatment chemicals to identify their efficiency in treating poor raw water quality during "Black Water" events
Continue to meet the levels of service as set out in the Statement of Obligations and other prescribed health and environment regulations	Strategic Plan	<ul style="list-style-type: none"> • Replacement of approximately 4.5km of water mains in our service region • Construction of approximately 3.3km of water and 2.7km sewer mains to service new subdivisions and properties in our service region • Installation of approximately 2.3km of gas pipeline was installed for the APA Group • Fluoridation audits being carried out at all Lower Murray Water WTPs, as instigated by DoH to ensure compliance with the Code of Practice of Fluoridation of public water supplies
"Living Victoria" Strategy Program		<ul style="list-style-type: none"> • Continuation of waterMAP for treated water customers above the threshold level

Our Objectives

Wastewater Treatment and Recycling

Seek opportunities to recycle wastewater	Strategic Plan	<ul style="list-style-type: none"> Continued to seek to investigate new water recycling/reuse opportunities Completed installation of new fully automated sprinkler system for the use of reclaimed waste water from the Robinvale WWTP in a sustainable manner and managed in accordance with EPA guidelines Continuation of supply of Class C Primary Treated Effluent to Reuse Partner as a preliminary supply to establish permanent plantings Continuation of supply of irrigation drainage water from the Red Cliffs Irrigation District to the Red Cliffs Golf Club for re-use Continuation of the use of reclaimed water from the Mildura WTP by Mildura Rural City Council for the irrigation of recreation reserves
Collect, treat and manage wastewater throughout the region applying appropriate methods of wastewater management which are commensurate with end use	Strategic Plan	<ul style="list-style-type: none"> Completion of the Koorlong Wastewater Treatment Plant (WWTP) augmentation Continuation of contract for Sewer Rehabilitation works across all districts Completion of Dow Avenue bypass/booster pump station to reduce loading on the Mildura system and improve flows to Koorlong WWTP Completion of construction of storage lagoon and irrigation re-use system at the Robinvale WWTP to ensure flows are managed in accordance with EPA guidelines Commencement of "Biological Sludge Removal" trial using specialised bacteria at Mildura WWTP to investigate the efficiency of the bacteria in a bid to improve the sludge Commencement of works on Kerang WWTP
Continue to meet the levels of service as set out in the Statement of Obligations and other prescribed health and environment regulations	Strategic Plan	<ul style="list-style-type: none"> Construction of approximately 3.3km of water and 2.7km sewer mains in our service region Rehabilitation of 4.2km of sewer mains in our service region

Irrigation, Domestic and Stock Supply and Drainage Services

Objective	Objective Set	Action Taken
Provide river-quality water to all irrigators and Domestic and Stock users, in line with entitlements and their seasonal allocations	Strategic Plan	<ul style="list-style-type: none"> Commencement of the Millewa Small towns Water Quality Fund (STWQF) project to improve water quality in the Millewa Domestic and Stock reticulation system <ul style="list-style-type: none"> Awarded Civil and Mechanical/Electrical Tenders for construction of new Pump Station and WTP, and refurbishment of Lake Cullulleraine Pump Station WTP and associated civil works expected to be completed in July 2012 Commencement of hydraulic design and engineering plan for installation of reticulated water for Cullulleraine township Completion of installation of Robinvale irrigation metering program, to ensure accuracy in monitoring of water delivered Continuation of installation of Red Cliffs, Merbein and Private Diverters' irrigation metering programs, to ensure accuracy in monitoring of water delivered Commencement of designs and documentation for electrical and automation upgrades for Mildura, Red Cliffs and Merbein irrigation pump stations Design and fabrication of surge vessel as protection against negative pressure events for Robinvale irrigation district commenced

Budgetary and Governance

Responsible Corporate Governance —to manage our business affairs in a manner consistent with the best standards of corporate governance	Corporate Plan 7	<ul style="list-style-type: none"> Continued regular OH&S committee meetings Continued annual inspection of 150 plus worksites as part of the Hazard Removal Program Renewed three year internal audit program and appointed auditor
To align the business objectives with Essential Services Commission principles	Strategic Plan	<ul style="list-style-type: none"> Trade Waste Customer Charter developed Released draft of Water Plan 3 (2013-2018) for public comment Trialed Hardship Related Guaranteed Service Level processes Compliant ESC Regulatory audit result

Environmental

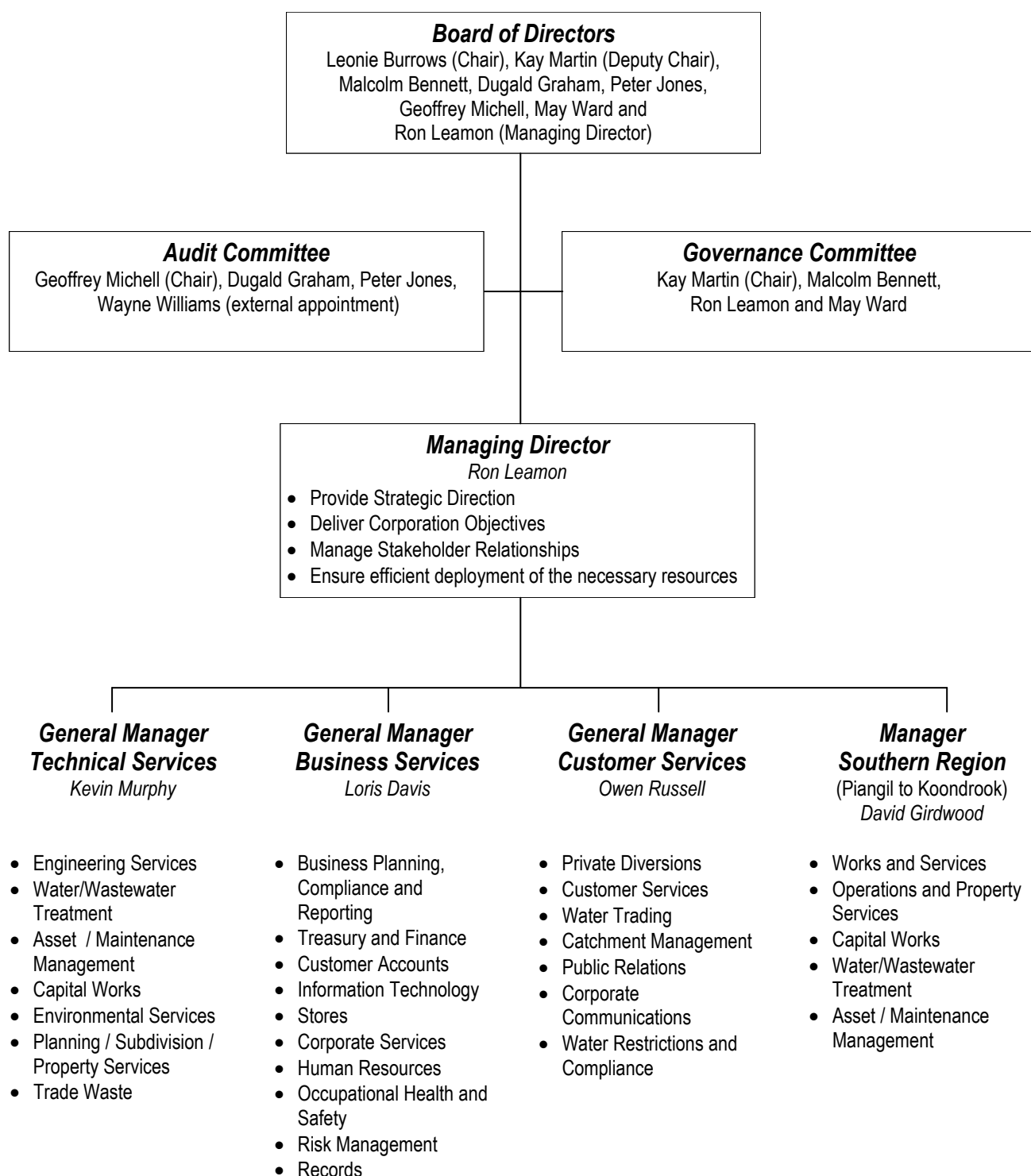
Objective	Objective Set	Action Taken
Sustainability of our Environment – Minimise the environmental impact of water usage by all customer groups	Corporate Goal 4	<ul style="list-style-type: none"> Continued to encourage reclaimed water projects to reduce extractions from the Murray River Continued partnering in the delivery of a project to reduce potential environmental impacts from pump infrastructure on the river Continued community education and awareness programs for water conservation Continued to assist with the delivery of Environmental Flows to Cardross Lakes Commenced the development of an environmental regulator for Kings Billabong
Sustainability of our Environment – Implement State Environmental Sustainability Objectives	Corporate Goal 4	<ul style="list-style-type: none"> Continued purchase of GreenPower and offsetting carbon emissions from air flights (GHG objective) Completed Greenhouse Gas Management Strategy (GHG objective) Continued to manage threatened species (Hooded Scaly-foot lizard and the Murray Hardyhead fish) (Biodiversity objective) Continued with our waste management program and implement recycling of fluorescent lights (Waste Production objective)
Efficient financial and asset management —to manage the Corporation's assets and financial resources responsibly	Corporate Goal 6	<ul style="list-style-type: none"> Commenced access to BPAY View® system for our customers from November 2011; and encouraged its use in conjunction with BPAY View® through access to a competition with a cash prize (to be drawn in August and December 2012)

Our Objectives

Customer, Staff and Stakeholder

Motivated and Empowered People —to maintain a quality, appropriately skilled and committed workforce	Corporate Goal 5	<ul style="list-style-type: none"> Continued our “Corporate Wellness Program” for staff to include new activities and information Continue training of staff in all aspects of operations, including WTP operators progressing through Certificate III in Water Industry Operations In line with our Study Leave and Training and Development Policies, supported staff undertaking further education
Positive Customer, Staff and Stakeholder Relationships —to maintain positive relationships and communications with rural and urban customers, government and other stakeholders	Corporate Goal 2	<ul style="list-style-type: none"> Continued our program of Customer Service Advisory Committee (CSAC) and Customer Consultative Committee (CCC) meetings throughout the year Conducted the 2011/12 Residential Customer Satisfaction surveys
Increase awareness and understanding of water related issues in the entire community	Communications Strategic Plan	<ul style="list-style-type: none"> Continued production of e-news “Inflow” to subscriber base Continued provision of education programs and activities for primary school children, including tours of our infrastructure Participated in a range of community projects aimed to promote environmental awareness Conducted water saving shower head and trigger nozzle exchange programs and tap timer giveaways Continued involvement in National Water Week activities
Develop partnerships with local businesses and groups to educate on water related issues	Communications Strategic Plan	<ul style="list-style-type: none"> Relationships with media in our service area maintained throughout the year Relationship with the tourism/accommodation industry maintained through Mildura Tourism Responded to requests from schools for development of presentations and learning resources targeted to particular areas of the curriculum Conducted tour of the Mildura WTP for local community groups Created an interactive large scale ‘board game’ for primary school children Participated in joint agency interactive environmental learning activity for primary school children

Our Structure



Our People

Our Board

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

During the 2011/12 year changes to our Board comprised:

- Peter MacIntosh and Michael Tilley concluded their terms with the Board effective 30th September 2011
- Malcolm Bennett and Dugald Graham were appointed as Directors of the Corporation from 1st October 2011 to 30th September 2013
- Peter Jones was re-appointed to the Board from 1st October 2011 to 30th September 2013
- Leonie Burrows was appointed Chair effective 1st October 2011 to 30th September 2013
- Ron Leamon was re-appointed in the position of Managing Director from 1st July 2012 to 30th June 2017

Terms for directors Kay Martin, May Ward and Geoffrey Michell conclude on 30th September 2012.

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

Our Directors come from diverse backgrounds and bring a mix of skills and experience to the Board that ensures the Board's focus is on Lower Murray Water achieving optimal environmental, operational and financial corporate governance. The Board generally meets monthly, except in January. The effectiveness of the Board and its performance is reviewed annually. Logistical and financial provisions are afforded to Directors for their ongoing skills development.

Membership

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

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

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

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

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

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

Malcolm Bennett is a self employed dried fruit grower in the Merbein Pumped Irrigation District with an Associate Diploma in Mechanical Engineering. He is the current Chair of the Mallee Catchment Management Authority's 'Mallee Irrigation and Environmental Community Advisory Committee' and has been a member of the Mallee Catchment Management Authority's 'Biodiversity Technical Advisory Committee' since 2005. He is a member of the Merbein Branch of Dried Fruits Australia.

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

Directors' Attendance at Meetings

Directors	Eligible to attend*	Attended
	Board Meetings	
Leonie Burrows [^]	12	11
Kay Martin	12	11
Malcolm Bennett~	10	10
Dugald Graham~	9	9
Peter Jones	13	13
Ron Leamon	13	13
Peter MacIntosh #	3	3
Geoffrey Michell	12	11
Michael Tilley #	3	2
May Ward	12	12

* includes Special Meeting (July), Strategic Planning Review Meeting (December), Revaluations Meeting (January), Technical Sub-Committee (March) and Water Plan Meeting (May)

Directors Tilley and MacIntosh concluded their terms on 30th September 2011

[^] Director Burrows was appointed Chair effective 1st October 2011

~ Directors Bennett and Graham were appointed effective 1st October 2011

Board Committees

Audit Committee

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

Through our rolling three year internal audit program, the Audit Committee is able to review and evaluate the effectiveness of controls and practices. At 30th June 2012, the Committee comprised Geoffrey Michell (Chair), Peter Jones, Dugald Graham and Wayne Williams, an external appointment to the Committee. The Committee met on six occasions in 2011/12. All committee minutes are included in the next Board of Directors' monthly meeting agenda. The Committee meets the requirements of the Financial Management Compliance Framework.

Directors	Eligible to attend	Attended
	Audit Committee	
Leonie Burrows+	2	2
Peter Jones	6	6
Peter MacIntosh #	2	1
Geoffrey Michell (Chair)	6	6
Dugald Graham~	4	4

+ Director Burrows left the Audit Committee effective 1st October 2011

Director MacIntosh concluded his term on 30th September 2011

~ Director Graham was appointed effective 1st October 2011

Governance Committee

The objectives of the Governance Committee are:

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

In accordance with the Terms of Reference the Committee has in 2011/12:

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

Directors	Eligible to attend	Attended
	Governance Committee	
Kay Martin (Chair)	4	4
Malcolm Bennett~	3	3
Leonie Burrows+	1	1
Ron Leamon	4	4
May Ward	4	4

+ Director Burrows left the Governance Committee effective 1st October 2011

~ Director Bennett was appointed effective 1st October 2011

Corporate Governance

Risk Management

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

LBurrows

Leonie Burrows
Chair

3rd September 2012

Our People

Our Chair and Managing Director

Chair's Overview

It is with pleasure that I provide my first annual report on the performance and operation of Lower Murray Water for financial year 2011/12.

Since my appointment to the position of Chair on 1st October 2011, I have been able to develop a broader appreciation of the contexts of the social, political and physical environments in which we operate.

These contexts are important as they allow me and our new Board of Directors to set and modify our strategic direction to better accord with the ever changing environments in which we are placed. These changing landscapes include factors at the local, state and national levels.

We are better able to engage these factors through the development of partner alliances with other agencies. In particular this year we have worked closely with the Mildura Development Corporation and the Mallee Catchment Management Authority in the pursuit of Commonwealth support toward modernisation of our Mildura area-based irrigation systems.

These strategic alliances are important in the context of preparing our region to be in a position to take advantage of outcomes from the emerging Murray Darling Basin Plan.

Lower Murray Water along with many other regional parties have made submissions to the Murray Darling Basin Authority and various Commonwealth Government Parliamentary Committees to make our position known on the proposals to claw back water to address environmental sustainability. We believe our region is well placed to survive and prosper under this new regime due to our climate, soil types, geographic location, business approach and the "can do" mentality of our community.

The Corporation has developed our draft Water Plan 3 and consulted widely on it. We believe it is a blueprint for our approach to providing reliable services to our customers for 2013-2018. We look forward to locking this strategic document into place and delivering the programs it sets out.

The Board have completed a strategic review of our Corporate Risk Register which enabled the newer Directors to gain a deeper level of appreciation of our business risks as well as refresh the minds of our longer serving Directors.

The new Robinvale High Pressure Irrigation System was officially opened by the Minister for Water the Hon Peter Walsh in August 2011. This system is a state of the art supply system that provides water on demand to irrigators on an "all year round" basis.

We have experienced another difficult trading year due to low water demand. Our rural business traded as expected with positive signs of increasing commodity prices and recommissioning of dried off land back into production occurring across the area.

The urban component of our business had lower than expected demand for water services. This is in part due to the community now having embedded water conservation practices built into the urban landscape and social attitudes have changed to reflect the need to conserve our precious resource.

The Corporation had an after tax trading loss of \$8.8Million due in part to the unfunded superannuation liability of \$3.1Million. In essence we have not fully funded our depreciation but continue to operate in a positive cash position.

Depreciation increased to \$22.8Million, from the previous year's \$17.3Million due to the revaluation of non-current infrastructure assets effective as at 30th June 2011 thus impacting on depreciation in the current financial year.

On behalf of the Board, I would like to thank our Customer Service and Advisory Committees (rural) and Customer Consultative Committees (urban), who provide us with important feedback and advice on issues affecting our customers.

Finally, I would like to thank all parties that have enabled us to function this year including the Minister for Water, departmental officials, my deputy Chair Kay Martin, other Directors and the Management group on whom we rely for strong support and drive.



Leonie Burrows
Chair

3rd September 2012

Our Chair and Managing Director

Managing Director's Overview

The Management Group have dealt with a myriad of issues in the last twelve months that have aided the Board in proceeding towards our Corporate Goals.

These issues have ranged from those of a mandatory nature associated with the preparation of the draft Water Plan 3 and Corporate Plans through ongoing human resource management including enterprise negotiations and to the continued roll out of strategic capital works projects.

Of particular note the evolutionary development of our draft Water Plan 3 for the five year period from 2013 - 2018 has been extensive and involved a wide array of consultations, including utilising electronic media in an endeavour to engage wider and younger generation customer segments.

Water Plan 3 sets our roadmap for the upcoming five years and as such has required much forethought from as wide a range of participants as possible. This has included regulators, agencies, and commodity and customer groups of both a formal and informal nature. The Board has considered all input in preparing the draft Water Plan which is on exhibition for further consideration by our customer base and interested parties.

A cost control strategy was implemented with the approval of the Board in the early part of the 2011/12 financial year. This strategy addressed costs in all areas of the business to help realign our cost/revenue ratio such that it better reflected the difficult economic period being experienced in our horticultural sector. Commodity prices had been at very low levels and customers were recovering from the extensive flooding that occurred in early 2011.

Part of this strategy entailed reducing staffing costs which was achieved via both natural attrition and targeted separations. This was a very difficult but necessary process the business had to endure. Regrettably a number of very good people left the business during this period.

We have seen a spate of retirements during the last year as well. These retirements were of long serving staff members, which is a milestone in itself for these people and their colleagues as well as opening up opportunities for new and existing staff.

On the strategic front we have achieved several goals including securing a site for the eventual replacement of the Swan Hill Water Treatment Plant. While this project is many years away the Board felt that it was important to secure a land parcel well into the future such that orderly town planning could be maintained around the periphery of the Swan Hill City boundaries.

A further major project has been initiated at Kerang where the existing wastewater treatment plant is undergoing a major rehabilitation. While this is not a high tech project as such it has required extensive forethought, planning and risk appraisal to select the most cost effective solution. A contract for the works was awarded in May 2012.

We have undertaken several key strategic projects in our irrigation systems in the Sunraysia area which will be compatible with major infrastructure upgrades that are planned under the Sunraysia Modernisation Project. The works undertaken to date are addressing higher risk components of the current systems and include cementitious flexible lining of existing high fill-bank channel sections.

Other strategic projects include the completion of the remote meter reading network for our Private Diverter customers along the 400km reach of the Murray River from Nyah to the South Australian Border.

Also of note is the initiation of contracts for construction of the Water Quality Improvement Project for the Millewa Rural District and the township of Lake Cullulleraine. We have been partnered in this project with Treasury Wines Estate Pty Ltd who generously made the land available for the treatment plant component and the Victorian State Government who have provided two grants totalling \$1.24M toward the project.

I wish to express my gratitude to the Board for their strong support to me and the Management Group. Likewise I have been able to rely heavily on these managers for their support and ability to step in and take actions whenever they have seen a need and for this I thank them as well. Most importantly thank you to all staff. They have continued to provide excellent customer service under a range of trying circumstances.



Ron Leamon
Managing Director

3rd September 2012

Our People

Our Staff

Workforce Philosophy

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

Staff Development and Training

We aim to maintain a quality, skilled and committed workforce by providing opportunities for all staff to develop and improve their skills to contribute to our overall business performance. All employees have attended Privacy, Risk, Liability, Insurance and OHS awareness sessions during 2011/2012. Ongoing regulatory OHS, environmental, risk management, public liability and water treatment training is scheduled and continues to be a high priority for us. Our Water Treatment employees are making steady progress completing their Certificate III in Water Industry Operations. Employees are encouraged to undertake tertiary studies and we have policies that provide employees with paid study leave and reimbursement of fees for relevant approved courses. We have employees currently enrolled in Bachelor of Arts, Bachelor of Information and Technology and Bachelor of Engineering degrees.

Staff Trends and Profiles

	2011			2012		
	Male	Female	Total	Male	Female	Total
Executive	4	1	5	4	1	5
Administration	71	40	111	72	32	104
Operations	64	0	64	55	0	55
Sub-total	139	41	180	131	33	164
Vacancies			3			1
Totals			183			165

	Male	Female	Total
15-24 yrs	3	1	4
25-34 yrs	14	3	17
35-44 yrs	27	10	37
45-54 yrs	49	9	58
55-64 yrs	33	9	42
65-65+ yrs	5	1	6
Total			164

The staff turnover rate for 2011/12 was 15%.

Workplace Merit and Equity

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

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

As with preceding years, no Workplace Merit and Equity issues occurred during 2011/12.

Occupational Health and Safety (OH&S)

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

Our current OH&S performance is high and this has been a result of effective consultation, co-ordination and communication between all our departments. We have a proactive OH&S Committee that is well supported by Management and has a direct influence on OH&S outcomes. The Committee assists in developing Standard Operating Procedures, Policies, identifying hazards in the workplace, promoting the OH&S culture to their different workgroups and participating in incident investigations and reviews. The Committee meets regularly to discuss OH&S matters, share knowledge and practices and suggest where improvements can be made within the organisation.

An important component of our Occupational Health and Safety Management is the Hazard Removal Program. This involves the annual inspection of some 150 plus worksites across all service areas of Lower Murray Water, from the Millewa to Murrabit. The sites are inspected against a checklist and any hazards found are recorded, rated in terms of risk and then action listed to the appropriate person to rectify. Over the past five years approximately 900 hazards have been removed through this program.

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

Statistics	2010/11	2011/12
Days Lost - Workcover	82	16.5
- per FTE	0.47	00.1
Number of Lost Time Injuries	2	4
Lost Time Injury Frequency Rate *	6	12
Percentage of annual Workplace Inspections completed	100%	100%

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

Customer Consultation

Customer Service Advisory Committees

As part of our goal to maintain positive relationships and communications with rural customers, we have in place six Customer Services Advisory Committees representing the Pumped Districts of Mildura (FMID), Merbein, Red Cliffs and Robinvale, the Millewa Rural District and the Private Diverters between Nyah and the South Australian border. The Customer Services Advisory Committees were established in accordance with the *Water Act* 1989. The purpose of the committees is to provide advice to the Board and Management on a range of water and service related matters. We seek advice from the Committees on Corporate Planning embracing maintenance priorities, capital expenditure requirements, service level, tariff charges and billing regimes and other matters of mutual interest referred to the Committees by the Board. The CSAC Chairs met with the Board at the meeting of 5th December 2011.

CSAC Members' Attendance at Meetings July 2011 to June 2012

CSAC Members	Meetings Eligible to attend	Attended	CSAC Members	Meetings Eligible to attend	Attended	CSAC Members	Meetings Eligible to attend	Attended
Merbein			Millewa			Red Cliffs		
David Beard	4	3	Ian Arney	4	2	Michael Cowling	4	1
Stephen Bennett~	1	1	Neil Boord	4	3	Ian Gowers	4	2
Larry Dichiera	4	3	Kevin Coogan	4	4	Greg Hutchison	4	3
Alan Greatz	4	2	Ron Hards ^	5	3	Frank Pedulla ^	5	5
Roslyn Hudson	4	2	Allen Harmer	4	2	John Piccirillo	4	4
Richard Wells ^	5	3	Stuart Thomson	4	2	John Strangio	4	1
Mildura			Private Diverters			Robinvale		
Robert Bate	4	3	Ian Keens	2	1	Don Albanese ^	5	4
Domenico Caia	4	2	Tim Millen	2	0	Ian Boyd	4	4
Joe Ietto	4	1	Andrew Young ^	3	3	Lindsay Camera	4	2
Ashley Johnstone	4	3	Vacancy			Frank Constantino	4	3
Warren Lloyd ^	5	3	Vacancy			Cossy Giofrelle	4	2
Rodney Trigg	4	1	Vacancy			Ken Stringer	4	3

^ denotes Chair of committee

~ Stephen Bennett appointed March 2012

Customer Consultative Committees

The urban customers of our region have been represented on two Customer Consultative Committees, being the Northern and Southern Committees, including a Lower Murray Water Director. In the year 2011/12 the Northern Customer Consultative Committee met twice in relation to Water Plan 3 (2013-2018). The second of these was a combined meeting with the Southern Customer Consultative Committee. As the matters being brought to both committees are generally common across Lower Murray Water's service region, it was decided one committee would provide input with a more effective use of resources. The new Committee will continue to provide advice from urban customers on a range of water and service related matters.

CCC Members' Attendance at Meetings July 2011 to June 2012

Northern			Southern		
Member	Meetings Eligible to attend	Attended	Member	Meetings Eligible to attend	Attended
Brendan Barry	2	2	Graeme Hayes	1	1
Geoff Quinn	2	2	Graeme Jilbert	1	0
			Colin Myers	1	1
			Deborah Quinn	1	1
			Dione Thompson	1	0
			May Ward ^	1	1

Our Customers

Customer Communication

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

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

The 2011/12 Residential Customer Satisfaction rating was 62.98%, with the 2011/12 Rural Customer Satisfaction rating being 60.90%. These satisfaction ratings remain high considering our customers had experienced severe local flooding and major crop losses prior to the survey being completed (July 2011).

Complaint Resolution

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

Energy and Water Ombudsman Case Handling Statistics

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

EWOV 2011/12	Enquiries	Referral		Complaint			
		Unassisted *	Assisted #	Stage 1	Stage 2	Stage 3	Stage 4
Overall Water Industry - Urban & Rural	106	644	1,201	149	182	12	2
Lower Murray Water - Urban	0	8	7	1	1	0	0
Lower Murray Water - Rural	1	4	4	0	2	0	0

* customer is encouraged to make contact with their water provider

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

Our Commitment to our Environment and Our Region

Environmental Sustainability

Efficiency of irrigation systems

Official Opening of Robinvale Pump Station

On 5th August 2011 the Hon Peter Walsh MLA officially opened the Robinvale Pump Station. Part of the \$50.5M Robinvale High Pressure Irrigation System, the Pump Station provides 'on demand' water. Efficiencies will be seen through reduced water loss and maintenance requirements and the improving of on-farm irrigation practices including the ability to diversify into winter cropping.

Private Diverters' Telemetry Project

In December 2011 we commenced a project that will allow approximately 580 Private Diversion customers access to their meter readings in real time. The project involved the installation of 17 base station communication towers over an area of 650km from Nyah (Vic) to the South Australian border. When fully operational (expected July 2012) the system will provide records of flows taken, enable better management of River Murray water resources by being able to more accurately predict extraction rates during peak demand periods and will assist in the prevention of water theft. Remote meter readings, diagnosis of faults and flow meter health will assist in reducing staff work load by up to at least 80 hours per quarter, more in times of water restriction when additional meter readings were required. The Bureau of Meteorology will also access valuable data from the base stations.

Water Recycling

We continue to encourage sustainable reuse schemes to reduce raw water extracted from the Murray River. Water is reclaimed from our Wastewater Treatment Plants (WWTP) in accordance with EPA Guidelines. Highlights include:

- Koorlong WWTP delivers Class C reuse water for use on high value horticulture. We continue to maximise the amount of wastewater treated at Koorlong WWTP to take full advantage of this beneficial reuse. This year, the reinstatement of the Dow Avenue Booster Pump Station was completed to improve system capacity and provide for better utilisation of the modern Koorlong WWTP. This caters for both population growth within Mildura district and surrounds and also the diversion of flows from the older Mildura WWTP such as the redirection of the Fourteenth Street Pump Station
- Mildura WWTP continues to use wastewater for the irrigation of tree lots, permanent pastures and fodder
- Robinvale WWTP has been upgraded to provide a wet weather storage lagoon and a fixed, overhead irrigation array to improve quality of reclaimed water and increase options for end-use

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

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

Reuse of irrigation drainage water is also available:

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

Water Conservation—Community Education / Awareness Programs and Activities

Sunraysia Riverwatch

We are proud to be a member of Sunraysia Riverwatch (SRW), a community program that aims to assist in the protection of the river and its environment. SRW is dedicated to increasing appreciation of the river environment so that it is better preserved for the benefit of current and future generations. In 2011/12 we renewed our sponsorship of SRW, joining other agencies and local businesses in demonstrating ongoing commitment to this important community service.

"Cloudburst" Exhibition

February 2012 saw the first anniversary of devastating floods that effected all areas of our service region. As a collaborative effort of the Community Flood Recovery Committee, Mildura Arts Centre, Council's Flood Recovery team and the LEAP Project, an exhibition including a series of multimedia works where residents, emergency services workers, flood recovery agencies and the wider community share their personal experiences and reflect on the events of 4th February 2011 was created. Lower Murray Water participated in the production of a commemorative DVD with Matthew Shire (Superintendent Mechanical Maintenance) and Andrew Ryan (Co-ordinator Civil Maintenance) appearing on the DVD. The exhibition was staged in Mildura from 4th February to 3rd March 2012.

National Water Week 2011—Lock to Wetlands Bike Ride

As part of National Water Week 2011 a bike ride was co-ordinated by Mildura Rural City Council that saw participants riding from Lock 11 to the Etiwanda Wetlands. Local agencies, including Lower Murray Water, were on hand at the Wetlands to provide information on environmental themes including water saving.

Rural Water Innovation Awards

Lower Murray Water combined with Goulburn-Murray Water, Southern Rural Water and the Victorian Farmers' Federation to develop the 2012 Rural Water Innovation Awards. Applications were encouraged from rural customers in the categories of Irrigation District, Groundwater or Surface Water users, who were implementing innovative methods or technology. Judging was concluded in July, with winners being announced at the Awards celebration on 17th August 2012. It is proposed these awards will become annual.

Tours of infrastructure and services

In October 2011 the local "Men in a Shed" group toured the Mildura Water Treatment Plant (WTP) to learn about the process from river water to potable water.

In June 2012 Grade 2 students from St Paul's Primary School visited us as part of their "Community" studies; specifically relating to water in the community. The students viewed the water tower and piping infrastructure, along with our Stores area before moving on to our Water Wise Garden where students were provided with a 'treasure hunt' sheet. The treasure hunt aims to highlight specific aspects of the Water Wise Garden, such as use of mulch, drippers, Australian native plants, succulents and other drought tolerant plantings.

Our Commitment to our Environment and Our Region

Trigger nozzle and Showerhead Exchanges

In December 2011 we offered a trigger nozzle exchange where our customers could exchange twist style nozzles for trigger nozzles. Approximately 200 new trigger nozzles were supplied to the community in this program.

In March 2012 we commenced a showerhead exchange program with water efficient showerheads supplied by the Department of Sustainability and Environment. These showerheads were also offered to schools and aged care facilities who were keen to take up the offer of hand-held style showerheads. This exchange was again popular with over 800 old style showerheads being exchanged and sent off for recycling.

Tap Timer Giveaway

As part of our water education program, our water compliance officer has a stock of tap timers which are provided to those households who have received a visit regarding non-compliance with current restrictions or to provide guidance on current watering times. The tap timers assist our customers in watering within the allocated times.

Education Programs for School Students

Dripster's Super Water Saver Education Program

In September 2011 we launched our teaching program for Primary Schools which involved four sections being The Wonders of Water, The Water Cycle, How Water Works and From Raw to Ready and Right Back Again. Resource boxes including books, DVDs, activity equipment, printed worksheets for each student and comprehensive Teachers' Notes were tailored to the age groups of Prep, Years 1-2, Years 3-4 and Years 5-6 and provided to all registering classes. Activities within the sections included a worksheet, an artwork activity, an experiment and an activity that required the class to read a book or watch a DVD. Activities were designed to be relatively easy to prepare for and set up, with the focus being on creating a fun learning environment. At the conclusion of the activities, students take the "Dripster Pledge" to be part of 'Dripster's Super Water Saving Team' and received a goodie bag of items to reinforce the messages in the program.

Interactive Environmental Primary School Activity

Lower Murray Water in conjunction with Mildura Rural City Council, Mallee CMA, Regional Waste Management Group, Murray-Darling Freshwater Research Centre and Lower Murray Darling CMA held an interactive event on the student free entry day of the Mildura Show (Thursday 13th October 2011). During event staging from 10am through until 2.30pm 325 students ranging from Prep to Grade 6 participated in three activities each in an hour long session. Presented at the last activity, each child took home a show bag of 'goodies' relating to the activities and agencies involved in the day. We conducted our interactive board game 'Water Wisdom with Dripster' which was very well received.

National Water Week Poster Competition

As part of the celebrations of National Water Week 2011, Lower Murray Water encouraged all primary schools in our service region to take part in the National poster competition. As an added incentive, 12 local artworks are chosen to make up a calendar which is then distributed to schools. In the 2011 competition we received over 300 entries from five schools.

In addition to having their artwork feature on the calendar, the 12 winners were provided with prizes a certificate, art activity and supplies, posters, bookmarks, book, shower timer, pen, ruler and 'Dripster' merchandise of activity booklet, water bottle, pencil set, T-shirt and mini-flyer toy. In March 2012 we commenced promoting the 2012 poster competition.

The 'Water Wisdom with Dripster' game

In July 2011 we developed an interactive 'board game' with the playing area being a 4m x 4m square. The class group is divided into teams and four students become the playing pieces, moving around the board after a throw of the oversized dice by their team mates. Landing on certain squares involves a scenario being read that shows the player to be 'water wise' or a 'water wally'. Water wise players then go forward two spaces, with the water wallies going back three spaces. A number of other squares involve 'water wisdom' questions which are asked of the class with small water wise prizes provided if answered correctly. The game has three sets of age-appropriate information, which allows the game to be relevant to, and enjoyed by, all primary age groups. Over three weeks in September 2011, St Paul's Primary School provided the opportunity for us to test the game, incorporating it into their 'whole of school' environmental focus. All St Paul's students from Prep to Grade 6 took part and received a "Dripster pack" at the conclusion of their game session. The Dripster packs included pencil sets, water bottle, activity booklet, bookmark and temporary tattoo presented in an environmentally friendly bag.

Major Water Users

We have one customer who is "not a natural person, and who use water supplied by the water corporation for purposes that are not farming, irrigation or domestic purposes", at a volume that is equal to or greater than 200ML and less than 300ML per annum.

Treasury Wine Estates Ltd (Lindemans Karadoc Winery) is part of the waterMAP and EPA Victoria's Environment and Resource Efficiency Plan (EREP) programs and has submitted compliant annual reports as part of these programs.

Statement of Obligations

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

Environmental Flows

The Cardross Lakes drainage basin is under our management under the Land Conservation Council (LCC) recommendations. We provided professional assistance to the Department of Sustainability and Environment (DSE) in relation to the provision of 820.6ML of environmental flow to the lakes.

Blue Green Algae

We are a Victorian convening agency within the region for Blue Green Algae (BGA) monitoring and reporting. The monitoring of the Murray River is undertaken by Lower Murray Water staff and the New South Wales Department of Environment and Water and is reported back through the Sunraysia Regional Algal Coordination Committee (SRACC). Our General Manager Customer Services is currently the Chairman of the SRACC. There were only very minor levels of BGA reported in the sampling done throughout the year. The high flows throughout the season from rainfall events ensured lower levels of BGA in the region.

Our Commitment to our Environment and Our Region

Regional Catchment Strategy

The renewal of the current Mallee Regional Catchment Strategy (RCS) is underway, coordinated by the Mallee Catchment Management Authority. Planning commenced in September 2011, with the final Mallee RCS 2012-18 to be submitted for Ministerial approval in October 2012.

The Mallee RCS 2012-18 will be an integrated management framework for our land, water and biodiversity resources that sets the direction for natural resource management in the region. We are an active member of the steering committee, which also includes representatives from Department of Sustainability and Environment; Department of Primary Industries; Parks Victoria and Grampians Wimmera Mallee Water.

We also continue to assist in the implementation of the current Mallee RCS. As a regional water corporation, we provide implementation support via a contractual arrangement with the Mallee Catchment Management Authority (MCMA) for new irrigation development approvals, salinity management and environmental projects, including participation on committees that provide technical support and monitor the projects emanating from the Regional Catchment Strategy.

Victorian Biodiversity Strategy

Integrated invasive plant and animal control continues at all our sites. This year, mapping and control of Weeds of National Significance (Boneseed) has been carried out on land held by us through a partnership with Mallee CMA. We have also completed rabbit control works at high value sites and will assist Trust for Nature with rabbit control works on our land and private land managed under a conservation covenant.

Our Koorlong Offset Site (25ha of high value vegetation) continues to be actively managed and restored. Following improvements in vegetation condition, the Sunraysia Bird Observers this year reported increases in both the number and diversity of bird species using the area, including Owlet Nightjars using the installed nesting boxes.

The Hooded Scaly-foot (HSF) (*Pygopus schraderi*) is a legless lizard up to 500mm in length. It is so named because the forelimbs are absent and the hind limbs are reduced to scaly flaps, and the darker head gives a hooded appearance. The HSF is listed as critically endangered under the Victorian *Flora and Fauna Guarantee Act* 1988. There are only six known populations in Victoria; the sixth population was located this year near Kerang on a Trust for Nature property.

We continue to contribute to the conservation of this species through monitoring and protection work of the population at the Mildura West Water Treatment Plant. This year, a herpetologist reviewed our monitoring to ensure our protocols will enable us to detect changes in population size at this site. Recommendations have included increasing the number of spotlight transects, and incorporating the use of funnel traps in years of dense vegetation cover. A works program has also been implemented to enhance quality of habitat for the HSF at the site. Environmental works program includes rabbit and weed control, and repair of eroded/scalded land and re-vegetation.

The Murray Hardyhead (*Craterocephalus fluviatilis*) is a small fish 40-65mm that can complete its annual life-cycle in highly saline environments such as drainage basins. The Hardyhead is listed as threatened under the Victorian *Flora and Fauna Guarantee Act* 1988 and in March was "upgraded" under the Federal *Environment Protection and Biodiversity Conservation Act* 1999 from vulnerable to endangered.

Two of the irrigation basins we manage contain the only populations of Murray Hardyhead remaining in the Mallee region. Cardross Basin contains a naturally occurring population and Koorlong Basin is the site of a successful translocation of captive-reared fish. Our role on the Joint Management Committee with DSE, Mallee CMA and Murray Darling Freshwater Research Centre is to enable the delivery of environmental water to these basins as required.

Victorian River Health Strategy

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

A joint initiative between us and the Mallee CMA is assisting holders of Crown Land Occupation Licences and Works Licences located on the river frontage, to develop strategies to achieve overall improvements related to the environmental impacts to the river frontage. It has also been designed to assist holders of Works Licences prepare for the mandatory audits of their works sites as required under the *Victorian Water Act*.

We are also actively involved in the design and operating plan for an environmental regulator in Kings Billabong Park. For many years, water levels in Kings Billabong have remained steady for irrigation purposes. An environmental regulator to be constructed by the Mallee CMA in early 2013 will allow raising and lowering of the Billabong to improve the health of the wetland, whilst retaining full access to irrigation water for our customers.

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

Office-based Environmental Impacts

Procurement

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

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

Electricity Use

Our energy used from electricity in our Kerang, Swan Hill and Mildura Offices is 12,902MJ or 4.3 tCO₂-e per FTE. We are committed to the purchase of accredited Green Power comprises 33% of total kWh consumed.

Our Commitment to our Environment and Our Region

Paper Use

We continued to monitor our paper use throughout 2011/12. During this period we used 1,320 reams of A4 copy paper. This represents 8.7 reams per FTE. In keeping with our environmental aims, all the A4 paper used in our offices was 100% recycled.

BPAY View

In November 2011 we commenced our involvement with BPAY View® to encourage customers with access to the internet to receive their Lower Murray Water account electronically. The BPAY View system will reduce our impact on the environment with regard to paper and printing requirements and will have cost benefits to us in terms of stationery and postage savings.

Corporate Water Consumption

Water consumption at our Fourteenth Street complex in Mildura for the 2011/12 year totalled 9,855kl. This is the gross total consumption figure and includes our corporate facilities, garden and lawn irrigation, water used in the workshop and warehouse, and water used in the plant wash-down facility. Our office water consumption was 546kl for the 2011/12 year. This equates to 3.6kl per FTE or 228 litres per square metre of office area.

Greenhouse Gas Emissions

Our net greenhouse gas (GHG) emissions for 2011/12 were 34,923 tCO₂-e. Our gross emissions for urban water and wastewater were reduced by 3,481 tCO₂-e from the purchase of accredited Green Power. Our net figure is an overall increase of 12,102 tCO₂-e compared to the 2010/11 figure.

Operational Area	2009/10	2010/11	2011/12
	(tCO ₂ -e)		
Irrigation supply and drainage	14,480	13,241	21,987
Urban water treatment and supply	5,337	5,311	6,383
Sewage treatment and supply	6,311	9,061	10,725
Transport and stationary fuel	717	887	805
Corporate offices	628	773	744
Green Power	-4,371	-4,313	-3,481
Sequestered from tree plantations	-2,080	-2,140	-2,240
NET TOTAL	21,022	22,820	34,923

Increases were seen in Greenhouse Gas Emissions due to:

- A return to more normal pumping requirements for urban water and irrigation (compared to the high rainfall year of 2010/11 and the drought year 2009/2010)
- Increased irrigation pumping for the Robinvale High Pressure Pipeline (where LMW has taken on the emissions that were previously from private irrigators each pumping their own water)
- Increased electricity and fugitive emissions from the Koorlong WWTP to generate a high class of reuse water.

In 2011/12, we continued our significant commitment to offsetting our emissions. We purchased 2,877 MWh of accredited Green Power at a cost of \$181,138. Accredited Green Power is equivalent to over 10% of our total electricity consumption and comprised 30-40% of the electricity for seventeen of our larger urban electricity users (urban water supply and wastewater treatment).

Our understanding of our greenhouse gas emissions was greatly enhanced by the completion of our Greenhouse Gas Management Strategy.

The strategy included:

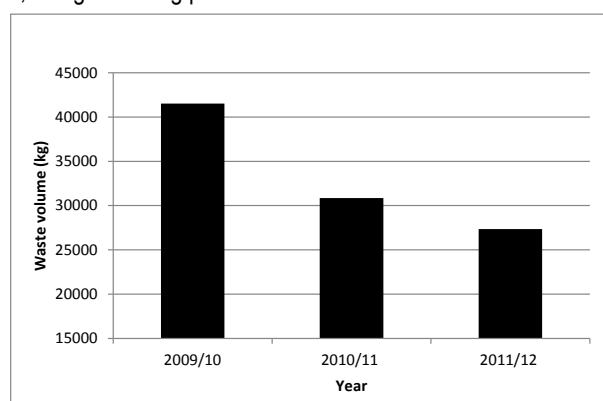
- Targets for GHG reductions and a strategic framework for the delivery of initiatives to reduce GHG emissions,
- A high level energy efficiency assessment to identify best practice energy efficiency standards, and
- A review of current government energy and climate change policy, future electricity prices, and renewable energy government funding opportunities

We now also routinely consider the triple bottom line in the purchasing of new vehicles. Along with economic factors, the ANCAP (safety) ratings and Federal Government green star (environmental) ratings are incorporated into a decision matrix.

Waste Production and Management

General waste

We are committed to the principles of reduce, reuse and recycle. Our emphasis on waste reduction strategies is reflected in the continuing decline in the amount of general (non-recyclable) waste generated. The combined total of waste at all of our northern sites fell by 11% during the past year. At the Fourteenth Street offices the total amount of waste that was disposed of into landfill was 12,552kg or 82.3kg per FTE.



Recyclables

We continued our emphasis on recycling during 2011/12. Our goal is to divert as much recyclable waste from the general waste stream as possible. Our waste procedure is continuously monitored and new opportunities for recycling are adopted when they arise. The amount of waste to landfill declined further, continuing the trend of the past few years as greater quantities of waste are diverted to various recycling streams. The 2011/12 year saw an increase in the scope of our recycling program with new arrangements made to include waste oil and used fluorescent lamps.

Fluorocycle

We are currently seeking accreditation with the Federal Government's Fluorocycle program. This voluntary initiative seeks to completely remove used fluorescent lamps from the general waste stream, thus preventing their toxic compounds leaking into the environment. All our used fluorescent tubes and lamps are now stockpiled for consignment to a metropolitan recycling facility.

Our Commitment to our Environment and Our Region

Waste Oil

During the 2011/12 year we expanded our oil recycling program. All waste oils and hydraulic fluids produced at all our facilities are now recycled. Waste oil is a valuable resource. We now send all the waste oil to various local municipal recycling stations where it is sent to a refinery for reprocessing and reuse.

Drum Muster

We are a participant in the *drumMUSTER* program. This important volunteer initiative seeks to divert chemical drums from the general waste stream. Empty drums are appropriately cleaned, rinsed and stockpiled for collection by *drumMUSTER*. Drums are then reused by industry. During 2011/12, 65 drums were delivered to *drumMUSTER* representing the vast majority of all drums that we used.

At our Fourteenth Street offices, 39.3% (or 8191kg) of the waste produced went into various recycling streams.

Recycled Waste	per	2009/10	2010/11	2011/12
Batteries	kg	1,100	798	2,470
Co-mingled	kg	1,763	1,110	1,084
Paper	kg	14,758	5,514	7,073
Printer Cartridges	kg	0	65.63	34.10
Scrap Metal	kg	18,200	34,050	71,340
Soft Plastic	m3	16	7.2	11
Styrofoam	m3	13.5	6.1	9

Batteries and scrap metal produced as part of water supply operations

Transportation

During the 2011/12 year we purchased carbon emission offsets for 155,776km of air travel. This equates to neutralising the impact of more than 22 tones of carbon emissions into the atmosphere.

We continue to encourage alternatives to private vehicle use to and from work, although options are limited due to limited public transport availability. We hold an annual barbeque to celebrate "Ride to Work" day and a survey of our Mildura staff indicated around a quarter of those surveyed were not currently riding to work but were interested in doing so.

Social Sustainability

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

Community Service Obligations

	2010/11	2011/12
Concessions to Pensioners	\$1,657,369.92	\$1,874,793.90
Haemodialysis Life Support Machine Water Concessions	\$203.64	\$190.06
State Revenue Office Rebates	\$144,816.84	\$180,577.40
Utility Relief Grants Scheme	\$2,788.27	\$4,891.52
Hardship Relief Grant Scheme for Sewerage Connections	#	#
TOTAL	\$1,805,178.67	\$2,060,452.88

figures are not available to Lower Murray Water

Our Financial Management and Performance Reporting

Financial Review

Revenue was increased compared to the previous year specifically in usage charges. Usage was down in 2010/11 due to the unseasonably high rainfall that occurred in our region. LMW received its unfunded superannuation liability of \$3.08M which is included in administrative expenditure. The first year of depreciation based on revalued land, buildings and infrastructure assets brought to account at 30 June 2011 increased depreciation by over \$5M. We have ended the year with an operating loss (before income tax) of \$12.701M.

We saw a slight increase in Income for capital purposes - developer contributions, from \$2.573M in 2010/11 to \$2.713M in this year.

Operations and maintenance expenditure was static compared to previous years, although there was an increase of \$1.4M in bulk water maintenance and the introduction of the spillable water account charge of \$1M. Apart from the unfunded superannuation liability administration costs were also well contained for the year.

Infrastructure, plant, equipment and buildings total \$774.9M. We invested \$18.3M in capital works projects during 2011/12. New loans of \$6.9M were taken out during the year.

Although we show accumulated funds deficit of \$62.835M, this has occurred due to the change in accounting standards, the transition to IFRS (International Financial Reporting Standards) and the tax treatment of past revaluations.

Summary of Financial Results

Financial Summary	2007/08	2008/09	2009/10	2010/11	2011/12
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Core Business Revenue	30,690	42,729	46,888	42,960	51,248
Capital Contributions	6,264	2,089	3,915	2,573	2,713
Government Contributions	1,498	123	20	1,812	475
Other Revenue	4,101	3,123	4,994	4,295	3,337
Total Revenue	42,553	48,064	55,817	51,640	57,773
Direct Expenditure	15,486	21,121	21,917	27,173	27,155
Administration Expenditure	10,646	11,827	13,043	13,474	16,860
Depreciation Expense	14,924	16,940	17,199	17,283	22,858
Borrowing Cost Expenses	24	255	1,146	3,228	3,601
Other Expenses	0	0	0	0	0
Total Expenditure	41,080	50,143	53,305	61,158	70,474
Net result before tax	1,473	(-2,079)	2,512	(-9,518)	(-12,701)
Current Assets	38,347	28,007	24,884	24,799	24,322
Non Current Assets	462,254	538,185	586,779	806,065	804,774
Total Assets	500,601	566,192	611,663	830,864	829,096
Current Liabilities	11,098	12,791	14,820	12,939	16,696
Non Current Liabilities	61,522	67,640	107,488	182,608	185,651
Total Liabilities	72,620	80,431	122,308	195,547	202,347
Net cash flow from operations	18,355	7,134	20,682	7,606	10,718
Payments for property, plant and equipment (including infrastructure)	30,437	33,996	64,715	19,275	18,098

Summary of Financial Performance

Performance Indicator	2007/08	2008/09	2009/10	2010/11	2011/12
Internal Financing Ratio	Not supplied as a performance indicator			41.63%	58.37%
Gearing Ratio	0.07%	0.70%	7.19%	6.35%	7.03%
Interest Cover (EBIT)	N/A	2.94	5.00	-2.50	-3.00
Interest Cover (Cash)	N/A	N/A	32.00	2.00	2.40
Return on Assets	-0.16%	-0.59%	0.53%	Not supplied as a performance indicator	
Return on Equity	-0.89%	-0.57%	0.39%	Not supplied as a performance indicator	

Our Financial Management and Performance Reporting

Loan Liability as at 30th June 2012

LOAN NO	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
SEWERAGE DISTRICT						
TCV1		10 - 41	20,000,000.00	5.84	447,524.81	19,552,475.19
TCV6298		11 - 14	1,000,000.00	5.14	0.00	1,000,000.00
TCV6299		11 - 15	1,000,000.00	5.18	0.00	1,000,000.00
TCV6300		11 - 16	1,000,000.00	5.35	0.00	1,000,000.00
TCV6301		11 - 17	1,000,000.00	5.45	0.00	1,000,000.00
TCV6302		11 - 18	1,000,000.00	5.55	0.00	1,000,000.00
TCV6303		11 - 19	1,000,000.00	5.59	0.00	1,000,000.00
TCV6304		11 - 19	1,000,000.00	5.64	0.00	1,000,000.00
TCV6305		11 - 20	1,000,000.00	5.74	0.00	1,000,000.00
TCV6306		11 - 21	1,000,000.00	5.79	0.00	1,000,000.00
		Oncall	0.00		0.00	0.00
TOTAL SEWERAGE DISTRICT			29,000,000.00		447,524.81	28,552,475.19
TOTAL LOAN LIABILITY - SEWERAGE DISTRICT			29,000,000.00		447,524.81	28,552,475.19
ROBINVALE SEWERAGE DISTRICT						
3		73 - 13	250,000.00	6.90	0.00	250,000.00
TOTAL ROBINVALE SEWERAGE			250,000.00		0.00	250,000.00
TOTAL LOAN LIABILITY - ROBINVALE			250,000.00	0.00	0.00	250,000.00
SWAN HILL SEWERAGE DISTRICT						
22		71 - 11	50,000.00	7.40	50,000.00	0.00
24		72 - 12	50,000.00	7.10	50,000.00	0.00
26		73 - 13	100,000.00	6.40	93,360.30	6,639.70
28		73 - 13	100,000.00	7.40	89,075.90	10,924.10
TOTAL SWAN HILL SEWERAGE			300,000.00		282,436.20	17,563.80
TOTAL LOAN LIABILITY - SWAN HILL			300,000.00		282,436.20	17,563.80
FIRST MILDURA IRRIGATION DISTRICT						
1		Oncall	500,000.00	4.92	500,000.00	0.00
12		08 - 12	1,050,000.00	5.05	1,050,000.00	0.00
13		08 - 13	1,050,000.00	6.38	0.00	1,050,000.00
14		08 - 15	1,050,000.00	6.31	0.00	1,050,000.00
14		12 - 16	1,000,000.00	3.45	0.00	1,000,000.00
TOTAL MILDURA IRRIGATION			4,650,000.00		1,550,000.00	3,100,000.00
ROBINVALE IRRIGATION DISTRICT						
TCV1		10 - 41	20,000,000.00	5.84	447,524.79	19,552,475.21
TCV17908		12 - 16	1,000,000.00	3.45	0.00	1,000,000.00
TCV17909		12 - 18	1,000,000.00	3.76	0.00	1,000,000.00
TCV17915		12 - 20	1,000,000.00	4.01	0.00	1,000,000.00
TCV17921		12 - 22	1,000,000.00	4.22	0.00	1,000,000.00
TOTAL MILDURA IRRIGATION			24,000,000.00	21.28	447,524.79	23,552,475.21
TOTAL LOAN LIABILITY - IRRIGATION			28,650,000.00		1,997,524.79	26,652,475.21
UNALLOCATED LOANS						
TCV			2,800,000.00		0.00	2,800,000.00
TOTAL UNALLOCATED LOANS			2,800,000.00		0.00	2,800,000.00
TOTAL LOAN LIABILITY - UNALLOCATED LOANS			2,800,000.00		0.00	2,800,000.00
TOTAL LOAN LIABILITY - CORPORATION						58,272,514.20
<i>LESS separately held Loan Redemption Reserves as at</i>					<i>30-Jun-12</i>	<i>\$0.00</i>
TOTAL ADJUSTED LOAN LIABILITY - CORPORATION					<i>30-Jun-12</i>	58,272,514.20

Our Financial Management and Performance Reporting

Our Urban and Wastewater Statistics 2011/12

	Water											Sewer	
	Residential Assessments		Non Residential Assessments		Total Assessments	total Metered Consumption	Raw Water Taken	Total supplied from treatment Plant	Non Revenue Water	Av. Annual Demand (Raw Water) - 5 years	Current year Raw Water	Total Assessments	Volume Collected
	No.	ML	No.	ML	No.	ML	ML	ML	ML	ML	%	No.	ML
Kerang	1,765	643	329	167	2,094	810	990	896	86	948	104	1,958	519
Koondrook	420	125	57	21	477	146	204	170	24	175	117	468	67
Lake Boga**	417	173	53	28	470	201	0	0	0	0	0	339	43
Mildura * #	17,677	7,201	2,140	2,092	19,817	9,293	10,468	10,086	793	10,276	102	16,947	3,457
Murrabit	41	13	14	5	55	18	30	23	5	24	124	51	8
Mystic Park ~	12	4	3	1	15	5	10	0	0	6	170	0	0
Nyah ** ^	289	122	41	48	330	170	0	0	0	0	0	154	69
Nyah West** ^	254	106	34	15	288	121	0	0	0	0	0	252	0
Piangil	96	38	18	39	114	77	92	87	10	84	109	0	0
Red Cliffs	1,432	501	171	459	1,603	960	1,066	1,035	75	1,013	105	1,367	0
Robinvale	775	308	197	119	972	427	491	477	50	528	93	931	229
Swan Hill	4,738	1,666	854	678	5,592	2,344	3,420	3,167	251	3,215	106	5,150	1,254
Woorinen Sth**	152	67	16	13	168	80	0	0	0	0	0	0	0
Totals	28,068	10,967	3,927	3,685	31,995	14,652	16,771	15,941	1,294	16,269	103	27,617	5,646

All figures have been rounded to the nearest whole numeral

Production loss and non-revenue water—raw water to metered water: 12.6%. Non-revenue water—treated water to metered water: 8.8%

* includes Merbein and Irymple for water

includes Merbein, Irymple and Koorlong for wastewater

** supplies from Swan Hill for water

^ sewer volume collected figure is for Nyah and Nyah West

~ water supplied is raw non-potable water

Irrigation water usage for the year ended 30th June 2012

District / Area / Waterway ("District")	Total water shares allotted to district and diversion	Total domestic & stock allowance (High Security)	Gross supply at off-takes	User in District			User outside District			Diversions from Rivers and Lakes				Total usage
				Under water share metered	Under water share deemed	Total delivered in district	Water works district	Other	Total delivered outside district	Usage under entitlements metered	Usage under entitlements deemed	Usage under stock & domestic	Total delivered diversions	
	Note1	Note1	Note2	Note3	Note3	Note4	Note5							
	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML	ML
Red Cliffs	36,639.5		27,436.0	24,137.2	28.0	24,165.2		820.6	820.6					24,985.8
Robinvale	22,833.2		17,742.0	17,581.3	1.5	17,582.8								17,582.8
Merbein	25,561.9		17,354.0	15,180.6	92.2	15,272.8								15,272.8
FMID	69,192.9		32,690.0	27,781.5	8.0	27,789.5								27,789.5
Millewa WWD		700.0										709.0		709.0
Murray below Nyah	225,553.9									320,796.0	1,126.8		321,922.8	321,922.8
LMU&RWC Total	379,781.4	700.0	95,222.0	84,680.6	129.7	84,810.3	0.0	820.6	820.6	320,796.0	1,126.8	709.0	321,922.8	408,262.7

Note1—includes Red Cliffs or Merbein water shares including entitlements attached to properties supplied via those systems, but located outside the District boundary

Note2—volume shown is total extracted from river

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

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

Note5—volume shown for delivery of environmental water to Cardross Basin

Our Financial Management and Performance Reporting

Bulk Water Entitlements

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

In 2009 our three Bulk entitlements were modified and amended by the Minister for Water. The amendment was necessary as a consequence of the decommissioning of Lake Mokoan and the new operational arrangements for the Victorian Mid Murray Storages. In 2010 the Environmental Entitlement (River Murray—Environmental Water Reserve) 2010 was enacted. In 2011 we received a notice of amendment to Bulk Water Entitlements and Environmental entitlements for the commencement of the Victorian Environmental Water Holder 2011 by the Minister for Water.

Urban

The total bulk entitlement, including water shares, held by Lower Murray Water Urban is now 31,742.5ML of High Reliability Water plus 216ML of Low Reliability. There was no amendment to the bulk entitlement and no water was returned to urban off-take points. We experienced no difficulties in complying with the bulk entitlement provisions. We have an on-going meter replacement program that commenced four years ago. Urban water meters are replaced according to the amount of water than has passed through the meter, or if it is older than 15 years. For example, 20mm meters are replaced when they have registered 6ML, 25mm meters after 9.5ML. The urban area of our region was on Permanent Water Savings Rules for the 2011/12 year.

Irrigation

Our customers transacted water share and allocation trades (temporary and permanent) and these are reported in the section “Our Water Transfers and Licences”. The amount of water taken by holders of licences can be found in the data within “Our Water Transfers and Licences”. Including the provisions for losses and water held in the non-water user pool, our Irrigation BWE totalled 479,191ML High Reliability Water. We complied with our Irrigation BWE in the current season and no new bulk entitlement was granted to us with respect to the River Murray.

Irrigation Water Demands

This season saw average irrigation demand in the region. This was due to the mild summer period. Customers received a 100% water allocation in November 2011 and had very large allocation balances left at the end of the season to carryover into the 2012/13 year.

Our Water Plan

A Water Plan was endorsed by the Essential Services Commission on the 26th June 2008 setting prices for the period 1st July 2008 to 30th June 2013 in the urban business of the Corporation. In the rural business, revenue caps were set for the same time frame. In July 2012 we commenced public meetings for our customers to have input into the Water Plan 3, for the period 2013 to 2018.

Groundwater entitlement and use as at 30th June 2012

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

Private Diversions from Waterways as at 30th June 2012

Regulated									
Drainage Basin	Irrigation Licences				Stock & Domestic Only		Other		Total volume
	Licence	Irrigation	D&S		Licences	D&S	Licences		
	No.	ML	ML	Ha	No	ML	No	ML	ML
Murray-Darling	1,102	225,553.9		41,132					225,553.9
Un-Regulated									
Drainage Basin	Irrigation Licences				Stock & Domestic Only		Other		Total volume
	Licence	Irrigation	D&S		Licences	D&S	Licences		
	No.	ML	ML	Ha	No	ML	No	ML	ML
Murray-Darling									0.0

Our Financial Management and Performance Reporting

Financial Performance Indicators

Performance indicator	2010-11 Result	2011-12 Result	2011-12 Target	Variance %
Internal Financing Ratio (Net operating cash flow - dividends) ÷ capital expenditure <i>The Corporation's net operating cash flow is less than planned due to the unfunded superannuation liability of \$3.08M. The variance for 2011-12 to target is mainly due to the capital works program not proceeding as planned. The Corporation had planned to renew \$21M of primary pumping and channel control infrastructure in the Mildura, Merbein and Red Cliffs Irrigation districts however the expenditure has been delayed awaiting the federal government's grant funding decision.</i>	41.63%	58.37%	30.7%	90%
Gearing Ratio Total debt (including finance leases) ÷ total assets <i>The Corporation's debt is \$58M against the forecast \$84M. Borrowings were not drawn as forecast due to \$21M pumping and channel control infrastructure renewal in Mildura, Merbein and Red Cliffs being delayed.</i>	6.35%	7.03%	10.2%	-31%
Interest Cover (EBIT) Earnings before net interest and tax expense ÷ net interest expense <i>The Corporation's loss was greater than the forecast in the Corporate Plan due to the take up of \$3.08M in unfunded defined benefit superannuation liability and the depreciation expense as a result of the 2011 assets revaluation. At the time of submitting the Corporate Plan to the Department of Sustainability and Environment, Lower Murray Water did not know the quantum of the unfunded liability call or the full extent of the depreciation expense resulting from the revaluation of assets.</i>	-2.50	-3.0	-0.9	-2.1 times
Interest Cover (Cash) Cash flow from operations before net interest and tax payments ÷ net interest payments <i>The Corporation generated less cash from operating activities than forecast in the Corporate Plan mainly due to the \$3.08M unfunded defined benefit superannuation payment to Vision super. At the time of submitting the Corporate Plan to the Department of Sustainability and Environment, Lower Murray Water were unaware that an unfunded liability call would be made.</i>	2	2.4	4.6	-2.2 times

Service and Environmental Performance Indicators

Performance Indicator	2010-11 Result	2011-12 Result	2011-12 Target	Variance %
Water supply interruptions				
Number of customers receiving at least 1 unplanned interruptions in the year	4259	4597	4387	5%
Interruption time indicators				
Average duration of unplanned water supply interruptions (Minutes) <i>Lower Murray Water continually strives to improve its procedures and practices to achieve minimal interruptions to customers. Lower Murray Water's 2011-12 result is basically on target. The reduction in 2011-12 compared to 2010-11 is coupled with the improvements made and also the impact of 2010-11 major rainfall events.</i>	55	44	46.87	-6%
Restoration of water supply				
Unplanned water supply interruptions restored within 5 hours (%)	100.0%	99.0%	99.4%	-0.4%
Reliability of sewerage collection services indicators				
Number of Sewer spills from reticulation and branch sewers (Priority 1 and 2) <i>The preventative maintenance root foaming program along with the Sewer relining programs across Mildura, Swan Hill and Kerang have contributed to the reduction of spills.</i>	17	10	14.4	-31%
Containment of sewer spillages				
Sewerage spills contained within 5 hours (%)	94%	100%	99%	1%
Customer complaints indicators				
Water quality complaints per 1000 customers <i>LMW received less complaints in 2011-12 due to improvements in the Mildura water treatment plant operations which improved water turbidity, however the air scouring program contributed to a slight increase in relation to water quality on some occasions.</i>	3.9	1.31	2.05	-36%
Sewerage service quality and reliability complaints per 1000 customers <i>LMW recorded a slight increase in complaints for service reliability as a result of the sewer rehabilitation program carried out in 2011-12 in the Southern Region.</i>	0	0.18	0.13	38%
Billing complaints per 1000 customers <i>Lower Murray Water reports that no abnormal events occurred during the year to increase the affordability complaints. Lower Murray Water continually strives to improve the capture and recording process of complaints and also attributes an increase to the economic climate in which Lower Murray Water operates.</i>	1.59	3.19	1.00	219.0%
Sewage odour complaints per 1000 customers <i>Lower Murray Water received 2 sewer odour complaints for 2011-12. Of the complaints, one is attributed to works by Lower Murray Water when undertaking ventilation improvements at one sewer pumping station.</i>	0.15	0.11	0.19	-42.1%

Our Financial Management and Performance Reporting

Performance Indicators

Performance Indicator	Notes	2010/11 result	2011/12 result	2011/12 target	Variance %
Reuse Indicators					
Effluent reuse (volumes)					
Koorlong	1	88%	94%	100%	6%
Kerang		0%	0%	0%	0%
Koondrook		0%	0%	0%	0%
Lake Boga		0%	0%	0%	0%
Merbein		0%	0%	0%	0%
Mildura	2	57%	41%	100%	59%
Murrabit		0%	0%	0%	0%
Nyah/Nyah West		0%	0%	0%	0%
Robinvale	3	87%	55%	100%	45%
Swan Hill		0%	0%	0%	0%
Biosolids reuse (dry mass)		0%	0%	0%	0%
Sewerage treatment standards					
Number of analyses complying with licence agreements as % of samples					
Koorlong	4	96%	92%	100%	-8%
Kerang	5	83%	96%	100%	-4%
Merbein	6	100%	n/a	100%	0%
Mildura	7	88%	78%	100%	-22%
Robinvale	8	67%	92%	100%	-8%

Note 1 The reported reuse volume for Koorlong does not include evaporation losses of 1.1% and water reused on site for tree watering (estimated 1%) of the overall treated volume

Note 2 The reduction in the reuse percentage at Mildura WWTP is attributed to the reduction in the plant's inflows, resulted from the diversion of a significant amount of wastewater from the Mildura sewer network to Koorlong WWTP

Note 3 The reduction in the reuse percentage at Mildura WWTP is attributed to filling a new wet weather storage pond at the treatment plant of 50ML, storing a total of 53ML in the emergency overflow dam. These volumes (103ML) equate to 45% of the plant's inflows

Note 4 Two suspended solids results were high due to algal blooms. Three *E.Coli* results were high due to UV system breakdown

Note 5 One BOD and 10 x *E.Coli* were above the limits due to the northern half of the plant only being operational from Monday 5th September 2011 due to expansion works

Note 6 No water was reused during 2011/12 year; hence sampling was not undertaken

Note 7 Two suspended solids results were high due to algal blooms

Note 8 One BOD result was high 57mg/L due to algal blooms, the filtered BOD result for same sample indicated 9 mg/L

Our Financial Management and Performance Reporting

CERTIFICATION OF PERFORMANCE REPORT FOR 2011/12

In our opinion, the accompanying Performance Statement of Lower Murray Urban and Rural Water Corporation in respect of the 2011/12 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

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



L Burrows
Chair

3rd September 2012



R Leamon
Managing Director

3rd September 2012

INDEPENDENT AUDITOR'S REPORT

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

The Performance Statement

The accompanying performance statement for the year ended 30 June 2012 of Lower Murray Urban and Rural Water Corporation comprises the statement, the related notes and the statutory certification.

The Board Members' Responsibility for the Performance Statement

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

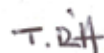
Opinion

In my opinion, the performance statement of the Lower Murray Urban and Rural Water Corporation in respect of the 30 June 2012 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Statement

This auditor's report relates to the performance statement of the Lower Murray Urban and Rural Water Corporation for the year ended 30 June 2012 included both in the Lower Murray Urban and Rural Water Corporation's annual report and on the website. The Board Members of the Lower Murray Urban and Rural Water Corporation are responsible for the integrity of the Lower Murray Urban and Rural Water Corporation's website. I have not been engaged to report on the integrity of the Lower Murray Urban and Rural Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the performance statement are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited performance statement to confirm the information contained in the website version of the performance statement.

MELBOURNE
5 September 2012

for 
D D R Pearson
Auditor-General

Our Financial Management and Performance Reporting

Additional performance indicators outside MRD01

Performance indicator	2010-11	2011-12	2011-12	Variance
	Result	Result	Target	%
Operating Efficiency	\$	\$	\$	
Water supply / wastewater collection				
Operations, maintenance and administration expenses per ML transported or treated to be provided for each of:				
· water supply bulk	NA	NA	NA	--
· water supply reticulation*	198	0	206	-100%
· water supply treatment*				
<i>The 2011-2012 year has seen periods of poor water quality throughout the Victorian river systems (black water events). Treatment of the raw water to meet world health standards required more treatment processing than usual causing the cost to treat a mega litre of water to be greater than planned. Another contributing factor was the "bounce back" of water usage was not as strong as planned or before the drought and flood years.</i>	179	0	100	-100%
· sewerage reticulation*				
<i>The 2011-2012 financial year has seen a "bounce back" of transported waste water as water restrictions are removed and customers are not recycling grey water to the same extent. 2010-2011 saw unseasonably above average rainfall and flood events caused stormwater infiltration into the wastewater pipeline network causing a greater volume of wastewater to be treated. The result is a per mega litre reduction to transport the wastewater than forecasted.</i>	221	0	272	-100%
· sewerage treatment*				
<i>The 2010-2011 unseasonably above average rainfall and flood events caused stormwater infiltration into the wastewater pipeline network in which a greater volume of wastewater was treated. The result is a per mega litre reduction to treat the wastewater than forecasted in 2010-2011 compared to "normal" years.</i>	174	0	272	-100%
· stock & domestic reticulation *				
<i>Operational and Maintenance expenses for this customer group include water pumped water from the Murray River into Lake Cullulleraine. Large private diversers now pump out of the lake and pay a levy to offset the additional cost of O&M. If this revenue was used to offset the O&M expense the 2011-12 result would be \$352 per mega litre. The variance between 2010-11 to 2011-12 actuals is attributed to the large rainfall during 2010-11 which saw lower water usage than usual for this customer group.</i>	521	0	371	-100%

* Please note that administration expenses were not included in calculating the target for the Corporate Plan 2011-2012. Administration expenses have been excluded in the 2010-2011 & 2011-2012 results for comparative reasons.

Performance indicator	2010-11	2011-12	2011-12	Variance
	Result	Result	Target	%
Average duration of planned water supply interruptions (Minutes)	51	156	250	-38%
<i>Lower Murray Water conducts air scouring of the water network pipelines in a 5 year interval program, 2011-12 saw the air scouring program undertaken. Lower Murray Water continually strives for improvement of planning and practices by staff when Lower Murray Water require to interrupt customers water supply further reducing the duration of the interruptions.</i>				
Reliability of sewerage collection services indicators				
Sewage spilt from emergency relief structures and pumping stations (% of volume transported)	0%	0%	0%	0.0%
Customer complaints indicators				
Water supply reliability complaints per 1000 customers	0.51	0.06	0.33	-82%
<i>LMW received less complaints in 2011-12 when compared to 2010-11 due to the emergencies occurring from 2010-11 major rainfall events.</i>				
Affordability complaints per 1000 customers	0.06	0.13	0.06	117%
<i>Lower Murray Water reports that no abnormal events occurred during the year to increase the affordability complaints. Lower Murray Water continually strives to improve the capture and recording process of complaints and also attributes an increase to the economic climate in which Lower Murray Water operates.</i>				
Pressure complaints per 1000 customers	0.19	0.25	0.34	-26.5%
<i>Lower Murray Water has seen a slight increase in pressure complaints compared to 2010-11 due to the air scouring program undertaken throughout 2011-12.</i>				
Other complaints per 1000 customers	0.67	2.94	3.29	-11%
<i>LMW received a 70% increase in "other complaints" compared to 2010-11 as a direct result of the air scouring program undertaken across all districts from October 2011 to March 2012.</i>				

Our Water Transfers and Licences

Allocation Bank Account Statements

Inflows	Volume(ML)	Outflows	Volume(ML)
Net carryover at 1 July 2011	639,193	Carryover to next financial year	-654,260
Seasonal allocation	574,783	Water usage	-443,551
Adjusted allocation	0	Write-off allocation	-17,175
Spill allocation	0	Trade - sellers	-267,964
Trade - buyers	203,595	Overuse	657
Extraordinary items	-843	30 June Evaporation	-34,435
Total inflows	1,416,728	Total outflows	-1,416,728
Closing balance	0		

Components of trade - buyers		Components of trade - sellers	
Within authority	59,927	Within authority	59,927
From other authorities	70,074	To other authorities	91,390
From interstate	72,858	To interstate	116,567
Other	736	Other	80
Total trade	203,595	Total trade	267,964

Note 1: This table provides a summary of allocations made, trade in, trade out, usage, overuse, carryover and write-off into ABAs during the 2011/12 water year

Note 2: The table shows statistics for ABAs with regulated trading zone sources only. This includes allocations made to all water shares and bundled entitlements, such as supply by agreements and urban bulk entitlements and also water accounted against loss provisions in rural bulk entitlements

Note 3: The 'extraordinary items' shown in this table include amendments to opening carryover, overuse and write-off made due to 2010/11 usage adjustments

Note 4: Write-off reported in this table includes:

- Write-off against Murray loss provisions in rural bulk entitlements (11.2 GL)
- Write-off of 214 ML from spillable water accounts in the Goulburn system. (as described table 1 below)
- Write-off of ABAs in other systems that are no longer linked to active entitlements (5.7 GL).

Note 5: In the "components of trade" table, the category "Other" includes orders against tagged water shares and additional trades processed by adjustment journal. The details of this are in table 2 below

Note 6: "Water usage" includes 12.4 GL of "Loss" from Loss Provision Bulk Entitlements held in the Victorian Water Register

Table 1: Spillable account information

Goulburn System	(ML)
Transferred to Spill	916
Write-off from spill	214
Returned to available balance	702

Table 2: Trade detailed information

Tagged orders - inbound	656
Adjustment journals - trade in	80
Total	736

Tagged orders - outbound	-
Adjustment journals - trade out	80.00
Total	80.00

Our Water Transfers and Licences

Allocation Trade Summary

Allocation trade type		Goulburn-Murray Water	Lower Murray Water	Total Northern Victoria
Interstate trade inbound	Number	80	86	166
	Volume (ML)	88,451	72,858	161,309
Interstate trade outbound	Number	100	107	207
	Volume (ML)	276,423	116,567	392,990
Trade within authority	Number	3,942	614	4,556
	Volume (ML)	828,091	59,927	888,018
Trade between authorities - buyer	Number	192	68	260
	Volume (ML)	91,390	70,074	161,464
Trade between authorities - seller	Number	68	192	260
	Volume (ML)	70,074	91,390	161,464
Total buyers	Number	4,214	768	4,982
	Volume (ML)	1,007,932	202,859	1,210,791
Total sellers	Number	4,110	913	5,023
	Volume (ML)	1,174,588	267,884	1,442,472
Total trades*	Number	4,190	999	5,189
	Volume (ML)	1,263,039	340,741	1,603,781
Net Trade In	Number	104	-145	-41
	Volume (ML)	-166,656	-65,024	-231,681

* Between authority counted on the seller side

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

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

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

Our Water Transfers and Licences

Water Entitlements in Regulated Systems

Entitlement type		Water Shares - High Reliability		Water Shares - Low Reliability		Bulk Entitlements		Supply by Agreements	
Water SystemSource	Delivery system (grouped)	Volume (ML)	Number	Volume (ML)	Number	Volume (ML)	Number	Volume (ML)	Number
Goulburn	First Mildura Irrigation District	-	-	90.7	2	-	-	-	-
	LMW - NWU	1,938.9	13	216.0	1	-	-	-	-
	Murray River	15,894.3	85	2,101.3	33	-	-	-	-
Murray	Env - Nyah to SA	-	-	-	-	43,068.0	2	-	-
	First Mildura Irrigation District	56,273.8	2,049	153.6	1	12,131.0	3	788.1	36
	LMW - NWU	119,194.6	714	-	-	-	-	-	-
	Murray River	209,659.6	1,190	2,485.3	27	37,016.8	6	-	-
	Red Cliffs Irrigation District	33,349.5	1,262	-	-	3,180.0	2	110.0	6
	Merbein Irrigation District	22,462.9	810	-	-	2,700.0	2	399.0	12
	Robinvale Irrigation District	20,418.2	357	148.3	3	2,400.0	1	15.0	1
Regulated Total 2011/12		479,191.8	6,480	5,195.2	67	100,495.8	16	1,312.1	55
Regulated Total 2010/11		495,911.5	6,337	4,566.3	62	100,515.7	16	1,312.1	55

Note 1: This table shows the number and volume of active entitlements in regulated water systems as at 30 June 2012

Note 2: In contrast to the presentation in previous years where entitlement types were lumped together, to provide clearer entitlement information this table now displays a breakdown of the number and volume of entitlements by entitlement type

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

Note 4: The volume of water shares in LMW's jurisdiction decreased by 16,090 ML from 2010/11 due to the following:
i. The variation of 17,200 ML of water shares from Lower Murray Water water authority to Goulburn-Murray Water water authority to enable consolidation of entitlements and the transfer 1,110 ML from Goulburn-Murray Water customers to Lower Murray Water customers

Note 5: Bulk entitlements include Loss Provisions in the Murray basin

Usage in Regulated Trading Zone Sources per Delivery System

Delivery System (grouped)	Volume (ML)
Env - Nyah to SA	9,251.3
First Mildura Irrigation District	27,777.4
Murray River	327,363.2
Merbein Irrigation District	15,175.3
Robinvale Irrigation District	28,211.2
Red Cliffs Irrigation District	23,021.2
Torrumbarry Irrigation Area	348.4
Loss Provisions	12,403.2
Grand Total	443,551.1

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

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

Note 3: The loss provisions refer to the entitlements LMW holds for losses incurred in providing water through its regulated systems. Irrigation district loss provisions are only defined in the Murray and Goulburn basin, loss provisions in other river basins are not currently defined in bulk entitlements and as such not yet in the water register. They are not included in the above table

Note 4: The above table includes water consumed in Murray irrigation channels as losses. The 'use' in the Murray loss provisions are included as a separate line item

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

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

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

Note 3: A variation application occurs without a change in ownership

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

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

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

SOURCE	DESTINATION																					Total Trades (ML)	Number Out	Net Out (ML)
	Goulburn-Murray Water														Lower Murray Water									
	Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torrumbarry Irrigation Area	LMW - NWU	Murray River	Robinvale, Red Cliffs, Merbein, FMID				
Goulburn-Murray Water	Broken River	85	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	85	8	-3	
	Bullarook	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	2	0	
	Campaspe Irrigation Area	0	0	55	0	0	119	0	0	0	0	0	0	0	0	0	0	0	0	0	174	3	119	
	Campaspe River	0	0	0	339	0	1,028	0	0	0	0	0	0	0	0	0	0	0	0	0	1,366	16	1,028	
	Central Goulburn Irr. Area	0	0	0	0	37,379	1,804	41	0	54	0	284	430	0	69	118	0	0	0	0	40,179	444	2,160	
	GMW - NWU	0	0	0	0	311	28,149	0	0	649	0	199	1,039	0	71	686	0	1	0	0	31,105	88	-8,547	
	Goulburn River	0	0	0	0	49	7	849	0	0	0	0	31	0	0	0	0	0	0	0	936	25	42	
	Loddon River	0	0	0	0	0	12	0	143	0	0	0	0	0	0	0	0	0	0	0	155	8	12	
	Murray River	0	0	0	0	0	811	0	0	746	54	0	0	0	0	0	0	0	0	0	1,611	37	692	
	Murray Valley Irrigation Area	0	0	0	0	0	2,441	0	0	123	25,670	0	0	0	0	10	0	0	0	0	28,243	304	1,631	
	Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	0	0	1,169	0	0	0	0	0	0	0	0	0	1,169	22	0	
	Ovens River	0	0	0	0	0	95	0	0	0	0	227	0	0	0	0	0	0	0	0	322	12	95	
	Pyramid-Boort	0	0	0	0	91	2,144	0	0	0	52	0	59,165	125	0	64	97	0	0	0	61,738	267	1,992	
	Rochester Irrigation Area	0	0	0	0	11	829	0	0	0	0	0	20,355	0	88	292	0	0	0	0	21,574	187	-505	
Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	177	0	0	0	0	177	1	177		
Shepparton Irrigation Area	3	0	0	0	179	736	4	0	0	1	0	98	100	0	11,003	0	0	0	0	12,122	190	651		
Torrumbarry Irrigation Area	0	0	0	0	0	1,478	0	0	50	132	0	0	0	0	0	67,336	0	475	154	69,624	429	1,085		
LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Murray River	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-475	
Robinvale, Red Cliffs, Merbein, FMID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-154	
Total Trades (ML)	89	12	55	339	38,019	39,652	894	143	919	26,612	1,169	227	59,746	22,079	0	11,471	68,539	0	475	154	270,591		0	
Lower Murray Water																								
Number of Trades	9	2	1	5	407	215	23	7	29	283	22	11	253	185	0	174	411	0	5	1			2,043	

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

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

Note 3: A variation application occurs without a change in ownership

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

Our Water Transfers and Licences

Transfer of High Reliability Water Shares (Volume ML)

							DESTINATION																	Total Sales (ML)	Number Sold
							Goulburn-Murray Water																		
							Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torumbarry Irrigation Area		
Goulburn-Murray Water	Broken River	83	0	0	0	0	70	0	0	0	0	0	0	0	0	0	0	0	0	0	0	153	7		
	Bullarook	0	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24	3		
	Campaspe Irrigation Area	0	0	104	0	0	90	0	0	0	0	0	0	0	0	0	0	0	0	0	0	195	4		
	Campaspe River	0	0	0	493	0	854	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,346	19		
	Central Goulburn Irr. Area	0	0	0	0	7,049	37,042	0	0	0	0	0	8	0	0	0	0	0	220	0	0	44,320	499		
	GMW - NWU	0	0	0	0	21	29,090	0	0	0	326	0	0	4,083	0	339	87	353	1,152	0	35,450	155			
	Goulburn River	0	0	0	0	74	1,506	1,694	0	0	0	0	2	0	0	0	0	0	0	0	3,276	57			
	Loddon River	0	0	0	0	10	1,182	0	133	0	0	0	0	0	0	0	74	0	0	0	1,398	29			
	Murray River	0	0	0	0	0	3,620	0	1,408	205	0	0	0	0	0	0	320	0	0	0	5,553	69			
	Murray Valley Irrigation Area	0	0	0	0	15	19,336	0	0	2	5,047	0	0	0	0	0	0	0	0	0	24,400	258			
	Nyah, Tresco and Woorinen	0	0	0	0	0	368	0	0	10	0	675	0	0	0	0	158	185	0	0	1,396	49			
	Ovens River	0	0	0	0	0	0	0	0	0	0	353	0	0	0	0	0	0	0	0	353	9			
	Pyramid-Boort	0	0	0	0	0	16,965	2	0	0	0	0	5,646	0	0	0	1	0	0	0	22,613	141			
	Rochester Irrigation Area	0	0	0	0	20	17,233	0	0	0	0	0	0	3,086	0	0	0	0	0	0	20,339	188			
Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Shepparton Irrigation Area	0	0	0	0	78	9,770	0	0	0	2	0	0	0	0	4,093	0	0	0	0	13,944	234				
Torumbarry Irrigation Area	0	0	0	0	0	23,941	0	0	0	0	10	0	0	0	0	8,845	0	302	0	33,098	345				
LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,507	23	16	13,545	73				
Murray River	0	0	0	0	0	1,583	0	0	0	0	0	0	0	0	0	160	31,469	1,896	2	35,110	177				
Robinvale, Red Cliffs, Merbein, FMID	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	2	5,950	0	4,532	10,485	335				
Total Purchases (ML)	83	24	104	493	7,268	162,650	1,696	133	1,420	5,580	685	353	5,656	7,169	0	4,432	9,646	51,683	3,373	4,550	266,995				
Number of Purchases	6	3	1	9	215	1,135	31	13	36	126	26	9	61	90	0	121	184	268	86	231		2,651			

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

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

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

Transfer of Low Reliability Water Shares (Volume ML)

		DESTINATION																		Total Sales (ML)	Number Sold			
		Goulburn-Murray Water																Lower Murray Water						
		Broken River	Bullarook	Campaspe Irrigation Area	Campaspe River	Central Goulburn Irr. Area	GMW - NWU	Goulburn River	Loddon River	Murray River	Murray Valley Irrigation Area	Nyah, Tresco and Woorinen	Ovens River	Pyramid-Boort	Rochester Irrigation Area	Shepparton Groundwater	Shepparton Irrigation Area	Torrumbarry Irrigation Area	LMW - NWU			Murray River	Robinvale, Red Cliffs, Merbein, FMID	
SOURCE	Goulburn-Murray Water	Broken River	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	3	
		Bullarook	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	2
		Campaspe Irrigation Area	0	0	55	0	0	119	0	0	0	0	0	0	0	0	0	0	0	0	0	0	174	3
		Campaspe River	0	0	0	280	0	1,022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,302	14
		Central Goulburn Irr. Area	0	0	0	0	5,411	1,724	0	0	0	54	0	284	430	0	69	118	0	0	0	0	8,091	162
		GMW - NWU	0	0	0	0	189	28,088	0	0	0	459	0	199	737	0	71	16	0	0	0	0	29,760	74
		Goulburn River	0	0	0	0	49	7	425	0	0	0	0	0	31	0	0	0	0	0	0	0	512	14
		Loddon River	0	0	0	0	0	12	0	30	0	0	0	0	0	0	0	0	0	0	0	0	42	4
		Murray River	0	0	0	0	0	768	0	500	54	0	0	0	0	0	0	0	0	0	0	0	1,322	27
		Murray Valley Irrigation Area	0	0	0	0	0	2,148	0	0	2	3,504	0	0	0	0	0	0	10	0	0	0	5,664	101
		Nyah, Tresco and Woorinen	0	0	0	0	0	0	0	0	0	0	13	0	0	0	0	0	0	0	0	0	13	2
		Ovens River	0	0	0	0	0	0	0	0	0	0	0	131	0	0	0	0	0	0	0	0	131	5
		Pyramid-Boort	0	0	0	0	91	2,144	0	0	0	52	0	1,215	125	0	64	97	0	0	0	0	3,787	40
		Rochester Irrigation Area	0	0	0	0	0	829	0	0	0	0	0	0	0	1,665	0	88	292	0	0	0	2,874	53
		Shepparton Groundwater	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Shepparton Irrigation Area	0	0	0	0	179	718	4	0	0	1	0	0	98	100	0	2,024	0	0	0	0	3,123	80
		Torrumbarry Irrigation Area	0	0	0	0	0	876	0	0	0	132	0	0	0	0	0	5,837	0	475	154	7,473	110	
		Lower Murray Water	LMW - NWU	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Murray River		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Robinvale, Red Cliffs, Merbein, FMID	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Total Purchases (ML)	12	12	55	280	5,919	38,456	429	30	502	4,256	13	131	1,795	3,088	0	2,316	6,370	0	475	154	64,290	0
		Number of Purchases	3	2	1	4	124	200	11	3	17	81	2	5	26	49	0	66	95	0	4	1		694

- Note 1:** This table summarises all recorded water entitlement transfer and divide and transfer applications for low and spill reliability water shares. Some other trades were still in progress at year end and will be finalised in 2012/13
- Note 2:** Transfer applications result in a change of ownership. In some cases, the change of ownership occurs with a transfer of land. Transfers of ownership that are part of a water/land sale are not separated out
- Note 3:** Delivery systems are grouped to reduce complexity caused by small delivery systems

Our Statutory Information

By-Laws

The Corporation has three By-Laws:

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

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

Compliance with the Building Act 1993

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

Consultancies

Under \$10,000

The total value of the 25 consultancies under \$10,000 is 99,467.58 for the 2011/12 year.

Over \$10,000

Name of Consultant & Summary of Project	Total Fees Paid (ex GST)	Total Fees Approved (ex GST)
SINCLAIR KNIGHT MERTZ CONTRACT CS 691/10 - SUNRAYSIA MODERNISATION PROJECT	1,903,416	2,670,000
GHD PTY LTD LMW URBAN ASSET REPLACEMENT PROFILES KOORLONG TRANSFER STRATEGY UPDATE ELECTRICAL SUPPORT SERVICES CENTRAL PUMP STATION CRANE REDCLIFFS TREATED WATER SUPPLY FROM MILDURA WATER TREATMENT PLANT CONTRACT CN 0052 - DOW AVE RECONNECTION ELECTRICAL DESIGN LMW IRRIGATION PUMP REVEIW CONTRACT CN 0075 - IRRIGATION PIPELINE ASSETS RENEWAL STUDY SWAN HILL WATER TREATMENT PLANT SLUDGE SYSTEM CONTRACT CN 0058 - PRESSURE VESSEL DESIGN ROBINVALE MILDURA WATER SUPPLY STRATEGY LMW MASTERPLAN REVIEWS 2011 LMW WATER SUPPLY DEMAND STRATEGY & DRP REVIEW CONTRACT CN 0098 - CARDROSS DRAINAGE SYSTEM REVIEW REHABILITATION OF PUMPSITE W22/23 CONTRACT CN 0099 - CATHODIC PROTECTION PLANNING KERANG WASTE WATER TREATMENT PLANT UPGRADE LMW WATER PLAN 3 ASSISTANCE LMW IRRIGATION PUMP REVIEW WATER SUPPLY RETICULATION MISC ADVICE	929,588	1,110,250

Name of Consultant & Summary of Project	Total Fees Paid (ex GST)	Total Fees Approved (ex GST)
HUNTER WATER AUSTRALIA LMW PLC & SCADA TEMPLATES SWAN HILL WATER TREATMENT PLANT CHLORINE ROBINVALE WATER TREATMENT PLANT CLARIFIER COMMISSIONING LMW AUTOMATION STANDARD STAGE 3 MILDURA WASTE WATER TREATMENT PLANT SWITCHBOARD REPLACEMENT MILDURA WEST WATER TREATMENT PLANT RE-COMMISSIONING CAPACITY INVESTIGATIONS SWAN HILL, PIANGIL & MURRABIT WATER TREATMENT PLANTS SWAN HILL WATER TREATMENT PLANT CLARIFIER BYPASS KOORLONG WASTE WATER TREATMENT PLANT CONSTRUCTION ADVICE CONTRACT CN 0077 - ROBINVALE WATER TREATMENT PLANT AUTOMATION CONTRACT CN 702/10 - MILLEWA WATER TREATMENT PLANT MILDURA PAC DOSING SYSTEM MILDURA WATER TREATMENT PLANT ELECTRICAL CONDITION ASSESSMENT WESTERN STORAGE PUMP STATION 21 SWITCHBOARD SWAN HILL WATER TREATMENT PLANT HIGH FLOW TRIALS LMW SPECIFICATIONS & PROCUREMENT	665,885	758,887
ACIL TASMAN WATER DEMAND FORECASTING REVISIONS ON TARRIFF STRUCTURES 2013 WATER PLAN 3 REVIEW	340,926	342,000
INFOR GLOBAL SOLUTIONS HANSEN ASSET MANGEMENT SYSTEM UPGRADE TIME SHEET AUTOMATION CONSULTING	162,292	165,750
ENTURA HYDRO TASMANIA CONTRACT CN 0067 - CARBON STRATEGY MANAGEMENT	110,300	110,300
ROBERT COOK BOM/DATA WAREHOUSE PROJECT IT CONSULTANCY ASSET SYSTEM UPGRADE IT CONSULTANCY IT DISCUSSION PAPER	93,950	93,950
JOYPRO HEALTH & SAFETY OCCUPATIONAL HEALTH & SAFETY SERVICES	72,000	72,000
LANE PIPER PTY KERANG WASTE WATER TREATMENT PLANT DESIGN	38,561	38,500
TECHNOLOGY ONE TECHONE FINANCE ONE UPGRADE AND CONSULTING BUSINESS RESEACH STUDY TIMESHEETING	37,050	183,068
AURECON AUSTRALIA STRATEGIC REVIEW IRYMPLE VALLEY DRAINAGE 14TH ST SUBDIVISION STAGE 2	33,800	43,950
SHANE WALL & ASSOCIATES REDUNDANCIES/RESTRUCTURE CONSULTANCY PSYCHOLOGICAL CONSULTANCY	31,458	31,500
SUNRAYSIA ENVIRONMENTAL SOIL AUDIT - MILDURA WASTE WATER TREATMENT PLANT FARM	30,990	30,900
KERRY BUCHECKER OUTPLACEMENT SERVICE REDUNDANCY SESSIONS STAFF COUNSELLING SERVICE	30,170	30,170
MOORE STEPHENS ESSENTIAL SERVICES COMMISSION ANNUAL AUDIT	29,994	30,000
SOUTHERN CROSS 2011 INTERIM ACCOUNT ADVISORY CONSULT WITH REDUNDANT STAFF	22,400	22,400
CEENA PTY LTD ROBINVALE CLARIFIER UPGRADE	18,689	29,302

Our Statutory Information

Name of Consultant & Summary of Project	Total Fees Paid (ex GST)	Total Fees Approved (ex GST)
OPTIMATICS PTY MERBEIN SUPPLY SYSTEM OPTIMISATION	17,741	29,853
COMPUPRO COMPUTERS SOFTWARE SUPPORT DATA CLEANSING	12,223	12,223
DR. DHARMA DHAR DRINKING WATER QUALITY AUDIT	10,550	10,550

Declaring of Pecuniary Interests

In accordance with Section 95 (5) of the *Water Act* 1989, all Members of the Board and Officers with a financial delegation in excess of \$20,000 completed register of Interest Returns on or before 31st July 2012. Pecuniary interests are also declared prior to the commencement of Board meetings.

Freedom of Information (FOI) Act 1982

The *Freedom of Information (FOI) Act* 1982 allows the public the right to request information held by us and to access documents about our activities. Lower Murray Water has determined that its Authorised Officer is our General Manager, Business Services. Requests under FOI must be in writing, addressed to PO Box 1438, Mildura Vic 3502. An application fee of \$25.10 applies at the time of this report's publication. In the 2011/12 year there were three requests under FOI. One of these went to internal review.

Information Privacy Act 2000

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

Major Contracts (those over \$10M)

We did not enter into any contracts with a value of over \$10M in the 2011/12 financial year.

Major External Reviews

We did not carry out any major reviews of Lower Murray Water during 2011/12.

Major Research and Development Activities

We did not undertake any major research and development activities in 2011/12.

National Competition Policy

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

Other Reportable Information

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

Subsequent Events

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

Victorian Industry Participation Policy

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

Contracts commenced to which VIPP applied: 0

Contracts completed to which VIPP applied: 0

Whistleblowers' Protection Act 2001

We are committed to the aims and objectives of the *Whistleblowers' Protection Act* 2001 which is designed to protect people who disclose information about serious wrongdoings with the Victorian Public Sector and provides a framework for the investigation of these matters. The Protected Disclosure Coordinator for the Department of Sustainability and Environment (DSE) acts as an agent for the Corporation to receive disclosures under the Act, and applies DSE procedures in managing disclosures. Disclosures of improper conduct by Lower Murray Water or our employees may be made in writing or by telephone; directed to:

Jennifer Berensen

Manager Privacy & Ombudsman

Department of Sustainability and Environment

PO Box 500, East Melbourne Vic 3002

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

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

Or:

The Ombudsman Victoria

GPO Box 469, Melbourne Vic 3001

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

There were no disclosures under the Act in 2011/12.

Statement of availability of other information

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

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

Our Financial Report

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Statutory Certification

We certify that the attached financial statements for Lower Murray Urban and Rural Water Corporation have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards, 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 notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of the Corporation as at 30 June 2012.

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



L Burrows
Chair
3rd September 2012



R Leamon
Managing Director
3rd September 2012



L Davis
General Manager—Business Services
3rd September 2012

INDEPENDENT AUDITOR'S REPORT

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

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Lower Murray Urban and Rural Water Corporation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Lower Murray Urban and Rural Water Corporation as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Lower Murray Urban and Rural Water Corporation for the year ended 30 June 2012 included both in the Lower Murray Urban and Rural Water Corporation's annual report and on the website. The Board Members of the Lower Murray Urban and Rural Water Corporation are responsible for the integrity of the Lower Murray Urban and Rural Water Corporation's website. I have not been engaged to report on the integrity of the Lower Murray Urban and Rural Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
5 September 2012

Per 
D D R Pearson
Auditor-General

Our Financial Report

Comprehensive Operating Statement for the year ended 30th June 2012

	Notes	2012 \$'000	2011 \$'000
<u>REVENUE FROM OPERATING ACTIVITIES</u>			
Operating Revenue	1(b), 3(a)	51,248	42,960
Termination Fees		162	150
Income for Capital Purposes	1(b), 3(b)	3,113	4,385
Other Revenue	1(b), 3(c)	2,893	3,304
		-----	-----
		57,416	50,799
		-----	-----
<u>REVENUE FROM NON-OPERATING ACTIVITIES</u>			
Interest Revenue	1(b), 3(d)	442	508
Net Gain/(Loss) from Disposal of Non-Financial Assets	1(b), 3(e)	(85)	333
		-----	-----
		357	841
		-----	-----
TOTAL REVENUE		57,773	51,640
		-----	-----
<u>EXPENSES FROM OPERATING ACTIVITIES</u>			
Direct Expenses	1(c), 4(a)	48,815	43,372
Administration Expenses	1(c), 4(b)	18,058	14,558
Finance Costs	1(c), 4(c)	3,601	3,228
		-----	-----
TOTAL EXPENSES		70,474	61,158
		-----	-----
NET RESULT BEFORE TAX		(12,701)	(9,518)
Income Tax Expense/(Revenue)	6	(3,798)	(4,300)
		-----	-----
NET RESULT FOR THE YEAR		(8,903)	(5,218)
		=====	=====
<u>OTHER COMPREHENSIVE INCOME</u>			
Net Gain/Loss on Physical Asset Revaluation Surplus		136	215,971
Income Tax Relating to Components of Other Comprehensive Income		(41)	(64,791)
		-----	-----
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		95	151,180
		-----	-----
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		(8,808)	145,962
		=====	=====

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

Our Financial Report

Balance Sheet as at 30th June 2012

		Notes	2012 \$'000	2011 \$'000
CURRENT ASSETS				
	Cash and Cash Equivalents	1(d), 7	4,471	6,278
	Receivables	1(d), 8	8,527	6,551
	Inventories	1(d), 9	3,155	3,370
	Prepayments	1(d)	257	434
	Assets Held for Sale	1(d), 10	7,912	8,166
			24,322	24,799
NON-CURRENT ASSETS				
	Receivables	1(d), 8	101	154
	Property, Plant and Equipment	1(d), 11	774,943	779,692
	Intangible Assets	1(d), 12	5,568	5,477
	Deferred Tax Assets	1(d), 13	24,162	20,742
			804,774	806,065
TOTAL ASSETS			829,096	830,864
CURRENT LIABILITIES				
	Payables	1(e), 14	7,695	5,248
	Interest Bearing Liabilities	1(e), 15	4,417	2,991
	Employee Benefits	1(e), 16	4,407	4,430
	Provisions	1(e), 17	177	270
			16,696	12,938
NON-CURRENT LIABILITIES				
	Interest Bearing Liabilities	1(e), 15	53,855	50,473
	Employee Benefits	1(e), 16	361	362
	Deferred Tax Liabilities	1(e), 19	131,423	131,761
	Other Liabilities	1(e)	12	12
			185,651	182,608
TOTAL LIABILITIES			202,347	195,547
NET ASSETS			626,749	635,317
EQUITY				
	Contributed Capital	1(f), 20	537,606	537,366
	Physical Asset Revaluation Surplus	21	151,978	151,883
	Accumulated Funds	22	(62,835)	(53,932)
TOTAL EQUITY			626,749	635,317

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

Our Financial Report

Statement of Changes in Equity for the year ended 30th June 2012

	Notes	Contributed Capital \$'000	Physical Asset Revaluation Surplus \$'000	Accumulated Funds \$'000	Total \$'000
BALANCE AT 1 JULY 2010	20, 21, 22	537,366	703	(48,714)	489,355
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	151,180	(5,218)	145,962
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	20	-	-	-	-
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		-	-	-	-
BALANCE AS AT 30 JUNE 2011	20, 21, 22	537,366	151,883	(53,932)	635,317
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	95	(8,903)	(8,808)
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	20	240	-	-	240
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		240	-	-	240
BALANCE AS AT 30 JUNE 2012	20, 21, 22	537,606	151,978	(62,835)	626,749

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

Our Financial Report

Cash Flow Statement

	Notes	2012 \$'000	2011 \$'000
Cash Flows from Operating Activities			
Receipts			
Rates & Meter Charges		48,271	43,178
Proceeds from Scheme Debtors		57	171
Government Contributions		475	1,862
Income for Capital Purposes		2,238	2,214
Interest Received		442	509
GST Received from the ATO		3,507	3,525
Other Revenue		4,223	778
Total Receipts		59,213	52,237
Payments			
Payments to Suppliers & Employees		(44,652)	(41,215)
GST Paid to the ATO		(242)	(188)
Interest and Other Costs of Finance Paid		(3,601)	(3,228)
Total Payments		(48,495)	(44,631)
Net Cash provided by/(used in) Operating Activities	24	10,718	7,606
Cash Flows provided by/(used in) Investing Activities			
Payments for Purchases of Property, Plant and Equipment		(18,098)	(19,275)
Payments for Purchases of Intangible Assets		(265)	(344)
Proceeds from Sale of Property, Plant and Equipment		789	1,151
Net Cash provided by/(used in) Investing Activities		(17,574)	(18,468)
Cash Flows provided by/(used in) Financing Activities			
Proceeds from Borrowings		6,900	9,900
Repayment of Borrowings		(2,091)	(391)
Government Capital Contribution Received		240	-
Net Cash provided by/(used in) Financing Activities		5,049	9,509
Net Movement in Cash and Cash Equivalents		(1,807)	(1,353)
Cash and Cash Equivalents at the Beginning of the Financial Year		6,278	7,631
Cash and cash equivalents at the end of the year	7	4,471	6,278
Financing arrangements	15		

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

Notes to the financial statements for the year ended 30th June 2012

1 Statement of Significant Accounting Policies

a) Basis of Accounting

General

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

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

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

The annual financial statements were authorised for issue by the Board on the 3rd September 2012.

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

Accounting Policies

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

Comparatives

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

Functional and presentation currency

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

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle, with the exception of employee benefits (Refer Note 1 (e) Employee Benefits).

Rounding

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

Historical cost convention

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

Accounting estimates

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

Financial statement presentation

Lower Murray Water has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 July 2011, and AASB 1054 *Australian Additional Disclosures* which became effective for reporting periods beginning on or after 1 July 2011.

(b) Revenue

Service and Usage Charges

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

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

Interest Income

Interest income is recognised using the effective interest rate method.

Resources received free of charge

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

Developer Contributions

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

Our Financial Report

Government Grants and Contributions

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

Government Grants for Services

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

Rent/Lease Income

Income from operating leases, (ie rentals) is recognised in income on a straight line basis over the term of the lease. All income is stated net of the amount of Goods and Services Tax (GST).

(c) Expenses

Borrowing Costs

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

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

Depreciation and Amortisation of Non-current Assets

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

The depreciable amount of all non-current physical assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Corporation commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

The depreciation rates applied to asset classes (2012 and 2011) are:

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

Employee Benefits

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

Superannuation

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

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

Repairs and Maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Environmental Contribution

The *Water Industry (Environmental Contributions) Act 2004* (the Act) amended the *Water Act 1989* to make provision for environmental contributions to be paid by water supply Corporations. The Act establishes an obligation for Water Corporations to pay into the consolidated fund annual contributions for the first period, from 1 October 2004 (Urban) and 1 July 2005 (Rural) to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each Corporation. The contribution period was extended to cover the period 1 July 2008 until 30 June 2012 and has recently been further extended to cover the period 1 July 2012 until 30 June 2016.

The purpose for the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address adverse water-related initiatives.

The environmental contributions are disclosed separately within the expenses.

(d) Assets

Cash and Cash Equivalent Assets

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet, but are included within cash and cash equivalents for cash flow statement presentation purposes.

Receivables

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

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

Inventories

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

Farm sheep stock are measured at market value.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Property, Plant and Equipment

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

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

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

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

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

(i) Measurement of Property, Plant and Equipment

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

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

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

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

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

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

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

(ii) Revaluation of Non-Current Physical Assets

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

Revaluation decrements are recognised immediately as an expense in the net result, except that, to the extent that a credit balance exists in the physical asset revaluation surplus in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

(iii) Impairment of Assets

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

- Inventories
- deferred tax assets
- financial instrument assets
- non-current assets held for sale

If there is indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying amount exceeds its recoverable, the difference is written-off by a charge to the Comprehensive Operating Statement except to the extent that the write-down can be debited to a physical asset revaluation surplus amount applicable to that class of asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

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

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

(iv) Assets Held for Sale

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

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

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

Intangible Assets

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

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

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

Permanent Water Entitlements

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

Operating Leases

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

(e) Liabilities

Payables

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

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

Interest Bearing Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the borrowings, using the effective interest method.

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

Employee Benefits

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

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

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

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

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

(ii) Long Service Leave (LSL)

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

The components of this current LSL liability are measured at:

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

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

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iii) Superannuation

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

(iv) Employee Benefit Oncosts

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

(v) Performance Payments

Performance payments for the Corporation's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the terms of the contracts to balance date.

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

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

Provisions

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

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

(f) Equity

Contributed Capital

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

(g) Financial Instruments

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

(i) Classification and Measurement

Financial assets at fair value through profit or loss

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet. Loans and receivables are recorded at amortised cost less impairment.

Available-for-sale financial assets

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

Payables

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

(i) Financial Liabilities

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

(ii) Fair Valuation

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

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial assets.

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

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

(iii) Derecognition

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

(iv) Impairment

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

(h) Taxation

The Corporation was notified by the Treasurer, of the Government's decision to direct Regional Urban Water and Rural Water Authorities to become subject to the National Tax Equivalent Regime (NTER) from 1 July 2002. The NTER is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national income tax rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset and liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Commitments

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

(j) Contingent Assets and Contingent Liabilities

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

(k) Dividend Policy

The Corporation is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous year's adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer.

The board expects the final determination of dividend for 2011/12 to be \$0 (2010/11: \$0).

(l) Goods and Services tax

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

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

(m) Reporting Lines of Business

The financial information has been prepared based on the Corporation's main functions, of delivery of potable water, the disposal of wastewater, supply of river water for irrigation and collection and disposal of drainage water. The Corporation has no wholesale function.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2012. The Corporation has not and does not intend to adopt these standards early.

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Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.	1 January 2013	The Corporation is yet to assess its full impact. However, initial indications are that it may affect the Corporation's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the Comprehensive Operating Statement.
AASB 1053 Application of Tiers of Australian Accounting Standards, AASB 2010-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements and AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 of the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements. AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under tier 2, where the parent higher up the group is reporting either under tier 1 or tier 2.	1 January 2013	The impact of this standard will depend on instructions provided by DTF on its applicability to the Corporation. The Corporation will assess its impact once DTF has provided guidance on this standard.
AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 and AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	The standard explains how to measure fair value and aims to enhance fair value disclosures	1 January 2013 / 1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 January 2013.
AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	These standards require the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 January 2013 / 1 July 2013	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 January 2013.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	In December 2010, the AASB amended AASB 112 <i>Income Taxes</i> to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1 January 2012	The Corporation will apply the amendment from 1 July 2012. The impact of the amendment is expected to have no effect on the Corporation as currently no investment property is held.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.	1 January 2013	This amendment will not affect the financial statements of the Corporation.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	The amendments clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changes to the Manual and improve related disclosures. Applicable only to not-for-profit entities and/or public sector entities.	1 July 2012	The Corporation will apply the amendment standard from 1 July 2012. When the amendments are applied, the Corporation will need to disclose (in the note containing the summary of accounting policies) a statement of compliance to this standard, a reference to the version of the ABS GFS Manual used or that the last version has not been used and the impact of this.
AASB 2011-4 Amendments to Australia Accounting Standards to remove individual Key Management Personnel Disclosure Requirements	Removed the individual key management personnel disclosure requirements from AASB 124 <i>Related Party Disclosures</i> , to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the <i>Corporation Act 2001</i> . The amendments cannot be adopted early.	1 July 2013	This amendment is expected to have no impact on the Corporation's disclosures.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income	Requirements for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future.	1 July 2012	The Corporation will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	The amendments clarify some of the requirements in AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and territory Governments. Applicable only to not-for-profit entities and/or public sector entities.	1 July 2012	The Corporation is yet to fully assess the impact of this amendment. However, initial indications are that this amendment is expected to have little impact on the Corporation.

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2 Financial Risk Management Objectives and Policies

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. The methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

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

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

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

(a) Market Risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk; there is no exposure to foreign exchange risk and insignificant exposure to other price risks.

(i) Interest Risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long term borrowings and funds invested on the money market. The interest rate on the Corporation's long term borrowings is fixed and therefore the Corporation is not exposed to any material interest rate risk.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets. The Corporation manages its interest rate risk by maintaining a diversified mix of at call floating and fixed rate investment products. The Corporation's exposure to interest rate risk on financial assets is set out in the following table.

2011/12 Financial Instruments	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets										
Cash and Cash Equivalents	4,468	-	-	-	-	-	-	3	4,471	3.00
Receivables – property	3,810	-	-	-	-	-	-	2,687	6,497	6.16
Receivables – other	496	-	-	-	-	-	-	1,635	2,131	2.64
Investments	-	-	-	-	-	-	-	-	-	-
Total financial assets	8,774	-	-	-	-	-	-	4,325	13,099	4.51
Financial liabilities										
Payables	-	-	-	-	-	-	-	7,446	7,446	N/A
Interest Bearing Liabilities	2,800	1,617	1,840	2,672	2,659	1,698	44,986	-	58,272	4.20
Total financial liabilities	2,800	1,617	1,840	2,672	2,659	1,698	44,986	7,446	65,718	4.84

2010/2011

2010/11 Financial Instruments	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	More than 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets										
Cash	5,538	737	-	-	-	-	-	3	6,278	4.32
Receivables – property	3,083	-	-	-	-	-	-	2,145	5,228	6.19
Receivables – other	550	-	-	-	-	-	-	927	1,477	4.17
Investments	-	-	-	-	-	-	-	-	-	-
Total financial assets	9,171	737	-	-	-	-	-	3,075	12,983	5.06
Financial liabilities										
Payables	-	-	-	-	-	-	-	5,206	5,206	N/A
Interest Bearing Liabilities	1,400	1,591	1,617	1,840	2,672	1,659	42,685	-	53,464	5.76
Total financial liabilities	1,400	1,591	1,617	1,840	2,672	1,659	42,685	5,206	58,670	5.25

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

(ii) Foreign Exchange Risk

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

(iii) Other Price Risk

The Corporation has no significant exposure to other price risk.

Sensitivity Disclosure Analysis

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

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

Not all receivables have a floating interest rate applicable to it. Some amounts are subject to fixed rates, or no interest is applicable.

Interest bearing liabilities include borrowings on an 11am account which is subject to a floating interest rate.

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

(b) Credit Risk

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

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables.

An analysis of the ageing of the Corporation's receivables at reporting date has been provided in Note 8 (b).

At 30 June 2012, the Corporation had no credit risk arising from investments. Exposure to credit risk from other financial assets is represented in the carrying amount of these assets in the Balance Sheet.

(c) Liquidity Risk

Liquidity Risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

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

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

2010/2011	Carrying Amount	6 months or less	Over 6 months to 1 years	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
Financial Instruments							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	5,206	5,206	-	-	-	-	-
Interest Bearing Liabilities	53,464	1,667	1,324	1,617	1,840	4,331	42,685
Total financial liabilities	58,670	6,873	1,324	1,617	1,840	4,331	42,685

The Receivables and payables exclude statutory amounts.

(d) Fair Valuation

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is offered by the Treasury Corporation of Victoria to the Corporation.

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

Net Fair Value of Financial Assets and Liabilities	2012	2012	2011	2011
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	4,471	4,471	6,278	6,278
Receivables	8,628	8,628	6,705	6,705
Total Financial Assets	13,099	13,099	12,983	12,983
Financial Liabilities				
Payables	7,446	7,446	5,206	5,206
Interest Bearing Liabilities	58,272	66,127	53,464	53,774
Total Financial Liabilities	65,718	73,573	58,670	58,980

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

- Cash, receivables, payables are valued at their carrying amounts as this approximates net market value
- Interest Bearing Liabilities are valued by discounting the expected future cash flows at yields offered by the Treasury Corporation of Victoria at balance date

Fair Value Measurement Hierarchy

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

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

	Level 1	Level 2	Level 3	Total
30 June 2012	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and Cash Equivalents	4,471	-	-	4,471
Receivables	8,628	-	-	8,628
Total Financial Assets	13,099	-	-	13,099
Financial Liabilities				
Payables	7,446	-	-	7,446
Interest Bearing Liabilities	66,127	-	-	66,127
Total Financial Liabilities	73,573	-	-	73,573

3 Revenue

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
(a) Operating Revenue comprises:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Tariff Charges	35,962	32,604	5,649	5,472	10,820	10,413	19,493	16,719
Government Pensioner Rate Reimbursement	1,875	1,658	692	599	1,129	1,018	54	41
Metered Charges	12,542	7,987	8,414	5,817	-	-	4,128	2,170
Trade Waste Charges	688	569	-	-	688	569	-	-
Customer Service Obligations	181	142	41	40	140	102	-	-
	51,248	42,960	14,796	11,928	12,777	12,102	23,675	18,930

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
(b) Income For Capital Purposes:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Developer/Capital Contributions	2,709	2,395	1,249	1,069	1,085	998	375	328
Government Contributions	400	1,812	111	1,812	95	-	194	-
Scheme Contributions	4	178	-	-	4	178	-	-
	3,113	4,385	1,360	2,881	1,184	1,176	569	328

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

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	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Other Revenue:								
Income from Fees	1,321	1,079	499	453	412	284	410	342
Rent/Lease Income	483	443	425	373	14	17	44	53
Government Contributions (Non Capital)	75	50	75	50	-	-	-	-
Sundry Income	1,014	1,732	89	110	272	311	653	1,311
	2,893	3,304	1,088	986	698	612	1,107	1,706

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(d) Interest Revenue comprises:								
Interest from cash and cash equivalents	159	126	37	25	40	22	82	79
Interest on Charges	242	337	-	-	-	-	242	337
Interest on Private Schemes	41	45	18	20	23	25	-	-
	442	508	55	45	63	47	324	416

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(e) Net gain/(loss) on disposal of non-financial assets								
Proceeds from sale of non-financial assets	789	1,151	220	321	187	273	382	557
Disposal of non-financial assets other than assets held for sale	(855)	(360)	(239)	(100)	(202)	(85)	(414)	(175)
Disposal of non-financial assets - assets held for sale	(19)	(458)	(5)	(128)	(5)	(109)	(9)	(221)
	(85)	333	(24)	93	(20)	79	(41)	161

4 Expenditure

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
(a) Direct Expenses comprise:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Labour	6,161	6,105	2,123	2,017	1,233	1,250	2,805	2,838
Bulk Water Charge	5,930	4,526	661	550	-	-	5,269	3,976
Spillable Water Charge	1,027	7	2	-	-	-	1,025	7
Chemicals	1,122	1,310	1,072	1,269	31	28	19	13
Electricity	4,256	3,716	958	958	623	606	2,675	2,152
Water Allocation Purchases	-	2,747	-	2,747	-	-	-	-
Repairs and Maintenance	6,455	6,481	2,190	1,586	1,517	1,338	2,748	3,557
Depreciation & Amortisation Expense (Refer Note 5)	21,660	16,199	6,912	5,076	4,892	3,590	9,856	7,533
Lease/Rentals Expenses	52	65	49	55	3	7	-	3
Write off of Assets	149	-	118	-	-	-	31	-
Consultants	1,212	729	544	416	195	87	473	226
Other Expenses	791	1,487	349	288	308	240	134	959
	48,815	43,372	14,978	14,962	8,802	7,146	25,035	21,264

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012	2011	2012	2011	2012	2011	2012	2011
(b) Administration Expenses comprise:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Salaries & Labour Oncost	10,662	7,669	3,433	2,355	2,533	1,950	4,696	3,364
External Audit Fees (Refer Note 28)	93	77	26	21	22	19	45	37
Bank Charges & Agency Collection Fees	228	205	67	58	53	48	108	99
Insurances	565	560	158	165	135	176	272	219
Environmental Contribution	1,377	1,427	529	533	450	455	398	439
Depreciation & Amortisation Expense (Refer Note 5)	1,198	1,084	434	384	370	327	394	373
Bad Debts, Doubtful Debts and Write Offs	209	396	86	73	12	88	111	235
Directors & Chair Allowance	150	151	42	42	36	36	72	73
Other Expenses	3,576	2,989	1,068	906	891	723	1,617	1,360
	18,058	14,558	5,843	4,537	4,502	3,822	7,713	6,199

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	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
(c) Finance Costs:	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest on Loans	3,017	2,681	-	-	1,685	1,322	1,332	1,359
Financial Accommodation Levy	584	547	-	-	327	345	257	202
	3,601	3,228	-	-	2,012	1,667	1,589	1,561

5 Depreciation & Amortisation

Depreciation & Amortisation expense for the year:

	2012	2011
	\$'000	\$'000
Depreciation		
Infrastructure	21,142	15,991
Buildings	517	206
Plant, Equipment and Vehicles	1,025	892
	22,684	17,089
Software Amortisation	174	194
	22,858	17,283
Allocated to direct expenses (Refer Note 4a)	21,660	16,199
Allocated to administration expenses (Refer Note 4b)	1,198	1,084
	22,858	17,283

6 Income Tax Expense

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

a. The components of tax expense comprise:

	2012	2011
	\$'000	\$'000
Current Tax Payable	-	-
Deferred tax relating to temporary differences	(3,798)	(4,300)
Adjustments for current tax on prior periods	-	-
	(3,798)	(4,300)
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in Deferred Tax Asset	(3,420)	(6,175)
(Decrease)/Increase in Deferred Tax Liability	(337)	66,666
(Decrease)/Increase in Equity	(41)	(64,791)
	(3,798)	(4,300)

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

Net result from ordinary activities before income tax	(12,701)	(9,516)
Prima facie tax payable on net result from ordinary activities before income tax at 30% (2011: 30%)	(3,810)	(2,855)
Add tax effect of:		
Other non allowable items	12	29
Recoupment of losses	-	-
	(3,798)	(2,826)
Tax effect of:		
Other items of income and expenditure	-	(1,474)
Correction to prior year tax expense	-	-
Income Tax Expense recognised in the Comprehensive Operating Statement	(3,798)	(4,300)

7 Cash and Cash Equivalent Assets

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:
Cash on hand is non-interest bearing.

	2012 \$'000	2011 \$'000
Cash on hand	3	3
Cash at bank	4,468	5,538
Deposits at call	-	-
Investments due less than 3 months	-	737
	4,471	6,278

The Cash at bank are bearing floating interest rates between 3.00% and 4.25% (2011: between 4.00% and 4.25%).

8 Receivables

Receivables comprise of:

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<u>Current Receivables:</u>								
Tariffs & Charges	6,707	6,178	2,476	1,972	261	210	3,970	3,996
Scheme Debtors	395	396	116	116	279	280	-	-
Other Debtors	1,635	927	372	196	442	312	821	419
Provision for Impairment of Tariffs and Charges	(210)	(950)	(50)	(37)	-	-	(160)	(913)
Total Current Receivables	8,527	6,551	2,914	2,247	982	802	4,631	3,502
<u>Non Current Receivables:</u>								
Scheme Debtors	101	154	51	68	50	86	-	-
Total Non Current Receivables	101	154	51	68	50	86	-	-

(a) Provision for impaired receivables

As of 30 June 2012, receivables of \$209,999 (2011: \$949,983) were impaired. The individually impaired receivables are mainly related to urban residential tenancy debtors, and irrigation and drainage property debtors.

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

The ageing analysis of these receivables is as follows:

	2012 \$'000	2011 \$'000
0 - 6 months	1	12
Over 6 months	209	938
	210	950

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Movements in the provision for impaired receivables are as follows:

	2012 \$'000	2011 \$'000
Opening balance at 1 July	(950)	(716)
Provision for impairment recognised during the year	(25)	(234)
Receivables written off during the year as uncollectable	765	-
Closing balance at 30 June	(210)	(950)

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

(b) Past due but not impaired receivables

As at 30 June 2012, receivables of \$5,250,384 (2011:\$4,853,997) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2012 \$'000	2011 \$'000
0 - 3 months	1,803	1,691
3 - 6 months	1,052	230
Over 6 months	2,395	2,933
	5,250	4,854

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

(c) Fair value

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

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

9 Inventories

Values as at 30 June, were:

	2012 \$'000	2011 \$'000
Stores and Consumables	3,102	3,281
Sheep Stock	53	89
	3,155	3,370

10 Assets Held For Sale

	2012 \$'000	2011 \$'000
Balance 1 July - Land held for Sale	8,166	3,602
Land not treated as held for sale	-	-
Additions	-	3,943
Revaluation increment/(decrement)	-	1,079
Sales	(254)	(458)
	7,912	8,166

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

11 Property Plant and Equipment

(a) Classes of property, plant and equipment

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE		ADMINISTRATION	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Land - at valuation	13,546	13,045	1,994	2,245	4,799	4,802	3,372	4,051	3,381	1,947
Land - subsequent additions at cost	440	290	275	-	43	-	122	96	-	194
Total land at fair value	13,986	13,335	2,269	2,245	4,842	4,802	3,494	4,147	3,381	2,141
Buildings - at valuation	16,233	16,207	8,679	8,699	737	727	853	853	5,930	5,928
Buildings - subsequent additions at cost	1,705	1,705	15	15	674	674	1,016	1,016	-	-
Less: Accumulated depreciation	(517)	-	(164)	-	(52)	-	(37)	-	(264)	-
Total buildings at fair value	17,421	17,912	8,530	8,714	1,359	1,401	1,832	1,869	5,666	5,928
Infrastructure - at valuation	680,974	681,123	188,533	188,649	128,889	128,889	363,552	363,585	-	-
Infrastructure - at cost	66,371	50,210	9,179	2,444	52,135	45,172	5,057	2,594	-	-
Less: Accumulated depreciation	(21,134)	-	(6,669)	-	(4,777)	-	(9,688)	-	-	-
Total Infrastructure at fair value	726,211	731,333	191,043	191,093	176,247	174,061	358,921	366,179	-	-
Plant, Equipment & Vehicles	13,319	12,322	-	-	11	11	241	241	13,101	12,070
Less: Accumulated depreciation	(8,701)	(8,043)	-	-	(7)	(5)	(158)	(157)	(8,536)	(7,881)
Total plant, equipment and vehicles at	4,618	4,279	-	-	4	6	83	84	4,565	4,189
Works In Progress at fair value	12,707	12,833	3,451	6,268	1,526	3,994	6,837	2,121	893	450
	774,943	779,692	205,293	208,320	183,978	184,264	371,167	374,400	14,505	12,708

Freehold land and buildings carried at fair value

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

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

As required by FRD 103D, Lower Murray Water conducted an annual fair value assessment of land and buildings as at 30 June 2012. The annual assessment determined the fair value of land or buildings to be no greater than 10%, in accordance with FRD 103D no fair value movement is required to be recognised.

Infrastructure carried at fair value

An independent valuation of the Corporation's infrastructure was performed by the Valuer-General Victoria who engaged AECOM to determine the fair value of the infrastructure. The valuation, which conforms to Australian Valuation Standards, determined fair value using the depreciated replacement cost method, with the current replacement costs based on the optimum modern equivalent in accordance with the relevant legislation, industry standards and guidelines. Where Lower Murray Water provided a reasonable condition assessment to AECOM, the remaining useful life of assets have been based on this condition assessment. Where no condition information is available, remaining useful life is estimated by subtracting the assets actual age (based on construction date) from its theoretical useful life. The effective date of the valuation is 30 June 2011.

As required by FRD 103D, Lower Murray Water conducted an annual fair value assessment of non-current physical infrastructure assets as at 30 June 2012. The annual assessment determined the fair value of the non-current physical infrastructure assets to be no greater than 10%, in accordance with FRD 103D no fair value movement is required to be recognised.

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Plant, Equipment & Vehicles carried at fair value

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

(b) Movements during the reporting period

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

2011-2012	Balance 1 July	Additions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets held for Sale
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,335	368	254	-	-	29	-
Infrastructure	731,333	332	15,724	(149)	(21,136)	107	-
Buildings	17,912	2	25	-	(517)	-	-
Plant, Equipment, and Vehicles	4,279	1,972	20	(623)	(1,031)	-	-
Works In Progress	12,833	16,113	(16,239)	-	-	-	-
	779,692	18,787	(216)	(772)	(22,684)	136	-
=====							
2010-2011	Balance 1 July	Additions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets held for Sale
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,004	290	-	(66)	-	4,031	(3,924)
Infrastructure	439,256	51	102,035	(112)	(15,991)	206,094	-
Buildings	6,900	3	6,004	(14)	(206)	5,225	-
Plant, Equipment, and Vehicles	3,957	1,807	13	(587)	(892)	-	(19)
Works In Progress	103,619	17,497	(108,283)	-	-	-	-
	566,736	19,648	(231)	(779)	(17,089)	215,350	(3,943)
=====							

12 Intangible Assets

2011-2012	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software Development Costs	680	49	216	-	-	(174)	771
Water Licences	4,797	-	-	-	-	-	4,797
	5,477	49	216	-	-	(174)	5,568
=====							
2010-2011	Balance 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Balance 30 June
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Software Development Costs	533	110	231	-	-	(194)	680
Water Licences	4,796	1	-	-	-	-	4,797
	5,329	111	231	-	-	(194)	5,477
=====							

13 Deferred Tax Assets

The balance comprises temporary differences attributable to:

	2012 \$'000	2011 \$'000
Amounts recognised in Comprehensive Operating Statement		
Employee benefits	1,338	1,311
Other	1,308	335
Tax losses	21,516	19,096
	24,162	20,742
	=====	=====
Movements		
Opening balance at 1 July	20,742	14,567
Credited/(charged) to the Comprehensive Operating Statement	3,218	6,175
Under/(Over) Provision	202	-
	24,162	20,742
	=====	=====

14 Payables

	TOTAL		WATER SUPPLY		WASTEWATER		IRRIGATION & DRAINAGE	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unsecured Liabilities:								
Trade and Accrued Creditors	6,416	4,283	1,530	1,195	1,742	1,024	3,144	2,064
Deposits	643	431	298	53	293	335	52	43
Advances for Works Program	557	384	-	-	-	-	557	384
Other	79	150	44	20	11	106	24	24
	7,695	5,248	1,872	1,268	2,046	1,465	3,777	2,515
	=====	=====	=====	=====	=====	=====	=====	=====

15 Interest Bearing Liabilities

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

	TOTAL		CURRENT (12 MONTHS)		NON-CURRENT (2 - 5 YEARS)		NON-CURRENT (5 YEARS PLUS)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Secured:								
Loans	58,272	53,464	4,417	2,991	8,869	7,788	44,986	42,685
	58,272	53,464	4,417	2,991	8,869	7,788	44,986	42,685
	=====	=====	=====	=====	=====	=====	=====	=====

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

(b) Credit Standby Arrangement with Banks

	2012 \$'000	2011 \$'000
Credit Facility	735	735
Amount Utilised	-	-
	735	735
	=====	=====

Our Financial Report

16 Employee Benefits

	TOTAL		CURRENT		NON-CURRENT	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave	1,490	1,462	1,490	1,462	-	-
Accumulated Sick Leave	9	15	9	15	-	-
Long Service Leave	3,080	3,025	2,719	2,663	361	362
Accrued Bonus	189	290	189	290	-	-
Aggregate Carrying Amount of Employee Benefits	4,768	4,792	4,407	4,430	361	362

Employee numbers at end of financial year: 157 (2011: 171)

Employee Benefit and related On-Costs

	TOTAL		CURRENT		NON-CURRENT	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Annual Leave On-Costs	186	182	186	182	-	-
Long Service Leave On-Costs	428	421	378	371	50	50
Total On-Costs	614	603	564	553	50	50

Long Service Leave

The Corporation's legal liability to Long Service Leave attributable to its employees at 30 June 2012 was \$3,079,699 which has been fully funded.

	2012	2011
	\$'000	\$'000
Current:		
Short term benefits, that fall due within 12 months after the end of the period measured at nominal value	2,604	2,519
Long term benefits that do not fall due within 12 months after the end of the period measured at present value	115	144
	2,719	2,663
Non Current:		
Long Service Leave being less than 7 years of continuous service measured at present value	361	362
	3,080	3,025

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

	2012	2011
Weighted average increase in employee costs	4.31%	4.60%
Weighted average discount rates	2.92%	5.14%
Weighted average settlement period	13	13

17 Provisions

	2012 \$'000	2011 \$'000
Current		
Land Remediation	177	270
Other	-	-
	177	270

Movement in Provisions

	Land Remediation	Other	Total
2011-2012			
Opening balance at 1 July	270	-	270
Payments	(93)	-	(93)
Closing balance at 30 June	177	-	177
2010-2011			
Opening balance at 1 July	336	200	536
Payments	(66)	(200)	(266)
Closing balance at 30 June	270	-	270

The provisions stated above have transferred from the former FMIT.

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

18 Superannuation

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

Vision Super's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Vision Super's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to reliably allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119 Employee Benefits, Lower Murray Water does not use defined benefit accounting for these contributions.

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

Lower Murray Water makes the following contributions:

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

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

Following an actuarial review conducted by the Trustee in 2012, as at 31 December 2011, a funding shortfall of \$453 million for the Fund was determined. A call to Employers for additional contributions was made, Lower Murray Water was issued with an invoice for \$3,084,600 as our share of the shortfall. The invoice has been accrued and recognised as an expense in the Comprehensive Operating Statement in 2011-12 financial year but Lower Murray Water is still to pay the invoice which will settle this funding call due 1 July 2013.

The Trustee had to liaise with APRA to arrange a payment plan that covers a 15 year period however Lower Murray Water has not determined its payment terms for this funding call.

Accounting Standard Disclosure

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

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

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

- Net Investment Return 8.50% p.a.
- Salary Inflation 4.25% p.a.
- Price Inflation 2.75% p.a.

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

Our Financial Report

As per FRD 112C, the Victorian Government holds the responsibility for any unfunded liability for the Emergency Services and State Super schemes and is therefore responsible for reporting that liability. Contribution details are shown in the following table:

Scheme	Type of Scheme	Employee Numbers	Rate	2012 \$'000	2011 \$'000
State Superannuation Board Revised Scheme	Defined Benefit	3	17.00%	34	33
State Superannuation Board New Scheme	Defined Benefit	5	9.5% - 10%	30	34
Vision Super	Defined Benefit	30	9.25%	214	218
Vision Super Saver	Accumulation	127	9.00%	647	713
Others	Various	29	9.00%	128	37
Total Contributions to all funds				1,053	1,035

As at reporting date, there were no outstanding contributions payable to the above funds. As at reporting date, there were no loans to or from Lower Murray Water to any of the above funds.

19 Deferred Tax Liability

Deferred tax liability comprises:

	2012 \$'000	2011 \$'000
Tax allowances relating to property, plant, and equipment	131,539	131,894
Other	17	-
Current Tax Liability	(133)	(133)
Deferred Tax Liability	131,423	131,761

Movements by class

	2012 \$'000	2,011 \$'000
Land		
Balance 1 July	3,256	-
Revaluation increment/(decrement)	-	4,652
Tax effect of revaluation increment/(decrement)	-	(1,396)
Balance 30 June		3,256

20 Contributed Capital

	2012 \$'000	2011 \$'000
Opening balance 1 July	537,366	537,366
Capital transactions with the State in its capacity as owner arising from:		
- Capital Contributions	240	-
Closing balance 30 June	537,606	537,366

Buildings		
Balance 1 July	4,361	703
Revaluation increment/(decrement)	-	5,225
Tax effect of revaluation increment/(decrement)	-	(1,567)
Balance 30 June	4,361	4,361

21 Physical Asset Revaluation Surplus

Movements in Physical Asset Revaluation Surplus

	2012 \$'000	2,011 \$'000
Balance 1 July	151,883	703
Revaluation increment/(decrement)	136	215,971
Tax effect of revaluation increment/(decrement)	(41)	(-64,791)
Balance 30 June	151,978	151,883

Infrastructure		
Balance 1 July	144,266	-
Revaluation increment/(decrement)	136	206,094
Tax effect of revaluation increment/(decrement)	(-41)	(61,828)
Balance 30 June	144,361	144,266

Our Financial Report

22 Accumulated Funds

	2,012 \$'000	2011 \$'000
Accumulated Funds at 1 July	(53,932)	(48,714)
Net Surplus/(Deficit) for the year after Income Tax Expense	(8,903)	(5,218)
Accumulated Funds at 30 June	(62,835)	(53,932)

23 Equity Funds

	2,012 \$'000	2011 \$'000
Total Equity at 1 July	635,317	489,355
Total Other Changes in Equity Recognised in the Statement of Changes in Equity	(8,568)	145,962
Total Equity at 30 June	626,749	635,317

Environmental Contribution
Payment due within one year
Payments due between two to three years

2012 \$'000	2011 \$'000
1,639	1,377
1,639	1,377
3,278	2,754

24 Reconciliation of Net Result for the Period after related Income Tax to Net Cash Flows from Operating Activities

	2,012 \$'000	2011 \$'000
Net result for the year after income tax	(8,903)	(5,216)
Add/(less) Non Cash Flows in Net result		
Depreciation/Amortisation	22,858	17,283
Income for Capital Purposes	(471)	(181)
Income Tax Expense/(Revenue)	(3,798)	(4,300)
Assets Written off	149	-
Loss/(Gain) on Disposal of Non- Current Physical Assets	85	(333)
	9,920	7,253

Changes in Assets & Liabilities:

	2,012 \$'000	2011 \$'000
Decrease/(Increase) in Receivables	(1,923)	416
Decrease/(Increase) in Inventories	215	266
Decrease/(Increase) in Prepayments	177	2,608
Increase/(Decrease) in Payables & Provisions	2,353	(3,261)
Increase/(Decrease) in Employee Benefits	(24)	326
Net Cash provided by/(used in) Operating Activities	10,718	7,608

25 Commitments

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

Capital Commitments for Incomplete Contracts

	2,012 \$'000	2011 \$'000
Payment due within one year	5,212	4,979

Other Commitments

Environmental Contribution

	2,012 \$'000	2011 \$'000
Payment due within one year	1,639	1,377
Payments due between two to three years	1,639	1,377
	3,278	2,754

Our Financial Report

26 Responsible Persons' Disclosure

(i) Names of Persons who were responsible persons at any time during the financial year ended 30 June, 2012:

- The Hon P Walsh MP
- Mr M Tilley (Chairperson) 1 July 2011 - 30 September 2011
- Ms K Martin (Deputy Chairperson)
- Mr G Michell
- Mr P MacIntosh 1 July 2011 - 30 September 2011
- Ms L Burrows (Chairperson)
- Ms E Ward
- Mr P Jones
- Mr D Graham 1 October 2011 - 30 June 2012
- Mr M Bennett 1 October 2011 - 30 June 2012
- Mr R Leamon (Managing Director)

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

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

- Mr Kevin Murphy 5 days
- Mrs Loris Davis 18 days

(ii) Total Remuneration received or due and receivable by responsible persons totalled \$418,719 (2011: \$423,254). The number of responsible persons whose remuneration from the Corporation was within the specified bands were as follows:

	2012	2011
\$1 - \$10,000	1	-
\$10,001 - \$20,000	7	6
\$30,001 - \$40,000	1	-
\$40,001 - \$50,000	-	1
\$250,001 - \$260,000	-	-
\$260,001 - \$270,000	1	-
\$270,001 - \$280,000	-	1
Total Numbers	10	8

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

(iv) Superannuation and other transactions:

Superannuation contributions have been paid on behalf of Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9%. Contributions of \$34,249 (2011: \$33,724) were paid on behalf of the Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9%.

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

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

(vi) Retirement Benefits and Loans:

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

(vii) Executive Remuneration

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

	Total Remuneration		Base Remuneration	
	2012	2011	2012	2011
\$100,000 - \$110,000	-	1	1	-
\$110,001 - \$120,000	1	-	1	1
\$120,001 - \$130,000	1	1	2	2
\$130,001 - \$140,000	2	1	2	1
\$140,001 - \$150,000	-	2	1	1
\$150,001 - \$160,000	2	-	1	2
\$160,001 - \$170,000	1	2	1	-
\$170,001 - \$180,000	2	1	1	1
\$180,001 - \$190,000	-	-	1	1
\$190,001 - \$200,000	1	1	-	-
\$200,001 - \$210,000	1	1	-	-
Total Numbers	11	10	11	9

Total Remuneration received or due and receivable by the Executives listed above totalled \$1,727,588 (2011: \$1,558,136). Total base remuneration is \$1,578,767 (2010: \$1,305,172).

27 Auditor Remuneration

	2012 \$'000	2011 \$'000
Remuneration of Auditors		
Victorian Auditor General's Office - Audit Services	93	77
	93	77

28 Events Occurring After Balance Date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation in future financial years.

29 Contingent Assets and Contingent Liabilities

At 30 June 2012 the Board was aware of the following contingent item. Four former FMIT Directors have served writs on Lower Murray Water seeking unspecified compensation for damages as a result of being defamed. Another former board member had already settled out of court. The first phase of the trial has been heard in the Mildura City country circuit of the Supreme Court before a jury and was completed in August 2012. The jury found Lower Murray Water defamed four former directors of the First Mildura Irrigation Trust by publishing a letter written by former Victorian Water Minister Tim Holding on its website. The second phase of the trial will hear Lower Murray Waters statutory defences against the defamation and is to be heard by a Supreme Court judge alone in October 2012. The Corporation is insured for the legal costs incurred in defending the case and any damages and costs to the limit of \$300,000,000. The Corporation is unsure as to the extent of this contingent liability as the quantum will be determined by the court based on the merits of future submission.

Appendix 1—Disclosure Index

The 2011/12 Annual Report of Lower Murray Water has been prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Corporation's compliance with statutory disclosure requirements.

In accordance with the *Financial Management Act 1994*, I am pleased to attest the Lower Murray Urban and Rural Water Corporation's Annual Report 2011/12 is compliant with all statutory reporting requirements.



Ron Leamon
Managing Director

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