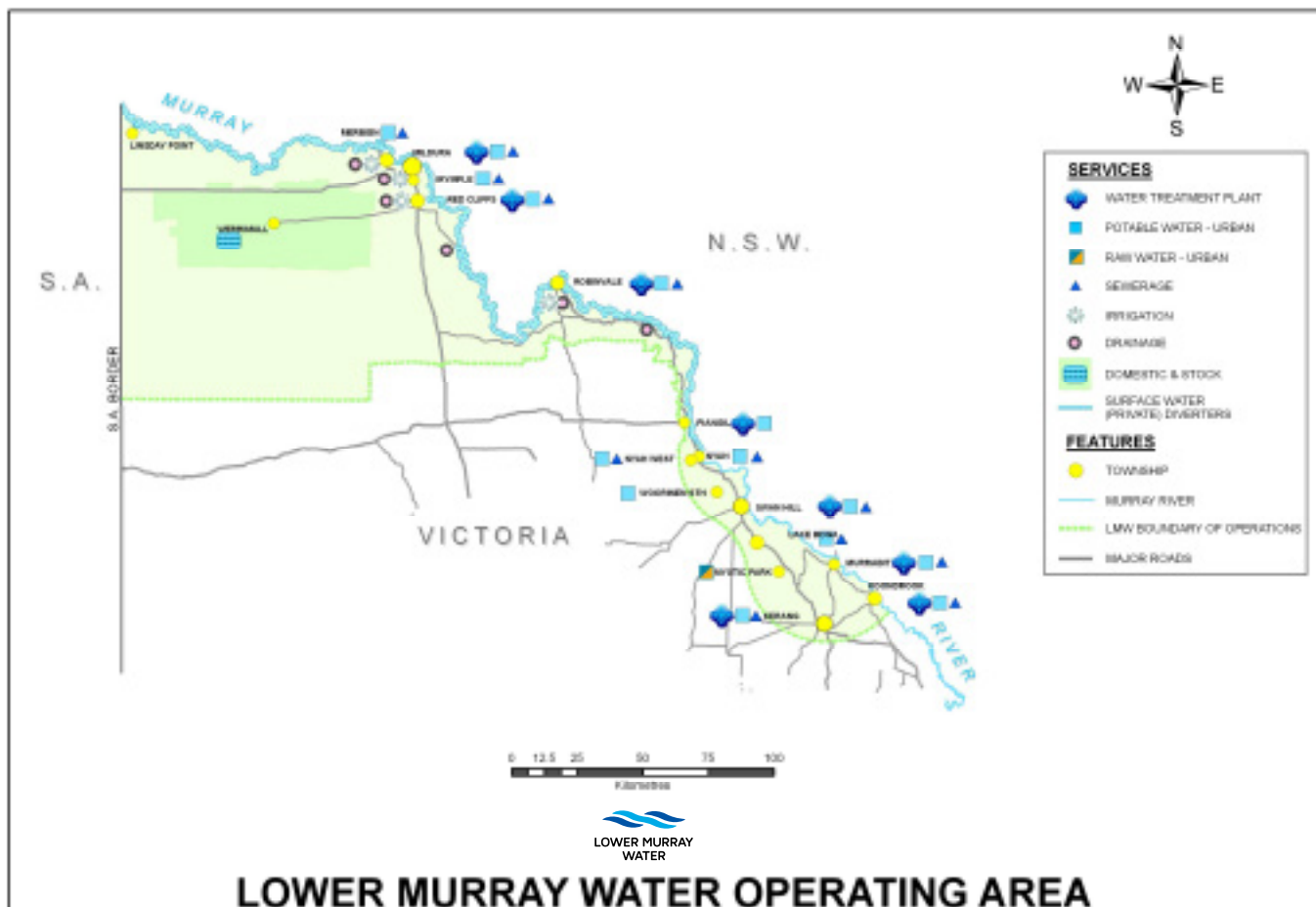




LOWER MURRAY WATER

Annual Report 2015/16



Contents

About Us.....	2
Establishment, Statement of Obligations, Mission, Vision, Values, Region, Nature of Services Provided, By-Laws, Water Plan, Functions and Duties, Strategic Drivers and Goals	
Chair and Managing Director's Report.....	6
Key Achievement and Highlights of 2015/16 and Future Initiatives	8
The Lower Murray Water Team, Serving our Customers, Committing to the Environment and Region, Governance and Obligations	
The Lower Murray Water Team.....	9
Organisational Structure, Board Structure, Board Membership, Directors' Attendance at Board Meetings, Our Staff, Workforce Philosophy, Workplace Merit and Equity, Staff Development and Training, Occupational Health and Safety (OH&S)	
Serving Our Customers	15
Our Bulk Water Entitlements (Urban and Irrigation), Engaging with our Customers. Communicating with our Customers, Our Urban Customers, Urban and Wastewater Statistics 2015/16, Per Capita Daily Residential Drinking Water Consumption, Our Rural Customers, Major Water Users, Customer Satisfaction Survey, Resolving Customer Complaints, Energy and Water Ombudsman Case Handling Statistics	
Committing to the Environment and Region.....	20
Collaborating with Stakeholders/the Community, Environmental Sustainability, Sustainable Water Use, Sustainable/Resilient Water Services Systems, Other Statutory Obligations, Greenhouse Gas Emissions and Net Energy Consumption, Social Sustainability	
Governance and Obligations.....	26
Governance Committee, Compliance with the <i>Building Act</i> 1993, Declaring of Pecuniary Interests, <i>Freedom of Information (FOI) Act</i> 1982, Information and Communication Technology Expenditure, Major External Reviews, National Competition Policy, Other Reportable Information, <i>Privacy and Data Protection Act</i> 2014, <i>Protected Disclosures Act</i> 2012, Risk Management Framework and Processes, Audit and Risk Committee, Statement of Availability of Other Information, Subsequent Events, Victorian Industry Participation Policy	
Performance Report.....	29
Financial Performance Indicators, Water and Sewerage Service Performance Indicators, Water (Rural) Service Performance Indicators, Environmental Performance Indicators, Customer Responsiveness Performance Indicators, Certification of Performance Report, VAGO certification	
2015/16 Financial Summary.....	37
Financial Review, Summary of Financial Results, Summary of Financial Performance, Loan Liability as at 30th June 2016, Major Contracts, Consultancies	
2015/16 Financial Report.....	40
Appendices.....	102
Disclosure Index	

About Us

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 our relevant Minister was the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water for the period 1st July 2015 to 22nd May 2016; and the Hon Lisa Neville MP, Minister for Water for the period 23rd May to 30th June 2016.

Statement of Obligations

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

Mission

Our mission is to:

- To provide water services in a sustainable, reliable and timely manner
- To maintain positive and transparent relationships with our customers and other stakeholders
- To contribute to the economic, social and cultural development of our region.

Vision

Our vision is to support our region with water for life, irrigation, growth and the environment.

Values

We value honesty, integrity, teamwork and commitment. We are passionate about our business and the services we provide for our customers. We are committed to making decisions based on sound judgments and intelligent use of knowledge. We value:

- Our urban customers, who receive reliable and affordable potable water and treated wastewater services
- Our rural customers, who need to receive reliable commercial services at the minimum sustainable cost
- Investment and development of our people to enable us to be a thinking, efficient organisation

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.

Nature of services provided

We provide:

- urban water services to 14 townships via nine treatment plants to approximately 74,000 customers along the Murray River in Victoria from Kerang to Mildura;
- wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants;
- river quality water services to 4,964 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura, the Millewa rural district and some areas of the waterworks district of Yelta;
- the collection and disposal of subsurface drainage water from the four pumped irrigation districts, and Nangiloc, Robinvale and Boundary Bend private diverters;
- ensuring irrigation and drainage designs in new agricultural developments conforms with salinity management plan development guidelines;
- management of the private diversion licences of 1,161 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.

About Us

Strategic Drivers and Goals

The basis for our strategic drivers and goals is **creating value**—for our customers and for the organisation. These goals are aimed at meeting the challenges of our customers and the business and delivery sustainable business success.

Corporate strategies to create customer value

Our Corporate Goals to address customer challenges and deliver our strategy and creating customer value are:

- Increasing the resilience of services to changing and extreme weather
- Be more customer focused—right service, right time
- Maintain compliant performance while improving cost-effectiveness of operations and assets
- Increase use of the modernised irrigation infrastructure in the four districts.

Governance strategies to create organisational value

Good governance underpins good performance. Our governance goals to create organisational value are:

- Manage the Corporation in accordance with expected standards of corporate behavior
- Manage our assets and finances responsibly and sustainably
- Provide an engaged and skilled workforce to deliver our vision and mission
- Provide our services equitably and with consideration.

By-Laws

The Corporation currently has one By-Law: By-Law No 2 Urban Water Restrictions. This By-Law was created using a Model Water Restriction By-Law issued by the Minister for Water on 27th November 2011. It contains the restrictions and prohibitions on the use of water that may be imposed in our Urban water supply districts.

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

Drought Response

We were not required to invoke our drought response plan during 2015/16.

Water Plan

The Essential Services Commission (ESC) is the economic regulator of the Victorian water sector. The sector is comprised of 19 water businesses providing bulk and retail water and waste water services to all of Victoria's urban and rural irrigation customers. The ESC's role encompasses regulation of prices as well as monitoring of service standards and market conduct, acting as the Australian Competition & Consumer Commission's (ACCC) accredited agent for rural pricing. Our Water Plan was endorsed by the ESC in June 2013 setting prices for the period 1st July 2013 to 30th June 2018 in the urban business of the Corporation. In the rural business, revenue caps were set for the same time frame.

About Us

Functions and Duties

Function / Duty	Respondent to	Objective / Action
The Lower Murray Water Team		
To provide an engaged and skilled workforce to deliver our vision and mission	Governance Statement	* Launched our Occupational Health and Safety Strategy 2016-2018
		* Launched our People and Culture Strategy 2016-2018
		* Conducted a review of the business processes and functions
		* Re-commenced our employee Wellness Program
		* Continued to encourage and support staff to undertake further studies
		* Completed analysis of where succession planning is needed to capture knowledge of long-serving staff
		* Conducted ergonomic assessments of work spaces for internal staff
		* Expanded our OHS Committee to ensure better representation from all areas of the Corporation
		* Continued with our program of staff development and training
Serving our Customers		
To provide our services equitably and with respect	Governance Statement	* Continued to administer services under the Community Service Obligation Program * Met our obligations under our Urban Customer Charter and our Rural Customer Charter * Conducted our annual Customer Survey - urban, rural and commercial customers
To contribute to the economic, social and cultural development of our region	Corporate Mission	* Establishment of the regional multi-agency group to facilitate inward investment - Sunraysia Rejuvenation Project
		* Continued with our Sponsorship and Donations Program, supporting 57 organisations
		* Partnered with Southern Rural Water, Grampians Wimmera Mallee Water, Coliban Water, Vic Water, Victorian Farmers Federation and DELWP to hold the 2016 Rural Water Awards
		* Produced the Mallee Region Investment Guide 2015/2016 to assist and attract potential and current customers to invest within our service area.
		* Continued our involvement in the Victorian Seniors' Festival through hosting an event
		* Completed all milestones of the Sunraysia Modernisation Project (SMP) ahead of time
		* Continued with our Rehydrate with Cool, Clean Tap Water campaign for sporting clubs
		* Continued with our "Water Refill Stations" provision under our Rehydrate with Cool, Clean Tap Water campaign
		To maintain positive and transparent relationships with our customers and other stakeholders
* Revitalised our Strategic Consultative Committee		
* Continued our collaboration with stakeholder groups		
* Expanded our reach to customers through better utilisation of social media opportunities		
* Continued our provision of information via our website and e-newsletter		
* Maintained our relationships with media within our service area; and other media as required		
* Implemented the 2015/16 Communications Plan		
* Completed Customer Engagement Strategy 2016-2018		
* Continued our engagement with Customer Service Advisory Committes		
To provide water services in a sustainable, reliable and timely manner	Corporate Mission	* Conducted a website review and commenced planning for upgrade
		* Completed all milestones of the Sunraysia Modernisation Project (SMP) ahead of time
		* Continued to deliver high quality potable water services
		* Completed automation of our Red Cliffs and Mildura Water Treatment Plants
		* Refurbishment of the Seventh Street manhole
		* Clarifier upgrade
To provide information for schools	Statement of Obligations	* Telemetry upgrade
		* Refurbished and expanded our Dripster Education Program
		* Participated in, or assisted with, other agencies educational programs
To provide community and school education programs, activities and information	Communications Plan 2015/16	* Conducted tours of our water treatment plant as required
		* Introduced our "Welcome to Preps" program offered to all schools in our service region
		* Launched our community educational campaign "Flush Facts" aimed to reduce the amount of incorrect items entering our wastewater system, to reduce treatment costs / assist with management of wastewater treatment assets
		* Continued our promotion of the Permanent Water Saving Rules

About Us

Functions and Duties

Function / Duty	Respondent to	Objective / Action
Committing to the Environment and Region		
To manage the Corporation's assets and finances responsibly and sustainability	Governance Statement	* Continued to encourage reclaimed water projects to reduce extractions from the Murray River
		* Partner in the delivery of a project to reduce potential environmental impacts from pump infrastructure on the river
		* Continued to assist with the planning and delivery of Environmental Flows, including Cardross Basin, Koorlong Basin and Woorlong Wetlands
		* Continued with our waste management program
		* Continued to encourage schemes that promote the sustainable reuse of treated water
		* Continued reduction of office based electricity consumption
		* Continued our development of various renewal energy projects and energy efficient program towards long-term abatement of emissions
To maintain positive and transparent relationships with our customers and other stakeholders	Corporate Mission	* Continued to assist in the implementation of the Mallee Regional Catchment Management Strategy 2013-19
		* Partnered in the delivery of the works program for the Mallee Regional Waterway Strategy 2014-22
		* Continued our involvement with the Environmental Protection Authority (EPA) Water Industry Reference Group
		* Continued with policy development with other River Murray stakeholders (Barmah Choke)
To protect and care for our environment	Other obligations	* Managed a number of sites under the Victorian Biodiversity Strategy
		* Continued to assist with the delivery of environmental watering, utilising our irrigation and drainage assets
		* Continued to manage threatened species (Hooded Scaly-foot lizard and Murray Hardyhead fish)
Governance and Obligations		
To Manage the Corporation in accordance with expected standards of corporate behaviour	Governance Statement	* Continued the functions of our Governance Committee
		* Continued the functions of our Audit and Risk Committee, while continually improving the risk management framework
		* Entered into a shared services agreement with Yarra Valley Water (YVW) for culture and structure
		* Conducted our business affairs within the requirements and obligations of relevant Acts and Government policies
		* Met the requirements of the Financial Management Compliance Framework
		* Continued Director training as required
To manage the Corporation's assets and finances responsibly and sustainability	Governance Statement	* Continued implementation of improvements to SCADA program
		* Continued annual inspection program of over 150 worksites as part of the hazard removal program
		* Continued the progress of the improved disaster recovery work site
		*
Meet requirement of Department of Health and Human Services	Other Obligations	* Completed our external regulatory audit in June 2016, successfully complying with the obligations under the <i>Safe Drinking Water Act 2003</i>

Chair and Managing Director's Report

Chair's Report

I am pleased to present this overview for our 2015/16 Annual Report.

There have been a number of highlights throughout the year, the most notable being the Sunraysia Modernisation Project (SMP). Practical completion of SMP was achieved in July 2016.

With channel replacement works being completed in Mildura, Red Cliffs and Merbein it means our customers will have a new robust irrigation system that is capable of providing water throughout the majority of the year. The Sunraysia Modernisation Project has been a hugely successful one for the region and gives security to the district's economy and long term viability for our growers. Year round water supply will give our customers and potential investors opportunities not previously available in the area including crop diversification, improved water quality and security of supply.

During this year we have commenced a partnership arrangement with Yarra Valley Water for the provision of Human Resources services to our organization. This has been very successful and has meant we can commence our organizational cultural change project.

I would like to thank the SMP Project Control Group under the Chairmanship of Dane Huxley for their professionalism in guiding the project towards completion on time and under budget.

Water demand for our irrigation and urban businesses was strong throughout the year. We saw some pleasing rural returns for a majority of our irrigation customers in the table grape, citrus, almond, dried fruit and vegetable sectors however wine grape growers were still receiving less than optimal prices for their produce. We hope that the future will see continued strengthening in agricultural returns for all rural customers.

While being in a position to fund a significant proportion of our statutory depreciation of \$28.4M (based on assets valued at \$900M) our consolidated result was a pre-tax accounting loss of \$12.7M with the urban business division showing a pre-tax surplus of \$2.4M. The revaluation of assets and the write off of existing irrigation assets of \$4.1M being replaced through the SMP is a significant factor to this year's operating result.

The Minister for Water released the draft "Water for Victoria" policy document for consultation. We have been involved in providing feedback and support to this process and look forward to the release of the document in the coming year. A key policy initiative that has been highlighted by the State Government this year has been the subject of Diversity. Our Board fully supports the initiative especially in a region that has a very diverse population. We look forward to progressing this in the coming years within our organisation.

We welcomed four new Directors to our Board during 2015/16 being Directors Sharyon Peart, Liza McDonald, Jason Kambovski and Guy Kingwill. All have significant management and industry experience and add to the diverse range of skills around the Board table. I would like to formally acknowledge and thank the three outgoing directors, Malcolm Bennett, Graham Robertson and Barry Bishop for their valuable contributions to our Board.

The Board appreciates the productive relationship it has with our Strategic Advisory Committee and our urban and rural Customer Committees. These have worked well throughout the last year in ensuring relevant and timely advice on rural matters has been passed through to Board. We look forward to another year of positive customer interaction with our committees.

In closing I would like to thank my fellow Directors for their contribution and support, the management team under the leadership of our Managing Director Phil Endley for delivering on our corporate objectives and the staff for their commitment, dedication and loyalty to the Corporation.



John Tesoriero
Chair

7th September 2016

Chair and Managing Director's Report

Managing Director's Report

This past year has been a very busy and productive one for Lower Murray Water.

Following on from the benchmarking report last year we have continued to review our business internally and put in place change strategies to enable us to meet the objectives of our customers and stakeholders. We are now embarking on a restructuring of the business and a culture change program for leadership and staff. Our objective is to raise productivity and performance through the business, both through this and through better use of our investments in information technology.

Key to being able to deliver these changes is our developing relationship with Yarra Valley Water, which is one of the three water retailers for Melbourne. We have developed a shared services program with our colleagues in Yarra Valley that provides access their organisation's key executive and managerial staff on a contractual basis to assist in the culture and change projects.

Of course, the biggest single event for us during this financial year has been the continued progress with the Sunraysia Modernisation Project, such that when the project reaches physical completion at the end of August we will have delivered almost twice the expected scope of works.

We have participated strongly in the recruitment of the new project director of the Sunraysia Rejuvenation Project and now seek to be a key partner of his work to increase investment following completion of the Modernisation Project. We have a small internal project team which has been working to improve our response to rural customers wishing to modify or increase their businesses. This work is being piloted with customers at the moment and further work over the next year will enable us to roll out improving services across the three districts of Mildura, Red Cliffs and Merbein.

In the coming year, we will be developing our next five year investment plan and as part of this we will be talking to you, our customers, to understand your needs and aspirations. We will offer more opportunities to meet with us.

I would like to highlight a major river water quality issue in the past 12 months. We had a Blue Green Algae bloom which lasted for three months in the Murray River. This affected the water quality for a lot of our rural customers and caused extra treatment costs for our urban drinking water operations. I would like to thank the community and also the agencies involved in dealing with this naturally occurring emergency. As an organisation we had to continually investigate, analyse, act and communicate results on a daily basis for this lengthy outbreak.

Overall, we have had a year of preparing for the future and now we look forward to working with our staff, our communities and stakeholders to deliver change.



Philip Endley
Managing Director

7th September 2016

Key Achievements and Highlights and Future Initiatives

Key Achievements and Highlights 2015/16

The Lower Murray Water Team

- Release of our Occupational Health and Safety Strategy 2016-2018
- Ensured that Occupational Health and Safety remained a key focus of Board, Management and Staff
- Capturing critical staff knowledge as a part of our organisational review
- Commencement of our functional review

Serving Our Customers

- Delivering high quality urban and rural water services
- Delivering irrigation services:
 - Moving towards completion of the \$120m Sunraysia Modernisation Project
 - Improving workflows and timelines within rural business
 - Providing rural customers with a 12 month price freeze
 - Seeking and delivering cost-reduction across the organisation
- Focus on improvement of key stakeholder relationships; revitalisation of rural Strategic Advisory Committee
- Policy development with other stakeholders for River Murray on irrigation development below the Barmah Choke
- Establishing a regional multi-agency project director to facilitate rural investment—Sunraysia Rejuvenation Project
- Commenced development of our new website which will provide the ability to deliver our services and engage in a timely manner via a site that provides a customer experience that is responsive, dynamic and seamless
- Completed a new Engagement Strategy 2016-2018 which will guide our organisation in building strong relationships with customers, community and partners, to enable informed decision making and deliver sustainable outcomes

Committing to the Environment and Region

- Supporting of community through sponsorships and partnerships
- Supporting of community through school education projects
- Implement activities associated with introduction of renewables and energy efficiency across the business

Governance and Obligations

- Business review, which included strategy, benchmarking, risk, processes, functions, organisation
- Innovative shared services arrangement with Yarra Valley Water for Human Resources

Future Initiatives

Lower Murray Water Team

- Implementing a utility reorganisation to enable strategic change
- Culture change for more consistent and clear performance and productivity
- Implementation of organisational structural review
- Focus on diversity strategy

Serving Our Customers

- Scoping options for a follow-on infrastructure project (SMP2) and successful application for Federal business case study funding
- Support and facilitation of new investment for irrigation in the region
- Implementation of Engagement Strategy including IAP2 training for appropriate staff
- Launch of new website which will provide 24/7 access to services and enhance our ability to engage

Committing to the Environment and Region

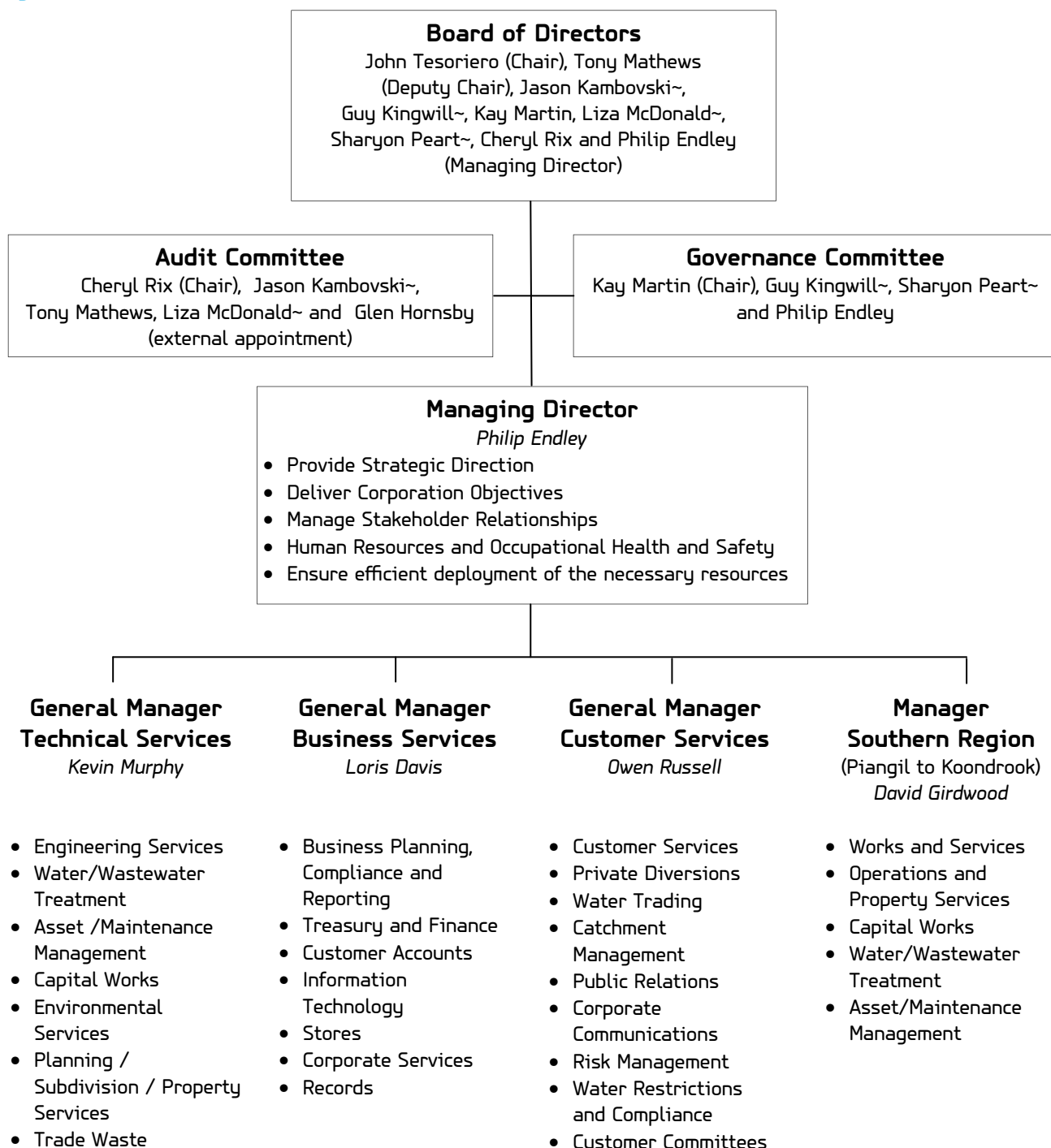
- Development and completion of a new Water Supply Strategy
- Development and implementation of Climate Change Policy and process

Governance and Obligations

- Development of a new price submission for the economic regulator to run from 2018 to 2023
- Implementing an integrated risk planning to drive new approaches and consistency

The Lower Murray Water Team

Organisational Structure



~ Directors Kambovski, Kingwill, McDonald and Peart were appointed to the Board effective 1st October 2015

The Lower Murray Water Team

Our Board

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

During the 2015/16 year changes to our Board comprised:

- Jason Kambovski, Guy Kingwill, Liza McDonald and Sharyon Peart were appointed to the Board effective 1st October 2015
- Malcolm Bennett, Barry Bishop and Graham Robertson concluded their service with the Board effective 30th September 2015.

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

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

Board Membership

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

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

Philip Endley, our Managing Director, has extensive experience with contractors, water utilities and engineering organisations in Australia and overseas. He has previously worked for Thames Water in the United Kingdom, United Utilities and Osmoflo Pty Ltd in Australia. Most recently he was the Director of Katalyst21 a specialised water utility consultant.

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

Guy Kingwill is an experienced company director having been Managing Director/CEO of Tandou Ltd, an ASX listed company, for nine years. Prior to joining Tandou he enjoyed a successful executive career with Lanxess Corporation and Bayer Chemicals in the United States. Mr Kingwill has a Bachelor of Commerce, is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Liza McDonald is currently the Principal – Stakeholder and Community of Bastion Strategic and Global Outcomes. Previously she was a Director for Industry Reform and Implementation at the Taxi Services Commission and also General Manager – Service Delivery - Bus and Regional Services at the Department of Transport. She has held previously ministerial advisory positions in her career. She has completed the Australian Institute of Company Directors course.

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

The Lower Murray Water Team

Sharyon Peart is currently a Director of All About Me providing a consulting service and retail business. She is a Chair at both Interdepartmental Stakeholder Reference Group for the Victorian Floodplain Management Strategy and Mallee Catchment Management Authority. She is currently the Deputy Mayor of Mildura Rural City Council. Ms Peart has experience in corporate governance, floodplain management issues, financial management, environmental management, agricultural water use and associated impacts on the environment, strategic planning, community engagement and relationship building.

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

Directors' Attendance at Board Meetings

Directors	Board Meetings	
	Eligible to attend	Attended
Malcolm Bennett#	3	3
Barry Bishop#	3	3
Philip Endley	11	11
Jason Kambovski~	8	8
Guy Kingwill~	8	7
Kay Martin	11	11
Liza McDonald~	8	8
Tony Mathews	11	10
Sharyon Peart~	8	8
Cheryl Rix	11	10
Graham Robertson#	3	3
John Tesoriero	11	9

Directors Bennett, Bishop and Robertson concluded their terms effective 30th September 2015

~ Directors Kambovski, Kingwill, McDonald and Peart commenced their terms effective 1st October 2015

The Lower Murray Water Team

Our Staff

Area	2014/15						2015/16					
	Male		Female		Total		Male		Female		Total	
	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE	Head count	FTE
Executive	4	4	1	1	5	5	4	4	1	1	5	5
Administration	18	18	32	29.9	50	47.9	18	17.84	30	28.1	48	45.96
Operations	76	76	1	1	77	77	70	70	5	5	75	75
Engineering/Technical	33	32.9	3	2.5	36	35.4	35	34.85	2	2	37	36.85
Sub-total	131	130.9	37	34.4	168	165.3	127	126.7	38	36.1	165	162.8
Vacancies					4	4					4	4
Totals					172	169.3					169	166.8

Age group	Male		Female		Total	
	Head count	FTE	Head count	FTE	Head count	FTE
15-24 yrs	4	4	0	0	4	4
25-34 yrs	16	16	2	1.83	18	17.83
35-44 yrs	27	26.84	9	8.49	36	35.33
45-54 yrs	35	35	16	14.85	51	49.85
55-64 yrs	41	41	10	9.95	51	50.95
65-65+ yrs	4	3.85	1	1	5	4.85
Total	127	126.69	38	36.12	165	162.81

Age group	Male		Female		Total
	Full Time	Part Time	Full Time	Part Time	
15-24 yrs	4		0	0	4
25-34 yrs	16		2	0	18
35-44 yrs	26	1	4	5	36
45-54 yrs	35		14	2	51
55-64 yrs	41		10	0	51
65-65+ yrs	3	1	1	0	5
Total	125	2	31	7	165

Classification Level	A	B	C	D	E	Total
Band 1	0	0	1	18	13	32
Band 2	10	4	6	36		56
Band 3	2	3	17			22
Band 4	2	6	12			20
Band 5	1	0	13			14
Band 6	1	0	2			3
Band 7	0	1	0			1
Contract Staff						17
Total						165

The staff turnover rate for 2015/16 was 7.3%

The Lower Murray Water Team

Workforce Philosophy

We strive to deliver exceptional human resource services and programs that provide the foundation for a constructive working environment with highly capable and satisfied employees, contributing to the achievement of our long term vision and goals. The business continues to improve efficiency and effectiveness through regular review and automation of our human resource systems and processes.

A shared services partnership between Yarra Valley Water (YVW) and ourselves aimed at strengthening workplace culture in the water sector was established during 2015/2016. The shared services collaboration will see YVW provide strategic human resources services and support to us over a three year period. The collaboration will deliver new efficiencies and enhance knowledge sharing to deliver better outcomes for the community. This arrangement allows us to leverage a decade of YVW's renowned culture development knowledge and experience, with a flow on effect for our staff, customers and stakeholders.

Following the launch of our People and Culture Strategy 2016-2018, we conducted a functional review to ensure our structure was a match for our strategy and in particular, enabled exceptional service efficiency to customers and stakeholders, both internally and externally. We undertook a culture survey across the business with 92% participation from staff. The results of the survey were discussed with staff across the business, in interactive sessions that focussed on building awareness of behavioural impacts and determining key improvement actions.

We aim to have a workforce representing our community's ethnic, gender and age demographics and we are currently developing a diversity and inclusion strategy to meet our stakeholder and community requirements and contribute to the targets of the Victorian Water Industry Diversity Strategy. This includes a commitment to offer flexible working arrangements.

Workplace Merit and Equity

We are committed to ensure a workplace free from any unlawful discrimination, bullying, harassment, victimisation, racial and religious vilification practices within the organisation, and to create and promote equality of opportunity for our staff.

Staff Contact Officers have been trained by the Victorian Equal Opportunity and Human Rights Commission. 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.

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 capacity and skillset to contribute to our overall business performance and objectives. All employees have attended Privacy, OHS, Human Resources (Bullying, Harassment and Equal Opportunity), Environment, Complaints Management and Social Media awareness sessions during 2015/16. Ongoing regulatory training has continued to be a high priority for the Corporation. 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 had employees successfully achieve their Certificate III in Water Operations and a range of Certificates, Diplomas and Master's Degree across a range of fields including Electrical, Business/Management, Marketing and Information Technology.

It was pleasing to see the skills and dedication of a staff member being recognised by her industry during the 2015/16 year. Makayla Harrison, Apprentice Electrician, was awarded The EPIC Industry Training Board's Electrical Development Association of Victoria Scholarship Award which recognises the achievements and contributions made by Victorian students within the Electrical Electronic Industry and provides them with an opportunity to further their career. Makayla was nominated for the 2015 Sunraysia Murray Group Training (SMGT) Apprentice of the Year. Joshua Fuller, one of our engineering scholarship holders, was awarded the University of South Australia (School of Engineering) PW Stephens Engineering Prize in June 2016. The prize is awarded annually to the full time student who obtains the highest grade point average upon completion of the first year of the Bachelor of Engineering (Mechanical or specialisation) program.

The Lower Murray Water Team

Occupational Health and Safety (OHS)

Caring for the Health and Safety of our staff, customers, contractors and visitors is critically important to us. Not only do we have a Duty of Care to these stakeholders under the Occupational Health and Safety Act 2004 we also have a moral obligation to go beyond just compliance and aspire to achieve the best outcome. We recognise that OHS is not only important but it is integral to all business activities. As a Corporation we accept and understand our responsibilities under Commonwealth and State legislation, Regulations and Codes of Practice. We have proactive Northern and Southern OHS Committees that are well supported by management and these Committees have a direct influence on OHS outcomes. The Committees assist in developing Standard Operating Procedures, Policies, identifying hazards in the workplace, promoting the OHS culture to their different workgroups and participating in incident investigations and reviews. The Committees meet regularly to discuss OHS matters, share knowledge and practices and suggest where improvements can be made within the organisation. As part of our determination to protect our workforce and ensure we are productive, we have a Health and Wellbeing Committee, and have re-commenced our Health and Wellbeing Program which is co-funded by the Corporation and participants.

In May 2016 we released our Occupational Health and Safety Strategy 2016-2018. The strategy's mission is to embed "positive, safe and healthy behaviours" as a Corporate value; to ensure our staff are accountable to each other to effect a safe and healthy workplace; to educate and empower all levels within the organisation to engage in open, honest and respectful conversations about safety; and to find a way to complete every task safely.

The Strategy has two focus areas—Behavioural and Management System. The Behavioural focus area seeks to identify and provide training opportunities and support programs, working closely with managers, supervisors and the Executive Group, in order to educate and empower all employees on their accountabilities and responsibilities in accordance with legal and corporate requirements; to establish a culture that values employee safety and wellbeing through business practices; to support safety-conscious behaviour through active leadership and consultation and; to encourage employees to be responsible for their own safety. The Management System seeks to develop and review easily comprehensible policies and procedures to meet legal and organisational requirements, enabling a sustainable process for continual improvement; to report, evaluate and provide feedback for safety performance and; to set key safety objectives and targets.

Statistics	2013/14	2014/15	2015/16
Days Lost - Workcover	61	39	99
- per FTE	0.36	0.23	0.59
Number of Lost Time Injuries	5	2	3
Lost Time Injury Frequency Rate (LTIFR) *	18.36	6.5	9.9
Percentage of annual Workplace Inspections completed	100%	100%	100%

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

Serving our Customers

Our Bulk Water Entitlements

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

On the 20th August 2008 the bulk entitlement of the First Mildura Irrigation Trust came under the overall listing of entitlements of Lower Murray Water. In 2009 our three Bulk Entitlements were modified and amended by the Minister for Water. The amendment was necessary as a consequence of the decommissioning of Lake Mokoan and the new operational arrangements for the Victorian Mid Murray Storages.

In 2010 the Environmental Entitlement (River Murray—Environmental Water Reserve) 2010 was enacted. In 2011 we received a notice of amendment to Bulk Water Entitlements and Environmental entitlements for the commencement of the Victorian Environmental Water Holder 2011 by the Minister for Water. On the 1st of July 2013 an amendment of the Lower Murray Water Murray Irrigation Bulk Entitlement and Victorian Environmental Water Holders Flora and Fauna Bulk Entitlement was approved by the Minister for Water, the Hon Peter Walsh MLA.

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

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

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

On the 28th March 2015, the Minister for Environment, Climate Change and Water, the Hon Lisa Neville MP, approved Lower Murray Water's application for a minor amendment to its *Bulk Entitlement (River Murray – Lower Murray Urban & Rural Water—Irrigation) Conversion Order 1999* under section 45 of the *Water Act 1989*.

The amendments were made to reduce the loss allowance for Lower Murray Water's irrigation districts to account for water shares issued to the Commonwealth Environmental Water Holder, from savings achieved through the modernisation works under the SMP. This is required to meet Victoria's obligations under the Funding Deed with the Commonwealth Government for the SMP.

No new irrigation district off-take points were agreed to, or used, in the past season. No new installation of pipe or channels was made to return water into the River Murray. We are implementing a meter replacement program across the irrigation Merbein, Mildura and Red Cliffs districts as a part of the implementation of the SMP.

Serving our Customers

Urban

The total Lower Murray Water Urban Bulk Entitlement (UBE), plus water shares held by us, is 31,742.5ML of High Reliability water plus 216ML of Low Reliability. There was no amendment to the UBE and no water was returned from urban off-take points. There was no new off-take points created. We experienced no difficulties in complying with the bulk entitlement provisions. We have an ongoing meter replacement program that commenced four years ago. Urban water meters are replaced according to the amount of water than has passed through the meter, or if it is older than 15 years. For example 20mm meters are replaced when they have registered 6ML, 25mm meters after 9.5ML. We undertake to periodically calibrate our bulk extraction meters to ensure compliance with our Bulk Water Entitlement. The urban area of our region was on Permanent Water Savings Rules for the 2015/16 year. There was no permanent transfer of any part of our UBE. There was 6784.4ML of allocation from the UBE traded out in the season. There was 2638.2ML of allocation traded into our UBE.

Water Supply System	Off-take Point	Clause 20.1 (b) Annual Amount of Water Taken (ML)	Clause 20.1 (d) Amount of Water Returned (ML)
Koondrook	Koondrook Pump Station	255.447	0
Murrabit	Metered Outlet No 4266A	18.067	0
Kerang	Kerang Pump Station	622.85	0
	Pump outlet 2542		
Kerang	Koondrook-Kerang pipeline	510.6	0
Swan Hill	Swan Hill Pump Station	4321	0
Woorinen	Linked to Swan Hill	*	0
Nyah West	Linked to Swan Hill	*	0
Nyah	Linked to Swan Hill	*	0
Piangil	Piangil Pump Station	128.676	0
Robinvale	Robinvale Pump Station	654.218	0
Redcliffs	Red Cliffs Pump Station	1344.512	0
Mildura	Mildura Pump Station	10620.136	0
Mildura West	Mildura West Pump Station	3435.826	0
Mystic Park	Kangaroo Lake	12.983	0

* diverted through Swan Hill pumps

Irrigation

Our customers transacted water share and allocation trades (temporary and permanent) and these are reported by the Victorian Water Register. This season saw strong irrigation demand in the region. This was due to the warm summer period and average rainfall. Customers received a 100% water allocation on 15th February 2016.

Area supplied	Off-take point	Clause 20.1 (b) Annual Amount of Water Taken (ML)	Clause 20.1 (d) Amount of Water Returned (ML)
Robinvale irrigation district	Robinvale pumping station	21865	0
Red Cliffs irrigation district, and remaining Carwarp area of Carwarp-Yelta waterworks district	Red Cliffs pumping station	31591	0
Merbein irrigation district, and Yelta part of Carwarp-Yelta waterworks district	Merbein pumping station	21417	0
Millewa waterworks district and diversion licences	Millewa river pump	18747	0
This is counted as the point where water is diverted from the River Murray	Central Main Pump Station, at King's Billabong	39275	0
Used to replenish King's Billabong where River Murray flows are at insufficient level to do this (see clause 18.10)	Psyche Bend pumps	N/A	N/A
Along River Murray between the Nyah pumps and the South Australian border, and Around King's Billabong	Private diversion points	457221	0

Serving our Customers

Engaging with Our Customers

Strategic Advisory Committee (SAC)

The purpose of the Strategic Advisory Committee (SAC) is to provide considered opinion to our Board on strategy, policy or industry matters as they affect irrigation customers and the Corporation generally. The membership comprises Robert Albanese, Stephen Bennett, Frank Dimasi, Ron Hards, Allen Harmer, Tyson Milne (Deputy Chair), Greg Milner, Tim Milner, Rocky Violi, Warren Lloyd, (Chair), Richard Wells and Andrew Young. The committee met on five occasions during 2015/16.

Customer Service Advisory Committee (CSAC)

Established in accordance with the *Water Act 1989*, we have in place six Customer Service Advisory Committees (CSAC) representing the Pumped Districts of Mildura (FMID), Merbein, Red Cliffs and Robinvale, the Millewa Rural District and the Private Diverters between Nyah and the South Australian border. Each of the CSAC has a membership of six customers. In 2015/16 the committees met between one and four times and discussed a range of topics including District financials, Waternow upgrades, water allocations and spillable water, District water usage, Sunraysia Modernisation Project (SMP) updates [as appropriate], benchmarking, social research on compliance, market research on our brand, close of 2014/15 season, pricing and other items specific to each district.

Merbein	Meetings:	3
	Members:	David Beard, Stephen Bennett, Lindsay McClelland, Roslyn Hudson, Richard Wells and one vacancy
Millewa	Meetings:	1
	Members:	Ian Arney, Neil Boord, Kevin Coogan, Ron Hards, Allan Harmer and one vacancy
Red Cliffs	Meetings:	3
	Members:	Tim Milner, Giovanni Paolucci, Frank Pedula, Matt Ryan, John Strangio, Rocco Tassone
Mildura	Meetings:	4
	Members:	Jason Bottams, Steven Frasca, Darren Gardner, Peter Jones, Greg Milner, Tim Milner
Private Diverters	Meetings:	1
	Members:	Andrew Fremder, Tim Millen, Tyson Milne, Anthony Spiers, Andrew Young and one vacancy
Robinvale	Meetings:	1
	Members:	Don Albanese, Ian Boyd, Lindsay Camera, Frank Costantino, Cossy Giofrelle, Ken Stringer

Customer Consultative Committee (CCC)

Our northern and southern urban customers are represented on a combined Customer Consultative Committee (CCC), made up of members Graham Hayes, Graeme Jilbert, Colin Myers, Deborah Quin, Geoff Quinn and Dione Thompson. The Committee did not meet in 2015/16.

Engagement Strategy 2016-2018

We developed an Engagement Strategy which will guide our Customer Service team and management in undertaking engagement activities and provides an overarching approach to engagement moving forward. It has established a framework to ensure meaningful, informed and genuine customer, community and partner participation is active in our decision-making. It will strengthen our partnerships with customers, community, partners and stakeholders.

Communicating with Our Customers

We are committed to continuously improve our customer service and communications with our customers to inform, engage and educate them on water related matters. Recently we have broadened our communication channels via social media which has proved a successful way of engaging with a range of customers. We also provide customer information via print and radio campaigns. Our website continues to be a major channel for providing information directly to our customers. We commenced development of a new website which will provide customer self-service offerings which will include 24/7 customer self-help, digital forms/services and customer engagement tools.

Information on water allocations and seasonal outlooks, water restrictions, upcoming events and community programs as well as important information relating to works being carried out as part of our Capital Works program is provided to customers via our monthly e-newsletter.

During the recent water quality issues resulting from the Blue Green Algae (BGA) outbreak we kept customers informed via a SMS (Short Message Service) alert service and website. Our SMS subscription base and website visits increased dramatically as a result of customers wanting information on BGA status. This SMS alert service enables instant notification to our customers on water related issues such as quality, supply and disruption matters.

Serving our Customers

Our Urban Customers

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

Our Urban and Wastewater Statistics 2015/16

District Name	Note	Residential Customers			Non-residential Customers				Total number of customers	7 Total potable water volume (1+4)	8 Total recycled water volume (2+3+5+6)	9 Total consumption (7+8)	Average annual consumption ¹	Non-revenue Water			13 Total non-revenue water (10+11+12)	Total water all sources (9+13)	
		Number	1 Potable water volume	2 Recycled wastewater volume	3 Recycled stormwater volume	Number	4 Potable water volume	5 Recycled wastewater volume						6 Recycled stormwater volume	10 Leakage	11 Firefighting			12 Other ²
Kerang		1799	814			335	189			2134	1002	0	1002	1079	85		27	112	1114
Koondrook		436	186			58	21			494	207	0	207	228	33		6	39	246
Lake Boga	1	422	228			53	36			475	265	0	265	0				0	265
Mildura	2,3	18560	9774			2169	2673	2484		20729	12447	2484	14930	12408	889		336	1225	16155
Murrabit		43	20			12	8			55	29	0	29	36	10		1	11	40
Mystic Park	4	12	6			3	1			15	7	0	7	13				0	7
Nyah	1	302	171			41	55			343	226	0	226	0				0	226
Nyah West	1	256	138			35	31			291	169	0	169	0				0	169
Piangil		100	52			16	55			116	107	0	107	111	11		3	14	121
Red Cliffs		1521	704			171	520			1692	1224	0	1224	1238	113		33	146	1370
Robinvale		791	406			192	194	307		983	599	307	906	567	48		16	64	970
Swan Hill		4879	2157			867	852			5746	3010	0	3010	3967	199		102	301	3311
Woorinen Sth	1	155	91			16	15			171	106	0	106	0				0	106
		29276	14746			3968	4650	2791		33244	19397	2791	22187	19647	1388	0	524	1912	24099

All figures have been rounded to the nearest whole numeral

Note 1: Supplied from Swan Hill

Note 2: Includes Merbein and Irymple for Water

Note 3: Includes Mildura, Koorlong and Merbein Recycled Wastewater

Note 4: Water is supplied raw, non-potable

1 Average annual consumption calculated between 2011/12 and 2015/16

2 Unavoidable losses

Per Capita Daily Residential Drinking Water Consumption

This calculation is based on the 2011 Census – “Average household Population” multiplied by our water connections for each region. This represents usage of approximately 0.552 kilolitres per day per person.

Our Rural Customers

We provide river quality water services to 4,964 customers in the four pumped irrigation districts of Merbein, Red Cliffs, Robinvale and Mildura, the Millewa rural district and some areas of the waterworks districts of Yelta. In addition we manage the private diversion licences of 1,161 water users along the Murray River in Victoria between Nyah and the South Australian border.

Major Water Users (Non-Farming or Irrigation)

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

Volumetric Range - ML per year	No of customers	Participation in water conservation programs
Equal to or greater than 200ML and less than 300ML	1	No known participation
Equal to or greater than 300ML and less than 400ML	0	
Equal to or greater than 400ML and less than 500ML	0	
Equal to or greater than 500ML and less than 750ML	0	
Equal to or greater than 750ML and less than 1000ML	0	
Greater than 1000ML	0	
Total No Customers	1	

Serving our Customers

Customer Satisfaction Survey

This year a percentage of customers were asked to complete the annual customer satisfaction survey with a pleasing response rate. Questions related to customer's satisfaction level regarding water quality and service, sewerage service, ease of contact and overall satisfaction. This year we saw an increase in satisfaction in several areas for the customer survey results across all sectors. We were pleased to see 'Understanding bill' levels had significantly increased in the rural sector from 54.50% in 2015 to 83.92% in 2016. We saw an increase in 'Overall customer satisfaction' for our urban, rural and commercial customer respondents. Commercial customers indicated high levels of satisfaction for services with 92.56% indicating we were meeting their expectations. In 2015/16 Millewa customers were surveyed for the first time and the areas of Overall Satisfaction, Understanding Bill and Ease of Contact all being rated at 90.63%.

Urban Customer Survey Results

Topic	2016	2015
Overall satisfaction	94.96%	93.40%
Water Quality	93.11%	91.50%
Sewerage	90.37%	93.80%
Ease of Contact	95.54%	90.90%

Urban Commercial Customer Survey Results

Topic	2016	2015
Overall satisfaction	95.02%	93.60%
Water Quality	94.52%	90.10%
Sewerage	93.99%	100%

Rural Customer Survey Results

Topic	2016	2015
Overall satisfaction	81.99%	80.10%
Understand bill	83.92%	54.50%
Ease of Contact	92.47%	92.00%

Resolving Customer Complaints

Complaints may be lodged by telephone, via our website 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 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 2015/16	Overall Water Industry	Lower Murray Water
Enquiry	115	0
Unassisted Referral	431	7
Assisted Referral	1,525	12
Real Time Resolution	90	1
Investigation	237	2
TOTAL	2,398	22

Committing to the Environment and Region

Collaboration with Stakeholders/Community

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

Communications Group

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

Environmental Education Task Group (EETG)

We attend bi-monthly EETG meetings to discuss education opportunities with representatives from MRCC, Loddon Mallee Waste Recovery Group and TAFE.

Environmental Protection Agency (EPA) Water Industry Reference Group

As a member of this group, we continue to contribute to actions and plans designed to reduce impacts on the environment.

Industry Water Association—Special Interest Group

Our Coordinator Customer Relations is a member of the Communications Special Interest Group, which meets on a quarterly basis to discuss topical issues relating to communications and customer service.

Lake Hawthorn Management Plan

Lake Hawthorn, a few kilometres northwest of the Mildura CBD is an important local water body. The Lake receives its water principally from MRCC's stormwater system and our irrigation drainage system. The Lake also plays a role in the salinity inception scheme managed by Goulburn Murray Water (GMW). In addition to these important functions, the Lake has ecological and social amenity values. In recent years, declining inflows to the Lake have caused a decline of these ecological and amenity values, especially as water levels began to decline. To address these issues we partnered with MRCC, MCMA and GMW to develop a management plan for Lake Hawthorn. Development of the plan involved extensive community consultation including meetings and forums with local residents and a wide range of submissions from other interested parties.

Sunraysia Regional Algal Coordination Committee

We are a Victorian convening agency within the region for Blue Green Algae (BGA) monitoring and reporting. The monitoring of the Murray River is undertaken by our staff and the NSW 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. Between March and June 2016 red alerts were in place along the River Murray in our service area. A large amount of resources went into keeping customers and the general public informed about the outbreak/alert levels and answering the many queries received. The outbreak resulted in additional costs for urban water treatment.

Sunraysia Rejuvenation Project (SRP)

We are one of the founding agencies of the SRP, a multi-agency project designed to ensure the improvements delivered by the Sunraysia Modernisation Project (SMP) become tangible benefits for growers and investors in the Merbein, Mildura and Red Cliffs irrigation districts. The agencies involved in the SRP include the MCMA, MRCC, Regional Development Victoria (RDV), Mildura Development Corporation (MDC) and the Department of Environment, Land, Water and Planning (DELWP). Funding has been provided by DELWP and RDV.

Sunraysia River Watch Inc

We are proud to continue our association with Sunraysia River Watch Inc (SRW). SRW is a community program that aims to assist in the protection of the river and its environment. SRW is dedicated to increasing the appreciation of the river and the surrounding environment and ensuring its preservation for the benefit of current and future generations. In 2015/16 we continued our ongoing sponsorship and membership of SRW, joining other agencies and local businesses in demonstrating ongoing commitment to this important community service.

Committing to the Environment and Region

Environmental Sustainability

Lower Murray Water plans and manages our operations in an environmentally responsible and sustainable manner, while contributing to the economic, social and cultural development of the region.

Sustainable Water Use

Water Recycling

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

- **Koorlong Wastewater Treatment Plant**—wastewater from Red Cliffs, Irymple and parts of Mildura is treated at the plant to Class C standards then supplied to a primary producer for use in horticulture
- **Mildura Wastewater Treatment Plant**—this plant treats wastewater from the remaining part of Mildura to Class C standards then used onsite for the production of pastures, fodder and for irrigating treelots
- **Robinvale Wastewater Treatment Plant**—wastewater from the Robinvale area is treated at the plant to Class C standards and then used for the production of high grade fodder
- **Mildura Water Treatment Plant**—raw river water is treated to Class A standards (potable) and supplied to parts of Mildura. Water used in the backwashing and treatment operations is diverted and supplied to Mildura Rural City Council for irrigation of the Aerodrome Ovals sporting complex
- **West Mildura Water Treatment Plant**—reclaimed water from the backwashing and treatment operations is supplied to Mildura Golf Club for the irrigation of its fairways and greens
- **Irrigation drainage**—water collected by our irrigation drainage system is utilised by a number of individuals for various purposes, ranging from pasture and crop production through to amenity supply.

Environmental Flows

We work with the Mallee Catchment Management Authority (MCMA) to provide environmental water delivery under the Victorian Environmental Water Holder (VEWH) Seasonal Watering Plans. Under the direction of MCMA we use our irrigation and drainage assets to provide water to various regional wetlands and floodplains in order to maintain and improve their environmental health. During the 2015/16 period, we delivered 953.6 ML to Cardross Basins and 506.8ML to Lake Hawthorn. In addition, 18ML of outfall water was supplied to Lake Koorlong.

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

The Efficiency of Irrigation Systems

The Sunraysia Modernisation Project (SMP) is an irrigation renewal project which has modernised the irrigation systems in the Mildura, Red Cliffs and Merbein irrigation districts; allowing water to be delivered 365 days per year to irrigators in more than two thirds of the Sunraysia District. During construction, it created an estimated 180 jobs in the local area. Works have included upgrading of pump stations, replacing sections of channels with pipelines, installing modern metering systems and upgrading regulators. The SMP funding consisted of \$120 million, with the Commonwealth Government providing \$103 million with \$17 million coming from our funded capital works budget.

Construction began in early 2014 and was completed by September 2016. Metering modernisation has improved the operation of the irrigation system and made real-time metering information available for irrigation customers. A total of 2,460 Domestic and Stock meters and 2,140 irrigation meters were upgraded and/or installed as part of the project. Seven gigalitres (7GL) of water per year has been saved as a result of the metering upgrades and channel replacements.

The SMP Project has been able to more than double the scope of channel replaced by pipeline within the original budget:

- Merbein—Original scope of 5.3km of channel to pipeline, extended to 7.2km of channel to pipeline (100% of the Merbein District will be 365 days per year supply)
- Mildura— Extended scope of 5.4 km of channel to pipeline (50% of the Mildura District will be 365 days per year supply)
- Red Cliffs— Original Scope of 3 km of channel to pipeline, extending to 7 km of channel to pipeline (90% of the Red Cliffs District will be 365 days per year supply).

Water Supply Demand Strategy (WSDS)

The WSDS was endorsed by our Board in March 2012. The key focus of this strategy is the purchasing of water entitlements to cover urban water usage in the future.

Committing to the Environment and Region

Sustainable/Resilient Water Services Systems

Community Education and Water Awareness Campaigns

“Flush Facts” Campaign

In October 2015 we launched an educational campaign to assist in the combatting of the large amount of incorrect items, particularly ‘flushable’ wipes, being flushed. The campaign included a six week print advertising component, website content, social media clips and signage on a shipping container at a prominent road intersection, along with provision of posters and flyers to schools and doctor’s surgeries.

Giveaway and Exchange Programs

Through community water efficient product exchanges, we aim to raise awareness of water issues and promote the wise use of potable water. We have ongoing exchange programs which operate throughout the year, including trigger nozzles and showerheads.

“Prepare for Dry” Campaign

In conjunction with Goulburn-Murray Water and the State Government, we promoted the “Prepare for Dry” campaign, encouraging rural water users to prepare for the then-expected average to dry 2016/17 season. The campaign included print media March to April 2016, social media and website information updates.

Rehydrate With Cool, Clean Tap Water Campaign

Since 2013 we have assisted 46 sporting clubs through the provision of 2,825 water bottles promoting the drink tap water message.

Rural Water Awards

Following the success of the awards in 2014 we have partnered with Southern Rural Water, Grampians Wimmera Mallee, Coliban Water, Vic Water, Victorian Farmers Federation (VFF) and the Department of Environment, Land, Water and Planning (DELWP) to hold the 2016 Rural Water Awards. The awards seek to recognise and reward Victorian Rural Water users who are demonstrating new and innovative methods or use of technology, water volume savings or increased productivity and return on investment. Nominations are open in the following categories:

1. Irrigation district water users
2. Groundwater users
3. Surface water users
4. Community and education groups

Nominations will close on 29th August 2016 and finalists and category winners will be recognised at a gala luncheon to be held in Melbourne in early December.

School Education Programs

In addition to responding to individual teacher requests for classroom presentations, visits to our water treatment plant or provision of classroom resources to suit particular curriculum activities, we have participated in a range of educational events; and continue to provide our “Dripster” program to schools.

Dripster’s Super Water Saver Education Program

Launched in September 2011, this education program has been very popular. The program has four sections: Wonders of Water, The Water Cycle, How Water Works From Raw to Ready and back again (the wastewater process). In response to feedback from teachers the program is updated and refreshed as required. Sections of the full program are available as modules, with two modules each available for the year groups of Prep, Years 1-2, Years 3-4 and Years 5-6. In addition, a table top version of the popular “Dripster Super Water Saving Game” is available for schools to borrow. In 2015/16 we updated the program to include components of our “Flush Facts” community educational program, giving students (and teachers) an insight into how the sewer system works and what should not be flushed down the toilet or enter drains.

Interactive Environmental Primary School Activity

In conjunction with MRCC, Riverwatch, Waterwatch, Landcare, EnviroEdu, Loddon Mallee Waste and Resource Recovery Group, Mallee Catchment Management Authority (MCMA), Murray-Darling Freshwater Research Centre, Local Land Services Western and NSW Maritime, we held an interactive event on the student free entry day of the Mildura Show (Thursday 15th October 2015). During the event, 422 students ranging from Prep to Grade 6 participated in multiple activities. At the conclusion of their hour, each child collected a show bag of items relating to the activities and agencies involved in the day. We were the coordinating agency for the event and in addition we ran our interactive life-size board game “Water Wisdom with Dripster”.

National Water Week Poster Competition

As part of the celebrations of National Water Week 2015, we encouraged all primary schools in our service region to take part in the national poster competition. As an added incentive, 12 local artworks were chosen to develop a calendar which was then distributed to schools early in the 2016 school year. In the 2015 competition we received over 450 entries from seven schools in our service area. We were delighted the Grade 5-6 poster we submitted to State judging received the State runner up prize.

Committing to the Environment and Region

Welcome to Preps 2016

Our program to educate the new generation of school students who commenced Prep in 2016 began in November 2015 with 90% of schools in our service region responding to our offer of a cooler bag and 450ml drink bottle set for each enrolled Prep child. This resulted in us providing 1,156 bag/bottle sets, in most cases in time for the school's Prep orientation days. A swing tag was attached to each of the sets combining the messages of rehydration, healthy eating and waste minimisation. We plan to offer this program again in late 2016 for the 2017 Prep intake.

World Environment Day

On Friday 3rd June we took part in an event to mark World Environment Day. Arranged by Mildura Rural City Council (MRCC), Lower Murray Water, along with Loddon Mallee Waste Resource Recovery Group and EnviroEdu, each conducted an activity for approximately 160 primary school students; in six sessions of 20 minutes. Our activity was our life-size Dripster game, with the questions relating to our "Flush Facts" campaign. With one set of questions, the students were asked if a statement was true or false; and a correct answer meant they could lift the lid on our display toilet and select a 'stress shape' frog. The reaction to both the game and the 'lucky dip toilet' was terrific.

Seniors' Festival Event

Following the very successful afternoon tea event in 2014, in conjunction with MRCC's annual Seniors' Festival in October 2015, we held a free event for 50 seniors which included presentations by guest speakers and tours of our water wise gardens. All attendees were provided with a 'goody bag' containing water wise products, information and vouchers from local businesses. The event was well received and is now on our annual calendar, to be next held again on Thursday 6th October 2016.

Sponsorship and Donation Program

We continue to support our region through our Sponsorship and Donation Program. Not for profit groups and businesses conducting events for charitable fundraising purposes are able to apply for support for their activities or events. In the 2015/16 year we supported 57 organisations through a combination of cash sponsorships, staff attendance, in-kind support and the provision of merchandise.

Other Statutory Obligations

Regional Catchment Strategy

The Mallee Regional Catchment Strategy (RCS) 2013-19 is the key regional planning instrument. It provides guidance on works and developments impacting land and water values across the Mallee. We will continue to assist in the implementation of the Mallee RCS, working with the Mallee Catchment Management Authority on approvals for new irrigation developments, salinity management and environmental projects, and participating in committees that provide technical support and monitor the projects emanating from the Regional Catchment Strategy.

Victorian Biodiversity Strategy

We manage a number of sites that are located in areas having high conservation values. These sites are subject to ongoing works aimed at controlling the abundance of pest plants and animals to ensure their native species populations remain viable and resilient.

Sites under our management include:

- **Benetook Offset Site** – Located near Lake Koorlong this 25 hectare site has been subject to intensive conservation over the last decade. All major pest animal and weed species have been removed allowing native species to re-establish. The site remains under ongoing management to ensure its conservation values are retained
- **Koorlong Wastewater Treatment Plant** - a 21 hectare section of old-growth mallee located within the grounds of the Koorlong Wastewater Treatment Plant and secured under the Bushbroker scheme is managed by us to ensure it remains free of weeds and animal pest species
- **West Mildura Water Treatment Plant** – a 15 hectare area to the south of the plant facilities is home to a population of legless lizards (*Pygopus schraderi*), one of only six locations in Victoria where they are known to exist. In addition to ongoing weed control at the site we conduct feral animal control to reduce predatory pressure on the lizards
- **Fosters Swamp, Kerang** – we assisted various local and state agencies with the conversion of Fosters Swamp to a State Game Reserve.

Victorian Waterway Management Strategy (VWMS)

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

Committing to the Environment and Region

State Environmental Protection Policy (Waters of Victoria)

We are a member of the EPA Water Industry Reference Group and our involvement allows us to contribute to actions and plans designed to reduce impacts on the environment. During 2015/16 we were involved with investigations into:

- Effects of nutrients and turbidity from irrigation drainage water into waters and floodplain sites (with Mallee Catchment Management Authority (MCMA) and Department of Environment Land Water P)
- Reduced irrigation drainage inflows and effects on receiving wetlands (with MCMA)

Greenhouse Gas Emissions and Net Energy Consumption

Our net greenhouse gas (GHG) emissions for 2015/16 were 45140t CO₂-e. This represents an increase over the previous year which is largely attributable to the extended hot conditions over the summer. However, emissions from our corporate offices continued to decline. This is a pleasing result and reflects the dedication and efficiency of our staff.

Source	2011/12 (tCO ₂ -e)	2012/13 (tCO ₂ -e)	2013/14 (tCO ₂ -e)	2014/15 (tCO ₂ -e)	2015/16 (tCO ₂ -e)
Irrigation supply and drainage	21987	27094	22944	23105	24425
Urban water treatment and supply	6383	7519	7437	7591	8187
Wastewater collection and treatment	10725	10294	11445	11547	12917
Transport and stationary fuel	805	775	756	791	781
Corporate offices	744	717	691	676	622
Green Power	-3481	-5152	0	0	0
Sequestered from tree plantations	-2,240	-2240	-2240	-1960	-1792
Net total	34922	39007	41034	41751	45140

In the 2015/16 year energy used from electricity in our Kerang, Swan Hill and Mildura Offices was 12,034MJ or 3.8 tCO₂-e per FTE. This is a reduction of 504MJ or 0.3 tCO₂-e per FTE over the previous year.

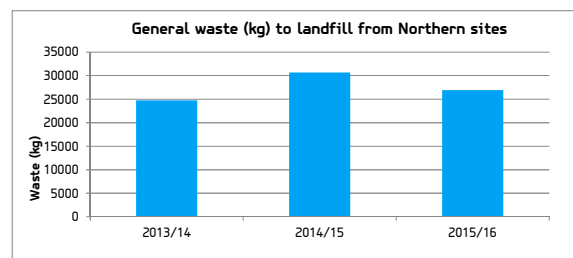
Source	2011/12 (kWh/ML)	2012/13 (kWh/ML)	2013/14 (kWh/ML)	2014/15 (kWh/ML)	2015/16 (kWh/ML)
Irrigation supply	190.12	180	177.5	186.1	188.7
Urban water treatment and supply	358.8	349	349	334	333
Wastewater collection and treatment	680.6	682.7	659.2	589.5	672.8

We are developing various renewable energy projects and an energy efficiency program as part of our commitment to long-term abatement of emissions.

Office-based Environmental Impacts

Waste Production

We are committed to the principle of “reduce, reuse and recycle”. We actively seek to divert as much recyclable waste materials from the general waste stream as possible. The amount of reusable material that was sent for recycling was steady in all categories this year.



Fluorescent Lamps

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

Waste Oil

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

General Waste

The total amount of general waste sent to landfill from the northern sites in 2015/16 was 26,966kg or 184.36kg per Full Time Employee (FTE). This figure includes the waste generated by the workshop, the urban and rural water supply, irrigation and sewer maintenance crews. It also includes rubbish and waste collected from the Sunraysia Modernisation Project (SMP) office and the SMP work crews. This accounts for the increase in waste generated over the last two years.

Paper Use

During the 2015/16 year, we purchased 900 reams of A4 copy paper for our northern offices. This represents 6.15 reams per FTE. In keeping with our environmental aims, all our copy paper for the year was manufactured from 100% recycled paper.

Corporate Water Consumption

Water consumption at our Fourteenth Street, Mildura complex for the 2015/16 year totaled 10639kl. This equates to 73kl per FTE for the 2015/16 financial year. This is the gross total consumption figure and includes our corporate facilities, garden and lawn irrigation, water used in the workshop and warehouse, and water used in the plant wash-down facility. This also includes consumption by the SMP staff and contractors.

Committing to the Environment and Region

Recyclables

We continued our emphasis on recycling during 2015/16. 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 as and when they arise.

At our Fourteenth Street office in Mildura, 6455kg of waste was sent for recycling. This figure represents the combined total of the commingle waste as well as paper and cardboard. It does not include any other recycled wastes. The amount of waste recycled represents 19% of the total amount of waste generated.

We are a participant in the *drumMUSTER* program. This important volunteer initiative seeks to divert chemical drums from the general waste stream. Empty drums are appropriately cleaned, rinsed and stockpiled for collection by *drumMUSTER*. Drums are then reused by industry. During 2015/16, 32 drums were delivered to *drumMUSTER*.

Volume of recycled waste produced at the Fourteenth street complex

Recycled Waste	2011/12	2012/13	2013/14	2014/15	2015/16
Commingled (kg)	1084	1384	1793	1709	1657
Paper (kg)	7073	4157	8492	4301	4798
Printer Cart (kg)	34.1	68.72	60.32	70.12	66.68
Batteries (kg)	2470	1845	2002	3867	3380
Scrap Metal (kg)	71340	12120	38373	58973	35560
Styrofoam (m3)	9	12	13	14.25	7.5
Fluorescent Lamps (kg)	-	54	~60*	~120*	~180*

Batteries and scrap metal produced as part of water supply operations

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

Transportation

The total kilometres traveled by our vehicle fleet during 2015/16 was 1,533,719 km. Based on the fuel usage, the energy consumption for the diesel fleet was 8309GJ and 2401GJ for the unleaded fleet, equivalent to 405tCO₂-e total (0.26tCO₂-e per 1000km). We continue to encourage alternatives to private vehicle use for commuting to and from work, although options are limited due to limited availability of public transport. We encourage our staff to cycle to work if possible and we provide support for cyclists with a dedicated bicycle facility. Cyclists have access to a secure bike storage area and a basic workshop to carry out minor repairs.

Procurement

Our Procurement Policy provides all staff members with clear direction in relation to purchasing and procurement of goods and services across the Corporation.

The policy aims to:

- Ensure purchases are made in an open, fair and transparent manner
- Deliver best value
- Ensure open and effective competition
- Support environmental procurement and sustainability
- Appropriately manage risk
- Promote efficient purchasing practices and their continuous improvement
- Encourage local suppliers and manufacturers

Water Cycle

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

Social Sustainability

Meeting our Community Service Obligations

Value of Community Service Obligation provided	2014/15	2015/16
Concessions to Pensioners	2,067,491.64	2,154,823.03
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	161,345.34	159,027.71
Utility Relief Grants Scheme	13,226.34	12,376.12
Haemodialysis Life Support Machine Water Concessions	356.51	1,060.42
Hardship Relief Grant Scheme for Sewerage Connections	#	#
TOTAL	2,242,419.83	2,327,287.28

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

Governance and Obligations

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
- 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 2015/16:
 - 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
 - Initiated and subsequently reviewed the annual performance appraisal of the Managing Director
 - Reviewed Director training and induction

Directors	Governance Committee	
	Eligible to attend	Attended
Barry Bishop#	1	1
Philip Endley	4	4
Guy Kingwill~	3	3
Kay Martin (Chair)	4	4
Sharyon Peart~	3	3
Graham Robertson#	1	1

Directors Bishop and Robertson concluded their terms effective 30th September 2015

~ Directors Kingwill and Peart commenced their terms effective 1st October 2015

Advertising campaigns valued at \$100,000

We did not conduct any advertising campaigns to this value.

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*.

Declaring of Pecuniary Interests

In accordance with Section 115 of the *Water Act 1989*, Board members and nominated officers fulfilled the pecuniary interest requirements in 2015/16.

Freedom of Information (FOI) Act 1982

The *Freedom of Information (FOI) Act 1982* allows the public the right to request information held by us and to access documents about our activities. We are considered a Government Agency under the terms of the *Freedom of Information (FOI) Act 1982*. We have determined that our Authorised Officer is Loris Davis, Chief Financial Officer. Requests under FOI must be in writing, addressed to:

FOI Officer
Loris Davis
Chief Financial Officer
PO Box 1438
Mildura Vic 3502
Email: loris.davis@lmw.vic.gov.au

An application fee of \$29.70 applies at the time of this report's publication. In the 2015/16 year there was one request under FOI, part access granted.

Information and Communication Technology Expenditure (ICT)

For the 2015-16 reporting period, we had a total ICT expenditure of \$2,233,369, with the details shown below.

Expenditure	\$'000
Business As Usual (BAU) ICT expenditure	\$2,115
Non-Business As Usual (Non-BAU) ICT expenditure	\$118
Non-BAU ICT Expenditure - Operational Expenditure (OPEX)	\$0
Non-BAU ICT Expenditure - Capital Expenditure (CAPEX)	\$118

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

Major External Reviews

We did not undertake any major reviews during the 2015/16 year, however we participated in a project to develop standardised benchmarking across the four publicly-owned Victorian irrigation providers (Lower Murray Water, Goulburn Murray Water, Southern Rural Water and Grampians Wimmera Mallee Water).

National Competition Policy

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

Governance and Obligations

Other Reportable Information

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

Privacy and Data Protection Act 2014

Protection of privacy and personal and health information is an important aspect of our operations. We are bound to comply with the *Privacy and Data Protection Act 2014*, the *Health Records Act 2001* and the *Charter of Human Rights & Responsibilities Act 2006*. Our privacy and data protection policy and privacy charter are available at www.lmw.vic.gov.au and upon request. The website home page can be accessed, and this site browsed, without disclosing personal information. The site does not use cookies.

Protected Disclosures Act 2012

We are committed to the aims and objectives of the *Protected Disclosures Act 2012* which is designed to protect people who disclose information about serious wrongdoings with the Victorian Public Sector and provides a framework for the investigation of these matters. We are not a public organisation under the Act to receive a protected disclosure, so disclosures about us, our employees, officers or members must be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

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

Although we are not able to receive disclosures, we have in place a procedure, as required under Section 58 of the Act, setting out how we will protect people against detrimental action that might be taken against them in reprisal for making a protected disclosure or cooperating in an investigation into a protected disclosure complaint. You can access our procedure at www.lmw.vic.gov.au. There were no disclosures under the Act in 2015/16.

Risk Management Framework and Processes

I, John Tesoriero, certify that Lower Murray Urban and Rural Water Corporation has partially complied with the *Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes*. The Lower Murray Urban and Rural Water Corporation Audit and Risk Committee verifies this.

We have a risk management framework in place consistent with the national standard *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines*.

The framework is to be continuously improved in 2016-18 so that higher levels of risk maturity are achieved. The improvements include:

- the way the framework is documented and communicated
- the quality of risk assessments and risk treatments
- better understanding of our risk profile and development of risk appetite
- integration of risk management into our normal business processes
- risk monitoring and reporting.

We have considered inter-agency and State significant risks but is not yet self-assessing that it has achieved full compliance. Based on agency risks identified, we have commenced developing plans to address inter-agency and State significant risks, including consulting other agencies and DELWP. It is understood the DELWP is consulting with the Department of Treasury and Finance.

We believe that it will require coordinated assistance across water corporations and government to achieve full compliance to define these two new risk areas. In respect to inter-agency and State significant risks, we intend to work with other water corporations and with DELWP to progressively identify these risks.



John Tesoriero
Chair

7th September 2016

Governance and Obligations

Audit and Risk Committee

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

Through our rolling three year internal audit program, the Audit and Risk Committee is able to review and evaluate the effectiveness of controls and practices. At 30th June 2016, the Committee comprised Cheryl Rix (Chair), Jason Kambovski, Liza McDonald, Tony Mathews and Glen Hornsby, an external appointment to the Committee. The Committee met on five occasions in 2015/16. All committee minutes are included in the next Board of Directors' monthly meeting agenda. The Committee meets the requirements of the Financial Management Compliance Framework.

Directors	Audit and Risk Committee	
	Eligible to attend	Attended
Malcolm Bennett#	1	1
Jason Kambovski~	4	3
Tony Mathews	5	4
Liza McDonald~	4	4
Cheryl Rix (Chair)	5	5

Director Bennett concluded his term effective
30th September 2015

~ Directors Kambovski and McDonald commenced their terms
effective 1st October 2015

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

Statement of availability of other information (continued)

- 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
- a list of major committees sponsored by us, the purposes of each committee and the extent to which the purposes have been achieved
- details of major research and development activities undertaken by the entity

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: 2

Contracts completed to which VIPP applied: 2

Performance Report

Financial Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
F1	Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments (times)	7.29	8.79	5.5	20.6%	1a	59.8%	1b
F2	Gearing Ratio Total debt (including finance leases) / total assets x 100	6.88%	5.74%	7.2%	-16.6%	2a	-20.3%	2b
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure x 100	40.95%	32.18%	26.0%	-21.4%	3a	23.8%	3b
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	2.79	2.02	1.27	-27.6%	4a	59.1%	4b
F5	Return on Assets Earnings before net interest and tax / average assets x 100	-0.65%	-1.10%	-0.6%	69.2%	5a	83.3%	5b
F6	Return on Equity Net profit after tax / average total equity x 100	-0.87%	-1.18%	-0.9%	35.6%	6a	31.1%	6b
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	30.02%	26.98%	32.2%	-10.1%	7a	-16.2%	7b

Notes:

- 1a. Income from metered charges was \$1.5M above the previous year due to increase in usage as the year was dry and hot. GST received from the ATO has increased by approximately \$1.7M due to our increase in capital expenditure (mostly attributed to Sunraysia Modernisation Project (SMP)).
- 1b. Income from metered charges was \$2M above forecast as the year was dry and hot. GST received from the ATO was greater than forecast.
- 2a. Total assets have increased due to our capital works program (attributable to SMP) and the revaluation of land, buildings and infrastructure assets in a greater proportion to total debt.
- 2b. The revaluation of land, buildings and infrastructure assets in a greater than forecast. Cash is greater than forecast by \$18M as the SMP project has come under budget. SMP has been extended to utilise all of the funds which was not forecast.
- 3a. LMW's capital expenditure is much greater than the previous year mostly attributable to SMP as seen by the increase in "Payments for Infrastructure, Property, Plant & Equipment" from \$44.3M to \$67.7M in the Cash Flow Statement. Capital expenditure for SMP is substantially funded from Government contributions which are excluded from "Net operating cash flow less dividends" as the contributions are included in financing activities, so the relationship between capital expenditure and net operating cash flows skews the ratio result. Once SMP is completed LMW expects this ratio to result in a lesser size of variance ongoing.
- 3b. The better than targeted internal financing ratio is due to the improved actual cash flows than target, GST received from the ATO was greater than forecast, as well as an increase in metered charges which was \$2M above forecast.

Performance Report

Financial Performance Indicators

Notes continued:

- 4a. The current ratio is mainly affected by the cash holdings between 2014/15 to 2015/16. LMW received SMP funding payments of \$17M in 2015/16 while \$47M in 2014/15 of which \$14M remains in the bank for SMP contract payments. Much of the SMP project was carried out in 2015/16 which is why the cash investment has decreased significantly.
- 4b. The current ratio is mainly affected by the cash holdings as at 30 June 2016. Cash is greater than forecast by \$18M as the SMP project has come under budget. SMP has been extended to utilise all of the funds which was not forecast. Capital works planned for 2015/16 have been pushed into 2016/17 for varying reasons.
- 5a. The net earnings before interest and tax for 2015/16 is -\$12.5M where as in 2014/15 the net earnings was -\$5.5M. The main difference is due to the operating result before tax in 2015/16 being a loss of \$12.5M compared to 2014/15 loss of \$8.4M. This difference is mainly due to the writing off of \$4.3M in assets replaced by SMP for 2015/16 compared to writing off of \$3.8M in assets replaced by SMP 2014/15. Going forward LMW expect the return on assets indicator result to improve as the SMP project is completed. Other differences include the fair value decrement for buildings of \$1.5M in 2015/16.
- 5b. The net earnings before interest and tax for 2015/16 is -\$12.5M whereas the forecast was -\$5.4M. The main difference is due to the operating result before tax in 2015/16 being a loss of \$12.5M compared to a forecast loss of \$8.8M. This difference is mainly due to the writing off of \$4.3M in assets replaced by SMP for 2015/16 and the fair value decrement for buildings of \$1.5M which was not forecast.
- 6a. The loss after tax is greater in 2015/16 than 2014/15, -\$9M compared to -\$5.8M. This difference is mainly due to the decrement in fair value of buildings of \$1.5M, increased depreciation as the SMP project assets come into use and the write off of assets replaced by SMP in 2015/16 of \$4.3M compared to \$3.8M in 2014/15. Looking forward LMW expect the return on equity indicator result to improve as the SMP project is completed.
- 6b. The loss after tax is greater in 2015/16 than forecast, this is due to the fair value decrement of buildings of \$1.5M and LMW's writing off of assets replaced by SMP. Going forward LMW expect the return on assets indicator result to improve as the SMP project is completed.
- 7a. Earnings before Tax, Depreciation and Amortisation is less in 2015/16 than 2014/15, \$15M compared to \$20.3M mainly due to SMP asset write offs and the fair value decrement for buildings of \$1.5M, while total revenue is greater in 2015/16 than 2014/15, \$68.5M compared to \$67.7M. Going forward LMW expect the EBITDA Margin indicator result to improve as the SMP project is completed.
- 7b. This difference is mainly due to the writing off of \$4.3M in assets replaced by SMP and the fair value decrement for buildings of \$1.5M. Going forward LMW expect the EBITDA Margin indicator result to improve as the SMP project is completed. Total revenue is greater in 2015/16 than our corporate plan target, \$68.5M compared to \$63.4M. Total revenue exceeded the corporate plan mainly due to volumetric revenue with consumption of water being greater than forecast as it was a dry year and other revenue due to various reasons - other revenue includes many miscellaneous charges that are difficult to forecast with accuracy.

Performance Report

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned Water Supply Interruptions No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	10.62%	0.00%	0.05%	-100.0%	7a	-100.0%	7b
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes)	56.5	54.13	64.0	-4.2%	8a	-15.4%	8b
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	99.5%	100.00%	99.5%	0.5%		0.5%	
SS1	Containment of Sewer Spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers	100%	100%	97.0%	0.0%		3.1%	
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	100%	99%	99.6%	-0.9%		-0.6%	

Notes:

7a/b. LMW favourable variance both to prior year and target is a result of no customers receiving more than 5 unplanned interruptions in 2015/16 in contrast to 2014-15 where interruptions occurred as a result of unforeseen damage to pipelines by contractors

8a/b. Favourable variance both to prior year and target is a result of improved equipment in the repair process along with maintaining our prompt onsite response time

Performance Report

Water (Rural) Service Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WSR1	Rural Water Supply Deliveries Number of orders delivered / total number of orders x 100	99.89%	99.85%	95.0%	0.0%		5.1%	9b
WSR2	Unavailability of Domestic and Stock Supply Duration that domestic and stock service is unavailable in excess of on-property storage	0.0%	0.0%	0.0%	0.0%		0.0%	
WSR3	Groundwater Supply Number of transfers processed within target period / total number of transfers processed x 100	0.0%	0.0%	0.0%	N/A	10a	N/A	10b

Notes:

9b. Favourable variance to target is a result of the Sunraysia Modernisation Project, our target was lower than normal due to major works planned and consideration of possible interruptions to ordered deliveries

10a/b. LMW does not process transfers from groundwater supplies

Environmental Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent Re-Use Volume (End Use)	50.50%	48.90%	100.0%	-3.2%	15a	-51.1%	15b
E2	Total Net CO₂ Emissions Net tonnes CO ₂ equivalent	41,751	45,140	36,850	8.1%	16a	22.5%	16b

Notes:

- 15a. The previous reported 2014-15 actual result has been restated from 80.7% to 50.5% as a result of LMW previously reporting the recycled percentage calculation based on the total influent of those waste water treatment plants that have recycled schemes only. The requirement to report on aggregated totals has meant that the reuse percentage is now calculated based on the total recycled volume from all the waste water treatment plants in relation to the total influent treated.
- 15b. Unfavourable variance to target is the result of six (6) waste water treatment plants not having recycling schemes, this treated waste water constitutes 32.4% of the total waste water treated at the plants and is disposed through evaporation. The 18.7% of unused waste water accounts for evaporation losses from the reactors, balance ponds, recycling ponds, and sludge lagoons and includes the solids component of the disposed sludge.
- 16a. Unfavourable variance to prior year is a result of an unseasonal hot and dry summer that saw an increase to customers demand of irrigation and treated water, wastewater volumes are also higher than expected which in turn escalated our electricity consumption for the year.
- 16b. Unfavourable variance to target result is due to the forecast emission target not allowing for unexpected hot and dry climate conditions

Performance Report

Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2014-15 Result	2015-16 Result	2015-16 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 100 customers	0.063	0.087	0.134	38.1%	11a	-35.1%	11b
CR2	Sewerage Service Quality Complaints No. of complaints per 100 customers	0.007	0.024	0.007	242.9%	12a	242.9%	12b
CR3	Sewer Odour Complaints No. of complaints per 100	0.028	0.059	0.012	110.7%	13a	391.7%	13b
CR4	Billing Complaints No. of complaints per 100 customers	0.021	0.027	0.223	28.6%	14a	-87.9%	14b

Notes:

- 11a. Unfavourable variance to prior year is a result of an increase of eight (8) complaints from 2014-15. LMW undertook customer home visits to investigate complaints and found that the water quality had returned to normal on most occasions. Mains flushing was undertaken as a precaution and further investigations revealed no faults within the network. Two (2) customers had hot water system faults causing discolouration.
- 11b. The favourable variance to target result was less based on the average of water quality complaints over the past five (5) years. The average still includes the 2011 Black Water Event and Scouring in 2012 which resulted in an increase at that time. It is expected that our average target will become relative to normal climate conditions in the future.
- 12a. Unfavourable variance to prior year is a result of unplanned root and fat blockages in the Southern Region. Our maintenance crews routinely undertake sewer foaming and jetting programs to reduce blockages within the system to maintain network performance.
- 12b. Unfavourable forecast target is indicative of our historical trend of generally no more than 2 complaints per year. LMW continues to improve its sewer network by undertaking an annual mains replacement programs and CCTV monitoring.
- 13a. "Unfavourable variance to prior year is a result of an unusual increase in sewer odours complaints this year seventeen (17) compared with eight (8) last year. Southern Region customers reported four (4) complaints regarding a sewer pump station, that resulted in an investigation which warranted no further action as the odours were unrelated. An additional three (3) complaints related to separate sites which were resolved by undertaking minor maintenance works such as installing filters and adjusting inflows into a manhole. Northern Region customers reported four (4) complaints that were directly related to a wet weather storage lagoon which upon investigation was sludge related and treated by aeration and chemical treatment. Three (3) were attributed to odours blowing from an unrelated drying bed (Lake Hawthorn) and two (2) other individual complaints were rectified by a filter change on a vent and redirecting flows.
- 13b. LMW's unfavourable variance to target can be attributed to the seven (7) complaints that were unrelated to our systems, this has otherwise overstated the actual results to target.
- 14a. The unfavourable variance to prior year result saw a slight increase of two (2) billing complaints to nine (9) up from the previous year number of seven (7) no significant events can be attributed to this.
- 14b. Favourable variance to target still includes the high number of complaints received during the 2011 floods and 2012 dry weather conditions, this still distorts the average as the last couple of years have seen a reduction in billing complaints.

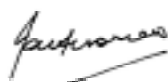
Performance Report

Certification of Performance Report for 2015/16

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect of the 2015/16 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the responsible Minister and as set out in the 2015/16 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



John Tesoriero
Chair



Phillip Endley
Managing Director



Loris Davis
General Manager – Business Services
(Chief Finance and Accounting Officer)

Dated this seventh day of September 2016

INDEPENDENT AUDITOR'S REPORT

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

The Performance Report

I have audited the accompanying performance report for the year ended 30 June 2016 of Lower Murray Urban and Rural Water Corporation which comprises the performance report, the related notes and the certification.

The Board Members' Responsibility for the Performance report

The board members of Lower Murray Urban and Rural Water Corporation are responsible for the preparation and fair presentation of the performance report and for such internal control as the board members determine is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)


Independence

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

Opinion

In my opinion, the performance report of Lower Murray Urban and Rural Water Corporation in respect of the 30 June 2016 financial year presents fairly, in all material respects.

MELBOURNE
9 September 2016


for Dr Peter Frost
Acting Auditor-General

2015/16 Financial Summary

Financial Review

Although the Corporation shows a deficit situation, the cash position is strong and our financial viability is sound, as shown by net cash in operating surplus in the cash flow statement. Liquidity ratios support this statement. The continuing high write off of assets of \$4.3M, primarily associated with decommissioning of existing old irrigation infrastructure being replaced by new works under the Sunraysia Modernisation Project (SMP) has resulted in operating loss of \$12.7M. Another contributing factor was the recognition of a decrease in the valuation of buildings of \$1.5M.

The result was greater than our projected \$8.8M in our 2015/16 Corporate Plan. SMP which gives rise to improved service delivery and operational savings was able to deliver more infrastructure improvements than planned causing more existing assets to be decommissioned than predicted.

In accordance with FRD103F *Non-Current Physical Assets*, our infrastructure, land and building assets were independently revalued. The effect of this was an overall increase in valuation of those assets of \$63.1M. Expenditure on capital projects, including the Sunraysia Modernisation Project reached \$67.7M. Infrastructure, plant, equipment, land and buildings total \$891M.

We generated \$21.8M cash from operating activities which enabled a decrease in borrowings of \$6.6M. Operating deficits are driven by a high depreciation expense as a result of increases in infrastructure, land and buildings valuations from cyclical revaluations of those assets and the addition of SMP assets. Although we show accumulated funds deficit of \$82.8M, the bulk of this has occurred due to change in accounting standards, the transition to IFRS (International Financial Reporting Standards) and the tax treatment of the current and past valuations.

Summary of Financial Results

Financial Summary	2011/12 \$ '000	2012/13 \$ '000	2013/14 \$ '000	2014/15 \$ '000	2015/16 \$ '000
Core Business Revenue	51,248	59,023	55,642	57,965	60,233
Capital Contributions	2,713	1,968	2,768	2,577	2,081
Government Contributions	475	324	2,000	2,550	1,500
Other Revenue	3,337	3,976	3,599	4,609	4,635
Total Revenue	57,773	65,291	64,009	67,701	68,449
Direct Expenditure	27,155	29,146	25,346	31,927	34,199
Administration Expenditure	16,860	12,851	13,844	14,478	14,914
Depreciation Expense	22,858	23,964	24,550	25,874	28,425
Borrowing Cost Expenses	3,601	3,734	4,070	3,865	3,664
Total Expenditure	70,474	69,695	67,810	76,144	81,202
Net result before tax	-12,701	-4,404	-3,801	-8,443	-12,753
Current Assets	24,322	25,088	56,454	73,761	38,596
Non Current Assets	804,774	783,508	777,451	802,780	896,812
Total Assets	829,096	808,596	833,905	876,541	935,408
Current Liabilities	16,696	15,048	20,081	26,425	19,087
Non Current Liabilities	185,651	167,369	163,089	157,292	169,670
Total Liabilities	202,347	182,417	183,170	183,717	188,757
Net cash flow from operations	10,718	18,932	21,388	18,218	21,798
Payments for property, plant and equipment (including infrastructure)	18,098	20,869	20,968	44,224	67,338

Summary of Financial Performance

Performance Indicator	2011/12	2012/13	2013/14	2014/15	2014/15
Internal Financing Ratio	58.37%	87.68%	99.53%	40.95%	32.18%
Gearing Ratio	7.03%	7.66%	7.99%	6.88%	5.74%
Interest Cover (EBIT)	-3.00	-0.30	Not supplied as a performance indicator		
Interest Cover (Cash)	2.40	6.70	6.90	7.29	8.79
Return on Assets			-0.02%	-0.65%	-1.10%
Return on Equity			-0.40%	-0.87%	-1.18%

2015/16 Financial Summary

Loan Liability as at 30th June 2016

LOAN NO.	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
SEWERAGE DISTRICT						
TCV1		11 - 41	20,000,000.00	5.835	1,657,993.52	18,342,006.48
TCV6300		11 - 16	1,000,000.00	5.350	1,000,000.00	0.00
TCV6301		11 - 17	1,000,000.00	5.450	0.00	1,000,000.00
TCV6302		11 - 18	1,000,000.00	5.545	0.00	1,000,000.00
TCV6303		11 - 19	1,000,000.00	5.590	0.00	1,000,000.00
TCV6304		11 - 19	1,000,000.00	5.640	0.00	1,000,000.00
TCV6305		11 - 20	1,000,000.00	5.740	0.00	1,000,000.00
TCV6306		11 - 21	1,000,000.00	5.790	0.00	1,000,000.00
TOTAL SEWERAGE DISTRICT			27,000,000.00		2,657,993.52	24,342,006.48
TOTAL LOAN LIABILITY - SEWERAGE DISTRICT			27,000,000.00		2,657,993.52	24,342,006.48
FIRST MILDURA IRRIGATION DISTRICT						
TCV15656		12 - 22	1,000,000.00	4.755	0.00	1,000,000.00
TCV17908		12 - 16	1,000,000.00	3.450	1,000,000.00	0.00
TCV29877		13 - 21	1,000,000.00	4.260	0.00	1,000,000.00
TCV29878		13 - 23	1,000,000.00	4.545	0.00	1,000,000.00
TCV29879		13 - 23	2,000,000.00	4.600	0.00	2,000,000.00
TOTAL MILDURA IRRIGATION			6,000,000.00		1,000,000.00	5,000,000.00
RED CLIFFS IRRIGATION DISTRICT						
TCV29874		13 - 16	1,000,000.00	3.215	1,000,000.00	0.00
TCV29875		13 - 17	1,000,000.00	3.475	0.00	1,000,000.00
TOTAL RED CLIFFS IRRIGATION			2,000,000.00		1,000,000.00	1,000,000.00
ROBINVALE IRRIGATION DISTRICT						
TCV1		11 - 41	20,000,000.00	5.835	1,657,993.54	18,342,006.46
TCV17909		12 - 18	1,000,000.00	3.760	0.00	1,000,000.00
TCV17915		12 - 20	1,000,000.00	4.010	0.00	1,000,000.00
TCV17921		12 - 22	1,000,000.00	4.220	0.00	1,000,000.00
TCV29876		13 - 18	2,000,000.00	3.705	0.00	2,000,000.00
TOTAL ROBINVALE IRRIGATION			25,000,000.00	21.53	1,657,993.54	23,342,006.46
TOTAL LOAN LIABILITY - IRRIGATION			33,000,000.00		3,657,993.54	29,342,006.46
UNALLOCATED LOANS						
TCV			3,000,000.00	0.000	3,000,000.00	0.00
TOTAL UNALLOCATED LOANS			3,000,000.00		3,000,000.00	0.00
TOTAL LOAN LIABILITY - UNALLOCATED LOANS			3,000,000.00		3,000,000.00	0.00
TOTAL LOAN LIABILITY - CORPORATION						53,684,012.94

2015/16 Financial Summary

Consultancies—over \$10,000

CONSULTANCY NAME AND PROJECT REFERENCE	START DATE	END DATE	TOTAL PROJECT APPROVED FEES (EXCL GST)	EXPENDITURE 2015/16	FUTURE EXPENDITURE (EXCL GST)
ACIL ALLEN CONSULTING					
LMW New Development Pricing	1/02/2016	29/02/2016	\$ 44,165.62	\$ 44,165.62	\$ -
AURECON AUSTRALIA PTY LTD					
KOORLONG WWTP BIOSOLIDS HARDSTAND	23/03/2016	Jun-16	\$ 12,515.00	\$ 12,515.00	\$ -
CADE & ASSOCIATES PTY LTD					
STRATEGIC PLANNING	1/07/2015	31/08/2015	\$ 17,227.65	\$ 17,227.65	\$ -
GHD PTY LTD					
14TH ST TENDER EVALUATION	1/07/2015	1/10/2015	\$ 11,752.00	\$ 11,752.00	\$ -
LAND CAPABILITY ASSESSMENT WTP	25/08/2015	22/09/2015	\$ 14,970.00	\$ 14,970.00	\$ -
LMW FEASIBILITY STUDY SALINITY BENEFITS	1/12/2015	30/06/2016	\$ 50,000.00	\$ 30,825.00	\$ 19,175.00
LMW WATER MAIN REPLACEMENT PROCESS	7/05/2015	23/05/2016	\$ 16,500.00	\$ 16,500.00	\$ -
MILDURA MID AREA IRRIGATION MODEL	24/02/2016	24/02/2016	\$ 11,879.00	\$ 11,879.00	\$ -
MILDURA SEWER MODEL UPDATE	12/05/2015	19/11/2016	\$ 21,471.00	\$ 21,471.00	\$ -
SCENARIO MODELLING	25/09/2015	26/11/2015	\$ 12,300.00	\$ 12,300.00	\$ -
RIVERSIDE AVE DN300 POTABLE WATER MAIN	23/10/2015	1/05/2016	\$ 57,420.75	\$ 57,420.75	\$ -
SWAN HILL OUTFALL RISING REPLACEMENT	1/10/2015	30/09/2016	\$ 32,139.33	\$ 32,139.33	\$ -
WATER SUPPLY RETICULATION MISC ADVICE	1/07/2015	30/06/2016	\$ 18,408.00	\$ 18,408.00	\$ -
HUNTER H2O HOLDINGS PTY LTD					
MURRABIT WTP ELECTRICAL DESIGN	1/12/2015	31/03/2016	\$ 44,415.00	\$ 44,415.00	\$ -
MICROBIAL HEALTH BASED TARGETS - WTP IMPLICATIONS	1/10/2015	19/11/2015	\$ 29,791.13	\$ 29,791.13	\$ -
SWAN HILL WTP AUTOMATION UPGRADE	1/08/2015	30/09/2015	\$ 10,359.25	\$ 10,359.25	\$ -
SWAN HILL WTP DETAILED ELECTRICAL DESIGN	1/07/2015	31/08/2015	\$ 21,897.50	\$ 21,897.50	\$ -
INSIDE INFRASTRUCTURE PTY LTD					
MILDURA WASTEWATER STRATEGY	6/08/2015	31/03/2016	\$ 47,361.15	\$ 47,361.15	\$ -
SOUTHERN WASTEWATER SUPPLEMENTARY SCOPING STUDY	2/11/2015	3/03/2016	\$ 54,884.30	\$ 54,884.30	\$ -
LOOP ORGANICS PTY LTD					
BIOSOLIDS HANDLINGS	25/01/2016	27/04/2016	\$17,508.70	\$ 15,917.00	\$ 1,591.70
PAMP HOLDING PTY LTD					
RURAL FOCUS PROJECTS	1/01/2016	30/08/2016	\$ 52,687.50	\$ 40,687.50	\$ 12,000.00
RURAL SCOPING EVALUATION	1/02/2015	30/11/2015	\$ 26,562.50	\$ 26,562.50	\$ -
PRESTIGE STAFFING PERSONNEL PTY LTD					
RISK MANAGEMENT CONSULTING SERVICE	1/07/2015	30/06/2016	\$ 38,043.22	\$ 38,043.22	\$ -
PRICE MERRETT CONSULTING PTY LTD					
Pond Surveys	1/02/2016	31/03/2016	\$ 32,000.00	\$ 32,000.00	\$ -
SOUTHERN CROSS CONSULTING GROUP PTY LTD					
2015 TAX EFFECT ACCOUNTING	1/07/2015	31/08/2015	\$ 16,750.00	\$ 16,750.00	\$ -
SUNWAYSIA ENVIRONMENTAL					
SOIL AUDIT MILDURA WWTP	23/03/2016	31/08/2016	\$ 18,046.00	\$ 18,046.00	\$ -
TEN CONSULTING (CAMDEN ELEVEN PTY LTD T/AS)					
MILDURA WTP CLARIFIER REFURBISHMENT	11/05/2015	1/12/2015	\$ 38,550.00	\$ 38,550.00	\$ -
MILDURA WTP INLET UPGRADE	14/08/2015	1/12/2015	\$ 20,064.00	\$ 20,064.00	\$ -
MURRABIT WTP UPGRADE 6/07-10/11	1/07/2015	30/11/2015	\$ 16,535.00	\$ 16,535.00	\$ -
WATER TECHNOLOGY PTY LTD					
MIXER FEASIBILITY ASSESSMENT RC P	6/11/2015	31/03/2016	\$ 19,000.00	\$ 19,000.00	\$ -
SUB-TOTAL			\$ 825,203.60	\$ 792,436.90	\$ 32,766.70
SUNWAYSIA MODERNISATION PROJECT (SMP) CONSULTANCIES					
AQUENTA PTY LTD					
SMP Variation Claim Consultancy	1/01/2016	30/12/2016	\$ 100,000.00	\$ 47,038.74	\$ 52,961.26
BDO EAST COAST PARTNERSHIP					
Consultancy SMP Review	1/07/2015	30/12/2016	\$ 60,000.00	\$ 1,401.38	\$ 12,767.25
DANIEL MCNAMARRA					
Safety Advisory Consulting	1/07/2015	30/10/2016	\$ 150,000.00	\$ 113,293.99	\$ 36,706.01
DEPARTMENT ENVIRONMENT LAND WATER AND PLANNING					
Independent Chair Services	1/07/2015	30/12/2016	\$ 45,000.00	\$ 32,000.00	\$ 13,000.00
DM ENGINEERING CONSULTANTS					
Consulting SMP Contract Review	1/07/2015	30/12/2016	\$ 180,000.00	\$ 147,380.00	\$ 32,620.00
ENVIROPAX PTY LTD					
Consulting SMP Project	1/07/2015	30/06/2016	\$ 24,500.00	\$ 24,436.01	\$ 63.99
GHD PTY LTD					
Design & engineering Consultancy CN 0186	1-Jul-15	30-Jun-16	\$ 1,000,000.00	\$ 733,010.50	\$ 266,989.50
HAYS SPECIALIST RECRUITMENT (AUSTRALIA) PTY LTD					
SMP Construction Management - re: Hugh Bennett	1/04/2016	30/06/2016	\$ 30,500.00	\$ 30,481.17	\$ 18.83
McMULLAN SOLICITORS					
Legal Consultancy SMP	1/07/2015	30/12/2016	\$ 86,000.00	\$ 36,000.00	\$ 50,000.00
NEWS ALERT PR PTY LTD					
Consulting PR SMP	1/07/2015	30/12/2016	\$ 30,000.00	\$ 18,036.35	\$ 11,963.65
R J STOWE & ASSOCIATES					
Legal Consultancy SMP	1/07/2015	30/12/2016	\$ 175,000.00	\$ 75,766.37	\$ 99,233.63
SUB-TOTAL			\$ 1,881,000.00	\$1,258,844.51	\$ 576,324.12
GRAND TOTAL			\$ 2,706,203.60	\$2,051,281.41	\$ 609,090.82

2015/16 Financial Report

Notes	Contents	Page
	Accountable officer's and and chief finance and accounting officer's declaration	41
	Auditor General's Report	42
	Comprehensive Operating Statement	44
	Balance Sheet	45
	Statement of Changes in Equity	46
	Cash Flow Statement	47
	NOTES ACCOMPANYING THE FINANCIAL STATEMENTS	
1	Statement of Significant Accounting Policies	48
2	Financial Risk Management Objectives and Policies	64
3	Revenue	69
4	Expenditure	70
5	Depreciation & Amortisation	71
6	Income Tax Expense	72
7	Cash and Cash Equivalent Assets	73
8	Receivables	73
9	Inventories	75
10	Assets Held for Sale	75
11	Infrastructure Property, Plant and Equipment	77
12	Biological Assets	89
13	Intangible Assets	89
14	Payables	90
15	Interest Bearing Liabilities	90
16	Employee Benefits	91
17	Superannuation	93
18	Deferred Taxes	95
19	Contributed Capital	96
20	Asset Revaluation Reserve	96
21	Accumulated Deficit	97
22	Equity	97
23	Reconciliation of Net Result for the period after related income tax to net cash flows from operating activities	97
24	Commitments	98
25	Responsible Persons Disclosure	99
26	Auditor Remuneration	101
27	Ex-Gratia Expenses	101
28	Events occurring after balance date	101
29	Contingent Assets and Contingent Liabilities	101

2015/16 Financial Report

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

The attached financial report for Lower Murray Urban and Rural Water Corporation has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state, that in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30th June 2016 and the financial position of the Corporation at 30th June 2016.

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

We authorise the attached financial statements for issue on 7th September 2016.



John Tesoriero
Chair



Phillip Endley
Managing Director



Loris Davis
General Manager – Business Services
(Chief Finance and Accounting Officer)

Dated this seventh day of September 2016

INDEPENDENT AUDITOR'S REPORT

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

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of 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 accountable officer's and chief finance and accounting officer's declaration.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have 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 Lower Murray Urban and Rural Water Corporation as at 30 June 2016 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*.

MELBOURNE
9 September 2016


for Dr Peter Frost
Acting Auditor-General

COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<u>REVENUE FROM OPERATING ACTIVITIES</u>			
Operating Revenue	1(b), 3(a)	60,233	57,965
Termination Fees		165	181
Income for Capital Purposes	1(b), 3(b)	3,602	5,111
Other Income	1(b), 3(c)	3,771	3,378
		67,771	66,635
<u>REVENUE FROM NON-OPERATING ACTIVITIES</u>			
Interest Revenue	1(b), 3(d)	867	970
Net Gain/(Loss) from Disposal of Non-Financial Assets	1(d), 3(e)	(189)	96
		678	1,066
TOTAL REVENUE		68,449	67,701
<u>EXPENSES FROM OPERATING ACTIVITIES</u>			
Direct Expenses	1(c), 4(a)	61,000	56,026
Administration Expenses	1(c), 4(b)	16,538	16,253
Finance Costs	1(c), 4(c)	3,664	3,865
TOTAL EXPENSES		81,202	76,144
NET RESULT BEFORE TAX		(12,753)	(8,443)
Income Tax (Expense)/Revenue	6	4,262	2,584
NET RESULT FOR THE YEAR		(8,491)	(5,859)
<u>OTHER COMPREHENSIVE INCOME</u>			
<i>Items that will not be reclassified to net result</i>			
Change in Asset Revaluation Reserve	20	64,683	1,402
Income Tax Relating to Components of Other Comprehensive Income	20	(19,405)	(421)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		45,278	981
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		36,787	(4,878)

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

BALANCE SHEET

As at 30 June 2016

		Notes	2016 \$'000	2015 \$'000
CURRENT ASSETS				
	Cash and Cash Equivalents	1(d), 7	21,861	55,264
	Receivables	1(d), 8	10,061	10,269
	Inventories	1(d), 9	3,028	2,967
	Prepayments	1(d)	316	344
			35,266	68,844
	Assets Classified as Held for Sale	1(d), 10	3,330	4,917
Total current assets			38,596	73,761
NON-CURRENT ASSETS				
	Receivables	1(d), 8	115	38
	Infrastructure, Property, Plant and Equipment	1(d), 11	891,182	797,065
	Biological Assets	1(d), 12	79	64
	Intangible Assets	1(d), 13	5,436	5,613
Total non-current assets			896,812	802,780
TOTAL ASSETS			935,408	876,541
CURRENT LIABILITIES				
	Payables	1(e), 14	10,770	14,519
	Interest Bearing Liabilities	1(e), 15	2,698	6,659
	Employee Benefits	1(e), 16	5,619	5,247
Total current liabilities			19,087	26,425
NON-CURRENT LIABILITIES				
	Interest Bearing Liabilities	1(e), 15	50,986	53,684
	Employee Benefits	1(e), 16	254	321
	Deferred Tax Liabilities	1(i), 19	118,418	103,275
	Other Liabilities		12	12
Total non-current liabilities			169,670	157,292
TOTAL LIABILITIES			188,757	183,717
NET ASSETS			746,651	692,824
EQUITY				
	Contributed Capital	1(f), 19	629,573	612,533
	Physical Asset Revaluation Surplus	1(f), 20	199,923	154,645
	Accumulated Deficit	21	(82,845)	(74,354)
TOTAL EQUITY			746,651	692,824

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

		Contributed Capital	Asset Revaluation Reserve	Accumulated Deficit	Total
	Notes	\$'000	\$'000	\$'000	\$'000
BALANCE AT 1 JULY 2014	19,20,21	565,566	153,664	(68,495)	650,735
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	981	(5,859)	(4,878)
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	19	46,967	-	-	46,967
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		46,967	-	-	46,967
BALANCE AS AT 30 JUNE 2015	19,20,21	612,533	154,645	(74,354)	692,824
TOTAL COMPREHENSIVE RESULT FOR THE YEAR		-	45,278	(8,491)	36,787
TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER:					
Contributed Capital	19	17,040	-	-	17,040
TOTAL TRANSACTIONS WITH THE STATE IN ITS CAPACITY AS OWNER		17,040	-	-	17,040
BALANCE AS AT 30 JUNE 2016	19,20,21	629,573	199,923	(82,845)	746,651

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

CASH FLOW STATEMENT

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Receipts			
Rates & Meter Charges		59,673	54,376
Proceeds from Scheme Debtors		23	67
Government Contributions		1,500	2,550
Income for Capital Purposes		2,081	2,577
Interest Received		868	970
GST Received from the ATO		8,449	6,804
Other Revenue		5,322	4,536
Total Receipts		77,916	71,880
Payments			
Payments to Suppliers & Employees		(51,918)	(49,533)
GST Paid to the ATO		(536)	(264)
Interest and Other Costs of Finance Paid		(3,664)	(3,865)
Total Payments		(56,118)	(53,662)
<u>Net Cash (outflows)/inflows from Operating Activities</u>	23	21,798	18,218
Cash Flows from Investing Activities			
Payments for Purchases of Infrastructure, Property, Plant and Equipment		(67,338)	(44,224)
Payments for Purchases of Intangible Assets		(392)	(261)
Proceeds from Sale of Infrastructure, Property, Plant and Equipment	3(e)	2,148	1,110
<u>Net Cash provided by/(used in) in Investing Activities</u>		(65,582)	(43,375)
Cash Flows from Financing Activities			
Proceeds from Borrowings		-	3,100
Repayment of Borrowings		(6,659)	(9,372)
Government Capital Contribution Received	19	17,040	46,967
<u>Net Cash provided by/(used in) Financing Activities</u>		10,381	40,695
Net Movement in Cash and Cash Equivalents		(33,403)	15,538
Cash and Cash Equivalents at the Beginning of the Financial Year		55,264	39,726
<u>Cash and cash equivalents at the end of the year</u>	7	21,861	55,264

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

General

The financial report includes separate financial statements for Lower Murray Urban & Rural Water Corporation (Lower Murray Water) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2016. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions. Lower Murray Water is a not-for-profit entity for the purpose of preparing the financial statements.

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

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

The annual financial statements were authorised for issue by the Board on the 7th September 2016.

The principal address is:

Lower Murray Water
741-759 Fourteenth Street
Mildura Vic 3500

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

Functional and Presentation Currency

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

Classification Between Current and Non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being Lower Murray Water's operational cycle, 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, except for the revaluation of financial assets, and certain classes of infrastructure, property, plant and equipment.

Critical Accounting Estimates and Judgements

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.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management judgement and estimates include:

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

(b) Revenue

Service and Usage Charges

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

All Water and Wastewater tariffs/charges are recognised as revenue when the services are provided. Urban meter readings are undertaken on a quarterly basis. The last meter read for the year occurs in June with the income being accrued. Irrigation meter readings are cyclical.

Trade waste charges are recognised as revenue at the end of the service delivery period.

Volume meters are read and appropriate charges levied as per the trade waste agreements.

The meters are read on a cyclical basis with accounts sent on a quarterly basis.

Interest Income

Interest income is recognised using the effective interest rate method, in the period in which it is incurred.

Fair Value of Resources Received Free of Charge

The value of all goods and services received free of charge or for nominal consideration are recognised as revenue when Lower Murray Water gains control of them, irrespective of whether restrictions or conditions are imposed over the use of the contributions. The benefits derived from these goods and services are recorded at their fair values in the financial statements.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Developer Contributions

Fees paid by developers to connect new developments to Lower Murray Water'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 Lower Murray Water gains control of them at the fair value of those assets.

Government Grants and Contributions

Government grants and contributions are recognised as operating revenue on receipt or when the entity obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner, and disclosed in the Comprehensive Operating Statement under "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 - Contributions by Owners in accordance with FRD 119A *Transfers through 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

Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on bank overdrafts and short-term and long-term borrowings incurred in connection with the arrangement of borrowings.

When Lower Murray Water carries borrowings in excess of \$5 Million it is obligated to pay to the Victorian government a Financial Accommodation Levy (FAL). The amount of the levy is based on the credit risk of Lower Murray Water relative to the State of Victoria as assessed by an independent rating agency. On the basis of the Lower Murray Water credit rating, a FAL of 106 basis points is applied to all new financial accommodation in 2015/16(2014/15 - 130 basis points) assessed from Treasury Corporation of Victoria TCV). FAL incurred by Lower Murray Water is accounted for as a borrowing cost for the purpose of presentation in the general purpose financial statements.

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 Lower Murray Water commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The depreciation rates applied to asset classes (2016 and 2015) are:

	2016 Useful Life (Years)
WATER	
Storage Tanks	60 - 100
Pumping Stations	25 - 80
Reticulated Networks	50 - 110
Water Treatment	10 - 80
Water Meters	8
Buildings	60 - 75
Plant and Machinery	6 - 25
WASTEWATER	
Sewers	45 - 100
Trunk Sewer Main	50 - 100
Pumping Stations	10 - 80
Treatment and Disposal	10 - 100
Buildings	40 - 75
Plant and Machinery	6 - 25
IRRIGATION & DRAINAGE	
Storages	50 - 350
Pumping Stations	40 - 120
Channels	80 - 100
Rural Water Pipelines	50 - 110
Water Meters	10 - 25
Buildings	40 - 75
Plant and Machinery	6 - 25
ADMINISTRATION	
Computer Equipment	3
Office Furniture and Equipment	6
Motor Vehicles	10
Buildings	40 - 60
Plant	6
Machinery	6
Communication Equipment	5

Employee Benefits

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

Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by Lower Murray Water to the relevant superannuation plans in respect to the services of Lower Murray Water's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Lower Murray Water is required to comply with.

Lower Murray Water makes employer superannuation contributions in respect of most employees to Vision Super. Refer to Note 17 for more details of funding.

Lower Murray Water also makes employer superannuation contributions in respect of its employees to Emergency Services and State Super. The Victorian Government holds the responsibility for any unfunded liability for the Emergency Services and State Super schemes and is therefore responsible for reporting that liability.

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Repairs and Maintenance

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

Environmental Contribution

The purpose of the environmental contribution is set out in the Water Industry (Environmental Contributions) Act 2004, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives. The contribution period expired on 30 June 2016. However, on 27 April 2016, the Victorian Budget 2016/17 confirmed the continuation of the Environmental Contribution for another four years from July 2016.

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

Other Expenses

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

(d) Assets

Cash and Cash Equivalent Assets

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, and bank overdrafts.

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables; and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables.

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Receivables are due for settlement no more than 28 days from date of recognition for tariff and charges debtors, and no more than 30 days for other debtors.

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

Irrigation receivables past due attract penalty interest, which the Essential Service Commission is the regulator for setting the rate to apply annually. The penalty interest rate that applied during 2016 was 6.3% (2015:7.6%).

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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 also include goods held for distribution at no or nominal cost. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Prepayments

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

Infrastructure, Property, Plant and Equipment

Recognition of Non-Current Physical Assets

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by Lower Murray Water in its operations. Items with a cost or value in excess of \$1000 (2015: \$1000) and useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

Each class of infrastructure, property, plant and equipment are carried at either fair value, or at independent valuation, less, where applicable, any accumulated depreciation or amortisation.

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

Assets acquired at no cost or for nominal consideration by Lower Murray Water are recognised at fair value at the date of acquisition.

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

(i) Measurement of Infrastructure, Property, Plant and Equipment (non-current physical assets)

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

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

Plant, equipment, infrastructure and motor vehicles are measured at fair value.

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

Water infrastructure assets, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103F. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The fair value assessment for water infrastructure occurred as at 30 June 2016 and was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury and Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the exercise 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 infrastructure, property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

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

(iii) Impairment of Assets

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

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

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

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

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

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

(iv) Assets Held for Sale

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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.

Biological Assets

For livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes. An increase or decrease in the fair value of these biological assets is recognised in the consolidated Comprehensive Operating Statement.

Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Lower Murray Water.

A summary of the policies applied to Lower Murray Water'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	Tested annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment

Permanent Water Entitlements

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.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(e) Liabilities

Payables

Payables consists of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to Lower Murray Water prior to the end of the financial year that are unpaid, and arise when Lower Murray Water becomes obliged to make future payments in respect of the purchase of those goods and services;
and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

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

Interest Bearing Liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the initial amount recognised (net of transaction costs) and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the borrowings, using the effective interest method.

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

Lower Murray Water has classified borrowings which mature within 12 months as non-current liabilities on the basis that the entity will and has discretion to refinance or rollover these loans with the Treasury Corporation of Victoria, pursuant to section 8 of the Borrowings and Investment Powers Act 1987. Lower Murray Water does not have any borrowings which mature within 12 months as non-current liabilities at 30 June 2016. Borrowings known as 11am debt are classified as current borrowings.

Employee Benefits

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

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

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

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

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

(ii) Long Service Leave (LSL)

Current Liability – unconditional LSL (representing 7* or more years of continuous service) is disclosed as a current liability even where Lower Murray Water 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 Lower Murray Water does not expect to wholly settle within 12 months; and
- undiscounted value – component that Lower Murray Water expects to wholly settle within 12 months.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

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

* In accordance with the Lower Murray Urban and Rural Water Corporation Enterprise Agreement 2015 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 Lower Murray Water to the relevant superannuation plans in respect to the services of Corporation's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Lower Murray Water is required to comply with.

(iv) Employee Benefit Oncosts

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

(v) Performance Payments

Performance payments for Lower Murray Water's contracted officers are based on a percentage of the annual salary package provided under their contracts 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.

Four Executive Officers (2015:4) 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 liabilities.

Provisions

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

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

(f) Equity

Contributed Capital

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

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Asset Revaluation Reserve

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

(g) Financial Instruments

Recognition

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 the Comprehensive Operating Statement 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.

Impairment of financial assets

At each reporting date, Lower Murray Water assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Comprehensive Operating Statement.

Financial Liabilities

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

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

(ii) Fair Value

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 Lower Murray Water for similar financial assets.

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

Consistent with AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of fair value measurement hierarchy, Lower Murray Water has provided the required disclosure in Note 2 (d).

(iii) Derecognition

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(h) Fair Value

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

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

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

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

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

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

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

The Valuer General Victoria (VGV) is Lower Murray Water's independent valuation agency in relation to valuation of property, plant and equipment and infrastructure. On occasion, Lower Murray Water also uses the services of Elders Limited for sheep stock fair value valuations and local valuers for land and building fair value valuations.

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

(i) Taxation

Lower Murray Water 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, 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.

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(j) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 24) 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. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(k) Contingent Assets and Contingent Liabilities

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

(l) Dividend Policy

Lower Murray Water 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 2015-16 to be \$0 (2014-15: \$0).

(m) Goods and Services tax

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

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

(n) Reporting Lines of Business

The financial information has been prepared based on Lower Murray Water'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.

Lower Murray Water has no wholesale function.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. As at 30 June 2016, the following standards and interpretations had been issued but were not mandatory for financial year ending 30 June 2016. Lower Murray Water has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Effective Date	Effective date for the entity	Impact on financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	1 July 2018	The preliminary assessment is Lower Murray Water does not hold financial available for sale (AFS) assets and therefore the change in the standard will have no effect on the Corporation currently.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2018	1 July 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Lower Murray Water is yet to assess the full impact of this standard.
AASB 16 Leases	The Key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) in the balance sheet.	1 January 2019	1 July 2019	Currently Lower Murray Water does not have any operating leases. Therefore the change in the standard will have no effect on Lower Murray Water currently.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) AASB 1,2,3,4,5,7,101,102,108,112,118,120,121,127,128,131,132,136,137,139,1023 & 1038 and interpretations 2,5,10,12,19 & 127	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: - the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and - other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018	1 July 2018	The assessment has identified that the amendments may result in earlier recognition of impairment losses and at more regular intervals. Lower Murray Water is yet to assess the full impact of the amendments.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AAS's to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2019	1 July 2019	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. The Corporation is yet to assess the full impact of this standard.
AASB 2014-4 Amendments to Australian Accounting Standards Clarification of Acceptable Methods of Depreciation and Amortisation AASB 116 & AASB 138)	AASB 2014-4 amends AASB 116 and AASB 138 to: - establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefit of an asset; - clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and - clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016	The amendment of this Australian Accounting Standard will not impact on the Corporation as the revenue-based method is not used for depreciation and amortisation.
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	Amends the measurement of trade receivables and the recognition of dividends.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to January 2018	1 July 2017	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends the various AAS's to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	1 July 2018	The assessment has indicated that there will be no significant impact for Lower Murray Water.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (AASB , AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 and AASB 140)	Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued operations. Amends AASB 7 Financial instruments by including further guidance on servicing contracts.	1 January 2016	1 July 2016	The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements.
AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities(AASB 10, AASB 124 & AASB 1049)	AASB 2015-6 extends the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit sector entities. Guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016	1 July 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP) and the related party transactions.

In addition to the new standards and amendments above, the AASB has issued a list of amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on Lower Murray Water's reporting.

AASB 1057 Application of Australian Accounting Standards

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations AASB 1 & AASB 11)

AASB 2014-6 Amendments to Australian Accounting Standards - Agriculture Bearer Plants (AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141)

AASB 2015-9 Amendments to Australia Accounting Standards - Scope and Application Paragraphs (AASB 8, AASB 133 & AASB 1057).

AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 2 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Lower Murray Water's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Lower Murray Water's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Lower Murray Water. Lower Murray Water 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.

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

Lower Murray Water 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 group in conjunction with the Audit and Risk Committee under policies approved by the Board of Directors. The finance department identifies and evaluates financial risks in close co-operation with Lower Murray Water's operating units. 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 Lower Murray Water's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. Lower Murray Water's exposure to market risk is primarily through interest rate risk; there is no exposure to foreign exchange risk and insignificant exposure to other price risks

(i) Interest Rate Risk

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

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

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

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Lower Murray Water's exposure to interest rate risk on financial assets is set out in the following table.

2015/16

Financial Instruments	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average interest rate
		Less than 1 year	1 - 5 years	Over 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets							
Cash and Cash Equivalents	21,858	-	-	-	3	21,861	1.54
Receivables – property	2,852	-	-	-	4,286	7,138	2.65
Receivables – other	353	-	-	-	2,120	2,473	0.72
Total financial assets	25,063	-	-	-	6,409	31,472	2.00

Financial liabilities							
Payables	-	-	-	-	10,346	10,346	N/A
Interest Bearing Liabilities	-	2,698	13,234	37,752	-	53,684	5.27
Total financial liabilities	-	2,698	13,234	37,752	10,346	64,030	4.44

2014/15

	Floating interest rate	Fixed interest rate maturing in:			Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average interest rate
		Less than 1 year	1 - 5 years	Over 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets							
Cash	55,261	-	-	-	3	55,264	1.89
Receivables – property	3,052	-	-	-	4,282	7,334	3.20
Receivables – other	355	-	-	-	2,618	2,973	0.90
Total financial assets	58,668	-	-	-	6,903	65,571	2.00

Financial liabilities							
Payables	-	-	-	-	14,064	14,064	N/A
Interest Bearing Liabilities	3,000	3,659	13,052	40,632	-	60,343	5.23
Total financial liabilities	3,000	3,659	13,052	40,632	14,064	74,407	4.24

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(ii) Foreign Exchange Risk

Lower Murray Water has no exposure to changes in the foreign exchange rate.

(iii) Other Price Risk

Lower Murray Water has no significant exposure to other price risk.

Market Risk Sensitivity Analysis

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

30 June 2016	Carrying Amount \$'000	Interest Rate Risk			
		-0.5%		+0.5%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets					
Cash and Cash Equivalents	21,861	(109)	(109)	109	109
Receivables	10,176	(16)	(16)	16	16
Financial Liabilities					
Interest Bearing Liabilities	53,684	-	-	-	-
Total increase/(decrease)		(125)	(125)	125	125

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

30 June 2015	Carrying Amount \$'000	Interest Rate Risk			
		-0.5%		+0.5%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets					
Cash and Cash Equivalents	55,264	(276)	(276)	276	276
Receivables	10,307	(17)	(17)	17	17
Financial Liabilities					
Interest Bearing Liabilities	60,343	15	15	(15)	(15)
Total increase/(decrease)		(278)	(278)	278	278

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(b) Credit Risk

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

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

An analysis of the ageing of Lower Murray Water's past due but not impaired receivables at reporting date has been provided in Note 8 (b).

At 30 June 2016, Lower Murray Water 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 Lower Murray Water will not be able to meet its financial obligations as they fall due. Lower Murray Water's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

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

Lower Murray Water's financial liability maturities are disclosed in the following table.

2015/16

Financial Instruments	Carrying Amount	6 months or less	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	10,346	10,346	-	-	-	-	-
Interest Bearing Liabilities	53,684	344	2,354	4,740	2,784	5,710	37,752
Total financial liabilities	64,030	10,690	2,354	4,740	2,784	5,710	37,752

2014/15

Financial Instruments	Carrying Amount	6 months or less	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	14,064	14,064	-	-	-	-	-
Interest Bearing Liabilities	60,343	4,325	2,334	2,698	4,740	5,614	40,632
Total financial liabilities	74,407	18,389	2,334	2,698	4,740	5,614	40,632

The Receivables and payables exclude statutory amounts.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(d) Fair Value Measurements

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

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

	2016 Carrying Amount \$'000	2016 Net Fair Value \$'000	2015 Carrying Amount \$'000	2015 Net Fair Value \$'000
Financial Assets				
Cash and Cash Equivalents	21,861	21,861	55,264	55,264
Receivables	10,176	10,176	10,307	10,307
Total Financial Assets	32,037	32,037	65,571	65,571
Financial Liabilities				
Payables	10,346	10,346	14,064	14,064
Interest Bearing Liabilities	53,684	69,181	60,343	70,108
Total Financial Liabilities	64,030	79,527	74,407	84,172

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 Lower Murray Water's financial liabilities measured and recognised at fair value by level of the fair value measurement hierarchy:

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

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or 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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2016				
Financial Liabilities				
Interest Bearing Liabilities	-	69,181	-	69,181
Total Financial Liabilities	-	69,181	-	69,181
30 June 2015				
Financial Liabilities				
Interest Bearing Liabilities	-	70,108	-	70,108
Total Financial Liabilities	-	70,108	-	70,108

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 3 - REVENUE

(a) Operating Revenue comprises:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Tariff Charges	37,939	37,235	19,108	18,544	18,831	18,691
Government Pensioner Rate Reimbursement	2,134	2,068	2,083	2,024	51	44
Metered Charges	19,233	17,770	13,468	12,503	5,765	5,267
Trade Waste Charges	768	731	768	731	-	-
Customer Service Obligations	159	161	159	161	-	-
	60,233	57,965	35,586	33,963	24,647	24,002

(b) Income For Capital Purposes:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Developer/Capital Contributions	2,081	2,577	1,868	2,307	213	270
Government Contributions	1,500	2,500	-	-	1,500	2,500
Scheme Contributions	21	34	21	11	-	23
	3,602	5,111	1,889	2,318	1,713	2,793

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

(c) Other Revenue:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Fees	1,413	1,389	949	941	464	448
Rent/Lease/Annual Water Trade Income	1,680	1,068	1,362	1,022	318	46
Government Contributions (Non Capital)	-	50	-	-	-	50
Sundry Income	678	871	372	441	306	430
	3,771	3,378	2,683	2,404	1,088	974

(d) Interest Revenue comprises:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest from cash and cash equivalents	694	796	60	62	634	734
Interest on Charges	140	145	-	-	140	145
Interest on Private Schemes	33	29	33	29	-	-
	867	970	93	91	774	879

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(e) Net gain/(loss) on disposal of non-financial assets

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Proceeds from sale of non-financial assets	2,148	1,110	168	583	1,980	527
Disposal of non-financial assets other than assets held for sale	(750)	(424)	(394)	(222)	(356)	(202)
Disposal of non-financial assets - assets held for sale	(1,587)	(590)	-	(310)	(1,587)	(280)
	(189)	96	(226)	51	37	45

Note 4 - EXPENDITURE

(a) Direct Expenses comprise:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Labour	7,301	7,213	3,924	3,804	3,377	3,409
Bulk Water Charge	4,996	4,960	750	739	4,246	4,221
AboveEntitlement Store Charge	412	290	21	3	391	287
Chemicals	891	866	844	818	47	48
Electricity	6,196	5,599	2,024	1,948	4,172	3,651
Repairs and Maintenance	5,904	6,116	3,514	3,503	2,390	2,613
Depreciation & Amortisation Expense	26,801	24,099	13,054	12,701	13,747	11,398
Lease/Rentals Expenses	180	119	69	62	111	57
Write off of Assets	4,258	3,833	160	137	4,098	3,696
Impairment Loss	1,542	-	810	-	732	-
Consultants	1,770	1,899	470	278	1,300	1,621
Other Expenses	749	1,032	550	657	199	375
	61,000	56,026	26,190	24,650	34,810	31,376

(b) Administration Expenses comprise:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Salaries & Labour Oncost	8,974	8,488	4,937	4,681	4,037	3,807
External Audit Fees (Refer Note 26)	83	87	44	46	39	41
Bank Charges & Agency Collection Fees	255	184	134	97	121	87
Insurances	188	489	99	257	89	232
Environmental Contribution	1,579	1,579	1,209	1,209	370	370
Depreciation & Amortisation Expense (Refer Note 5)	1,624	1,775	966	1,301	658	474
Bad Debts, Doubtful Debts and Write Offs	123	173	95	92	28	81
Directors & Chair Allowance	161	149	85	78	76	71
Other Expenses	3,551	3,329	2,162	2,023	1,389	1,306
	16,538	16,253	9,731	9,784	6,807	6,469

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(c) Finance Costs:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest on Loans	3,050	3,213	1,460	1,505	1,590	1,708
Financial Accommodation Levy	614	652	278	289	336	363
	3,664	3,865	1,738	1,794	1,926	2,071

Note 5 - DEPRECIATION & AMORTISATION

Depreciation & Amortisation expense for the year:

	2016 \$'000	2015 \$'000
Depreciation		
Infrastructure	26,330	23,536
Buildings	471	563
Plant, Equipment and Vehicles	1,055	1,133
	27,856	25,232
Software Amortisation	569	642
	28,425	25,874
Allocated to direct expenses (Refer Note 4a)	26,801	24,099
Allocated to administration expenses (Refer Note 4b)	1,624	1,775
	28,425	25,874

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 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. Components of tax expense:

Current Tax Payable
Deferred tax relating to temporary differences
Adjustments for current tax on prior periods

2016 \$'000	2015 \$'000
-	-
4,262	2,584
-	-
4,262	2,584

Deferred income tax expense included in income tax expense comprises:

Decrease/(Increase) in Deferred Tax Asset (Note 18)
(Decrease)/Increase in Deferred Tax Liability (Note 18)
Decrease/(Increase) in Equity (Note 19)

988	(1,589)
14,155	(574)
(19,405)	(421)
(4,262)	(2,584)

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

(12,753) (8,443)

Prima facie tax payable on net result from ordinary activities before
income tax at 30% (2015: 30%)

(3,826) (2,533)

Add tax effect of:

Other non allowable items

28 45

Recoupment of losses

- -

(3,798) (2,488)

Tax effect of:

Other items of income and expenditure

(464) (96)

Correction to prior year tax expense

- -

Income Tax Expense/(Revenue) recognised in the Comprehensive Operating Statement

(4,262) (2,584)

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 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:

	2016 \$'000	2015 \$'000
Cash on hand	3	3
Cash at bank	2,008	4,711
Deposits at call	13,850	50,550
Investments due less than 3 months	6,000	-
	21,861	55,264

Cash on hand is non-interest bearing.

The cash at bank and deposits at call are bearing floating interest rates between 1.15% and 1.7%.
(2015: between 1.4% and 1.95%)

Note 8 - RECEIVABLES

Receivables comprise of:

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Current Receivables:</u>						
Tariffs & Charges	7,285	7,472	4,393	4,387	2,892	3,085
Scheme Debtors	238	317	236	317	2	-
Other Debtors	2,685	2,618	1,251	1,301	1,434	1,317
Provision for Impairment of Tariffs and Charges	(147)	(138)	(107)	(105)	(40)	(33)
Total Current Receivables	10,061	10,269	5,773	5,900	4,288	4,369
<u>Non Current Receivables:</u>						
Scheme Debtors	115	38	115	33	-	5
Total Non Current Receivables	115	38	115	33	-	5

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(a) Provision for impaired receivables

As of 30 June 2016, receivables of \$147,035 (2015: \$137,549) were impaired. The individually impaired receivables are mainly related to urban residential property debtors, and irrigation and drainage property debtors.

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

The ageing analysis of these receivables is as follows:

	2016 \$'000	2015 \$'000
3 - 6 months	1	1
Over 6 months	146	137
	147	138

Movements in the provision for impaired receivables are as follows:

	2016 \$'000	2015 \$'000
Opening balance at 1 July	(138)	(355)
Provision for impairment recognised/derecognised during the year	(9)	179
Receivables written off during the year as uncollectable	-	38
Closing balance at 30 June	(147)	(138)

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 2016 receivables of \$6,020,150 (2015: \$5,391,374) 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:

	2016 \$'000	2015 \$'000
0 - 3 months	1,766	2,022
3 - 6 months	736	957
Over 6 months	3,518	2,412
	6,020	5,391

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.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(c) Fair value

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

Assessment of the non-current receivables reveals their carrying value also approximates to fair value.

	2016 Carrying Amount \$'000	2016 Net Fair Value \$'000	2015 Carrying Amount \$'000	2015 Net Fair Value \$'000
Scheme Debtors	115	115	38	38

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

Note 9 - INVENTORIES

Values as at 30 June, were:

	2016 \$'000	2015 \$'000
Stores and Consumables - at cost	3,028	2,967
Total Inventories	3,028	2,967

Note 10 - ASSETS HELD FOR SALE

(a) Movements during the reporting period

	2016 \$'000	2015 \$'000
Balance 1 July - Land held for Sale	4,917	5,937
Revaluation increment/(decrement) (Note 20)	-	(430)
Sales	(1,587)	(590)
Total Assets Held for Sale	3,330	4,917

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(b) Fair value measurement hierarchy for assets held for sale as at 30 June 2016

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

Fair value was determined by an independent valuer using the market approach by analysing GST-free land sales in comparable proximity to the subject properties and allowing for shape, size, topography, location, zoning and other relevant factors specific to the land being valued. Land held for sale is carried at fair value less costs of disposal.

2015-2016		Carrying Amount as at 30 June 2016	Fair Value measurement at end of reporting period using:		
			Level 1	Level 2	Level 3
Land Held for Sale at Fair Value	Non-specialised Land	3,330	-	3,330	-
Total of Land Held for Sale at Fair Value		3,330	-	3,330	-
Total Assets Held for Sale at Fair Value		3,330	-	3,330	-

2014-2015		Carrying Amount as at 30 June 2015	Fair Value measurement at end of reporting period using:		
			Level 1	Level 2	Level 3
Land Held for Sale at Fair Value	Non-specialised Land	4,917	-	4,917	-
Total of Land Held for Sale at Fair Value		4,917	-	4,917	-
Total Assets Held for Sale at Fair Value		4,917	-	4,917	-

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 11 - INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

(a) Classes of infrastructure, property, plant and equipment

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE		ADMINISTRATION	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Land - at valuation	13,349	13,036	6,318	6,793	4,777	3,317	2,254	2,926
Land - subsequent additions at fair value	12	554	-	281	12	101	-	172
Total land at fair value	13,361	13,590	6,318	7,074	4,789	3,418	2,254	3,098
Buildings - at valuation	8,822	18,891	2,904	10,337	813	2,821	5,105	5,733
Buildings - subsequent additions at fair value	444	-	416	-	7	-	21	-
Less: Accumulated	(4)	-	(4)	-	-	-	-	-
Total buildings at fair value	9,262	18,891	3,316	10,337	820	2,821	5,126	5,733
Infrastructure - at valuation	752,906	682,503	451,973	317,065	300,933	365,438	-	-
Infrastructure - at fair value	78,081	115,599	12,674	81,789	65,407	33,810	-	-
Less: Accumulated	(806)	(87,951)	(186)	(47,801)	(620)	(40,150)	-	-
Total infrastructure at fair value	830,181	710,151	464,461	351,053	365,720	359,098	-	-
Plant, Equipment & Vehicles	15,623	15,059	11	11	227	227	15,385	14,821
Less: Accumulated	(9,931)	(9,464)	(11)	(11)	(150)	(149)	(9,770)	(9,304)
Total plant, equipment and vehicles at fair value	5,692	5,595	-	-	77	78	5,615	5,517
Works In Progress at cost	32,686	48,838	7,880	9,617	24,600	39,015	206	206
Total infrastructure, property, plant and equipment at fair value	891,182	797,065	481,975	378,081	396,006	404,430	13,201	14,554

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Freehold land and buildings carried at fair value

An independent valuation of Lower Murray Water'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 2016.

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 was applied to various sites.

The methodology employed to value the buildings was a mixture of market based direct comparison approach whereby the subject buildings are compared to recent comparable sales and the depreciated replacement cost method. The depreciated replacement cost method is used where the approach on market evidence is not suitable as the property is rarely sold except as part of a continuing business, or alternatively, the improvements are of a specialised nature and the market buying price would differ materially to the market selling price. The depreciated replacement cost is the cost of the asset considering the useful life of the asset and then making a deduction based on the condition of the asset and the used economic life of that asset.

Infrastructure carried at fair value

An independent valuation of Lower Murray Water's infrastructure was performed by the Valuer-General Victoria who engaged Jacobs 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 modern equivalent in accordance with the relevant legislation, industry standards and guidelines. The Board assessed all valuation methodologies in determining the the depreciated replacement cost method. Where Lower Murray Water provided a reasonable condition assessment to Jacob, 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 2016.

Plant, Equipment & Vehicles carried at fair value

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(b) Movements during the reporting period

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

2015-2016	Carrying Amount 1 July	Additions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets Held for Sale	Carrying Amount 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,590	-	12	(45)	-	(196)	-	13,361
Infrastructure	710,151	460	77,631	(4,672)	(26,330)	72,941	-	830,181
Buildings	18,891	24	419	-	(471)	(9,601)	-	9,262
Plant, Equipment, and Vehicles	5,595	1,442	-	(290)	(1,055)	-	-	5,692
Works In Progress	48,838	61,945	(78,097)	-	-	-	-	32,686
	797,065	63,871	(35)	(5,007)	(27,856)	63,144	-	891,182

Disposals include amounts disclosed in Note 3(e) - Disposal of non-financial assets other than assets held for sale \$1,747 and Note 4(a) - Write off of assets \$4,246.

2014-2015	Carrying Amount 1 July	Additions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets Held for Sale	Carrying Amount 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	13,645	-	-	(55)	-	-	-	13,590
Infrastructure	713,362	57	23,810	(3,542)	(23,536)	-	-	710,151
Buildings	17,576	10	36	-	(563)	1,832	-	18,891
Plant, Equipment, and Vehicles	5,717	1,665	6	(660)	(1,133)	-	-	5,595
Works In Progress	21,029	51,699	(23,890)	-	-	-	-	48,838
	771,329	53,431	(38)	(4,257)	(25,232)	1,832	-	797,065

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(c) Fair value measurement hierarchy for assets as at 30 June 2016

Refer Note 1 for the accounting policy relating to disclosure of the fair value measurement hierarchy.

The fair value measurement hierarchy for assets as at 30 June 2016 is presented below. Please note this does not reconcile to the tables presented above as this only includes those assets measured at fair value.

2015-2016		Carrying Amount as at 30 June 2016 \$'000	Fair Value measurement at end of reporting period using:		
			Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land at Fair Value					
	Non-specialised Land	10,922	-	10,922	-
	Specialised Land	2,439	-	-	2,439
Total of Land at Fair Value		13,361	-	10,922	2,439
Buildings at Fair Value					
	Non-specialised Buildings	5,703	-	-	5,703
	Specialised Buildings	3,559	-	-	3,559
Total Buildings at Fair Value		9,262	-	-	9,262
Plant, Equipment and Vehicles at Fair Value					
	Vehicles	3,797	-	-	3,797
	Plant and Equipment	1,895	-	-	1,895
Total of Plant, Equipment and Vehicles as Fair Value		5,692	-	-	5,692
Infrastructure at Fair Value					
	Water Storage	13,967	-	-	13,967
	Water Pumping Stations	20,015	-	-	20,015
	Sewer Pumping Stations	20,525	-	-	20,525
	Irrigation Pumping Stations	49,046	-	-	49,046
	Water Treatment Plants	80,939	-	-	80,939
	Waste Water Treatment Plants	36,104	-	-	36,104
	Water Pipeline Infrastructure	143,914	-	-	143,914
	Sewer Pipeline Infrastructure	148,997	-	-	148,997
	Irrigation Pipeline Infrastructure	297,997	-	-	297,997
	Other Structures	18,677	-	-	18,677
Total Infrastructure at Fair Value		830,181	-	-	830,181
Total Infrastructure, Property, Plant and Equipment at Fair Value		858,496	-	10,922	847,574

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2014-2015		Carrying Amount as at 30 June 2015	Fair Value measurement at end of reporting period using:		
			Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000
Land at Fair Value					
	Non-specialised Land	11,389	-	11,389	-
	Specialised Land	2,201	-	-	2,201
Total of Land at Fair Value		13,590	-	11,389	2,201
Buildings at Fair Value					
	Non-specialised Buildings	5,749	-	5,749	-
	Specialised Buildings	13,142	-	-	13,142
Total Buildings at Fair Value		18,891	-	5,749	13,142
Plant, Equipment and Vehicles at Fair Value					
	Vehicles	3,736	-	-	3,736
	Plant and Equipment	1,859	-	-	1,859
Total of Plant, Equipment and Vehicles as Fair Value		5,595	-	-	5,595
Infrastructure at Fair Value					
	Water Storage	12,629	-	-	12,629
	Water Pumping Stations	8,487	-	-	8,487
	Sewer Pumping Stations	14,272	-	-	14,272
	Irrigation Pumping Stations	33,878	-	-	33,878
	Water Treatment Plants	56,216	-	-	56,216
	Waste Water Treatment Plants	51,795	-	-	51,795
	Water Pipeline Infrastructure	103,239	-	-	103,239
	Sewer Pipeline Infrastructure	104,415	-	-	104,415
	Irrigation Pipeline Infrastructure	310,776	-	-	310,776
	Other Structures	14,444	-	-	14,444
Total Infrastructure at Fair Value		710,151	-	-	710,151
Total Infrastructure, Property, Plant and Equipment at Fair Value		748,227	-	17,138	731,089

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

There were no changes in valuation techniques throughout the period to June 2016.

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

Non-specialised Land and Buildings

To the extent that non-specialised land and buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach. (refer to Note 11(a) for valuation technique)

Specialised Land and Buildings

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

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

For Lower Murray Water's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

Plant and Equipment

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

Vehicles

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

Infrastructure

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(d) Reconciliation of Level 3 fair value measurement hierarchy

2015-2016

	Carrying Amount 1 July	Additions	Transfers in (out) of Level 3	Disposals	Depreciation	Impairment	Revaluation	Transfer from (to) Assets Held for Sale	Carrying Amount 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land									
Specialised Land	2,201	-	-	(45)	-	-	283	-	2,439
Buildings									
Non Specialised Buildings	-	3	5,749	-	(204)	-	155	-	5,703
Specialised Buildings	13,142	440	-	-	(267)	-	(9,756)	-	3,559
Plant, Equipment, and Vehicles									
Vehicles	3,736	856	-	(648)	(147)		-	-	3,797
Plant and Equipment	1,859	586	-	(231)	(319)	-	-	-	1,895
Infrastructure									
Water Storage Tanks	12,629	315	-	-	(684)	-	1,707	-	13,967
Water Pumping Stations	8,487	296	-	(31)	(683)	-	11,946	-	20,015
Sewer Pumping Stations	14,272	404	-	(101)	(689)	-	6,639	-	20,525
Irrigation Pumping Stations	33,878	15,184	-	(2,626)	(1,575)	-	4,184	-	49,046
Water Treatment Plants	56,216	7,287	-	(154)	(3,899)	-	21,489	-	80,939
Waste Water Treatment Plants	51,795	1,218	-	-	(2,274)	-	(14,635)	-	36,104
Water Pipeline Infrastructure	103,239	1,629	-	(12)	(2,287)	-	41,345	-	143,914
Sewer Pipeline Infrastructure	104,415	1,523	-	-	(2,235)	-	45,294	-	148,997
Irrigation Pipeline Infrastructure	310,776	50,048	-	(3,796)	(10,586)	-	(48,445)	-	297,997
Other Structures	14,444	86	-	-	(167)	-	4,314	-	18,677
	731,089	79,875	5,749	(7,644)	(26,016)	-	64,520	-	847,574

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2014-2015

	Carrying Amount 1 July	Additions	Transfers in (out) of Level 3	Disposals	Depreciation	Impairment	Revaluation	Transfer from (to) Assets Held for Sale	Carrying Amount 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land									
Specialised Land	2,201	-	-	-	-	-	-	-	2,201
Buildings									
Specialised Buildings	11,625	11	36	-	(315)	-	1,785	-	13,142
Plant, Equipment, and Vehicles									
Vehicles	3,581	1,284	-	(658)	(471)	-	-	-	3,736
Plant and Equipment	2,136	387	-	(1)	(663)	-	-	-	1,859
Infrastructure									
Water Storage Tanks	13,310	-	-	-	(681)	-	-	-	12,629
Water Pumping Stations	8,956	208	-	-	(677)	-	-	-	8,487
Sewer Pumping Stations	14,253	675	-	-	(656)	-	-	-	14,272
Irrigation Pumping Stations	25,740	11,552	-	(2,346)	(1,069)	-	-	-	33,878
Water Treatment Plants	59,005	893	-	-	(3,682)	-	-	-	56,216
Waste Water Treatment Plants	53,340	645	-	-	(2,190)	-	-	-	51,795
Water Pipeline Infrastructure	102,964	2,619	-	(85)	(2,259)	-	-	-	103,239
Sewer Pipeline Infrastructure	106,205	471	-	(51)	(2,210)	-	-	-	104,415
Irrigation Pipeline Infrastructure	314,984	6,797	-	(1,060)	(9,945)	-	-	-	310,776
Other Structures	14,604	6	-	-	(166)	-	-	-	14,444
	732,904	25,548	36	(4,201)	(24,984)	-	1,785	-	731,089

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(e) Description of significant unobservable inputs to Level 3 valuations 2015-2016

	Fair Value at 30 June 2016 \$'000	Valuation Technique	Significant unobservable inputs
Specialised Land	2,439	Market Approach	Community Service Obligation (CSO) adjustment VGV provided to Egan National Valuers (Vic)
Specialised Buildings	3,559	Depreciated replacement cost	Direct cost per sqm Useful life of specialised buildings
Vehicles	3,797	Depreciated replacement cost	Cost per unit Useful life of vehicles
Plant and Equipment	1,895	Depreciated replacement cost	Cost per unit Useful life of plant & equipment
Water Storage Tanks	13,967	Depreciated replacement cost	Cost per Unit Useful life of water storage tanks
Water Pumping Stations	20,015	Depreciated replacement cost	Cost per Unit Useful life of water pumping stations
Sewer Pumping Stations	20,525	Depreciated replacement cost	Cost per Unit Useful life of sewer pumping stations
Irrigation Pumping Stations	49,046	Depreciated replacement cost	Cost per Unit Useful life of irrigation pumping stations

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Water Treatment Plants	80,939	Depreciated replacement cost	Cost per Unit
			Useful life of water treatment plants
Wastewater Treatment Plants	36,104	Depreciated replacement cost	Cost per Unit
			Useful life of wastewater treatment plants
Water Pipeline Infrastructure	143,914	Depreciated replacement cost	Cost per Metre
			Useful life of water pipeline infrastructure
Sewer Pipeline Infrastructure	148,997	Depreciated replacement cost	Cost per Metre
			Useful life of sewer pipeline infrastructure
Irrigation Pipeline Infrastructure	297,997	Depreciated replacement cost	Cost per Metre
			Useful life of irrigation pipeline infrastructure
Other Structures	18,677	Depreciated replacement cost	Cost per Unit
			Useful life of other structures

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(e) Description of significant unobservable inputs to Level 3 valuations 2014-2015

	Fair Value at 30 June 2015 \$'000	Valuation Technique	Sensitivity of Fair Value Measurement to changes in significant unobservable inputs
Specialised Land	2,201	Market Approach	Community Service Obligation (CSO) adjustment VGV provided to Egan National Valuers (Vic)
Specialised Buildings	13,142	Depreciated replacement cost	Direct cost per sqm Useful life of specialised buildings
Vehicles	3,736	Depreciated replacement cost	Cost per unit Useful life of vehicles
Plant and Equipment	1,859	Depreciated replacement cost	Cost per unit Useful life of plant & equipment
Water Storage Tanks	12,629	Depreciated replacement cost	Cost per Unit Useful life of water storage tanks
Water Pumping Stations	8,487	Depreciated replacement cost	Cost per Unit Useful life of water pumping stations
Sewer Pumping Stations	14,272	Depreciated replacement cost	Cost per Unit Useful life of sewer pumping stations
Irrigation Pumping Stations	33,878	Depreciated replacement cost	Cost per Unit

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Water Treatment Plants	56,216	Depreciated replacement cost	Cost per Unit Useful life of water treatment plants
Wastewater Treatment Plants	51,795	Depreciated replacement cost	Cost per Unit Useful life of wastewater treatment plants
Water Pipeline Infrastructure	103,239	Depreciated replacement cost	Cost per Metre Useful life of water pipeline infrastructure
Sewer Pipeline Infrastructure	104,415	Depreciated replacement cost	Cost per Metre Useful life of sewer pipeline infrastructure
Irrigation Pipeline Infrastructure	310,776	Depreciated replacement cost	Cost per Metre Useful life of irrigation pipeline infrastructure
Other Structures	14,444	Depreciated replacement cost	Cost per Unit Useful life of other structures

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 12 - BIOLOGICAL ASSETS

Lower Murray Water recognises livestock as biological assets.

Livestock head count as at 30 June

2016	2015
612	497
2016 \$'000	2015 \$'000
64	57
44	44
-	-
4	5
(33)	(42)
79	64

Movements in carrying amounts of livestock

Opening balance at 1 July
 Increase due to births/transfers in
 Increase due to purchases
 Increase/(decrease) due to fair value adjustment
 Decrease attributable to disposal/transfers out
 Closing balance at 30 June

Fair value was determined by an independent valuer using the market approach by analysing livestock prices in comparable proximity and condition to the livestock being valued.

Biological assets have been classified as fair value - hierarchy level 2. Refer to Note 1(h) which describes the fair value hierarchy.

Note 13 - INTANGIBLE ASSETS

	Carrying Amount 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Carrying Amount 30 June
2015-2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software Development Costs	816	357	35	-	-	(569)	639
Water Shares	4,797	-	-	-	-	-	4,797
	5,613	357	35	-	-	(569)	5,436
2014-2015	Carrying Amount 1 July	Additions	Transfers between classes	Disposals	Impairment	Amortisation	Carrying Amount 30 June
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software Development Costs	1,197	223	38	-	-	(642)	816
Water Shares	4,797	-	-	-	-	-	4,797
	5,994	223	38	-	-	(642)	5,613

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 14 - PAYABLES

	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade and Accrued Creditors	8,398	12,673	2,255	5,982	6,143	6,691
Deposits	619	573	587	537	32	36
Advances for Works Program	414	480	-	-	414	480
Other	1,339	793	1,321	793	18	-
	10,770	14,519	4,163	7,312	6,607	7,207

(a) Fair Value

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

Note 15 - INTEREST BEARING LIABILITIES

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

Secured:

	TOTAL		CURRENT (12 MONTHS)		NON-CURRENT (2-5 YEARS)		NON-CURRENT (OVER 5 YEARS)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Loans	53,684	60,343	2,698	6,659	13,234	13,052	37,752	40,632
	53,684	60,343	2,698	6,659	13,234	13,052	37,752	40,632

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

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(b) Credit Standby Arrangement with Banks

	2016 \$'000	2015 \$'000
Credit Facility	250	250
Amount Utilised	-	-
Unused Credit Facility	250	250

(c) Fair value

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

	2016 Carrying Amount \$'000	2016 Net Fair Value \$'000	2015 Carrying Amount \$'000	2015 Net Fair Value \$'000
Loans	53,684	69,181	60,343	70,108

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

Note 16 - EMPLOYEE BENEFITS

	TOTAL		CURRENT		NON-CURRENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Annual Leave	1,916	1,849	1,916	1,849	-	-
Accumulated Sick Leave	36	32	36	32	-	-
Long Service Leave	3,758	3,532	3,504	3,211	254	321
Accrued Bonus	163	155	163	155	-	-
Aggregate Carrying Amount of Employee Benefits	5,873	5,568	5,619	5,247	254	321

Employee numbers at end of financial year 2016: 174 (2015: 173)

Accrued bonuses pertain to 16 employees for the financial year 2016 (2015: 17)

Employee Benefit and related On-Costs

	TOTAL		CURRENT		NON-CURRENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Annual Leave On-Costs	264	232	264	232	-	-
Long Service Leave On-Costs	535	497	500	453	35	44
Total On-Costs	799	729	764	685	35	44

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Annual Leave

Current:

Short term benefits, expected to be settled wholly within 12 months after the end of the period measured at nominal value

Long term benefits, not expected to be settled wholly within 12 months after the end of the period measured at present value

2016 \$'000	2015 \$'000
205	-
1,711	1,849
1,916	1,849
110	107
1.585%	1.930%

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

Calculated average hours of leave taken by staff annually

Discount rate for annual leave not settled wholly within 12 mths

Long Service Leave

Lower Murray Water's legal liability to Long Service Leave attributable to its employees at 30 June 2016 was \$3,757,767 which has been fully funded.

Current:

Short term benefits, unconditional and expected to settle wholly within 12 months of the period measured at nominal value

Long term benefits, unconditional and expected to settle wholly after 12 months after the end of the period measured at present value

2016 \$'000	2015 \$'000
-	-
3,504	3,211
3,504	3,211
254	321
3,758	3,532

Non Current

Long Service Leave being less than 7 years of continuous service measured at present value

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 17 - SUPERANNUATION

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee legislation (for 2014/15, this was 9.5%)).

Defined Benefit

Lower Murray Water does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Lower Murray Water in the Fund cannot be as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 because of the pooled nature of the Fund's defined benefit category.

Funding Arrangements

Lower Murray Water makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The Fund's latest actuarial investigation was held as at 30 June 2014 and it was determined that the Vested Benefit Indexed (VBI) of the defined benefit category of which Lower Murray Water is a contributing employer was 103.4%.

To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns	7.0%pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa.

Vision Super has advised that the estimated VBI at 30 June quarter 2016 was 102.0%.

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

Employer Contributions

Regular Contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Lower Murray Water makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the SG contribution rate.

In addition, Lower Murray Water reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Funding Calls

If the defined benefit category is in an unsatisfactory financial position at an actuarial investigation or the defined benefit's category's VBI is below its shortfall limit at any time other than at the date of the actuarial investigation, the defined benefit category has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Lower Murray Water) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

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

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

Latest Actuarial Investigation Surplus Amounts

The Fund's latest actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Lower Murray Water is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Lower Murray Water was notified of the 30 June 2015 VBI during August 2015.

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

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

Contributions by Lower Murray Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of Scheme	Employee Numbers	2016	2015	2016	2015
			Rate	Rate	\$'000	\$'000
State Superannuation Board Revised Scheme	Defined Benefit	1	17.30%	17.30%	15	36
State Superannuation Board New Scheme	Defined Benefit	3	9.50%	9.50%	20	30
Vision Super	Defined Benefit	24	9.50%	9.50%	200	227
Vision Super Saver	Accumulation	106	9.50%	9.50%	663	639
Others	Various	77	9.50%	9.50%	416	215
Total Contributions to all funds					1,314	1,147

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2016. The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is \$231,576 (2016: \$229,000).

Note 18 - DEFERRED TAXES

Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in Comprehensive Operating Statement

Employee benefits

Other

Tax losses

2016	2015
\$'000	\$'000

1,762	1,670
171	160
23,820	24,911
25,753	26,741

Movements

Opening balance at 1 July

Credited/(charged) to the Comprehensive Operating Statement

Under/(Over) Provision

Closing balance at 30 June

26,741	25,152
(988)	1,589
-	-
25,753	26,741

Deferred Tax Liabilities

Deferred tax liability comprises:

Tax allowances relating to property, plant, and equipment

Other

Current Tax Liability

Deferred Tax Liability

2016	2015
\$'000	\$'000

144,147	129,993
24	23
-	-
144,171	130,016

Movements

Opening Balance 1 July

Charged/(credited) to the Comprehensive Operating Statement

Under/Over Provision

Current Tax Liability

Charged/(credited) to equity

Closing balance 30 June

130,016	130,590
(5,250)	(995)
-	-
-	-
19,405	421
144,171	130,016

Net Deferred Assets/(Liabilities)

(118,418)	(103,275)
------------------	------------------

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 19 - CONTRIBUTED CAPITAL

	2016 \$'000	2015 \$'000
Opening balance 1 July	612,533	565,566
Capital transactions with the State in its capacity as owner arising from:		
- Capital Contributions (funding for the Sunraysia Modernisation Project)	17,040	46,967
Closing balance 30 June	629,573	612,533

Note 20 - ASSET REVALUATION RESERVE

	2016 \$'000	2015 \$'000
Movements in Asset Revaluation Reserve		
Balance 1 July	154,645	153,664
Revaluation increment/(decrement)	64,683	1,402
Tax effect of revaluation increment/(decrement)	(19,405)	(421)
Balance 30 June	199,923	154,645
Movements by class		
Land		
Balance 1 July	2,116	2,417
Revaluation increment/(decrement)	(196)	(430)
Tax effect of revaluation increment/(decrement)	59	129
Balance 30 June	1,979	2,116
Buildings		
Balance 1 July	5,643	4,361
Revaluation increment/(decrement)	(8,061)	1,832
Tax effect of revaluation increment/(decrement)	2,418	(550)
Balance 30 June	0	5,643
Infrastructure		
Balance 1 July	146,886	146,886
Revaluation increment/(decrement)	72,940	-
Tax effect of revaluation increment/(decrement)	(21,882)	-
Balance 30 June	197,944	146,886

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 21 - ACCUMULATED DEFICIT

	2016 \$'000	2015 \$'000
Accumulated Deficit at 1 July	(74,354)	(68,495)
Net Surplus/(Deficit) for the year after Income Tax Expense	(8,491)	(5,859)
Accumulated Deficit at 30 June	(82,845)	(74,354)

Note 22 - EQUITY

	2016 \$'000	2015 \$'000
Total Equity at 1 July	692,824	650,735
Total Other Changes in Equity Recognised in the Statement of Changes in Equity	53,827	42,089
Total Equity at 30 June	746,651	692,824

Note 23 - RECONCILIATION OF NET RESULT FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016 \$'000	2015 \$'000
Net result for the year after income tax	(8,491)	(5,859)
Add/(less) Non Cash Flows in Net result		
Depreciation/Amortisation	28,425	25,874
Impairment Loss	1,542	-
Income Tax Expense/(Revenue)	(4,262)	(2,584)
Assets Written off	4,258	3,833
Loss/(Gain) on Disposal of Non-Current Physical Assets	189	(96)
	21,661	21,168
Changes in Assets & Liabilities:		
Decrease/(Increase) in Receivables	130	(2,792)
Decrease/(Increase) in Inventories	(76)	91
Decrease/(Increase) in Prepayments	29	(63)
Increase/(Decrease) in Payables & Provisions	(252)	(368)
Increase/(Decrease) in Employee Benefits	306	182
Net Cash provided by/(used in) Operating Activities	21,798	18,218
Non-cash investing activities		
Accrued payments for purchases of Infrastructure, Property, Plant and Equipment	(3,498)	9,169

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 24 - COMMITMENTS

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

Capital Commitments for Incomplete Contracts

	2016 \$'000	2015 \$'000
Payment due within one year	9,221	63,511
Payments due between one to three years	-	491
	9,221	64,002

Included in the Capital commitments is the commitment of the Funding agreement between Lower Murray Water and the Commonwealth and State Governments for the Sunraysia Modernisation Project (SMP). The funding agreement is for \$119M of capital works to be completed with \$103M being funded by the Commonwealth Government. The SMP is to be concluded in the 2016/17 financial year.

Operating Lease Commitments

	2016 \$'000	2015 \$'000
Payment due within one year	41	35
Payments due between one to three years	-	-
	41	35

Environmental Contribution Commitments

	2016 \$'000	2015 \$'000
Payment due within one year	1,579	1,639
Payments due between two to three years	2,278	-
	3,857	1,639

Capital Receivables

	2016 \$'000	2015 \$'000
Receivables due between two to three years	-	3,475
	-	3,475

Capital Receivables are in-line with milestone payments to be made by the Commonwealth Government in connection with the Sunraysia Modernisation Project (SMP).

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note 25 - RESPONSIBLE PERSONS DISCLOSURE

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

(i) Names of Persons who were responsible persons at any time during the financial year ended 30 June, 2016:

Ministers	The Hon Lisa Neville MP	Minister for Environment, Climate Change and Water (1 July 2015 to 22 May 2016)
	The Hon Lisa Neville MP	Minister for Water (23 May 2016 to 30 June 2016)

Members

Mr. P Endley (Managing Director) (01/07/2015 - 30/06/2016)
 Mr J Tesoriero (Chairperson) (01/07/2015 - 30/06/2016)
 Ms C Rix (Deputy Chairperson) (01/07/2015 - 30/06/2016)
 Mr Tony Mathews (01/07/2015 - 30/06/2016)
 Ms Kay Martin (01/07/2015 - 30/06/2016)
 Mr Jason Kambovski (01/10/2015 - 30/06/2016)
 Mr Guy Kingwill (01/10/2015 - 30/06/2016)
 Ms Liza McDonald (01/10/2015 - 30/06/2016)
 Ms Sharyon Peart (01/10/2015 - 30/06/2016)
 Mr M Bennett (01/07/2015 - 30/09/2015)
 Mr G Robertson (01/07/2015 - 30/09/2015)
 Mr B Bishop (01/07/2015 - 30/09/2015)

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

During the year the following person(s) acted as Managing Director in the Managing Director's absence.

Mr D Girdwood	8 Days
---------------	--------

(ii) Total Remuneration received or due and receivable by responsible persons totalled \$425,653 (2015: \$365,712).

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

	2016	2015
\$1 - \$10,000	3	-
\$10,001 - \$20,000	6	4
\$20,001 - \$30,000	1	2
\$40,001 - \$50,000	1	1
\$200,001 - \$210,000		1
\$260,001 - \$270,000	1	-
Total Numbers	12	8

During the 2016 financial year 3 responsible persons, Mr M Bennett, Mr B Bishop and Mr G Robertson reached the end of their appointed term and 4 new responsible persons were appointed being Mr G Kingwill, Ms Liza McDonald, Ms S Peart and Mr J Kambovski.

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

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(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 9.5% (2015: 9.5%). Contributions of \$34,429 (2015: \$33,304) were paid on behalf of the Directors in accordance with the Superannuation Guarantee Charge at the required rate of 9.5% (2015: 9.5%).

(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 Lower Murray Water under normal terms and conditions, no more favourable than to other parties.

There were no other transactions relating to responsible persons and related entities for the 2016 or 2015 financial years.

(vi) Retirement Benefits and Loans:

There were no other retirement benefits or loans provided to responsible persons during the 2016 or 2015 financial years.

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

	Total Remuneration		Base Remuneration	
	2016	2015	2016	2015
\$100,000 - \$110,000	-	-	-	-
\$110,001 - \$120,000	-	-	-	-
\$120,001 - \$130,000	-	-	-	-
\$130,001 - \$140,000	-	-	-	-
\$140,001 - \$150,000	-	-	-	-
\$150,001 - \$160,000	-	-	-	-
\$160,001 - \$170,000	-	-	-	-
\$170,001 - \$180,000	-	1	2	2
\$180,001 - \$190,000	2	1	-	-
\$190,001 - \$200,000	-	-	-	-
\$200,001 - \$210,000	-	-	1	1
\$210,001 - \$220,000	1	1	-	1
\$220,001 - \$230,000	-	1	1	-
\$230,001 - \$240,000	1	-	-	-
Total Numbers	4	4	4	4
Total Annualised Employee Equivalent (AEE) *	4	4	4	4
Total Remuneration received or due and receivable by the Executives listed above totalled:	819,564	810,167	772,134	753,302

Prior year Lower Murray Water has re-classified the executive officers as per FRD 21B - Disclosures of Responsible Persons, Executive Officers and Other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report and have disclosed officers that are employed at an annual compensation rate not less than the minimum remuneration of the Victorian Public Service (VPS) EO-3 Band over the reporting period. Lower Murray Water has now re-classified the executive officers to be only the executive management. The 2015 comparatives have been restated to reflect the re-classification.

Total executive remuneration for 2015-16 has increased by 1.16%.

2015/16 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

(viii) Payments to other Personnel (i.e. contractors with significant management responsibilities)

Payments have been made to one contractor who was responsible for the planning, directing and managing a major Capital Works Project.

	Total expenses (exclusive of GST)	
	2016	2015
\$300,000- \$320,000	1	-
\$390,000- \$399,999	-	1

Note 26- AUDITOR REMUNERATION

	2016 \$'000	2015 \$'000
Remuneration of Auditors		
Victorian Auditor General's Office - Audit Services	83	87
	83	87

Note 27 - EX-GRATIA EXPENSES

	2016 \$'000	2015 \$'000
Ex-gratia expenses include individual items that are greater than or equal to \$5,000.		
Waiver of debt ^{(i) (ii)}	-	43
Total Ex-gratia Expenses	-	43

Notes:

- (i) Waiver of over usage water excess penalty charge from 2010 irrigation season. The ex-gratia expense is also presented in Note 4 (b) - Expenditure - Bad Debts, Doubtful Debts and Write Offs.
- (ii) Waiver of penalty interest charge which has compounded on outstanding scheme debt on change of property ownership which was overlooked by acting solicitor. The ex-gratia expense is also presented in Note 4 (b) - Expenditure - Bad Debts, Doubtful Debts and Write Offs.

Note 28 - EVENTS OCCURRING AFTER BALANCE DATE

No matters at this stage.

Note 29 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Board is aware of the following potential contingent liabilities:

Lower Murray Water has received notice of intended legal action to recover fees and charges disputed by a customer. At present the probability of the outcome cannot be reasonably determined.

A US Bankruptcy Court has served court proceeding documents against Australian Noteholders, LMW being one thereof, to recover investments funds that were paid out to LMW. These funds relate to investments made by a precursor Authority. LMW has filed to have the case dismissed. No details on the quantum nor when the legal action will take place are known.

Appendix 1—Disclosure Index

The 2015/16 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 2015/16 is compliant with all statutory reporting requirements.



Philip Endley
Managing Director
7th September 2016

ITEM	Disclosure	PAGE
Financial Reporting		
<i>(as required under Part 7 of the Financial Management Act 1994, Standing Directions and FRDs)</i>		
SD4.2(b)	Comprehensive Operating Statement	44
SD4.2(b)	Balance Sheet	45
SD4.2(b)	Statement of Changes in Equity	46
SD4.2(b)	Cash Flow Statement	47
FRD110		
SD4.2(b)	Notes accompanying the Financial Statements	48-101
SD4.2(c)	Accountable Officer's declaration	41
FRD120I	Accounting and Reporting pronouncements applicable to 2015/16 reporting period	48
FRD03A	Accounting for Dividends	60
FRD105A	Borrowing Costs	50
	Compliance with Australian accounting standards and other authoritative pronouncements	48
SD4.2(a)	Compliance with Ministerial Directions	48
FRD119A	Transfers through contributed capital	57
FRD112D	Defined Benefit Superannuation Obligations	51
FRD09A	Departmental Disclosure of Administered Assets and Liabilities by Activity	68
	Financial Instruments - General Government Entities and Public Non Financial	
FRD114A	Corporations	58
FRD106	Impairments of Assets	54
FRD121	Infrastructure Assets	77
FRD109	Intangible Assets	89
FRD102	Inventories	75
FRD103F	Non-current Physical Assets	53
SD4.2(d)	Rounding of amounts	48
Ministerial Reporting Directions		
MRD04	Bulk entitlement reporting	15
MRD01	Certification of Performance Report for 2015/16	34
MRD03	Community education and water awareness campaigns	21
MRD03	Community Service Obligations	25
MRD02	Corporate water consumption	25
MRD02	Drought Response	3
MRD03	Efficiency of irrigation systems	21
MRD01	Financial Performance Indicators	29
MRD03	Greenhouse Gas Emissions and Net Energy Consumption	24
MRD05	Major non-residential water users	18
MRD03	Regional Catchment Strategy	23
MRD01	Service and Environmental Performance Indicators (whole of business)	29

Appendix 1—Disclosure Index

ITEM	Disclosure	PAGE
Ministerial Reporting Directions (cont'd)		
MRD03	State Environment Property Policy (Waters of Victoria)	23
MRD01	Victorian Auditor-General's Report – Performance Statement	35
MRD03	Victorian Biodiversity Strategy	23
MRD03	Victorian Waterway Management Strategy	23
MRD02	Water consumption report	18
MRD03	Water recycling	20
Report of Operations		
FRD22G	Application and operation of <i>Freedom of Information Act 1982</i>	26
FRD22G	Application and operation of <i>Protected Disclosures Act 2012</i>	27
FRD22G	Board Member profiles, major committees	11
FRD22G	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	26
FRD22G	Details of consultancies <\$10,000	38
FRD22G	Details of consultancies >\$10,000	39
FRD10	Disclosure Index	Appendix 1
FRD12A	Disclosure of Major Contracts	38
FRD22G	Information and Communication Technology (ICT) Expenditure	26
FRD24C	Environmental Performance	32
FRD22G	Government Advertising Expenditure	25
FRD22G	Manner of establishment and the relevant Ministers	2
FRD22G	Merit and Equity	13
FRD22G	Nature and range of services provided	2
FRD22G	Objectives and performance against objectives	4
FRD22G	Objectives, functions, powers and duties	2
FRD22G	Occupational Health and Safety	14
FRD22G	Organisational structure	10
SD 4.5.5	Risk Management Framework & Processes attestation	27
FRD22G	Significant changes in financial position during the year	37
FRD30B	Standard requirements for the design and print of annual reports	Whole report
FRD22G	Statement of availability of other information	28
FRD22G	Statement of Workforce data	13
FRD22G	Statement on National Competition Policy	26
FRD22G	Subsequent events which will affect operations in future years	28
FRD22G	Summary of the Financial Results	37
FRD25B	Victorian Industry Participation Policy disclosures	28
Legislation		
	<i>Building Act 1993 (accompanying Building Regulations 1994)</i>	26
	<i>Charter of Human Rights & Responsibilities Act 2006</i>	27
	<i>Financial Management Act 1994</i>	27
	<i>Freedom of Information Act 1982</i>	26
	<i>Health Records Act 2001</i>	27
	<i>Occupational Health and Safety Act 2004</i>	14
	<i>Privacy and Data Protection Act 2014</i>	27
	<i>Protected Disclosures Act 2012</i>	27
	<i>Safe Drinking Water Act 2003</i>	5
	<i>Victorian Industry Participation Policy Act 2003</i>	28
	<i>Water Act 1989</i>	2

NOTES

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

Printed on 100% Recycled Paper
ISSN: 1325-1139



Mildura (Head Office)
741-759 Fourteenth Street
PO Box 1438
Mildura 3502
Telephone 03 50513400
Facsimile 03 50513480

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

Swan Hill (Area Office)
73 Beveridge Street
PO Box 1447
Swan Hill 3585
Telephone 03 50365 2150
Facsimile 03 5036 2180

Email: lmw@lmw.vic.gov.au

www.lmw.vic.gov.au

 [@lowmurwater](https://twitter.com/lowmurwater)

 [/lowermurraywater](https://facebook.com/lowermurraywater)