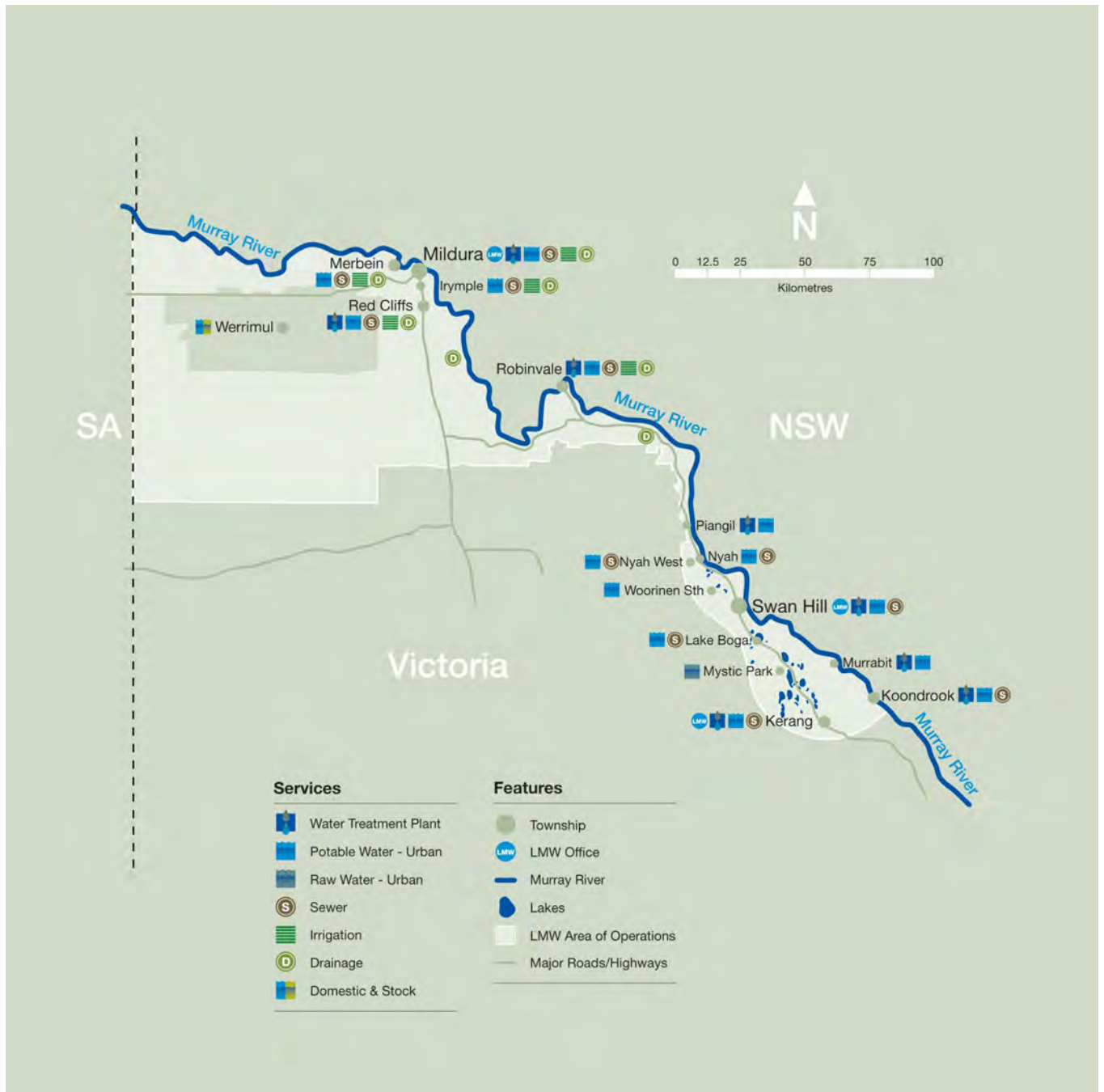


Annual Report 2016/17





Contents

About Us	2
Establishment, Statement of Obligations, Vision, Objectives and Strategies, Region, Nature of Services Provided, By-Laws, Drought Preparedness Plan, Water Plan, Obligations and Duties	
Chair and Managing Director's Report	5
Key Achievement and Highlights of 2016/17 and Future Initiatives	7
The Lower Murray Water Team, Serving our Customers, Committing to the Environment and Region, Governance and Obligations	
The Lower Murray Water Team	10
Organisational Structure, Board Structure, Board Membership, Directors' Attendance at Board Meetings, Our Staff, Workforce Data, Workforce Philosophy, Growth Through People, Organisation Design, Capability, Workplace Culture, Diversity and Inclusion, Communication, Workplace Merit and Equity, Health and Wellbeing, Occupational Health and Safety (OH&S)	
Serving Our Customers	17
Our Bulk Water Entitlements (Urban and Irrigation), Engaging with our Customers, Our Urban Customers, Urban and Wastewater Statistics 2016/17, Per Capita Daily Residential Drinking Water Consumption, Our Rural Customers, Major Water Users, Communicating with our Customers, Resolving Customer Complaints, Energy and Water Ombudsman Case Handling Statistics	
Committing to the Environment and Region	22
Collaborating with Stakeholders/Community, Environmental Sustainability, Sustainable Water Use, The Efficiency of Irrigation Systems, Sustainable/Resilient Water Services Systems, Community Education and Water Awareness Campaigns, Other Statutory Obligations, Greenhouse Gas Emissions and Net Energy Consumption, Social Sustainability	
Governance and Obligations.....	31
Governance Committee, Advertising campaigns valued at \$100,000, 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, Local Jobs First -Victorian Industry Participation Policy, Major External Reviews, Major research and development activities, National Competition Policy, <i>Privacy and Data Protection Act</i> 2014, <i>Protected Disclosures Act</i> 2012, Risk Management Framework and Processes, Statement of Availability of Other Information, Statement of Availability of Other Reportable Information, Subsequent Events	
Performance Report	35
Financial Performance Indicators, Water and Sewerage Service Performance Indicators, Water (Rural) Service Performance Indicators, Environmental Performance Indicators, Customer Responsiveness Performance Indicators, Customer (Rural) Responsiveness Performance Indicators, Certification of Performance Report, VAGO certification	
2016/17 Financial Summary.....	42
Financial Review, Summary of Financial Results, Summary of Financial Performance, Loan Liability as at 30th June 2017, Major Contracts, Consultancies	
2016/17 Financial Report.....	46
Appendices	108

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 period 1st July 2016 to 30th June 2017 our relevant Minister was the Hon Lisa Neville MP, Minister for Water.

Statement of Obligations

Effective 20th December 2015, the Statement of Obligations issued under the *Water Industry Act 1994* details our obligations regarding performance and functions; including Environmental Management. A draft Statement of Obligations (Emissions Reduction) was submitted to all Victorian water corporations during the 2016/17 year.

Vision

The Board envisages that we will be the leading regional water corporation in Victoria by:

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

We will deliver outcomes to our communities by:

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

Objectives and Strategies

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

Region

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

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

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

About Us

Nature of services provided

We provide:

- urban water services to 14 townships via nine treatment plants to approximately 74,000 customers along the Murray River in Victoria from Koondrook to Merbein;
- wastewater collection, treatment and effluent re-use and disposal services to 11 towns via 10 treatment plants;
- river quality water services to 4,979 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;
- oversight of irrigation and drainage design in new agricultural developments ensuring conformity with salinity management plan development guidelines;
- management of the private diversion licences of 1,179 water users along the Murray River in Victoria between Nyah and the South Australian border;
- the assessment and approval of licencing, water share and allocation trade applications;
- reclaimed water for third party use;
- water supply delivery to important environmental and recreational sites; and
- management of the region's urban and bulk water entitlements

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

By-Laws

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

The Corporation 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 Preparedness Plan

Our Drought Preparedness Plan was updated in March 2017, however we were not required to invoke the plan at any time during 2016/17.

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.

We have commenced preparing our next water plan which will be titled Pricing Submission 4 (2018-2023). This plan will be prepared following the guidelines as issued by the ESC and the ACCC.

About Us

Obligations and duties

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

Chair and Managing Director's Report

Chair's Report

I am pleased to present my Chair's statement for the 2016/17 Annual Report. It has been a very productive year for the Corporation with some exciting changes and major new projects commencing.

The Minister for Water the Hon. Lisa Neville MP released the "Water for Victoria" Water Plan in 2016. This policy document has set a vision and priorities for water within the state including our region. Our Corporation is working with partner agencies, stakeholders and the community in implementing this new policy. Subsequent to this new policy being announced, the Minister advised the Corporation of its priority action areas through a "Letter of Expectations." This letter covers important areas such as diversity, customer engagement, climate change, resilience, recreational values, Aboriginal values and cost effective water services.

I want to particularly acknowledge the first Sunraysia Modernisation Project (SMP) Control Group Chairman Dane Huxley. Dane sadly passed away during 2016 and his legacy for our corporation is a project that provided major new infrastructure for our Sunraysia irrigation districts. This \$120 million project was delivered on time and under budget with significantly enhanced outcomes for each district which is a credit to him and the delivery team. The Commonwealth Government funding of \$103 million for SMP is duly acknowledged.

Post the SMP we have lodged a business case with the State for Commonwealth Government provision of another tranche of funds for SMP2. This project aims to provide rural water services to customers on the fringes of the existing Sunraysia irrigation districts. This new project has the potential to substantially increase the amount of water diverted through our existing irrigation infrastructure by using a mix of investor and Commonwealth funds. It is also consistent with the Board's strategic direction of growing our business through our support of the Sunraysia Rejuvenation Project.

During the year we experienced lower demand for water in both our Urban and Rural businesses. What started as a very wet season, with a substantial flood in the Murray, has ended in a record dry period throughout June 2017.

As part of the commitment to mitigate climate change impacts for our region and the state we are targeting lower net emissions through smart use of technology.

While being in a position to fund a significant proportion of our Statutory Depreciation of \$25.8M (based on an asset value of \$882M) our financial result was an accounting loss of \$8.4M. Overall, the business has sound cash flow and manageable debt levels allowing the future delivery of a significant infrastructure program.

We are developing the next Pricing Submission (2018 to 2023) for approval by the Essential Services Commission. There has been extensive community consultation and substantial analysis and review within the Board on the Submission. This is an important plan for our future and we will continue to work with the community throughout its development in the 2017/18 year.

This will be my final year as Chair of Lower Murray Water as I have decided not to re-nominate for another term. I have thoroughly enjoyed the challenge of being the Chair of the Corporation and I believe that the organisation is strategically well placed heading into the future.

The most notable achievement during my tenure has been the completion of the Sunraysia Modernisation Project on time and within budget. In addition, some significant changes have occurred within the Corporation with the re-structuring of the organisation, creating efficiencies and enabling better service outcomes for our customers.

Director Kay Martin has also decided not to re-nominate for a further term. Kay has served on the Board and its antecedent authority (Sunraysia Rural Water Authority) since the 2000/2001 year. This length of service, during periods of significant restructuring and change in the water industry, must be acknowledged.

Finally, I would like to thank my fellow directors for their collegiality, my Deputy Cheryl Rix for her valuable support, the management team for delivering on our corporate objectives and the staff for their commitment, dedication and loyalty to the Corporation.

Chair and Managing Director's Report

In accordance with the *Financial Management Act 1994*, I am pleased to present Lower Murray Urban and Rural Water Corporation's Annual Report for the year ending 30th June 2017.



John Tesoriero
Chair

Lower Murray Urban and Rural Water Corporation
11th September 2017

Managing Director's Report

I am pleased to report a good year for the Corporation; much has been achieved and we continue to deliver stable prices to our urban and rural customers. For irrigators in particular, we are proud that our tariffs have decreased in real terms over the past two years. We live in our communities so providing quality services at a reasonable cost is important to our Board and to our staff.

We have faced some great challenges over the year, moving from drought to flood, through blue-green algae and then to blackwater. Some of our customers were severely impacted by the massive storm in Mildura and the region in November 2016; I'm proud that we maintained our urban services to meet our customer needs, throughout the subsequent loss of power, with great teamwork from our people. Our potable water supply continues to meet the needs of a diverse, growing regional community reaching from Kerang and Swan Hill, to Mildura.

At Lower Murray Water we have effective and dedicated staff, who are working on a range of innovative projects designed to make us a more productive and representative organisation. These will include projects that will increase our flexibility, through process reviews and projects for diversity and cultural awareness. We seek to become closer to you, our community. We are developing our reconciliation plan with the indigenous community.

Over the next twelve months we will introduce an updated website with many 'self-service' facilities for web and mobile users. We are, however, also listening to your desire to keep local offices where our staff can attend to your enquiries in person.

Safety is a high priority and I applaud the excellent record of our staff for the past year. We will continue to focus on this in years to come.

The SMP2 feasibility process is now close to its end and will be assessed over the next months by State and Commonwealth Governments. Additional to this major project, we have undertaken some significant capital and maintenance works through the year, such as the relining of the Mildura Irrigation District Triple Syphon. These important projects will continue, to ensure we sustain the organisation for future generations.

We work closely with our colleagues in other water corporations, in particular Yarra Valley Water, and work across all Victorian water corporations has greatly reduced our chemical costs. Within Sunraysia, we are working with multiple agencies in the Rejuvenation Project and seeing dried-off land coming back into production.

Currently, we are working on our pricing submission to the economic regulator, for the period to 2023. This has been an opportunity to extend our consultation processes into more direct engagement with our customers and stakeholders and community representative groups, who have provided feedback on specific projects and on everyday issues within our region, in the past year. We note a strong message that most of you, our customers, are satisfied with our services but you want our improvements to be affordable. We thank our customers who have participated in our surveys and engagement meetings.

Finally I would like to take this opportunity to recognise the great contribution of two of our Directors, our Board Chair, Mr John Tesoriero, and Kay Martin, who have announced they will retire from the Board at the end of September 2017. We are grateful for the service, dedication and passion both John and Kay have brought to Lower Murray Water over their terms on the Board.



Philip Endley
Managing Director

Lower Murray Urban and Rural Water Corporation
11th September 2017

Key Achievements and Highlights of 2016/17 and Future Initiatives

Key Achievements and Highlights 2016/17

The Lower Murray Water Team

- Achieved our lowest lost time injury days in ten years
- Continued the implementation of our organisational structural review
- Commencement of our Behavioural and Management System OHS Strategy
- Continued to provide opportunities for staff to develop and improve their capability and knowledge
- Commencement of our succession planning and talent management process
- Developed our “Behaviours for Growth” commitment
- Launched our diversity and inclusion strategy
- Implemented our “Executive Safety Walk and Talks” program
- Provided additional opportunities for staff to increase their health and wellbeing

Serving Our Customers

- Continued to deliver high quality urban and rural water services
- Launched our Water Refill Station Grant Program for schools
- Continued development of our new website
- Delivering irrigation services:
 - completion of the \$120m Sunraysia Modernisation Project
 - decrease of rural tariffs in real terms over the past two years
 - relining of the Mildura Irrigation District Triple Syphon
- Continued our work with multiple agencies to deliver the Sunraysia Rejuvenation Project
- Continued our focus on improvement of key stakeholder relationships
- Launched our Engagement Strategy
- Broadened our communication channels through utilising social media platforms
- Commenced development of our Reconciliation Plan
- Developed new water saving awareness tools for residential customers
- Updated our Drought Preparedness Plan
- Commenced preparation of our Indigenous Engagement Plan

Committing to the Environment and Region

- Recorded a 6.4% decrease in net greenhouse gas emissions
- Pledged zero net emissions by 2050
- Continued our support of our community through:
 - sponsorships and partnerships
 - enhanced and extended school education projects
 - water related education events and programs
- Increased our community collaboration
- Reviewed and improved recruitment practices to ensure we attract and retain a diverse workforce representative of the communities we serve
- Implemented changes to in-house printing systems to reduce paper wastage
- Commenced planning for progressive rollout of onsite solar power generation
- Continued our program of waste reduction and recycling including the commencement of provision of biosolids for beneficial land application
- Continue to manage threatened species (Hooded Scaly-foot Lizard and Murray Hardyhead) at our sites
- Continued to encourage reclaimed water projects

Key Achievements and Highlights of 2016/17 and Future Initiatives

Key Achievements and Highlights 2016/17

Governance and Obligations

- Launched our three year “Transform” program to deliver savings and efficiencies
- Continued progressive implementation of the Asset Management Accountability Framework
- Released our Corporate Plan 2017/2018
- Conducted extensive community consultation conducted in developing our Pricing Submission 4 (2018 to 2023)
- Continued our shared services arrangement with Yarra Valley Water
- Continued the functions of the Governance Committee and enhanced the Committee’s Terms of Reference
- Re-organised and enhanced with audit and risk functions by forming two new Committees (a Finance and Audit Committee and a Risk Committee)
- Conducted our business affairs within the requirement and obligations of our Statement of Obligations, relevant Acts and Government Policies
- Met the requirements of the Financial Management Compliance Framework
- Continued our progressive implementation of the Asset Management Accountability Framework
- Completed our external regulatory audit in June 2016, successfully complying with the obligations under the *Safe Drinking Act 2003*
- Participated in an independent review of Board Effectiveness and adopted a revised Board Charter

Key Achievements and Highlights of 2016/17 and Future Initiatives

Future Initiatives

Lower Murray Water Team

- Invest in our assets—our people—provide opportunities to develop capability and enable adoption of new technologies, developing a positive culture that fosters high levels of performance, commitment and satisfaction

Serving Our Customers

- Increase our investment on information assets to improve performance and processes which will benefit our customers
- Engage with our customers and community to deliver our services in a flexible and cost-effective way to meet their needs
- Continue to lead irrigator benefit from the Sunraysia Rejuvenation Project
- Progress the SMP2 project
- Continue our collaboration with stakeholders and community
- Continue and enhance our general water awareness and school education programs
- Continue to support our customers and communities through sponsorship involvement and/or participation in community events

Committing to the Environment and Region

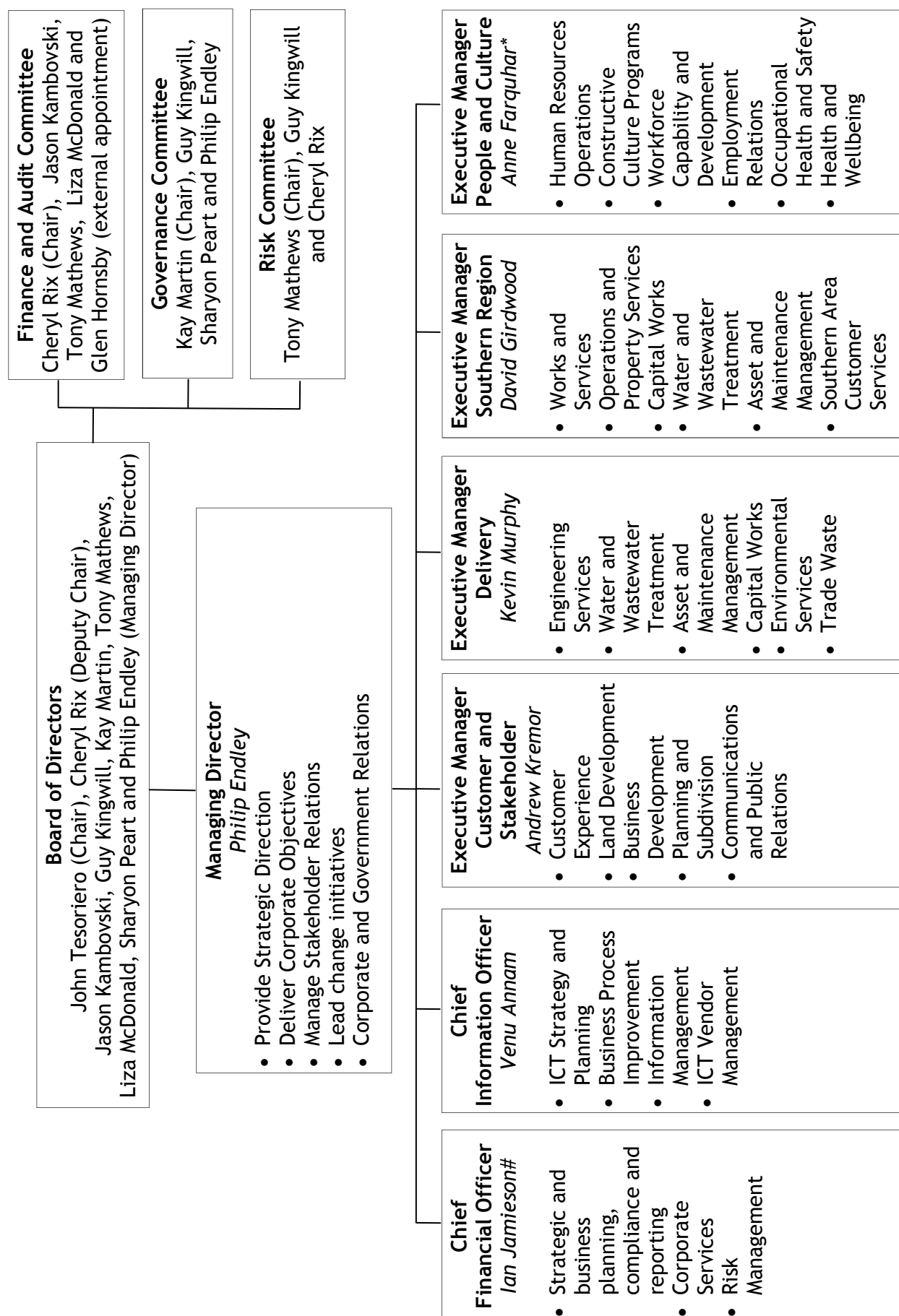
- Seek to grow our services and expand our delivery, to support regional growth in both urban and horticultural sectors
- Actively participate in leading economic transformation and delivering strengthened communities
- Increase our investment selectively in physical assets to increase their resilience and performance in response to our customers' needs
- Invest in renewables and other technologies where these reduce our 'footprint' and consumption of power and other inputs
- Continue with our strategy to achieve 100% beneficial reuse of biosolids

Governance and Obligations

- Invest in our assets. Our assets are our people, communities, physical infrastructure, information infrastructure and renewables
- Progress our "System Management" project—improving effectiveness and efficiency
- Continue with whole of sector coordinated procurement opportunities

The Lower Murray Water Team

Organisational Structure



Loris Davis - Chief Financial Officer to 28th April 2017; Ian Jamieson Acting Chief Financial Officer from 29th April 2017; Julie Campbell from 26th July 2017

* Anne Farquhar is an external secondment (as is not included in the figures on page 13)

The Lower Murray Water Team

Our Board

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

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 Chair of the Board of Directors of Lower Murray Water. 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.

Cheryl Rix is Deputy Chair of our Board of Directors. Cheryl is the Corporate Services Officer and Chief Risk Officer at Mildura Health having previously been the Program Manager for Northern Mallee Leaders and the former General Manager Western Murray Irrigation Ltd. Cheryl was the Chair of the Lower Murray Darling Catchment Management Authority (New South Wales). Cheryl is a past member of the National Community Bank Strategic Advisory Board for Bendigo and Adelaide Bank's Community Bank Network and is also a past board member of Wentworth District Capital Limited and Mildura Development Corporation.

Cheryl holds a Bachelor of Commerce and is a Graduate of the Australian Institute of Company Directors and has completed the Mastering the Boardroom program. Cheryl is a Chartered Accountant Fellow and a Fellow of the Australian Rural Leadership Foundation. Cheryl is the Chair of our Finance and Audit Committee and a member of our Risk Committee.

Philip Endley, BSc MBA GAICD joined Lower Murray Water in 2014 as Managing Director. His career has included a number of senior executive roles and Board positions, in all, he has over 28 years' experience in water utilities and engineering industries, both in Australia and internationally. Prior to joining us, Phil worked in consulting and management. During a varied career he has worked in Europe, SE Asia and South America. In 1979, he moved to Australia with his family, working for Katalyst21, United Utilities Australia and Osmoflo Pty Ltd before moving to Mildura.

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

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

The Lower Murray Water Team

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 (Hons) 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, a Director of Mildura Airport Ltd and a member of the Sunraysia Institute of TAFE board. Kay is Chair of our Governance Committee.

Tony Mathews has in excess of 45 years' experience in the aviation industry including extensive work in regional aviation. Tony is the Chair of the Mildura Private Hospital Advisory Board, Deputy Chair of Airservices Australia, and Deputy Chair of Mildura Health Fund. Tony's previous roles include Chief Pilot and General Manager at Qantas Regional Airlines. Tony has qualifications as an Airline Transport Pilot and is a Graduate of the Australian Institute of Company Directors. Tony has grown wine grapes for the last 30 years. Tony is the Chair of our Risk Committee.

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

Sharyon Peart moved from Melbourne to the Mallee in 2005, where she lived on a large citrus, dried fruit and wine grape growing property at Nangiloc. Sharyon's background in corporate business, sales, marketing and team management gave inspiration to the small business she owns and operates. She has been the sole director since she created the company in 2005, specialising in retail consultation, managing women's health and well-being. Sharyon served Mildura Rural City as a Councillor for nine years and gained much experience as portfolio councillor for art and education, later community services and well being, and governance and finance. Sharyon is the Chair of the Mallee Catchment Management Authority, Deputy Chair of Vic Catchments, a member of the LaTrobe University Advisory Board and a member of the Victorian Agricultural Advisory Council. Sharyon has sound experience in corporate governance, financial management, environmental management, agricultural water use and associated impacts on the environment, strategic planning, community engagement, relationship building and has completed the Australian Institute of Company Directors course. Sharyon is a member of our Governance Committee.

Directors' Attendance at Board Meetings

Directors	Board Meetings	
	Eligible to attend	Attended
Philip Endley	13	13
Jason Kambovski	13	10
Guy Kingwill	13	11
Kay Martin	13	11
Liza McDonald	13	11
Tony Mathews	13	11
Sharyon Peart	13	11
Cheryl Rix	13	10
John Tesoriero	13	12

Attendance at sub-committee meetings shown on page 31 and 33

The Lower Murray Water Team

Our Staff

Workforce Data

Area	2015/16						2016/17					
	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	5	5	1	1	6	6
Administration	18	17.8	30	28.1	48	45.9	21	20	32	29.6	53	49.6
Operations	70	70	5	5	75	75	73	73	6	6	79	79
Engineering/Technical	35	34.9	2	2	37	36.9	38	37.9	2	2	40	39.9
Sub-total	127	126.7	38	36.1	165	162.8	137	135.9	41	38.6	178	174.5
Vacancies	0	0	0	0	4	4	0	0	0	0	1	1
Totals	127	126.7	38	36.1	169	166.8	137	135.9	41	38.6	179	175.5

Age Group	Male					Female					Total	
	Head Count	FTE	Full Time	Part Time	Casual	Head Count	FTE	Full Time	Part Time	Casual	Head Count	FTE
15-24 yrs	7	7.0	6	0	1	0	0.0	0	0	0	7	7.0
25-34 yrs	21	20.2	20	0	0.2	2	1.9	1	1	0	23	22.1
35-44 yrs	29	29.0	28	1	0	10	9.1	5	5	0	39	38.1
45-54 yrs	29	29.0	29	0	0	16	15.0	11	5	0	45	44.0
55-64 yrs	46	46.0	46	0	0	12	11.5	7	5	0	58	57.5
65-65+ yrs	5	4.8	4	1	0	1	1.0	1	0	0	6	5.8
Total	137	136.0	135	2	1.2	41	38.5	25	16	0	178	174.5

Classification Level	A	B	C	D	E	Total
Band 1	3	2	0	10	12	27
Band 2	8	6	8	40	0	62
Band 3	2	6	14	0	0	22
Band 4	5	1	17	0	0	23
Band 5	4	2	13	0	0	19
Band 6	0	0	3	0	0	3
Band 7	0	0	1	0	0	1
Contract Staff						21
Total	22	17	56	50	12	178

Staff turnover for the 2016/17 year was 3.4%

The Lower Murray Water Team

Workforce Philosophy

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

Growth Through People

We have taken a holistic approach for 'Growth Through People', with long term plans to increase capability, broaden workforce diversity, develop a constructive, high performance culture, provide a fair, equitable and safe work environment, and develop 'bench strength' for key roles to ensure workforce sustainability. Our 2016-2018 People and Culture Strategy outlines four levers to transform the organisation over the next three years: organisation design, capability, diversity and communication.

Organisation Design

Our transition started with an extensive functional analysis that informed organisational structure and role design decisions and a review of systems and processes to identify opportunities to automate and improve the way we work. The outcomes of the review resulted in structural and process changes, which were completed earlier this year. We have now launched our three year 'Transform' project to deliver savings and efficiencies and better enable our workforce to deliver services.

Capability

We provide opportunities for staff to develop and improve their capability and knowledge to contribute to our overall business performance and ensure we have the skills to meet future needs. During 2016/17 staff have participated in technical, professional and safety training, with an average of 4.7 days training per person. Two staff graduated from the Northern Mallee Leaders Program and another two commenced the program.

Scott Barnes—Manager Program Management and Joe Barber—Manager People and Culture graduated in November 2016 and Traci Pevy—Manager Customer Experience and Dan Bertolli—Senior Technical Officer - Land Development are currently involved in the program. This program is one of ten regional community leadership programs operating across Victoria to develop leaders for vibrant and sustainable communities. Our Executive Manager Southern Region David Girdwood participated in The Leader of the Future Program and Luke Bell—Electrician commenced his Certificate IV Electrical Instrumentation and Control and will complete this within a two year period. Leesa Merrett—Manager Communications & Engagement completed a Diploma of Marketing. All staff participated in training related to our 'Behaviours for Growth' Program.

In 2017 our Supervisory Control and Data Acquisition (SCADA) Engineer, Deva Chinnarajan, presented to the SCADA Australian Conference on the Version upgrade issues and adjusting SCADA system updates to conform to specific requirements; predictive analytics and its role in SCADA operations; and change management for IT integration in SCADA operations. In addition, Deva facilitated a workshop on protecting cloud based SCADA operations from security breaches.

We commenced a succession planning and talent management process in 2017 to determine potential successors to senior roles and identify capability risks and gaps to inform development and recruitment strategies. We will continue this process in 2017/18 across all critical roles in the organisation.

Diversity and Inclusion

Our first diversity and inclusion strategy was launched in 2016 and provides inspirational and measurable targets to ensure by 2023 our people are truly representative of our community. Our strategy will contribute to the targets outlined in the Victorian Water Industry Diversity and Inclusion Strategy (VWIDIS). In 2016/17 we committed to continuing our support of employees seeking access to flexible work arrangements and are proud to report that we currently exceed the VWIDIS target.

The Lower Murray Water Team

We reviewed our recruitment practices and other Human Resources related policies and processes aims to ensure we attract and retain a diverse workforce, with a specific focus on achieving gender balance at senior leadership level. We aim to have a balanced leadership team with at least 40% of each gender by 2020.

Communication

We have improved communication to staff, through an informative fortnightly newsletter, posters, as well as regular staff awareness sessions run by the Managing Director and Executive to provide updates on business performance and key projects and to provide a forum for interactive discussion.

Workplace Culture

Workplace culture is a critical determinant of business performance. The results of our first culture survey in 2016 provided insights and raised awareness about the importance of workplace culture and how our behaviours impact performance. All staff attended sessions to explore the results and determine key actions relating to behaviours, systems and processes, to improve the work environment and enable higher levels of performance and staff satisfaction.

Over the last twelve months all staff were involved in developing 'Behaviours for Growth', a declaration that captures the essence of the behaviours we all expect of each other and those we will not accept. We recognise that our behaviours have an impact on others and on our workplace culture and we are committed to having a work environment that is enjoyable, inclusive, fair and equitable for all. This commitment is incorporated into our code of conduct and guides recruitment, development and performance discussions. 'Behaviours for Growth' provides the framework for how we work together, providing a supportive and collaborative work environment as we continue to improve our systems and processes and provide learning opportunities to enhance capability and ensure our people are equipped to deliver exceptional customer outcomes.

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

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. Our Code of Conduct, the Charter of Human Rights and other Merit and Equity items including internal policies, are published on our intranet and are discussed at induction and at annual information refresher sessions for all staff.

Health and Wellbeing

We proudly reached 'Recognition Point 1' of the Healthy Together Achievement Program which acknowledges the progress we have made in promoting health and wellbeing within the workplace. Our Health and Wellbeing program has focused on key themes including 'Managing Stress' and 'An Active Workplace'.

Self-funded programs remained popular within the workplace with regular uptake from staff undertaking mindfulness meditation sessions in their own time. Other key activities throughout the year included participating in the 'Premier's Active April', strong participation in mental health first aid training and 'Life Diabetes' which continues to grow and expand our health and wellbeing program.

Our staff actively participate in casual dress days to raise awareness and funds for a variety of organisations including Mallee Domestic Violence Services and Red Nose Day (supporting Sudden Infant Death Syndrome).

The Lower Murray Water Team

Occupational Health and Safety (OHS)

We are committed to exceptional safety and wellbeing practices, caring for the health and safety of our staff, customers, contractors and visitors is critically important to us. We recognise that OHS is not only important but is integral to all business activities. As a Corporation we accept and understand our responsibilities under Commonwealth and State legislation, Regulations and Codes of Practice.

Our OHS Strategy of two focus areas, 'Behavioural' and 'Management System', commenced in the 2016/17 year.

The 'Behavioural' focus area seeks to embed safety and healthy behaviours by identifying and providing training opportunities and support programs, working closely with managers, supervisors and the Executive Group to:

- educate and empower all employees on their accountabilities and responsibilities in accordance with legal and corporate requirements
- establish a culture that values employee safety and wellbeing through business practices
- support safety-conscious behaviour through active leadership and consultation
- encourage employees to be responsible for their own safety and others

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
- report, evaluate and provide feedback for safety performance
- set key safety objectives and targets

The implementation of 'Executive Safety Walk and Talks', increased safety toolbox meetings, focus on situational awareness, implementing an OHS hazard working group and an online induction system continues to support key strategy focus.

Statistics		2013/14	2014/15	2015/16	2016/17
Days Lost	- Workcover	61	39	99	7
	- per FTE	0.36	0.23	0.59	0.005
Number of Lost Time Injuries		5	2	3	1
Lost Time Injury Frequency Rate (LTIFR) #		18.36	6.5	9.9	3.53
Percentage of annual Workplace Inspections completed		100%	100%	100%	100%

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

Serving Our Customers

Our Bulk Water Entitlements

Urban Bulk Entitlement

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

Water Supply System	Off-take Point	Clause 20.1(b)	Clause 20.1(d)
		Annual Amount of Water Taken	Amount of Water Returned
		(ML)	(ML)
Koondrook	Koondrook Pump Station	232.148	0
Murrabit	Metered Outlet No 4266A	34.567	0
Kerang	Kerang Pump Station Pump outlet 2542	423.396	0
Kerang	Koondrook-Kerang pipeline	560.128	0
Swan Hill	Swan Hill Pump Station	3913	0
Woorinen	Linked to Swan Hill	*	0
Nyah West	Linked to Swan Hill	*	0
Nyah	Linked to Swan Hill	*	0
Piangil	Piangil Pump Station	125.818	0
Robinvale	Robinvale Pump Station	579.565	0
Redcliffs	Red Cliffs Pump Station	1209.928	0
Mildura	Mildura Pump Station	10094.496	0
Mildura West	Mildura West Pump Station	2529.106	0
Mystic Park	Kangaroo Lake	11.372	0

* Diverted through Swan Hill Pumps

Notes:

- The Lower Murray Water Urban Bulk Entitlement (UBE) has 30,970.9ML of high reliability share.
- There were no amendments to the UBE and no water was returned from urban off-take points in this season.
- There were no new river off-take points created. We have an ongoing urban meter replacement program that commenced five 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 entire 2016/17 year.
- There was no permanent transfer of any part of our UBE. There was 12,600.3 ML of allocation from the UBE traded out in the season and 1,265.5 ML of allocation traded into our UBE. Due to our strategy of trading all unused allocation at the end of the water season we had a minor overuse recorded on the urban ABA of 67.6ML. This overuse was rectified on the 3rd July 2017. The reason for the overuse was a higher than expected usage being recorded across the region in the month of June 2017.

Serving Our Customers

Irrigation Bulk Entitlement

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

Area supplied	Off-take point	Clause 20.1 (b) Annual Amount of Water Taken (ML)	Clause 20.1 (d) Amount of Water Returned (ML)
Robinvale irrigation district	Robinvale pumping station	17831	0
Red Cliffs irrigation district, and remaining Carwarp area of Carwarp-Yelta waterworks district	Red Cliffs pumping station	27241	0
Merbein irrigation district, and Yelta part of Carwarp-Yelta waterworks district	Merbein pumping station	18695	0
Millewa waterworks district and diversion licences	Millewa river pump	15421	0
This is counted as the point where water is diverted from the River Murray	Central Main Pump Station, at King's Billabong	33968	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	406944	0

Notes

- Our irrigation customers transacted water share and allocation trades and these are reported by the Victorian Water Register annually.
- This season saw below average irrigation demand in the region. This was due to a very wet start to the season which resulted in significant flooding in the Murray system.
- Customers received a 100% water allocation on 3rd October 2016.
- No new irrigation district off-take points were agreed to, or used, in the past season.
- No new installation of pipe or channels were made to return water into the River Murray. Our meter replacement program across our irrigation districts of Merbein, Mildura and Red Cliffs as a part of the implementation of the SMP is in its final stages.
- Our metering program for our diverters and in district customers has created one of the most advanced metering and usage reporting frameworks in Australia. By using electromagnetic flow meters, with telemetry attached, we can provide instantaneous usage and flow information to customers from our website based ordering and information system. This information is also uploaded overnight into the Victorian Water Register providing up to date balances for customers.

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. As at 30th June 2017 the membership comprised 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 regularly during 2016/17.

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 Committees has a membership of six elected customers. During 2016/17 the committees discussed a range of topics including District financials, SMP2 updates [as appropriate], our Pricing Submission 2018-2023, our draft response to the 'Social & Economic Impacts of the Basin Plan' and other items specific to each district.

Customer Service Advisory Committee Members 2016/17	
Merbein	David Beard, Stephen Bennett, Lindsay McClelland, Roslyn Hudson, Richard Wells and one vacancy
Millewa	Ian Arney, Neil Boord, Kevin Coogan, Ron Hards, Allan Harmer and one vacancy
Red Cliffs	Tim Milner, Giovanni Paolucci, Frank Pedula, Matt Ryan, John Strangio, Rocco Tassone
Mildura	Jason Bottams, Steven Frasca, Darren Gardner, Peter Jones, Greg Milner, Tim Milner
Private Diverters	Andrew Fremder, Tim Millen, Tyson Milne, Anthony Spiers, Andrew Young and one vacancy
Robinvale	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. In 2016/17 the committee members took part in our focus group meetings to provide feedback and advice on service standards.

Engagement Strategy 2016-2018

We developed an Engagement Strategy which will guide staff in undertaking engagement activities and provides an overarching approach to engagement moving forward. It provides 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. Training has been rolled out across the business to ensure a good understanding of engagement principles and methods. We are currently developing our Engagement Manual for staff to use as part of ongoing operations and delivery of our projects.

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 2016/17

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	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 1		
Kerang		1802	667	0	0	315	165	0	0	2117	832	0	832	1077	71	0	23	94	926
Koondrook		441	156	0	0	54	18	0	0	495	174	0	174	233	23	0	5	28	202
Lake Boga	1	424	193	0	0	52	28	0	0	476	221	0	221	0	0	0	0	0	221
Mildura	2,3	18784	8555	0	0	2103	2501	2440	0	20887	11056	2440	13496	12839	603	0	297	900	14396
Murrabit		43	18	0	0	12	7	0	0	55	25	0	25	37	6	0	1	7	32
Mystic Park	4	12	6	0	0	3	1	0	0	15	6	0	6	13	0	0	0	0	6
Nyah	1	302	144	0	0	40	51	0	0	342	194	0	194	0	0	0	0	0	194
Nyah West	1	256	108	0	0	34	24	0	0	290	132	0	132	0	0	0	0	0	132
Piangill		100	40	0	0	17	53	0	0	117	92	0	92	118	10	0	2	12	104
Red Cliffs		1538	606	0	0	164	456	0	0	1702	1062	0	1062	1267	122	0	29	151	1213
Robinvale		792	373	0	0	187	152	183	0	979	525	183	708	585	47	0	15	62	770
Swan Hill		4903	1890	0	0	846	731	0	0	5749	2621	0	2621	4065	98	0	87	185	2806
Woorinen Sth	1	155	77	0	0	16	13	0	0	171	91	0	91	0	0	0	0	0	91
		29552	12833	0	0	3843	4200	2623	0	33395	17033	2623	19656	20234	980	0	459	1439	21095

All figures have been rounded to the nearest whole numeral

Notes:

- 1 Supplied from Swan Hill
- 2 Includes Merbein and Irymple for water
- 3 Includes Mildura, Koorlong and Merbein Recycled Wastewater
- 4 Water supplied is raw, non potable
- 1 Average annual consumption calculated between 2012/13 and 2016/17
- 2 Unavoidable losses

Per Capita Daily Residential Drinking Water Consumption

We provide drinking water to a population of around 72,000. The total annual consumption of water was 12,833 megalitres across this population in our region. This equates to an average of 488 litres per person, per day. This calculation is based on the population figure provided by the 2016 Census - "average household population" multiplied by our water connections for each town.

Our Rural Customers

We provide river quality water services to 4,979 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 1,179 water users along the Murray River in Victoria between Nyah and the South Australian border.

Major Water Users (Non-Farming or Irrigation)

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

Volumetric Range - ML per year	No of customers	Participation in water conservation programs
Equal to or greater than 100ML and less than 200ML	0	
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

Communicating with Our Customers

We are committed to continuously improve our customer service and communications with customers to inform, engage and educate 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 are reviewing our current website to ensure we can provide the information our customers need at the time it is needed. Self-service will be the key to the revised site which will include 24 hours a day, seven days a week (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 2015/16 water quality issues resulting from the Blue Green Algae (BGA) outbreak, we kept customers informed via a SMS (Short Message Service) alert service and our 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. The recent blackwater event also required additional information to be supplied to our customers and visitors to the area. With videos and increased social media posts we were able to ensure it was known that our treated water remained safe to drink and use.

Resolving Customer Complaints

Complaints may be lodged by telephone, via our website or in writing to one of our offices. Any complaint will be initially dealt with by the appropriate section who will offer a solution under the direction of the section Manager. If a written reply is requested, we will take no more than 10 business days to respond to an enquiry or complaint.

If the solution or action taken does not satisfy our customer, the matter will be referred to a more senior officer for review. The senior officer will ensure the complaint has been properly investigated and 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 the Energy and Water Ombudsman Victoria (free call 1800 500 509).

Energy and Water Ombudsman Case Handling Statistics

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

EWOV 2016/17	Overall Water Industry	Lower Murray Water
Enquiry	105	0
Unassisted Referral	446	5
Assisted Referral	1,283	6
Real Time Resolution	19	0
Investigation	252	2
TOTAL	2,105	13

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 its environs and community and school education opportunities. We are pleased to be involved with other groups as required for specific event collaboration.

Choose Tap Coalition

In February 2017 we joined the Choose Tap Coalition, an initiative created by Yarra Valley Water. Choose Tap is a broad, community-based initiative promoting tap water as the best choice for the planet, people's health and their hip pocket. Being part of the coalition provides us with access to a strong common brand, including related support collateral and provides a platform for sharing related ideas across the water industry. The Choose Tap Coalition's vision of advocating the use of tap water is a positive fit with our existing 'Rehydrate with Cool, Clean Tap Water' campaign. In 2017/18 we will be using Choose Tap messaging as our primary means for promoting the drinking of tap water, phasing out our 'Rehydrate with Cool, Clean Tap Water' campaign.

Communications Group

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

Environmental Education Task Group (EETG)

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

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.

Greening Mildura

We are proud to support Greening Mildura, a Sunraysia-based organisation dedicated to restoring vegetation values of our region. Greening Mildura members and volunteers work tirelessly to restore land that has been damaged and denuded of its vegetation. During the 2016/17 year we partnered with Greening Mildura in a major project that saw 5,340 trees planted at the Bob Corbould Wetlands. This project was also supported by MRCC, MCMA and the Sunraysia Sustainability Network.

Indigenous Engagement

We are preparing a Reconciliation Action Plan (RAP) in consultation with our local Traditional Owners. We recently established a consultation group to enable better communication flow with indigenous groups within our service area. With the assistance of the indigenous community as part of our continued commitment to meaningful and effective engagement with the Traditional Owners of our lands and waterways, we have developed our Acknowledgement of Country and Indigenous Engagement Strategy. We recognise the waterways of the region are highly significant to Aboriginal people and support cultural, economic and environmental values. We will continue to ensure Aboriginal values are considered as part of our planning and business operations.

Industry Water Association—Special Interest Groups (SIG)

Our Manager Communication & Engagement is a member of both the Communications SIG and the Education SIG, which meet on a quarterly basis to discuss topical issues relating to customer service and communications; and education issues respectively.

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. We continue to work with our fellow agencies—MRCC, MCMA and GMW to ensure the ecological and social amenity values of Lake Hawthorn are managed effectively.

Committing to the Environment and Region

Loddon Mallee Education for Sustainability Network

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

Partnerships within our Communities

We have created partnerships with groups and organisations within our communities to deliver community engagement projects which result in better outcomes for our customers and stakeholders. Groups partnered with in the 2016/17 year include Lions Clubs, Historical Societies, Cultivator Inc, LaTrobe University and SuniTafe.

Sponsorship and Donation Program

We continue to support our region through our Sponsorship and Donation Program. Not for profit groups and businesses conducting events for charitable fundraising purposes are able to apply for support for their activities or events. In the 2016/17 year we supported 61 organisations through a combination of cash sponsorships, staff attendance, in-kind support and the provision of merchandise. In past years our merchandise has included bottled water. We recognise the environmental impact of bottled water packaging and in joining the Choose Tap Coalition we commenced planning in the 2016/17 year to phase out bottled water as a sponsorship product, to take effect early in the 2017/18 year.

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 Senior Manager Customer & Stakeholder is currently the Chairman of the SRACC.

Sunraysia Rejuvenation Project (SRP)

We are one of the founding agencies of the SRP, a multi-agency project designed to ensure the improvements delivered by the Sunraysia Modernisation Project (SMP) become tangible benefits for growers and investors in the Merbein, Mildura and Red Cliffs irrigation districts. The agencies involved in the SRP include the MCMA, MRCC, Regional Development Victoria (RDV), Mildura Regional Development (MRD) and the Department of Environment, Land, Water and Planning (DELWP). Funding has been provided by DELWP and RDV. This two-year cross-agency initiative to increase employment and business activity in the region is already delivering tangible results. SRP facilitator Jeff Milne works with agencies, growers and developers to remove impediments to redevelop dried-off properties in the Sunraysia pumped districts as well as improving efficiencies of businesses on smaller properties. The planting of new pistachio orchards and a number of dried-off properties being brought back into production are examples of SRP successes.

Sunraysia River Watch Inc (SRW)

We are proud to continue our association with SRW, a community program that aims to assist in the protection of the river and its environs. 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 2016/17 we continued our ongoing sponsorship and membership of SRW, joining other agencies and businesses in demonstrating ongoing commitment to this important community service.

Water Refill Stations

We have a number of water refill stations operating across our service area. In addition to units fully funded by ourselves, we collaborate with local groups who contribute to funding. The location of existing and future units will be included on the 'Choose Tap App'.

Water Refill Stations—Grants for Schools

In June 2017 we commenced our Water Refill Station Grant Program for schools whereby we invite applications to support the school through the a contribution to the purchase of a water refill station to the value of \$1,500.

Committing to the Environment and Region

Environmental Sustainability

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

Sustainable Water Use

Water Recycling

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

These include:

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

Environmental Flows

We work with the Mallee Catchment Management Authority (MCMA) to provide environmental water delivery under the Victorian Environmental Water Holder (VEWH) Seasonal Watering Plans. Under the direction of MCMA we use our irrigation and drainage assets to provide water to various regional wetlands and floodplains in order to maintain and improve their environmental health.

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

The Efficiency of Irrigation Systems

The Sunraysia Modernisation Project (SMP)

The recently completed Sunraysia Modernisation Project (SMP) was a major upgrade of the three Sunraysia irrigation districts of Mildura, Red Cliffs and Merbein. The project commenced early in 2014 and was completed in September 2016. The project was jointly funded, with the Commonwealth Government contributing \$103M and the remaining \$17M coming from our capital works budget. The project focused on the modernisation of irrigation infrastructure and included the:

- replacement of sections of channels with pipelines
- upgrade of pumps and control systems at pumps stations
- upgrade of channel control systems
- installation of modern metering systems

As a result of the SMP, we now have the ability to supply two-thirds of our irrigation customers with water on demand 365 days per year.

During the project, some 180 jobs were created in the local area. The automation of the pumps stations, pipelines and channel regulators means that we can now provide greater levels of service to our customers, while greatly reducing operational and maintenance costs.

Committing to the Environment and Region

The installation of the modern metering network has vastly improved system operations and now provides our customers with real-time metering information 24/7.

Our SMP project delivery team was able to deliver this major project on time and under budget. The project was so efficiently managed that the initial project scope was more than doubled. This included:

- Merbein system - original scope of 5.3km channel to pipeline extended to 7.2km of pipeline
- Mildura system - the scope was extended to 5.4km of pipeline
- Red Cliffs system - the original scope of 3km channel to pipeline extended to 7km of pipeline

In addition to these operational improvements, there are real environmental benefits as well as a result of the SMP. The increases in the efficiency of our irrigation delivery systems has led to the us being able to reduce demand on the River Murray by more than seven gigalitres (7GL) per year.

At the time of writing this report, we have received approval to utilise remaining funds on further extension works, with the focus being to modernise the exiting earthen channels. These extension works will be completed by 30th June 2018. The channel modernisation is expected to generate additional water savings and result in even further operational and maintenance improvements.

SMP2

The initial SMP2 feasibility study completed early in 2017 provided a sound platform for the development and finalisation of the business case. The SMP2 business case has been provided for consideration to the State and Commonwealth Governments. If successful, the project will be implemented during 2018 and will deliver cost benefits to our existing customers as well as opportunities for investors to further develop businesses in the horticultural sector.

Urban Water Strategy (UWS)

As part of the Statement of Obligations we were required to develop an Urban Water Strategy by 31st March 2017. This strategy considered all aspects of the urban water cycle across a 50 year planning horizon. We completed our UWS and we annually publish the Water Security Outlook in November. Our Drought Preparedness Plan was updated in March 2017. Following customer consultation we altered the UWS to show yearly purchases of 360ML of high reliability water entitlement to maintain a 50% buffer between annual average usage and entitlement held. These annual purchases have been programmed into our Pricing Submission 4 (2018-2023).

Sustainable/Resilient Water Services Systems

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

Community Education and Water Awareness Campaigns

Flush Facts Campaign

In 2015 we launched an educational campaign to assist in the combatting of the large amount of incorrect items, particularly 'flushable' wipes, being flushed. We have continued to use these messages on a variety of platforms since the launch. The campaign has also been integrated into school education programs at the primary level.

Giveaway and Exchange Programs

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

Committing to the Environment and Region

Home Water Audit

To assist our customers understand their household water use and areas where water could be saved, we are developing a self auditing tool for households which will be available on our website in the 2017/18 year.

Rehydrate With Cool, Clean Tap Water Campaign

In 2013 we launched a program to encourage our customers to rehydrate with tap water rather than bottled water. This campaign was rolled out to sporting clubs, gymnasiums, restaurants, schools and our wider customer base. After joining the Choose Tap Coalition in 2017 our Rehydrate campaign is being revised to include the Choose Tap messaging. As part of our ongoing commitment to tap water over bottled water we are continuing to work with local community groups, sporting clubs and schools to partner in the installation of water refill stations.

Seniors' Festival Event

Commencing in 2014, in conjunction with MRCC's annual Seniors' Festival in October, we hold a free information event. The afternoon tea includes presentations by guest speakers, giveaways and prizes and all attendees are provided with a 'goody bag' containing water wise products, information and vouchers from local businesses. The event is always fully subscribed and is now on our annual calendar, to be held again on Thursday 12th October 2017.

Rural Water Awards

Following the success of the awards in 2014 we partnered with Southern Rural Water, Grampians Wimmera Mallee, Coliban Water, Vic Water, Victorian Farmers Federation (VFF) and the Department of Environment, Land, Water and Planning (DELWP) to hold the 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 were open in the categories of *Irrigation District Water Users*, *Groundwater Users*, *Surface Water Users* and *Community and Education Groups*.

We were delighted to have one of our customers, Minter Magic of Iraak, take out the Surface Water Users State Award. Minter Magic were recognised for their innovation with water re-use on farm and subsequent water and financial savings made as part of the project. The next Awards are planned for 2018.

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 remains popular. The program has four sections: Wonders of Water, The Water Cycle, How Water Works and From Raw to Ready and back again (the wastewater process). Sections of the full program are available as modules, with two modules each available for the year groups of Prep, 1-2, 3-4 and 5-6. In response to feedback from teachers the program is updated and refreshed as required. In 2016/17 we commenced updating the program to incorporate the Choose Tap characters. Ready for the 2018 school year, the How Water Works section will also include activities relating to the sugar levels in popular food and drinks.

Dripster's Super Water Saving Game

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

A new game layout is currently in development and will be ready for use the 2018 school year.

Committing to the Environment and Region

Interactive Environmental Primary School Activity

In conjunction with MRCC, Landcare, EnviroEdu, Loddon Mallee Waste and Resource Recovery Group (LMWRRG), MCMA, Local Land Services Western and NSW Maritime, we held an interactive event on the student free entry day of the Mildura Show. During the event 442 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 engaged Eaton Gorge Theatre Company to present a performance incorporating themes from our “Flush Facts” campaign and general water saving messages. Planning is underway for the 2017 event which will be held on 19th October. At the time of compiling this report, the event is full subscribed with 578 students to take part.

National Water Week Poster Competition

As part of the celebrations of National Water Week 2016, 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 2017 school year. In the 2016 competition we received 691 entries from nine schools in our service area. It was evident a great deal of thought went into the themes students used and many of the entries showed fabulous art skills, particularly evident in the higher primary categories.

Welcome to Preps 2017

Our program to educate the new generation of school students began in November 2015, offering a free cooler bag and 450ml drink bottle set for each enrolled Prep child for the 2016 school year. We again offered this program for the 2017 Prep students. In both years the program has been very successful with 2,187 sets given out to date. A swing tag was attached to each of the sets combining the messages of rehydration, healthy eating and waste minimisation.

World Environment Day

On Tuesday 6th June we took part in an event to mark World Environment Day. Arranged by MRCC along with LMWRRG and EnviroEdu we all conducted an activity for approximately 260 primary school students; in six sessions of 20 minutes. Our activity was our life-size Dripster’s Super Water Saving Game, with the questions relating to our ongoing “Flush Facts” campaign. With one set of questions, the students were asked if a statement was true or false; and a correct answer meant they could lift the lid on our display toilet and select a ‘stress shape’ turtle. The reaction to both the game and the ‘lucky dip toilet’ was terrific.

Other Statutory Obligations

Regional Catchment Strategy

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

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

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

State Environmental Protection Policy (Waters of Victoria)

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

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

Committing to the Environment and Region

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 periodically release treated water into Fosters Swamp. This water has been demonstrated to have positive effects on the wildlife in the area

Victorian Waterway Management Strategy (VWMS)

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

Greenhouse Gas Emissions and Net Energy Consumption

Our net greenhouse gas (GHG) emissions for 2016/17 were 42254t CO₂-e. This represents a 6.4% decrease over the previous year. This is a pleasing result and reflects the dedication and efficiency of our staff.

Source	2012/13 (tCO ₂ -e)	2013/14 (tCO ₂ -e)	2014/15 (tCO ₂ -e)	2015/16 (tCO ₂ -e)	2016/17 (tCO ₂ -e)
Irrigation supply and drainage	27094	22944	23105	24425	22289
Urban water treatment and supply	7519	7437	7591	8187	7373
Wastewater collection and treatment	10294	11445	11547	12917	11844
Transport and stationary fuel	775	756	791	781	753
Corporate offices	717	691	676	622	698
Green Power	-5152	0	0	0	0
Sequestered from tree plantations	-2240	-2240	-1960	-1792	-780
Net total	39007	41034	41751	45140	42254

In the 2016/17 year energy used from electricity in our Kerang, Swan Hill and Mildura Offices was 13,485MJ or 4.2t CO₂-e per full time employee (FTE).

Source	2012/13 (kWh/ML)	2013/14 (kWh/ML)	2014/15 (kWh/ML)	2015/16 (kWh/ML)	2016/17 (kWh/ML)
Irrigation supply	180	177.5	186.1	188.7	202.5
Urban water treatment and supply	349	349	334	333	331
Wastewater collection and treatment	682.7	659.2	589.5	672.8	648.7

We recognise the serious threat that climate change poses to our region. We have pledged to reduce our greenhouse gas emissions across all areas of our business over the coming years. Spearheading this will be the progressive rollout of onsite solar power generation at various sites in our northern and southern regions. Initial planning has commenced and construction will begin over the coming year.

Committing to the Environment and Region

Office-based Environmental Impacts

Corporate Water Consumption

Water consumption at our Fourteenth Street, Mildura complex for the 2016/17 year totaled 10,231kl. This equates to 63kl per full time employee (FTE) for the 2016/17 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.

Paper Use

During the 2016/17 year we purchased 900 reams of A4 copy paper for our northern offices. This represents 5.5 reams per FTE. In keeping with our environmental aims, all copy paper for the year was manufactured from 100% recycled paper. In early 2017 we implemented a 'secure print' system and we have already seen the benefits in the reduction of paper wastage at the copiers and anticipate continued benefits in the future.

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

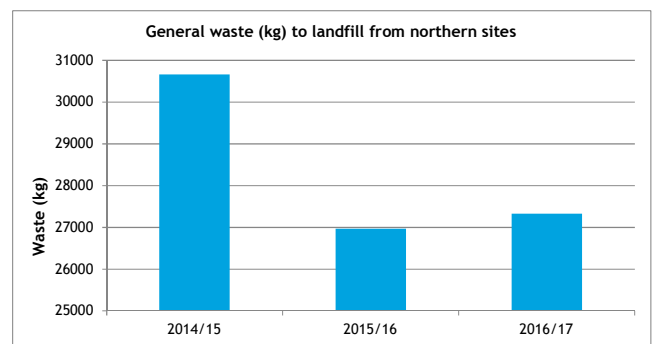
Transportation

The total kilometres travelled by our vehicle fleet during 2016/17 was 1,480,085km. Based on the fuel usage, the energy consumption for the diesel fleet was 8223GJ; and 2552GJ for the unleaded fleet, equivalent to 754tCO₂-e total (0.51tCO₂-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.

Waste Production

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

The total amount of general waste sent to landfill from the northern sites in 2016/17 was 27,331kg or 168.15kg per FTE. This figure includes the waste generated by the workshop, the urban and rural water supply, irrigation and sewer maintenance crews.



Committing to the Environment and Region

Recyclables

We continued our emphasis on recycling during 2016/17. 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, 10,263kg 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 27% of the total amount of waste generated.

Biosolids

The Victorian Environmental Protection Authority (EPA) has recognised the potential of biosolids to improve soil health and is promoting their application to land as a safe recycling method. In line with this we have a strategy to achieve 100% beneficial reuse of all biosolids and have developed a *Biosolids Regional Environment Improvement Plan* (REIP) which has been approved by the EPA. We have taken the first step towards achieving our goal through the beneficial land application of stockpiled biosolids from Koorlong and Mildura Waste Water Treatment Plants (WWTP) which saw 1,883 tonnes of biosolids from the Koorlong WWTP applied to a dry-land agricultural property 21km west of the plant. A further 498 tonnes of biosolids from the Mildura WWTP were applied to land onsite. We will continue the beneficial land application of biosolids each year and we hope through the improvement of management techniques for biosolids at Koorlong WWTP it will achieve a reduction in the time required to stockpile biosolids (presently three years) to the absolute minimum of one year needed to achieve the best possible treatment grading (ie: T1) for the biosolids.

drumMUSTER

We are a participant in the *drumMUSTER* program. This important volunteer initiative seeks to divert chemical drums from the general waste stream. Empty drums are appropriately cleaned, rinsed and stockpiled for collection by *drumMUSTER*. Drums are then reused by industry. During 2016/17 year 31 drums were delivered to *drumMUSTER*.

Fluorescent Lamps

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

Waste Oil

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

Volume of recycled waste produced at the Fourteenth Street complex

Batteries and scrap metal produced as part of water supply operations

Recycled Waste	2012/13	2013/14	2014/15	2015/16	2016/17
Commingle (kg)	1384	1793	1709	1657	1634
Paper (kg)	4157	8492	4301	4798	8629
Printer Cart. (kg)	68.72	60.32	70.12	66.68	28.42
Batteries (kg)	1845	2002	3867	3380	6035
Scrap Metal (kg)	12120	38373	58973	35560	24262
Styrofoam (m3)	12	13	14.25	7.5	8
Fluorescent Lamps (kg)	54	-60*	-120*	-180*	-240*

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

Social Sustainability

Meeting our Community Service Obligations

Value of Community Service Obligation provided	2015/16	2016/17
Concessions to Pensioners	2,154,823.03	2,237,625.28
Rebates paid to not-for-profit organisations under the water and sewerage rebate scheme	159,072.71	160,945.97
Utility Relief Grants Scheme	12,376.12	17,882.83
Haemodialysis Life Support Machine Water Concessions	1,060.42	457.80
Hardship Relief Grant Scheme for Sewerage Connections	#	#
TOTAL	2,327,332.28	2,416,911.88

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 2016/17:

- considered and made recommendations to the Board in relation to the setting and subsequent assessment of the Managing Director's Key Performance Indicators (KPI)
- made recommendations to the Board regarding the scope for a review of Board performance and the independent party to conduct the review
- oversaw compliance with the Statement of Obligations, the Letter of Expectations and revised Corporate Policies

Directors	Governance Committee	
	Eligible to attend	Attended
Philip Endley	6	6
Guy Kingwill	6	6
Kay Martin (Chair)	6	6
Sharyon Peart	6	4

Advertising campaigns valued at \$100,000

We did not conduct any advertising campaigns to this value.

Compliance with the building and maintenance provisions of 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. We have mechanisms in place to ensure our buildings conform with the building standards.

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

We obtained one building permit (via the contractor) for the new A Relift Pump Station in Red Cliffs during the reporting year. In the 2016/17 year there were no emergency orders and/or building orders issued in relation to buildings we own or control. No buildings required works to bring them into conformity.

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 2016/17.

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. At the time of this report, our Authorised Officer is Matthew Wilkes, Coordinator—Compliance. Requests under FOI must be in writing, addressed to:

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

An application fee of \$28.40 applies at the time of this report's publication. In the 2016/17 year four requests were received. Two of these were withdrawn, one was released in full and one was released in part.

Governance and Obligations

Information and Communication Technology Expenditure (ICT)

For the 2016/17 reporting period, we had a total ICT expenditure of \$2,617,000, with the details shown below.

All operational ICT expenditure	ICT expenditure relating to projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Non-Business As Usual (Non-BAU) ICT expenditure	Operational Expenditure (OPEX)	Capital Expenditure (CAPEX)
\$2,497,000	\$120,000	\$0.00	\$120,000

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

Local Jobs First—Victorian Industry Participation Policy

The *Victoria Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementations of the Victorian Industry Participation Policy. Two reforms to the Policy during the 2016/17 year have resulted in the Policy now being known as Local Jobs First -Victorian Industry Participation Policy (Local Jobs First—VIPP). Local Jobs First—VIPP aims to foster industry development, by encouraging Victorian government departments and public bodies to genuinely consider Victorian, Australian and New Zealand supply. We are required to apply Local Jobs First—VIPP in all procurement and project activities valued at \$1 million or more.

- *Contracts commenced to which Local Jobs First—VIPP applied:* 0
- *Contracts completed to which Local Jobs First—VIPP applied:* 2

Major External Reviews

No major reviews of our organisation were conducted during the 2016/17 year.

Major Research/Development Activities

No major research or development activities were conducted during the 2016/17 year.

National Competition Policy (NCP)

We continue to comply with the requirements of the NCP. 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.

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 may access our procedure at www.lmw.vic.gov.au There were no disclosures under the Act in 2016/17.

Governance and Obligations

Risk Management Framework and Processes

In October 2016 we divided the Audit and Risk Committee into two separate sub-committees – The Finance and Audit Committee and The Risk Committee. This initiative has allowed enhanced considerations of the management of risk. This compliments the existing sub-committee structure to ensure the Board discharges its responsibilities for the strategic direction and management of the affairs of the Corporation.

Finance and Audit Committee

The responsibilities of the Finance and Audit Committee include:

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

At 30th June 2017 the Finance and Audit Committee comprised Cheryl Rix (Chair), Jason Kambovski, Liza McDonald, Tony Mathews and Glen Hornsby, an external appointment to the Committee.

Risk Committee

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

- providing independent and objective review
- providing advice and assistance in developing Board policy
- monitoring corporate activity within the scope of its remit
- making recommendations to the Board for resolution
- assisting the Board in the Corporation's governance and exercising of due care, diligence and skill in relation to risk assessment, treatment strategies and monitoring

At 30th June 2017 the Risk Committee comprised Tony Mathews (Chair), Cheryl Rix and Guy Kingwill.

Audit and Risk Committee		
Directors	July - September 2016	
	Eligible to attend	Attended
Jason Kambovski	2	0
Tony Mathews	2	2
Liza McDonald	2	1
Cheryl Rix (Chair)	2	2

Finance and Audit Committee		
Directors	October 2016 - June 2017	
	Eligible to attend	Attended
Jason Kambovski	9	7
Tony Mathews	9	5
Liza McDonald	9	7
Cheryl Rix (Chair)	9	9

Risk Committee		
Directors	October 2016 - June 2017	
	Eligible to attend	Attended
Guy Kingwill	3	3
Tony Mathews (Chair)	3	3
Cheryl Rix	3	3

I, John Tesoriero, certify that Lower Murray Urban and Rural Water Corporation has complied with the Ministerial Standing Direction 3.7.1 - Risk Management Framework and Processes. The Lower Murray Urban and Rural Water Corporation Risk Committee has verified this.



John Tesoriero
Chair

Lower Murray Urban and Rural Water Corporation
11th September 2017

Governance and Obligations

Statement of Availability of Other Information

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

- Details of:
 - publications produced by ourselves about Lower Murray Water and how these can be obtained
 - changes in prices, fees, charges, rates and levies charged by us
 - major promotional, public relations and marketing activities undertaken by us to develop community awareness of Lower Murray Water and our services

The following information is contained elsewhere in this report:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- a general statement on industrial relations within our organisation and details of time lost through industrial accidents and disputes
- a list of our major committees, the purpose of each committee and the extent to which the purposes have been achieved
- Details of:
 - any major external reviews carried out on the organisation (none conducted in 2016/17)
 - major research and development activities undertaken by us (none conducted in 2016/17)
 - assessments and measures undertaken to improve the occupational health and safety of employees
 - all consultancies and contractors including consultants/contractors engaged, services provided and expenditure committed for each engagement

Information not applicable to us:

- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of overseas visits undertaken (no Board members or staff took overseas work related trips)

Statement of Availability of Other Reportable Information

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

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

Subsequent Events

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

Performance Report

Financial Performance Indicators

KPI Number	Key Performance Indicator	2015-16 Result	2016-17 Result	2016-17 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)	8.79	4.80	5.5	-45.4%	1a	-12.7%	1b
F2	Gearing Ratio Total debt (including finance leases) / total assets x 100	5.74%	5.58%	6.3%	-2.8%	-	-11.4%	2
F3	Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure x 100	32.18%	55.37%	53.6%	72.1%	3.	3.3%	-
F4	Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	2.02	1.68	1.50	-16.8%	4a	12.0%	4b
F5	Return on Assets Earnings before net interest and tax / average assets x 100	-1.10%	-0.96%	-0.6%	-12.7%	5a	60.0%	5b
F6	Return on Equity Net profit after tax / average total equity x 100	-1.18%	-1.13%	-0.9%	-4.2%	-	25.6%	6.
F7	EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue x 100	26.98%	26.23%	33.2%	-2.8%	-	-21.0%	7.

Notes: Variances greater than 10% described below

- 1a. Cash receipts from service and usage charges was \$1.8M lower than previous year which was due to a higher than average rainfall in the 2016/17 year resulting in a decline in demand for water compared to the hot and dry 2015/16 year. GST received from the ATO in 2016/17 was \$3.7M lower than prior year due to higher GST claimed in the prior year associated with the Sunraysia Modernisation Project (SMP). Cash interest cover is expected to improve as final payments for SMP have been made and will not impact in the future.
- 1b. Cash Interest Cover ratio is lower than forecast due to a decrease in Net Cash Flow from Operations of \$3.3M from target. This was predominately due to some final payments for SMP being made in the current year and not the 2015/16 year as originally forecast. These payments will not impact on future years and should lead to an improvement in Cash Interest Cover.
2. The favourable variance to the forecast gearing ratio is a result of the forecast revaluation of assets being \$101M above actual. Total debts reduced by \$14M.
3. Internal Financing Ratio for 2016/17 increased significantly from 2015/16 due to a \$47M decrease in capital expenditure compared to the prior year which had high payments associated with SMP.
- 4a. In the 2015/16 year, the corporation held higher levels of SMP funding which reduced throughout the 2016/17 year. The current ratio is impacted by the change in cash holdings being \$12M less in 2016/17. This was offset by a reduction in payables of \$5.5M. As the ratio was impacted by unusually high cash holdings in the prior year, no corrective action is necessary.
- 4b. The favourable current ratio variation compared to target is due to higher cash holdings by \$8M than target and assets held for sale of \$4M which were not forecasted.
- 5a. The favourable movement in the return on assets compared to 2015/16 is attributable to infrastructure asset write offs in the previous two years. As parts of the SMP were completed this resulted in the decommissioning and writing off of redundant assets and the higher deficits in past years. This would also be the result of the \$19M increase in average assets compared to prior year.

Performance Report

Financial Performance Indicators continued

Notes continued:

- 5b. The unfavourable variance between the forecast and actual return on assets was due to the deficit being \$1M more than target. The impact of this was partially offset as the average assets were lower than forecast by \$111 M. Improvements to net profit after tax are likely to occur in the future compared to current year, with decreases in expenditure associated with SMP implementation costs and the non-recurring black water nature event.
6. The unfavourable variance between the forecast and 2016/17 return on equity was due to the deficit being \$1M more than target. Average equity is lower than forecast by \$93M again due to the higher forecast valuation of assets which partially offsets the result. Improvements to be gained in future from decreased expenditure associated with repairs and maintenance now that SMP is fully commissioned and non-recurring black water event.
7. The EBITDA result is \$3.3M lower than forecast due an increase in expenditure relating to items such as the black water event and a rise in irrigation reticulation maintenance costs. High rainfall at the start of the season also reduced income which was never fully recovered. These factors combined resulted in an unfavourable variance to target and are unlikely to impact future years which will lead to an improvement in EBITDA margin.

Water and Sewerage Service Performance Indicators

KPI Number	Key Performance Indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to Prior Year	Notes	Variance to Target	Notes
WS1	Unplanned Water Supply Interruptions No. of customers receiving 5 unplanned interruptions in the year / total number of water (domestic and non-domestic) customers x 100	0.00%	0.00%	0.05%	0.0%		-100.0%	8a
WS2	Interruption Time Average duration of unplanned water supply interruptions (minutes)	54.13	57.02	64.0	5.3%	9a	-10.9%	9b
WS3	Restoration of Unplanned Water Supply Unplanned water supply interruptions restored within 5 hours / total unplanned water supply interruptions x 100	100.00%	99.42%	99.5%	-0.6%		-0.1%	
SS1	Containment of Sewer Spills Sewer spills from reticulation and branch sewers contained within 5 hours / total sewer spills from reticulation and branch sewers	100%	100%	97.0%	0.0%		3.1%	
SS2	Sewer Spills Interruptions No. of residential sewerage customers affected by sewerage interruptions restored within 5 hours	99%	100%	97.0%	0.9%		3.1%	

Notes: Variances greater than 5% described below

- 8a. Favourable variance to target is due to no unplanned interruptions.
- 9a. Unfavourable variance to prior year is a result of two (2) main crack interruptions that required repair work and impacted customers over an extended period. LMW is committed to reducing unplanned interruptions to customers through its water main replacement program.
- 9b. Favourable variance to target highlights the continual improvement in our response to unplanned interruptions.

Performance Report

Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR1	Water Quality Complaints No. of complaints per 100 customers	0.087	0.386	1.079	343.7%	10a	-64.2%	10b
CR2	Sewerage Service Quality Complaints No. of complaints per 100 customers	0.024	0.001	0.046	-97.5%	11a	-98.7%	11b
CR3	Sewer Odour Complaints No. of complaints per 100 customers	0.059	0.031	0.071	-47.5%	12a	-56.3%	12b
CR4	Billing Complaints No. of complaints per 100 customers	0.027	0.029	1.779	7.4%	13a	-98.4%	13b

Notes: Variances greater than 5% described below

- 10a. Unfavourable variance to prior year saw a significant increase in colour, taste and odour complaints from 2015-16. This was attributed to unseasonal floods which caused an act of nature being a black water event that occurred from November 2016 to January 2017. This affected the appearance and quality of the river water resulting in ongoing monitoring and fine tuning of treatment processes so to improve the taste and clarity challenges from the black water.
- 10b. The favourable variance to target result was less based on the average of water quality complaints over the past five (5) years. The average target still includes Air Scouring in 2012 which recorded a high level of complaints at that time.
- 11a. Favourable variance to prior year is a result of two (2) complaints both were investigated and warranted no further action.
- 11b. Favourable variance to target is due to the allowance for sanity drain repairs which became LMW responsibility in 2015/16.
- 12a. Favourable variance to prior year is a result of a decrease in sewer odours complaints this year nine (9) compared with seventeen (17) last year. Four of these complaints relate to locations in Mildura that have identified odour issues and will require engineered solutions. One related to Merbein WasteWater Treatment Plant which saw suspect high EC in the winter storage contributing to the odour, additional flows of fresh water were released into the lagoon to reduce the odour. The remaining three (3) were in Southern Region and one related to a sewer pump station that had the filters changed and two (2) others were investigated and had no further action.
- 12b. LMW favorable variance to target can be attributed to our ongoing sewer maintenance program.
- 13a. 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. Our Customer Experience Team are focussed on improving our digital communications platform to improve the customers' ability to view their bills and usage, pay their account and update their personal details, it is expected that this will assist in reducing our complaints in the future.
- 13b. 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 target as the last couple of years have seen a reduction in billing complaints.

Performance Report

Environmental Performance Indicators

KPI Number	Key Performance Indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to Prior Year	Notes	Variance to Target	Notes
E1	Effluent Re-Use Volume (End Use)	48.90%	43.30%	100.0%	-11.5%	14a	-56.7%	14b
E2	Total Net CO ₂ Emissions Net tonnes CO ₂ equivalent	45,140	42,254	37,068	-6.4%	15a	14.0%	15b

Notes: Variances greater than 5% described below

- 14a. Unfavourable variance to prior year is a result of the treated recycled waste water being significantly impacted by weather conditions, land use and type of irrigated crops which can vary from year to year. Heavy rain events during the year resulted in reduced irrigation requirements and subsequent excess treated wastewater being discharged into the Murray River.
- 14b. Unfavourable variance to target is a result of previous reporting of waste water reuse being based on the percentage of recycled water to all the waste water treated at our waste water treatment plants including evaporation losses. Future reporting has been amended to reflect our targets associated with its strategic direction which includes no plans to establish any new recycling schemes in the foreseeable future.
- 15a. Favourable variance to prior year is a result of an exceptionally high rainfall event in spring that significantly reduced demand for irrigation water.
- 15b. Unfavourable variance to target result is due to the forecast emissions target not factoring in increased demand for water during the extended heatwave conditions over summer and early autumn and were calculated using the 2011 Census data figures. The actual greenhouse calculations used the 2016 Census data and the increased population figures are directly proportional to fugitive emissions of methane and nitrous oxide from our wastewater treatment plants. We participated in the WSAA Energy Management Systems Benchmarking project in 2017 to help identify gaps and assist with improvements such as forecasting and reporting.

Water (Rural) Service Performance Indicators

KPI Number	Key Performance Indicator	2015-16 Result	2016-17 Result	2016-17 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	99.85%	99.88%	95.0%	0.0%		5.2%	16a
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	17a	N/A	17b

Notes: Variances greater than 5% described below

- 16a. Favourable variance to target is a result of the Sunraysia Modernisation Project, where our target was lower than normal due to major works planned and consideration of possible interruptions to ordered deliveries.
- 17a/b. LMW does not process transfers from groundwater supplies.

Customer (Rural) Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	2015-16 Result	2016-17 Result	2016-17 Target	Variance to Prior Year	Notes	Variance to Target	Notes
CR4	Billing Complaints No. of complaints per 100 customers	0.017	0.033	0.220	97.6%	18a	-85.0%	18b

Notes: Variances greater than 5% described below

- 18a. The unfavourable variance to prior year recorded an increase of one (1) complaint from 2015-16 to two (2) in 2016-17. Our Customer Experience Team are focused on improving our digital communications platform to improve the customers' ability to view their bills and usage, pay their account and update their personal details, it is expected that this will assist in reducing our complaints in the future.
- 18b. The favourable variance to target is a result of the target including a high number of complaints during the five (5) year average.

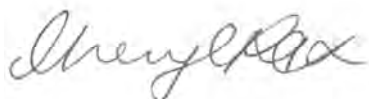
Performance Report

Certification of Performance Report for 2016/17

We certify that the accompanying Performance Report of Lower Murray Urban and Rural Water Corporation in respect of the 2016/17 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 2016/17 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

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



Cheryl Rix
Deputy Chair



Philip Endley
Managing Director



Julie Campbell
Chief Financial Officer

Dated this eleventh day of September 2017

Independent Auditor's Report

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

Opinion

I have audited the accompanying performance report for the year ended 30 June 2017 of the Lower Murray Urban and Rural Water Corporation (the corporation) which comprises the:

- financial performance indicators
- water and sewerage service performance indicators
- customer responsiveness performance indicators
- environmental performance indicators
- water (rural) service performance indicators
- customer (rural) responsiveness performance indicators
- certification of performance report for 2016/17.

In my opinion, the performance report of corporation in respect of the year ended 30 June 2017 presents fairly, in all material respects, in accordance with the performance reporting requirements of the *Financial Management Act 1994*.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. My responsibilities under the Act are further described in the *Auditor's responsibilities for the audit of the performance report* section of my report.

My independence is established by the *Constitution Act 1975*. I and my staff are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance report in Australia and have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the performance report

The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994* and for such internal control as the Board determines 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.

Performance Report

**Auditor's
responsibilities for the
audit of the
performance report**

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

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

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

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

MELBOURNE
12 September 2017



Roberta Skliros
as delegate for the Auditor-General of Victoria

2016/17 Financial Summary

Financial Review

Our operating result after tax was an improvement on the 2015/16 year to a loss of \$8.4M.

This improved result was despite a challenging year that meant we fell short of the Corporate Plan target of an operating loss of \$10.2M.

Our region experienced a wet start to the year with an increase in rainfall compared to the region average. As a result, the usage charges were lower than forecast, particularly in the first quarter. High rainfall, flood and storm events throughout the basin areas also contributed to increased expenditure for the Corporation with one example being the high costs associated with mitigating the blackwater event. Capital contributions were at an all-time high with increased growth throughout the region ensuring that our customer base, particularly in the urban sector, continues to grow.

Capital expenditure was lower than previous years which allowed us to reduce interest bearing liabilities as well as make final project payments on the Sunraysia Modernisation Project.

Operating deficits are driven by a high depreciation expense as a result of cyclical revaluations of infrastructure, land and buildings. The accumulated funds deficit of \$91.2M shows the continued impact of changes to the accounting standards, transition to IFRS (International Financial Reporting Standards) and the tax treatment of past valuations.

Summary of Financial Results

Financial Summary	2012/13	2013/14	2014/15	2015/16	2016/17
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Core Business Revenue	59,023	55,642	57,965	60,233	60,386
Capital Contributions	1,968	2,768	2,577	2,081	3,683
Government Contributions	324	2,000	2,550	1,500	1,125
Other Revenue	3,976	3,599	4,609	4,824	1,081
Total Revenue	65,291	64,009	67,701	68,638	66,275
Depreciation Expense	23,964	24,550	25,874	28,425	26,250
Borrowing Cost Expenses	3,734	4,070	3,865	3,664	3,474
Other Expenses	41,997	39,190	46,405	49,302	48,484
Total Expenditure	69,695	67,810	76,144	81,391	78,208
Net result before tax	-4,404	-3,801	-8,443	-12,753	-11,933
Current Assets	25,088	56,454	73,761	38,675	26,798
Non Current Assets	783,508	777,451	802,780	896,733	887,683
Total Assets	808,596	833,905	876,541	935,408	914,481
Current Liabilities	15,048	20,081	26,425	19,087	15,957
Non Current Liabilities	167,369	163,089	157,292	169,670	161,091
Total Liabilities	182,417	183,170	183,717	188,757	177,048
Net cash flow from operations	18,932	21,388	18,218	21,798	11,650
Payments for property, plant and equipment (including infrastructure)	20,869	20,968	44,224	67,338	20,985

2016/17 Financial Summary

Performance Indicator	2012/13	2013/14	2014/15	2015/16	2016/17
Internal Financing Ratio	87.68%	99.53%	40.95%	32.18%	55.50%
Gearing Ratio	7.66%	7.99%	6.88%	5.74%	5.58%
Interest Cover (EBIT)	-0.30	Not supplied as a performance indicator			
Interest Cover (Cash)	6.70	6.90	7.29	8.79	4.82
Return on Assets	-	-0.02%	-0.65%	-1.10%	-0.96%
Return on Equity	-	-0.40%	-0.87%	-1.18%	1.13%

LOAN NO	PURPOSE	PERIOD	AMOUNT RAISED	INT. RATE	REDEEMED	LIABILITY
SEWERAGE DISTRICT						
TCV1		11 - 41	20,000,000.00	5.835	2,007,035.97	17,992,964.03
TCV6301		11 - 17	1,000,000.00	5.450	1,000,000.00	0.00
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			26,000,000.00		3,007,035.97	22,992,964.03
TOTAL LOAN LIABILITY - SEWERAGE DISTRICT			26,000,000.00		3,007,035.97	22,992,964.03
FIRST MILDURA IRRIGATION DISTRICT						
TCV15656		12 - 22	1,000,000.00	4.755	0.00	1,000,000.00
TCV29877		13 - 21	1,000,000.00	4.260	0.00	1,000,000.00
TCV29878		13 - 23	1,000,000.00	4.545	0.00	1,000,000.00
TCV29879		13 - 23	2,000,000.00	4.600	0.00	2,000,000.00
TOTAL MILDURA IRRIGATION			5,000,000.00		0.00	5,000,000.00
RED CLIFFS IRRIGATION DISTRICT						
TCV29875		13 - 17	1,000,000.00	3.475	1,000,000.00	0.00
TOTAL RED CLIFFS IRRIGATION			1,000,000.00		1,000,000.00	0.00
ROBINVALE IRRIGATION DISTRICT						
TCV1		11 - 41	20,000,000.00	5.835	2,007,035.97	17,992,964.03
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		2,007,035.97	22,992,964.03
TOTAL LOAN LIABILITY - IRRIGATION			31,000,000.00		3,007,035.97	27,992,964.03
TOTAL LOAN LIABILITY - CORPORATION						50,985,928.06

Summary of Financial Performance

2016/17 Financial Summary

Consultancies—over \$10,000

Consultancy Name and Project Reference	Start Date	End Date	Total Project Approved Fees (Excl GST)	Expenditure 2016/2017	Future expenditure (Excl GST)
AUSTRALIAN CORROSION CONSULTANCY			\$	\$	\$
14th Street Ground Level Tank	1/06/2017	30/06/2017	9,485.00	8,176.00	
Psyche Pump Station reinstatement	1/06/2017	30/06/2017	14,160.00	12,624.00	
Cliffside Ground Level Tank	1/06/2017	30/06/2017	9,275.00	7,992.00	
BARTLEY CONSULTING PTY LTD					
Urban Customer Survey	1/11/2016	30/11/2016	21,680.00	21,680.00	
Rural Customer Survey	1/02/2017	28/02/2017	34,650.00	34,650.00	
CORDINER KING					
Recruitment / Personnel	1/05/2017	31/05/2017	14,000.00	14,000.00	
CULTIVATOR INCORP					
LMW Pump Station Mural Project	1/04/2017	30/04/2017	35,000.00	35,000.00	
GHD PTY LTD					
Kerang Water Modelling	1/10/2016	31/10/2016	6,496.00	6,496.00	
LMW Renewals Forecast 2016	1/11/2016	31/12/2016	46,942.00	48,048.00	
LMW Urban Water Strategy	1/12/2016	31/01/2017	113,956.94	113,956.94	
LMW Water Supply Hydraulic Model	1/07/2016	30/04/2017	50,299.00	48,659.65	
LMW Water Solar PV	1/07/2016	31/12/2016	14,750.00	14,750.00	
LMW AMAF Gao Analysis & Review	1/04/2017	30/06/2017	22,000.00	22,000.00	
Mildura 7th St Flow Splitter	1/11/2016	31/12/2016	12,288.00	12,288.00	
Mildura Master Plan	1/12/2016	30/06/2017	110,900.00	55,953.00	
Swan Hill Master Plan	1/01/2017	30/06/2017	64,764.00	54,184.00	
LMW Feasibility Salinity Advice	1/03/2017	31/03/2017	2,100.00	2,100.00	
Red Cliffs Pump Suction Jetty extension	1/12/2016	28/02/2017	6,864.00	3,000.00	
Swan Hill Outfall Rising Main	1/07/2016	31/12/2016	47,273.88	5,328.85	
Water Supply Misc Advice	1/07/2016	30/06/2017	22,054.00	22,054.00	
Elevated Water Storage assessment	1/06/2017	30/06/2017	18,600.00	14,300.00	
Riverside Avenue 16th Ecological Assessment	1/06/2017	30/06/2017	11,914.00	11,914.00	
HUNTER H2O HOLDINGS PTY LTD					
Concept Design UV Upgrade	1/10/2016	31/03/2017	115,966.00	111,980.96	
Koondrook WTP Electrical Design	1/05/2017	30/06/2017	60,240.00	21,576.00	
Kerang WTP Electrical Design	1/01/2017	31/01/2017	68,248.00	26,904.47	
Electrical and Automation Specification	1/06/2017	30/06/2017	29,770.00	3,721.25	
Process Support	1/11/2016	30/06/2017	69,500.00	69,306.04	
PAMP HOLDING PTY LTD					
Rural Projects	1/07/2016	30/06/2017	59,220.00	59,220.00	
RM CONSULTING					
Mildura WWTP Short Term Irrigation	1/06/2017	30/06/2017	13,876.36	13,876.36	
RMCG					
Response to ESC's position paper	1/08/2016	31/08/2016	12,700.00	12,700.00	
SACS CONSULTING					
Module One Project Planning	1/01/2017	31/01/2017	1,830.00	1,830.00	
Module Two Project Planning	1/01/2017	31/01/2017	16,670.00	16,670.00	
Board Performance review	1/02/2017	31/03/2017	6,002.59	6,002.59	
Module Three LMW Board Review	1/02/2017	28/02/2017	3,100.00	3,100.00	
SJ Corporate Pty Ltd					
Specialist Board Services	1/07/2016	30/06/2017	270,843.65	270,843.65	
SOUTHERN CROSS CONSULTING GROUP					
2016 Tax effect Accounting	1/07/2016	31/08/2016	16,750.00	16,750.00	
THE UNIVERSITY OF MELBOURNE					
Assessment of Emissions	1/06/2017	30/06/2017	85,200.00	85,200.00	
TEN CONSULTING (CAMDEN ELEVEN PTY LTD T/AS)					
Kerang - WTP Caustic Dosing Investigation	1/07/2016	28/02/2017	2,560.00	2,560.00	
Kerang - WTP Upgrade	1/07/2016	30/06/2017	31,000.00	25,820.00	
Koondrook - WTP Sludge Thickener	1/07/2016	30/06/2017	7,680.00	7,680.00	
Koondrook - WTP Upgrade	1/07/2016	28/02/2017	17,640.00	4,350.00	
LMW Water Standard Specifications Review	1/05/2017	30/06/2017	6,400.00	5,440.00	
Mildura - WTP Inlet Upgrade	1/07/2016	31/03/2017	51,414.00	95,590.00	
Koondrook RWPS - Project Management	1/07/2016	28/02/2017	2,640.00	1,280.00	
WSP AUSTRALIA LIMITED					
Mda WTP Pipe Condition assessment	1/06/2017	30/06/2017	37,027.27	38,347.27	
ZEROHARM SAFETY CONSULTANCY					
Occupational Health and Safety Consultation Services	1/06/2017	30/06/2017	26,000.00	26,000.00	
SUB-TOTAL			1,701,729.69	1,495,903.03	-

2016/17 Financial Summary

Consultancies—over \$10,000 continued

Consultancy Name and Project Reference	Start Date	End Date	Total Project Approved Fees (Excl GST)	Expenditure 2016/2017	Future expenditure (Excl GST)
SUNRAYSIA MODERNISATION PROJECT (SMP) CONSULTANCIES					
ACQUENTA PTY LTD					
SMP Services	1/07/2016	29/07/2016	5,700.00	5,680.00	
Assess Claims SMP	1/03/2017	31/03/2017	8,100.00	8,034.56	
AECOM AUSTRALIA PTY LTD					
Professional Fees	1/10/2016	31/10/2016	13,800.00	13,737.00	
J.ALEXANDER LANG & ASSOCIATES					
SMP General	1/07/2016	31/03/2017	86,000.00	85,900.34	
SMP Project Advice	1/07/2016	31/01/2017	44,000.00	43,751.50	
DM ENGINEERING					
Consulting SMP Contract Review	1/07/2016	30/06/2017	125,000.00	124,500.00	
SMP Commissioning	7/12/2016	19/01/2017	27,000.00	27,000.00	
Central Pumps Testing	2/09/2016	31/10/2016	1,000.00	1,000.00	
Red Cliffs Testing	22/07/2016	31/08/2016	1,000.00	1,000.00	
EDISCOVERY					
SMP Consultancy	1/12/2016	31/12/2016	13,000.00	13,000.00	
ENVIROPAX PTY LTD					
SMP Drafting and Finalisation	1/09/2016	31/10/2016	11,000.00	10,160.00	
GHD PTY LTD					
Design & engineering Consultancy CN0186	1/07/2016	31/01/2017	275,000.00	272,356.00	50,000.00
Design & engineering Consultancy CN0229 - SMP 2	1/07/2016	31/01/2017	440,000.00	433,466.42	
Design & engineering Consultancy CN 32 - SMP	1/07/2016	30/06/2017	29,000.00	28,191.00	
Design & engineering Consultancy CN 33 - SMP	1/07/2016	30/06/2017	40,000.00	39,704.00	
Design & engineering Consultancy CN 34 - SMP	1/07/2016	30/06/2017	47,000.00	46,716.00	
JACOBS GROUP					
SMP Water Saving Review	1/08/2016	31/08/2016	17,000.00	16,960.00	
MARSDEN JACOB					
SMP Case study Stage One	1/01/2017	31/01/2017	165,000.00	164,258.73	
SMP2 Business Development	1/03/2017	30/06/2017	146,000.00	145,493.90	
MCMULLAN SOLICITORS					
Legal Consultancy SMP	1/07/2016	30/11/2016	18,000.00	17,760.00	10,000.00
PITCHER PARTNERS					
SMP Services	1/05/2016	31/08/2016	8,000.00	7,677.00	
SMP2 Services	1/01/2017	31/01/2017	10,000.00	9,747.78	
SMP Professional Fees	1/03/2017	31/03/2017	4,000.00	3,319.00	
PHYSELEC SOLUTIONS					
Merbein PS Earthing Review	1/04/2017	30/06/2017	19,000.00	18,450.00	
RJ STOWE & ASSOCIATES					
Legal Consultancy SMP	1/07/2016	28/02/2017	245,000.00	243,719.13	
SMP2 Services	1/03/2017	30/06/2017	27,000.00	26,351.29	
TIMM CUMMINS & ASSOCIATES					
Consultancy - SMP2	1/11/2016	30/04/2017	11,000.00	10,950.86	
SUB-TOTAL			1,836,600.00	1,818,884.51	
GRAND TOTAL				3,314,787.54	

2016/17 Financial Report

Notes	Contents	Page
	Auditor General's Report	48
	Comprehensive Operating Statement	50
	Balance Sheet	51
	Statement of Changes in Equity	52
	Cash Flow Statement	53
	NOTES ACCOMPANYING THE FINANCIAL STATEMENTS	54
1	About this report	54
2	Funding delivery of our services	56
3	The cost of delivering services	59
4	Key assets available to support output delivery	65
5	Other assets and liabilities	72
6	How we financed our operations	75
7	Risks, Contingencies and Valuation judgements	78
8	Statutory obligations	96
9	Other disclosures	99

2016/17 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 2017 and the financial position of the Corporation at 30th June 2017.

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.

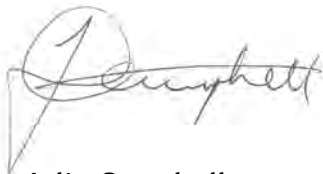
We authorise the attached financial statements for issue on 11th September 2017.



Cheryl Rix
Deputy Chair



Philip Endley
Managing Director



Julie Campbell
Chief Financial Officer

Dated this eleventh day of September 2017

Independent Auditor's Report

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

Opinion	<p>I have audited the financial report of the Lower Murray Urban and Rural Water Corporation (the corporation) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2017• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes accompanying the financial statements• accountable officer's and chief finance and accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the corporation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

2016/17 Financial Report

**Auditor's
responsibilities
for the audit
of the financial
report**

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

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

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

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

MELBOURNE
12 September 2017



Roberta Skliros
as delegate for the Auditor-General of Victoria

2016/17 Financial Report

COMPREHENSIVE OPERATING STATEMENT

For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<u>Revenue</u>			
Service charges	2.2.1	38,468	38,707
Water usage charges	2.2.1	16,512	19,233
Interest income	2.2.2	411	867
Developer contributions	2.2.3	3,701	2,102
Government grants and contributions	2.2.4	3,363	3,634
Other income	2.2.5	3,820	4,095
Total Revenue		66,275	68,638
<u>Expenses</u>			
Depreciation and impairment	4.1.1	25,858	27,856
Amortisation	4.2	392	569
Employee benefits	3.2.1	17,778	16,436
Repairs and maintenance expense	3.3	7,470	5,859
Net loss on disposal of non-financial assets	4.1.3	43	189
Environmental contribution	8.2	1,579	1,579
Interest	6.1.2	3,474	3,664
Other expenses	3.4	21,614	25,239
Total Expenses		78,208	81,391
Net Result before tax		(11,933)	(12,753)
Income Tax (Expense)/Revenue	8.1.1	3,522	4,262
Net result for the Period		(8,411)	(8,491)
<u>Other comprehensive income</u>			
<i>Items that will not be reclassified to net result</i>			
Change in physical asset revaluation surplus	9.1.2	(1,151)	64,683
Income tax relating to components of other comprehensive income	8.1.1	347	(19,405)
Total comprehensive income for the period		(804)	45,278
Comprehensive result		(9,215)	36,787

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

2016/17 Financial Report

BALANCE SHEET

As at 30 June 2017

		Notes	2017 \$'000	2016 \$'000
CURRENT ASSETS				
	Cash and cash equivalents	6.2	9,962	21,861
	Receivables	5.1	8,761	10,061
	Inventories	5.3	3,630	3,107
	Other non-financial assets	5.4	315	316
	Assets classified as held for sale	4.1.5	4,130	3,330
Total current assets			26,798	38,675
NON-CURRENT ASSETS				
	Receivables	5.1	303	115
	Infrastructure, property, plant and equipment	4.1	882,108	891,182
	Intangible assets	4.2	5,272	5,436
Total non-current assets			887,683	896,733
TOTAL ASSETS			914,481	935,408
CURRENT LIABILITIES				
	Payables	5.2	5,300	10,770
	Interest bearing liabilities	6.1	4,740	2,698
	Employee benefits	3.2.2	5,917	5,619
Total current liabilities			15,957	19,087
NON-CURRENT LIABILITIES				
	Interest bearing liabilities	6.1	46,246	50,986
	Employee benefits	3.2.2	284	254
	Net deferred tax liabilities	8.1.2	114,548	118,418
	Other liabilities		12	12
Total non-current liabilities			161,091	169,670
TOTAL LIABILITIES			177,048	188,757
NET ASSETS			737,434	746,651
EQUITY				
	Contributed capital	9.1.1	629,573	629,573
	Physical asset revaluation surplus	9.1.2	199,118	199,923
	Accumulated deficit	9.1.3	(91,256)	(82,845)
TOTAL EQUITY			737,434	746,651

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

2016/17 Financial Report

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

		Contributed capital	Physical asset revaluation surplus	Accumulated deficit	Total
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		612,533	154,645	(74,354)	692,824
Total comprehensive income for the year as reported in the 2016 financial report		-	45,278	(8,491)	36,787
Transactions with the State in its capacity as owner:					
Contributions by owners	9.1.1	17,040	-	-	17,040
Balance at 30 June 2016		629,573	199,923	(82,845)	746,651
Total comprehensive income for the year	9.1	-	(805)	(8,411)	(9,217)
Balance at 30 June 2017	9.1	629,573	199,118	(91,256)	737,434

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

2016/17 Financial Report

CASH FLOW STATEMENT

For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Receipts			
Service and usage charges		57,856	59,673
Proceeds from Scheme Debtors		33	23
Government Contributions		1,125	1,500
Income for Capital Purposes		3,683	2,081
Interest Received		411	868
Goods and Services Tax received from the ATO		4,712	8,449
Other Revenue		4,280	5,322
Total Receipts		72,100	77,916
Payments			
Payments to Suppliers & Employees		(56,723)	(51,918)
GST Paid to the ATO		(254)	(536)
Interest and Other Costs of Finance Paid		(3,473)	(3,664)
Total Payments		(60,450)	(56,118)
Net cash inflows from Operating Activities	6.2.1	11,650	21,798
Cash flows from Investing Activities			
Payments for Infrastructure, Property, Plant and Equipment		(20,985)	(67,338)
Payments for Intangible Assets		(54)	(392)
Proceeds from Sale of Infrastructure, Property, Plant and Equipment	4.1.3	188	2,148
Net cash outflows from Investing Activities		(20,851)	(65,582)
Cash Flows from Financing Activities			
Repayment of Borrowings		(2,698)	(6,659)
Proceeds from contributions by State in its capacity as owner	9.1.1	-	17,040
Net cash (outflows)/inflows from Financing Activities		(2,698)	10,381
Net increase/(decrease) in cash and cash equivalents		(11,899)	(33,403)
Cash and cash equivalents at the beginning of the financial year		21,861	55,264
Cash and cash equivalents at the end of the year	6.2	9,962	21,861

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

1. ABOUT THIS REPORT

Basis of Accounting

The financial report includes separate financial statements for Lower Murray Urban & Rural Water Corporation (Lower Murray Water) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements for the period ending 30 June 2017. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS's), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions. Lower Murray Water is a not-for-profit entity for the purpose of preparing the financial statements.

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

Lower Murray Waters' financial statements have been presented in a different format compared with 2015/16 which is aligned with the changing financial reporting landscape. To improve the consistency and quality of the financial reporting, the 2016/17 Lower Murray accounts have been updated in a streamlined format.

The primary objective of streamlined reporting is to improve the effectiveness of communicating the financial performance and position of reporting entities in the delivery of their services with particular focus on:

- rewriting, reordering and relabelling the notes to the financial statements to provide greater insight into operations and outcomes; and
- removing immaterial or irrelevant disclosures.

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 11th September 2017.

The principal address is:

Lower Murray Water
741-759 Fourteenth Street
Mildura Vic 3500

Reporting Lines of Business

The financial information has been prepared based on Lower Murray Water's main functions which gives a more detailed understanding of the different areas of the business. We provide potable water and wastewater services to Urban customers (Water and Wastewater). We supply river water for our Rural business (Irrigation and Drainage) to irrigate and also provide drainage services.

Accounting Policies

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

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

Functional and Presentation Currency

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

Classification Between Current and Non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being Lower Murray Water's operational cycle.

Rounding

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

Historical Cost Convention

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

Accounting Estimates

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

- Valuation of Land where the valuation requires the market sales valuation approach and the application of a CSO discount.
- Valuation of Buildings where the valuation requires judgement on the current condition of the assets.
- Valuation of infrastructure where the valuation requires judgement on the current condition of the assets and the application of the unit costs and estimated useful lives.
- Intangible assets (bulk water entitlements) where management is required to test whether the carrying value reflects the recoverable amount of the Intangible Assets.
- Depreciation on non-current physical assets where there is assessment of the estimated useful lives.
- Employee benefits provision where assumptions are required for wage growth and CPI movements. An estimate is made on the likelihood of employees reaching unconditional service.
- Accruals where for each category of accrual, management must ensure either:
 - service has been received
 - there is an obligation to pay and the balance can be reliably measured.
- 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

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

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

Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from transactions
 - 2.2.1 Service and usage charges
 - 2.2.2 Interest
 - 2.2.3 Developer contributions
 - 2.2.4 Government grants and contributions
 - 2.2.5 Other income

2.1 Summary of income that funds the delivery of our services:

		(\$'000)		(\$'000)		(\$'000)	
		TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
Revenue		2017	2016	2017	2016	2017	2016
Service charges	2.2.1	38,468	38,707	20,235	19,876	18,233	18,831
Water usage charges	2.2.1	16,512	19,233	11,505	13,468	5,007	5,765
Interest income	2.2.2	411	867	104	93	307	774
Developer contributions	2.2.3	3,701	2,102	3,551	1,889	150	213
Government grants and contributions	2.2.4	3,363	3,634	2,199	2,083	1,164	1,551
Other Income	2.2.5	3,820	4,095	2,737	3,007	1,083	1,088
Total revenue		66,275	68,638	40,331	40,416	25,944	28,222

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.2 Income from Transactions

2.2.1 Service and usage charges

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Service charges						
- Water service charges	37,727	37,939	19,494	19,108	18,233	18,831
- Trade waste charges	741	768	741	768	-	-
Water usage charges						
- Metered Charges	16,512	19,233	11,505	13,468	5,007	5,765
Total Service and usage charges	54,980	57,940	31,740	33,344	23,240	24,596

Water service charges are recognised as revenue when levied or determined.

Trade waste charges are recognised as revenue at the end of the service delivery period. Volume meters are read and appropriate charges levied as per the trade waste agreements. The meters are read on a cyclical basis with accounts sent on a quarterly basis.

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

2.2.2 Interest

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Interest from cash and cash equivalents	234	694	78	60	156	634
Interest on Charges	151	140	-	-	151	140
Interest on Private Schemes	26	33	26	33	-	-
Total Interest Income	411	867	104	93	307	774

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

2.2.3 Developer contributions

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Developer contributions						
- Fees paid by developers	3,684	2,081	3,534	1,868	150	213
- Other contributions	17	21	17	21	-	-
Total revenue	3,701	2,102	3,551	1,889	150	213

Water infrastructure assets built by developers in new land subdivisions that on completion are provided to Lower Murray Water or fees paid by developers to connect new developments to Lower Murray Water's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2.2.4 Government grants and contributions

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Government Contributions (Non Capital)	1,125	-	25	-	1,100	-
Government Pensioner Rate Reimbursement	2,238	2,134	2,174	2,083	64	51
Government Contributions (Capital)	-	1,500	-	-	-	1,500
Total Government grants and contributions	3,363	3,634	2,199	2,083	1,164	1,551

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 *Contributions*, whichever is the sooner, and disclosed in the Comprehensive Operating Statement as government grants and contributions.

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the Corporation obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

2.2.5 Other Income

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Income from Fees	1,371	1,413	988	949	383	464
Rent/Lease/Annual Water Trade Income	1,075	1,680	1,046	1,362	29	318
Customer Service Obligations	179	159	179	159	-	-
Sundry Income	1,195	843	524	537	671	306
Total other income	3,820	4,095	2,737	3,007	1,083	1,088

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3. THE COST OF DELIVERING SERVICES

Introduction

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

Structure

- 3.1 Summary of expenses incurred in delivery of services
- 3.2 Our people
 - 3.2.1 Employee benefits - comprehensive operating statement
 - 3.2.2 Employee benefits - balance sheet
 - 3.2.3 Superannuation
- 3.3 Repairs and maintenance
- 3.4 Other operating expenses

3.1 Summary of expenses incurred in delivery of services:

		(\$'000)		(\$'000)		(\$'000)	
		TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
		2017	2016	2017	2016	2017	2016
Employee benefit expenses	3.2.1	17,778	16,436	9,334	8,629	8,444	7,807
Repairs and maintenance	3.3	7,470	5,859	4,024	3,490	3,446	2,369
Other operating expenses	3.4	21,614	25,239	9,032	8,278	12,582	16,961
Total expenses incurred in delivery of services		46,862	47,534	22,390	20,397	24,472	27,137

3.2 Our people

3.2.1 Employee benefits - comprehensive operating statement

		(\$'000)	
		TOTAL	
		2017	2016
Employee Benefits			
- salaries and wages		15,730	14,484
- annual leave		56	34
- long service leave		246	241
- employer superannuation contributions	3.2.3	1,395	1,314
- Directors and Chair allowance		350	351
- other		1	12
Total employee benefit costs		17,778	16,436

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.2.2 Employee benefits - balance sheet

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

	(\$'000)	
	2017	2016
Current provisions:		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	526	177
Unconditional and expected to settle after 12 months	1,250	1,476
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	235	-
Unconditional and expected to settle after 12 months	2,985	3,004
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	79	764
Unconditional and expected to settle after 12 months	642	-
Accumulated Sick Leave	36	35
Accrued Bonus	164	163
Total current provisions for employee benefits	5,917	5,619
Non-current provisions:		
Employee benefits	246	219
On-costs	38	35
Total non-current provisions for employee benefits	284	254
Total provisions for employee benefits	6,201	5,873

Wages and salaries, annual leave and sick leave

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

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

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

On-costs

On costs, such as payroll tax and workers' compensation insurance, are recognised as liabilities when the employment to which they relate has occurred. They are not employee benefits and are to be disclosed separately from provisions for employee benefits.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Long service leave

Liability for long service leave is recognised in the provision for employee benefits.

Unconditional long service leave is disclosed as a current liability; even where Lower Murray Water does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

Conditional long service leave is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current long service liability is measured at present value.

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

Accrued bonus payments

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

3.2.3 Superannuation

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

Accumulation

The Fund's accumulation categories, receives both employer and employee contributions on a progressive basis. The Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under the Superannuation Guarantee (SG) legislation).

Defined Benefit

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Funding arrangements

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

As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The Vested Benefit Indexed (VBI) of the Defined Benefit category of which Lower Murray Water is a contributing employer was 102.0%. 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 2017 was 103.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim 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 2016 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). 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.

Funding calls

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

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

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

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The 2016 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the Defined Benefit category of which Lower Murray Water is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 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 2016.

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 2016 VBI during August 2016.

The 2017 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

Superannuation contributions

Contributions by Lower Murray Water (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2017 are detailed below:

Scheme	Type of Scheme	Rate		(\$'000)	
		2017	2016	2017	2016
State Superannuation Board Revised Scheme	Defined benefits	17.3%	17.3%	14	15
State Superannuation Board New Scheme	Defined benefits	9.5%	9.5%	21	20
Vision Super	Defined benefits	9.5%	9.5%	185	200
Vision Super Saver	Accumulation	9.5%	9.5%	727	663
Others	Various	9.5%	9.5%	448	416
				1,395	1,314

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2017.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$163,000.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

3.3 Repairs and maintenance expense

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Repairs and maintenance						
- Buildings	170	189	87	97	83	92
- Infrastructure	3,753	3,239	2,008	2,038	1,745	1,201
- Other	1,070	798	585	486	485	312
Consumables	2,477	1,632	1,344	869	1,133	763
Total repairs and maintenance	7,470	5,859	4,024	3,490	3,446	2,369

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

3.4 Other expenses

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Other expenses						
Bulk Water Charge	4,359	4,996	695	750	3,664	4,246
Above Entitlement Store Charge	24	412	-	21	24	391
Chemicals	1,459	891	1,411	844	48	47
Electricity	5,151	6,196	1,704	2,024	3,447	4,172
Write off of Assets	1,841	4,258	512	160	1,329	4,098
Impairment Loss	-	1,542	-	810	-	732
Consultants	2,373	1,770	933	470	1,440	1,300
IT expenses	965	798	848	692	117	106
Other	5,442	4,376	2,929	2,507	2,513	1,869
Total other expenses	21,614	25,239	9,032	8,278	12,582	16,961

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

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

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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

Structure

- 4.1 Infrastructure, property, plant and equipment: Carrying amount
 - 4.1.1 Depreciation and impairment
 - 4.1.2 Reconciliation of movements in carrying values of Infrastructure, property, plant and equipment
 - 4.1.3 Net gain/(loss) on disposal of non-current assets
 - 4.1.4 Capital commitments
 - 4.1.5 Assets held for Sale
- 4.2 Intangible assets

4.1 Infrastructure, property, plant and equipment: Carrying amount

	(\$'000)		(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE		ADMINISTRATION	
	2017	2016	2017	2016	2017	2016	2017	2016
Land - at fair value	11,595	13,361	6,318	6,318	3,023	4,789	2,254	2,254
Total land	11,595	13,361	6,318	6,318	3,023	4,789	2,254	2,254
Buildings - at fair value	9,454	9,266	3,319	3,320	820	820	5,315	5,126
Less: Accumulated depreciation	(353)	(4)	(81)	(4)	(44)	-	(228)	-
Total buildings	9,101	9,262	3,238	3,316	776	820	5,087	5,126
Infrastructure - at fair	871,468	830,987	471,550	464,647	399,918	366,340	-	-
Less: Accumulated depreciation	(25,089)	(806)	(13,598)	(186)	(11,491)	(620)	-	-
Total infrastructure	846,379	830,181	457,952	464,461	388,427	365,720	-	-
Vehicles	16,198	15,623	42	11	239	227	15,917	15,385
Less: Accumulated depreciation	(10,676)	(9,931)	(14)	(11)	(158)	(150)	(10,504)	(9,770)
Total plant, equipment and vehicles	5,522	5,692	28	-	81	77	5,413	5,615
Works In Progress at cost	9,511	32,686	7,098	7,880	1,988	24,600	425	206
Total infrastructure, property, plant and equipment	882,108	891,182	474,634	481,975	394,295	396,006	13,179	13,201

Refer to Note 4.1.5 for Assets held for sale not included above.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Infrastructure, property, plant and equipment represent non-current physical assets comprising land, buildings, infrastructure, plant, equipment and vehicles, used by Lower Murray Water in its operations. Items with a cost or value in excess of \$1,000 (2016: \$1,000) and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

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

Subsequent measurement

Infrastructure, property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). Refer to Note 7.3.2 for fair value disclosures.

Revaluation of infrastructure, property, plant and equipment

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

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

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

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

Revaluation reserves are not transferred to accumulated surplus/(deficit) on derecognition of the relevant asset.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.1 Depreciation and impairment

Charge for the period	(\$'000)	
	2017	2016
Buildings	348	471
Infrastructure	24,439	26,330
Plant, equipment & vehicles	1,071	1,055
Total depreciation and impairment	25,858	27,856

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

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

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

<i>Asset</i>	<i>2017 Useful life: years</i>
WATER, IRRIGATION & DRAINAGE	
Storage Tanks	60 - 100
Pumping Stations	25 - 80
Reticulated Networks / Channels / Rural Water Pipelines	80 - 100
Water Treatment	10 - 80
Water Meters	15
Buildings	60
Plant and Machinery	8 - 20
WASTEWATER	
Sewers	45 - 100
Pumping Stations	10 - 80
Treatment and Disposal	10 - 100
Buildings	30
Plant and Machinery	8 - 20
ADMINISTRATION	
Computer Equipment	4
Office Furniture and Equipment	10
Motor Vehicles	8 - 10
Buildings	60
Plant and Equipment	8 - 20
Communication Equipment	10

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

There were no changes in rates from prior year.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Impairment

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

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off, except to the extent that it can be debited to a physical asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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.

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

(\$'000)

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

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(\$'000)

2015-2016	Carrying Amount 1 July	Fair value of assets received free of charge or for nominal consider- ations	Additions including Developers Contributions	Transfers between classes	Disposals	Depreciation	Revaluation	Transfer from (to) Assets Held for Sale	Carrying Amount 30 June
Land	13,590	-	-	12	(45)	-	(196)		13,361
Buildings	18,891	-	24	419	-	(471)	(9,601)		9,262
Infrastructure	710,151	464	-	77,627	(4,672)	(26,330)	72,941		830,181
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	464	63,411	(39)	(5,007)	(27,856)	63,144		891,182

4.1.3 Net gain/(loss) on disposal of non-current assets

The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Net gain/(loss) on disposal						
- Proceeds from sale of non-financial assets	188	2,148	99	168	89	1,980
- Disposal of non-financial assets other than assets held for sale	(231)	(750)	(121)	(394)	(110)	(356)
- Disposal of non-financial assets - assets held for sale	-	(1,587)	-	-	-	(1,587)
	(43)	(189)	(22)	(226)	(21)	37

4.1.4 Capital commitments

Previously the capital commitments disclosed related to the Funding agreement between Lower Murray Water and the Commonwealth and State Governments for the Sunraysia Modernisation Project (SMP) (2015/16 \$9,221k). The primary SMP scope was completed in the 2016/17 financial year. Minor additional works will be conducted in 2017/18 without contracts in place.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

4.1.5 Assets Held for Sale

	(\$'000)	
	2017	2016
Land held for sale	4,017	3,330
Vehicles held for sale	113	-
	4,130	3,330

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, as their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Lower Murray Water considers that the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification. Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are classified as current assets.

4.2 Intangible Assets

	(\$'000)				
2017	Carrying Amount 1 July	Additions	Transfers between classes	Amortis- ation	Carrying Amount 30 June
Water Entitlements	4,797	-	-	-	4,797
Software Development Costs	639	54	174	(392)	475
	5,436	54	174	(392)	5,272

	(\$'000)				
2016	Carrying Amount 1 July	Additions	Transfers between classes	Amortis- ation	Carrying Amount 30 June
Water Entitlements	4,797	-	-	-	4,797
Software Development Costs	816	357	35	(569)	639
	5,613	357	35	(569)	5,436

Recognition

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

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

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

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 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from Lower Murray Water's controlled operations.

Structure

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

5.1 Receivables

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Current Receivables:						
Contractual						
Tariffs & Charges	6,812	7,285	4,329	4,393	2,483	2,892
Infrastructure Debtors	35	238	35	236	-	2
Sundry Debtors	1,741	1,919	914	854	827	1,065
Provision for impaired receivables	(419)	(147)	(379)	(107)	(40)	(40)
	8,169	9,295	4,899	5,376	3,270	3,919
Non contractual other receivables	205	201	107	100	98	101
Statutory						
Other Debtors	387	565	203	296	184	268
Total current receivables	8,761	10,061	5,209	5,773	3,552	4,288
Non Current Receivables:						
Contractual						
Infrastructure Debtors	303	115	302	115	1	-
Total non current receivables	303	115	302	115	1	-
Total receivables	9,064	10,176	5,511	5,888	3,553	4,288

Receivables consist of:

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.1.1 Movement in the provision for impaired receivables

As at 30 June 2017, current receivables of Lower Murray Water with a nominal value of \$419,171 (2016: \$147,035) were impaired. The amount of the provision was \$419,171. The individually impaired receivables mainly relate to wastewater, with other charges including infrastructure charges, water usage and service charges.

	(\$'000)	
	2017	2016
Balance at beginning of the year	(147)	(138)
Provision for impaired receivables debts recognised during the year	(1)	(9)
Increase in provision recognised in the net result	(271)	-
Balance at end of the year	(419)	(147)

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

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

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for impaired receivables, are reported in the net result.

5.1.2 Ageing analysis of contractual receivables

The ageing of these receivables is as follows:

(\$'000)	Carrying amount	Not past due and not impaired	Past due but not impaired		
			0 - 3 months	3 - 6 months	6 months +
2017					
Receivables	8,472	3,006	1,526	783	3,157
2016					
Receivables	9,410	3,390	1,766	736	3,518

No interest is charged for the first 30 days from the invoice date. Thereafter, interest is charged at 5.5% (2016/17: 6.1%) for Irrigation and Drainage customers on the outstanding balance. Interest is not charged for Water and Wastewater customers. The average credit period for sales of goods / services and for other receivables is 49 days (2015/16: 46 days). There are no material financial assets that are individually determined to be impaired.

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

5.2 Payables

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Current						
Contractual						
Creditors and accrued expenses	2,343	8,173	1,304	2,180	1,039	5,993
Deposits	708	619	623	587	85	32
Advances for Works Program	618	414	-	-	618	414
Prepaid revenue	1,359	1,339	1,347	1,321	12	18
Statutory						
Payroll Tax	66	65	35	34	31	31
Superannuation payable	66	80	34	41	32	38
Financial Accommodation Levy	140	80	-	-	140	80
Total current payables	5,300	10,770	3,342	4,163	1,958	6,607

Payables consist of:

- contractual payables including creditors and accrued expenses, deposits, Advances for Works Program and Prepaid revenue are classified as financial instruments and measured at amortised cost. Payables represent liabilities for goods and services provided to Lower Murray Water prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

5.3 Inventories

	(\$'000)	
	2017	2016
Current		
Stores and Consumables - at cost	3,559	3,028
Biological assets	71	79
Total Inventories	3,630	3,107

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

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

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

5.4 Other non-financial assets

	(\$'000)	
	2017	2016
Current other assets		
Prepayments	315	316
Total current other assets	315	316

Other non-financial assets include prepayments which 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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6. HOW WE FINANCED OUR OPERATIONS

Introduction

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

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

Structure

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

6.1 Interest bearing liabilities

	(\$'000)	
	2017	2016
Current interest bearing liabilities		
Loans	4,740	2,698
Non-current interest bearing liabilities		
Loans	46,246	50,986
Total Interest bearing liabilities	50,986	53,684

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

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

6.1.1 Maturity analysis of interest bearing liabilities

	(\$'000)		(\$'000)		(\$'000)		(\$'000)	
	TOTAL		CURRENT (12 MONTHS)		NON-CURRENT (1-5 YEARS)		NON-CURRENT (OVER 5 YEARS)	
	2017	2016	2017	2016	2017	2016	2017	2016
Loans	50,986	53,684	4,740	2,698	11,427	13,234	34,819	37,752
	50,986	53,684	4,740	2,698	11,427	13,234	34,819	37,752

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

6.1.2 Interest expense

	(\$'000)		(\$'000)		(\$'000)	
	TOTAL		WATER & WASTEWATER		IRRIGATION & DRAINAGE	
	2017	2016	2017	2016	2017	2016
Interest on loans	2,893	3,050	1,386	1,460	1,507	1,590
Financial accommodation levy	581	614	263	278	318	336
Total interest expense	3,474	3,664	1,649	1,738	1,825	1,926

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

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

When Lower Murray Water carries borrowings in excess of \$5 Million it is obligated to pay to the Victorian government a Financial Accommodation Levy (FAL). On the basis of the Lower Murray Water's credit rating, a FAL of 110 basis points is applied to all new financial accommodation in 2016/17 (2015/16 - 106 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.

6.2 Cash flow information

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

	(\$'000)	
	2017	2016
Cash on hand	3	3
Cash at bank	2,359	2,008
Deposits at call	3,600	13,850
Investments due less than 3 months	4,000	6,000
Balance as per cash flow statement	9,962	21,861

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

	(\$'000)	
	2017	2016
Net result for the year after income tax	(8,411)	(8,491)
Non cash movements		
Depreciation/Amortisation	26,250	28,425
Impairment Loss	-	1,542
Income Tax Expense/(Revenue)	(3,522)	(4,262)
Assets Written off	1,842	4,258
Loss/(Gain) on Disposal of Non-Current Physical Assets	43	189
Gifted Assets	-	-
	16,202	21,661
Changes in Assets & Liabilities:		
Decrease/(Increase) in Receivables	254	130
Decrease/(Increase) in Inventories	(523)	(76)
Decrease/(Increase) in Prepayments	129	29
Increase/(Decrease) in Payables & Provisions	(4,740)	(252)
Increase/(Decrease) in Employee Benefits	328	306
Net Cash provided by/(used in) Operating Activities	11,650	21,798

6.2.2 Financing facilities

	(\$'000)	
	2017	2016
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount unused	250	250
Total	250	250

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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

Structure

- 7.1 Financial instruments specific disclosures
 - 7.1.1 Financial instruments: Categorisation
 - 7.1.2 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair Value determination
 - 7.3.1 Fair value determination of financial assets and liabilities
 - 7.3.2 Fair value determination: Non-financial physical assets

7.1 Financial instruments specific disclosures**Introduction**

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

Categories of financial instruments

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

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

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

7.1.1 Financial instruments: Categorisation

2017	Contractual financial assets - receivables and cash	Contractual financial liabilities at amortised cost	(\$'000) Total
Contractual financial assets			
Cash and cash equivalents	9,962		9,962
Receivables			
Debtors	8,472		8,472
Total contractual financial assets	18,434		18,434
Contractual financial liabilities			
Payables			
Creditors and accrued expenses		2,343	2,343
Deposits		708	708
Advances for Works Program		618	618
Prepaid revenue		1,359	1,359
Borrowings			
Loans		50,986	50,986
Total contractual financial liabilities		56,014	56,014

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2016	<i>Contractual financial assets - loans and receivables and cash</i>	<i>Contractual financial liabilities at amortised cost</i>	<i>(\$'000) Total</i>
Contractual financial assets			
Cash and cash equivalents	21,861		21,861
Receivables			
Debtors	10,176		10,176
Total contractual financial assets	32,037		32,037
Contractual financial liabilities			
Payables			
Creditors and accrued expenses		8,398	8,398
Deposits		619	619
Advances for Works Program		414	414
Prepaid revenue		1,339	1,339
Borrowings			
Loans		53,684	53,684
Total contractual financial liabilities		64,454	64,454

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.1.2 Financial risk management objectives and policies

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

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

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.

Credit quality of contractual financial assets that are neither past due nor impaired

(\$'000)

2017	Financial institutions (i)	Government agencies (ii)	Other	Total
Cash and cash equivalents	2,362	7,600	-	9,962
Receivables	-	-	3,006	3,006
Total contractual financial assets	2,362	7,600	3,006	12,968
2016				
Cash and cash equivalents	2,011	19,850	-	21,861
Receivables	-	-	3,390	3,390
Total contractual financial assets	2,011	19,850	3,390	25,251

(i) Financial institutions relate solely to funds with the Commonwealth Bank which has a short term credit rating of P-1.

(ii) Government agencies relate solely to funds with the Treasury Corporation of Victoria which has a short term credit rating of A-1+.

The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. Lower Murray Water's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

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

Market risk

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

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

a. Interest Rate Risk

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

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

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

Where Lower Murray Water engages in longer term loans to finance long term infrastructure assets it may seek to extend the term of the loan 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 loans are reset.

b. Foreign Exchange Risk

Lower Murray Waters' exposure to changes in the foreign exchange rates is only related to the stated Contingent Liability.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

c. Other Price Risk

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

Interest rate exposure of financial instruments

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

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

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

2017					
				(\$'000)	
	Weighted average interest rate%	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial assets					
Cash and deposits	1.11	9,962	4,000	5,959	3
Receivables - property	3.27	6,812	-	2,483	4,329
Receivables - other	1.12	2,079	-	828	1,251
Total financial assets		18,853	4,000	9,270	5,583
Financial liabilities					
Interest bearing liabilities	5.30	50,986	50,986	-	-
Total financial liabilities		50,986	50,986	-	-

2016					
				(\$'000)	
	Weighted average interest rate%	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial assets					
Cash and deposits	1.54	21,861	-	21,858	3
Receivables	2.65	7,138	-	2,852	4,286
Receivables - other	0.72	2,473	-	353	2,120
Total financial assets		31,472	-	25,063	6,409
Financial liabilities					
Interest bearing liabilities	5.27	53,684	53,684	-	-
Total financial liabilities		53,684	53,684	-	-

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Interest rate risk sensitivity

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 1% 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.

	(\$'000)	- 100 basis points		+ 100 basis points	
	Carrying amount	Net result	Equity	Net result	Equity
2017					
Financial assets					
Cash and deposits	9,962	(100)	(100)	100	100
Contractual financial assets	8,891	(89)	(89)	89	89
Total financial assets	18,853	(189)	(189)	189	189
Contractual financial liabilities					
Loans	50,986	-	-	-	-
Total impact		(189)	(189)	189	189

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.

	(\$'000)	- 100 basis points		+ 100 basis points	
	Carrying amount	Net result	Equity	Net result	Equity
2016					
Financial assets					
Cash and deposits	21,861	(219)	(219)	219	219
Contractual financial assets	9,611	(96)	(96)	96	96
Total financial assets	31,472	(315)	(315)	315	315
Contractual financial liabilities					
Loans	53,684	-	-	-	-
Total impact		(315)	(315)	315	315

7.2 Contingent assets and contingent liabilities

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

Contingent assets

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

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

As at 30 June 2017, various developers have agreed to construct assets to the entities quantity relating to assets under construction or assets that have not yet commenced construction.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Contingent liabilities

Contingent liabilities are:

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

The Board is aware of the following potential contingent liabilities:

Lower Murray Water has received notice of intended legal action in 2016 to recover fees and charges disputed by a customer. This is consistent with what was disclosed in the 2015/16 Annual Accounts. At present the probability of the outcome cannot be reasonably determined.

A US Bankruptcy Court has served court proceeding documents against Australian Noteholders, Lower Murray Water being one thereof, to recover investments funds that were paid out to Lower Murray Water. These funds relate to investments made by a precursor Authority. The estimate at the time of preparing the Financial Statements is for a potential contingent liability of US \$225,000 (equivalent to AUD \$284,281 based on 30 June 2017 spot rate).

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Fair value hierarchy

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

7.3.1 Fair value determination of financial assets and liabilities

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

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

Lower Murray Water currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2016-17 reporting period.

These financial instruments include:

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

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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 2017				
Financial Liabilities				
Interest Bearing Liabilities	-	61,757	-	61,757
Total Financial Liabilities	-	61,757	-	61,757
30 June 2016				
Financial Liabilities				
Interest Bearing Liabilities	-	69,181	-	69,181
Total Financial Liabilities	-	69,181	-	69,181

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

7.3.2 Fair value determination: Non-financial physical assets

2017		(\$'000)	(\$'000)		
		Carrying Amount as at 30 June 2017	Fair Value measurement at end of reporting period using:		
			Level 1	Level 2	Level 3
Land at Fair Value					
	Non-specialised Land	3,471	-	3,471	-
	Specialised Land	8,124	-	-	8,124
Total of Land at Fair Value		11,595	-	3,471	8,124
Buildings at Fair Value					
	Non-specialised Buildings	5,521	-	-	5,521
	Specialised Buildings	3,579	-	-	3,579
Total Buildings at Fair Value		9,100	-	-	9,100
Plant, Equipment and Vehicles at Fair Value					
	Vehicles	3,609	-	-	3,609
	Plant and Equipment	1,913	-	-	1,913
Total of Plant, Equipment and Vehicles as Fair Value		5,522	-	-	5,522
Infrastructure at Fair Value					
	Water Storage	13,484	-	-	13,484
	Water Pumping Stations	19,219	-	-	19,219
	Sewer Pumping Stations	19,590	-	-	19,590
	Irrigation Pumping Stations	50,467	-	-	50,467
	Water Treatment Plants	77,254	-	-	77,254
	Waste Water Treatment Plants	34,371	-	-	34,371
	Water Pipeline Infrastructure	146,145	-	-	146,145
	Sewer Pipeline Infrastructure	147,886	-	-	147,886
	Irrigation Pipeline Infrastructure	319,578	-	-	319,578
	Other Structures	18,385	-	-	18,385
Total Infrastructure at Fair Value		846,379	-	-	846,379
Total Infrastructure, Property, Plant and Equipment at Fair Value		872,597	-	3,471	869,126

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

		(\$'000)	(\$'000)		
2016		Carrying Amount as at 30 June 2016	Fair Value measurement at end of reporting period using:		
			Level 1	Level 2	Level 3
Land at Fair Value	Non-specialised Land	4,052	-	4,052	-
	Specialised Land	9,309	-	-	9,309
	Total of Land at Fair Value	13,361	-	4,052	9,309
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	-	4,052	854,444

Above classified in accordance with the fair value hierarchy, see Note 7.3.

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

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

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

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.

There have been no transfers between levels during the period.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Non-specialised land and non-specialised buildings

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

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

An independent valuation of Lower Murray Waters' land and buildings was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. The Corporation conducted a fair value assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

Specialised land and specialised buildings

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

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

For the majority of Lower Murray Water's 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.

An independent valuation of Lower Murray Water's specialised land and specialised buildings was performed by the Valuer General Victoria. The effective date of the valuation is 30 June 2016. The Corporation conducted a fair value assessment at 30 June 2017 with no material movement identified since the 2016 valuation.

Plant, equipment and vehicles

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

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.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Water and sewer infrastructure

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

An independent valuation of Lower Murray Water's infrastructure was performed by the Valuer-General Victoria who engaged Jacobs Australia Pty Limited 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 depreciated replacement cost method. Where Lower Murray Water provided a reasonable condition assessment to Jacobs Australia Pty Limited, 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.

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

Lower Murray Water conducted a fair value assessment as at 30 June 2017.

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value movements

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

2017

(\$'000)

	Carrying Amount 1 July	Fair value of assets received free of charge or for nominal consider- ations	Additions	Transfers between classes	Transfers in (out) of Level 3	Disposals	Depreciation	Transfer from (to) Assets Held for Sale / Revaluation	Carrying Amount 30 June
Land									
Specialised Land	9,309	-	-	30	-	-	-	(1,215)	8,124
Buildings									
Specialised Buildings	3,559	-	81	-	29	-	(89)	(1)	3,579
Non Specialised Buildings	5,703	-	39	72	(29)	(4)	(259)	-	5,522
Plant, Equipment, and Vehicles									
Vehicles	3,797	-	678	-	-	(231)	(522)	(113)	3,609
Plant and Equipment	1,895	-	554	13	-	-	(549)	-	1,913
Infrastructure									
Water Storage Tanks	13,967	-	-	-	-	-	(483)	-	13,484
Water Pumping Stations	20,015	-	-	25	-	-	(821)	-	19,219
Sewer Pumping Stations	20,525	-	10	135	-	-	(1,080)	-	19,590
Irrigation Pumping Stations	49,046	-	-	4,084	-	-	(2,663)	-	50,467
Water Treatment Plants	80,939	-	-	259	-	-	(3,944)	-	77,254
Waste Water Treatment Plants	36,104	-	-	177	-	-	(1,910)	-	34,371
Water Pipeline Infrastructure	143,914	40	39	4,820	-	(306)	(2,362)	-	146,145
Sewer Pipeline Infrastructure	148,997	131	14	1,775	-	(202)	(2,829)	-	147,886
Irrigation Pipeline Infrastructure	297,997	-	49	30,856	-	(1,330)	(7,994)	-	319,578
Other Structures	18,677	-	-	-	-	-	(292)	-	18,385
	854,444	171	1,464	42,246	(1)	(2,073)	(25,796)	(1,329)	869,127

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

2016

(\$'000)

	Carrying Amount 1 July	Additions	Transfers in (out) of Level 3	Disposals	Depreciation	Revaluation	Carrying Amount 30 June
Land							
Specialised Land	2,201	-	-	(45)	-	283	9,309
Buildings							
Specialised Buildings	13,142	440	-	-	(267)	(9,756)	3,559
Non Specialised Buildings	-	3	5,749	-	(204)	155	5,703
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	854,444

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

(e) Description of significant unobservable inputs to Level 3 valuations 2017

	(\$'000) Fair Value at 30 June 2017	(\$'000) Fair Value at 30 June 2016	Valuation Technique	Significant unobservable inputs
Specialised Land	8,124	2,439	Market Approach	Community Service Obligation (CSO) adjustment VGV provided
Specialised Buildings	3,579	3,559	Depreciated replacement cost	Direct cost per sqm Useful life of specialised buildings
Vehicles	3,609	3,797	Depreciated replacement cost	Cost per unit Useful life of vehicles
Plant and Equipment	1,913	1,895	Depreciated replacement cost	Cost per unit Useful life of plant & equipment
Water Storage	13,484	13,967	Depreciated replacement cost	Cost per Unit Useful life of water storage tanks
Water Pumping Stations	19,219	20,015	Depreciated replacement cost	Cost per Unit Useful life of water pumping stations
Sewer Pumping Stations	19,590	20,525	Depreciated replacement cost	Cost per Unit Useful life of sewer pumping stations
Irrigation Pumping Stations	50,467	49,046	Depreciated replacement cost	Cost per Unit Useful life of irrigation pumping
Water Treatment Plants	77,254	80,939	Depreciated replacement cost	Cost per Unit Useful life of water treatment plants

2016/17 Financial Report

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Waste Water Treatment Plants	34,371	36,104	Depreciated replacement cost	Cost per Unit Useful life of wastewater
Water Pipeline Infrastructure	146,145	143,914	Depreciated replacement cost	Cost per Metre Useful life of water pipeline
Sewer Pipeline Infrastructure	147,886	148,997	Depreciated replacement cost	Cost per Metre Useful life of sewer pipeline
Irrigation Pipeline Infrastructure	319,578	297,997	Depreciated replacement cost	Cost per Metre Useful life of irrigation pipeline
Other Structures	18,385	18,677	Depreciated replacement cost	Cost per Unit Useful life of other structures

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8. STATUTORY OBLIGATIONS

Introduction

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

Structure

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

8.1 Tax

8.1.1 Income tax

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

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

	(\$'000)	
	2017	2016
Income statement		
Current income tax expense (paid or payable)	-	-
Adjustments to prior years	-	-
Deferred income tax expense		
Temporary differences	3,504	4,262
Adjustment for prior years	18	-
Income tax reported in the Income Statement	3,522	4,262
Statement of changes in Equity		
Current tax - credited/(debited)	-	-
Net deferred tax - debited/(credited) directly to equity (refer to Note 8.1.2)	(347)	19,405
Income tax reported in equity	(347)	19,405
Tax reconciliation		
Net result before income tax expense	(11,933)	(12,753)
Tax at the Australian tax rate of 30% (2016: 30%)	(3,580)	(3,826)
Adjustment in respect of income tax of previous year	-	-
Non deductible items	58	28
Other	-	(464)
Income tax on profit before tax	(3,522)	(4,262)

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.1.2 Deferred tax assets and liabilities

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

Deferred tax assets

	(\$'000)	
	2017	2016
Amounts recognised in Comprehensive Operating Statement		
Doubtful debts	126	44
Employee benefits	1,860	1,762
Tax losses	23,698	23,820
Other	180	127
Total deferred tax assets	25,864	25,753
Movements		
Opening balance at 1 July	25,753	26,741
Credited/(debited) to the Comprehensive Operating Statement	111	(988)
Closing balance at 30 June	25,864	25,753
Deferred tax asset to be recovered after more than 12 months	2,112	1,885
Deferred tax asset to be recovered within than 12 months	54	44
Tax losses	23,698	23,824
Ending balance at 30 June	25,864	25,753

Deferred tax liabilities

	(\$'000)	
	2017	2016
Amounts recognised in Comprehensive Operating Statement		
Prepayments	23	24
Amounts recognised directly in equity		
Revaluation of infrastructure property, plant and equipment	140,389	144,147
Total deferred tax liabilities	140,412	144,171
Movements		
Opening balance at 1 July	144,171	130,016
Credited/(debited) to the net result	(3,412)	(5,250)
Credited/(debited) to other comprehensive income	(347)	19,405
Closing balance at 30 June	140,412	144,171
Deferred tax liabilities to be recovered after more than 12 months	140,389	144,147
Deferred tax liabilities to be recovered within 12 months	23	24
Ending balance at 30 June	140,412	144,171
Net deferred tax liability	114,548	118,418

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

8.2 Environmental contribution

	(\$'000)	
	2017	2016
Environmental contribution levy	1,579	1,579

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

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

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

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

8.2.1 Environmental commitments

At 30 June 2017, Lower Murray Water had outstanding environmental contribution commitments, to be paid is follows:

	(\$'000)		
	<i>Less than 1 year</i>	<i>Between 1 and 5 years</i>	<i>Total</i>
2017			
Environmental contribution levy commitments	1,579	4,737	6,316
2016			
Environmental contribution levy commitments	1,579	2,278	3,857

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9. OTHER DISCLOSURES

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

Structure

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

9.1 Equity

9.1.1 Contributed capital

Contributed capital

	(\$'000)	
	2017	2016
Balance 1 July	629,573	612,533
Capital contributions - Sunraysia Modernisation Project	-	17,040
Balance 30 June	629,573	629,573

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Corporation.

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

9.1.2 Physical asset revaluation surplus

	(\$'000)	
	2017	2016
Land	1,110	1,979
Buildings	(1)	-
Infrastructure	198,005	197,944
Other	4	-
	199,118	199,923

	(\$'000)				
Movements during the reporting period	Land	Buildings	Infrastructure	Other	Total
Opening balance	1,979	-	197,944	-	199,923
Revaluation increment/(decrement)	(1,215)	(1)	60	4	(1,151)
Tax effect of revaluation increment/(decrement)	346	-	-	-	346
Closing balance	1,110	(1)	198,005	4	199,118

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.1.3 Accumulated (deficit)

	(\$'000)	
	2017	2016
Accumulated (deficit)		
Accumulated (deficit) at beginning of financial year	(82,845)	(74,354)
Net result for the year	(8,411)	(8,491)
Accumulated (deficit) at end of financial year	(91,256)	(82,845)

9.2 Remuneration of auditors

	(\$'000)	
	2017	2016
Victorian Auditor-General's Office		
Audit of the financial statements	102	83

9.3 Events occurring after the balance date

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

9.4 Remuneration of executives

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

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

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

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

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

	(\$'000)
	Total remuneration
Remuneration	2017
Short-term employee benefits	946
Post-employment benefits	90
Other long-term benefits	19
Termination benefits	-
Total remuneration (a) & (c)	1,055
Total number of executives	6.0
Total annualised employee equivalents (b)	5.1

Notes:

- (a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period. Two executive positions commenced in October 2016 and therefore two positions have benefits for only nine months of the year.
- (b) Annualised employee equivalent is based on the time fraction worked over the reporting period.
- (c) Total remuneration paid to executives includes payments to a contractor during the reporting period.

9.5 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the reporting period. The Remuneration detailed below excludes the salary and benefits the Minister for Water, Lisa Neville, received. The Minister's remuneration and allowances are set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services' Financial Report.

The persons who held the positions of minister and responsible persons in Lower Murray Water are as follows:

Name	Title	Period of appointment
The Hon. Lisa Neville	Minister for Water	1 July 2016 to Current
Mr Philip Endley	Managing Director/Accountable Officer	1 July 2016 to Current
John Tesoriero	Director - Chair	1 July 2016 to Current
Kay Martin	Director	1 July 2016 to Current
Tony Mathews	Director	1 July 2016 to Current
Liza McDonald	Director	1 July 2016 to Current
Jason Kambovski	Director	1 July 2016 to Current
Guy Kingwill	Director	1 July 2016 to Current
Sharyon Peart	Director	1 July 2016 to Current
Cheryl Rix	Director	1 July 2016 to Current

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Remuneration of Responsible persons

	2017	2016
\$1 - \$10,000	-	3
\$10,001 - \$20,000	4	6
\$20,001 - \$30,000	3	1
\$30,001 - \$40,000	-	-
\$40,001 - \$50,000	1	1
\$260,001-\$270,000	-	1
\$270,001-\$280,000	1	-
Total number of responsible persons remuneration	9	12
	(\$'000)	
Total value of responsible persons remuneration	459	460

9.6 Related parties

Related parties of Lower Murray Water include:

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

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

Significant transactions with Government related entities

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

During the year the Commonwealth Government paid funds of \$1.1M to Lower Murray Water to investigate ways the water infrastructure could further benefit the Sunraysia region.

Key management personnel

Key management personnel of Lower Murray Water are:

- Lisa Neville, Minister for Water
- John Tesoriero, Chair
- Philip Endley, Managing Director
- Kay Martin, Director
- Tony Mathews, Director
- Liza McDonald, Director
- Jason Kambovski, Director
- Guy Kingwill, Director
- Sharyon Peart, Director
- Cheryl Rix, Director

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Compensation of KMPs

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

	(\$'000)
	2017
Short-term employee benefits	423
Post-employment benefits	36
Other long-term benefits	6
Total (a)	465

(a) No comparatives have been reported as this is the first period AASB 124 has been applied.

Transactions with key management personnel and other related parties

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

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

During the year, Director Sharyon Peart was a Local Councillor with Mildura Rural City Council (MRCC) concluding in September 2016. Our transactions with MRCC were citizen type transactions with the Council for items such payments for land fill fees, property rates, side walk reinstatement and receipts for water charges, program construction and fireplug maintenance.

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

For part of the year Director Liza McDonald's husband, Steve Herbert, was Minister for Corrections and Minister for Training and Skills. There were no transactions other than of a citizen nature with either of these organisations.

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

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

9.7 Australian Accounting Standards issued that are not yet effective

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

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises Lower Murray Water of their applicability and early adoption where applicable.

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 18	1 Jul 18	The assessment has identified that the amendments may result in earlier recognition of impairment losses and at more regular intervals. Lower Murray Water is yet to assess the full impact of the amendments.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 Jan 18	1 Jul 19	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 18	1 Jan 18	The assessment has indicated that there will be no significant impact for Lower Murray Water.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 Jan 18	1 Jul 18	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Lower Murray Water is yet to assess the full impact of this standard.
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: the entity's right to receive payment of the dividend is established; it is probable that the economies benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.	1 Jul 17	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i>	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 18	1 Jan 18	The assessment has indicated that there will be no significant impact for Lower Murray Water.
AASB 2016-7 <i>Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 19	1 Jul 18	The assessment has indicated that there will be no significant impact for Lower Murray Water.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Topic	Key requirements	Effective date	Effective date for the entity	Estimated impact
AASB 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence.</p> <p>The amendments require:</p> <ul style="list-style-type: none"> • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1 Jan 18	1 Jan 18	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.
AASB 2016-4 <i>Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	1 Jan 2018	The effect of this change in standard will need to be determined with regard to any Property, Plant and Equipment recorded at depreciated replacement cost.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This Standard will replace AASB 1004 <i>Contributions</i> and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 Jan 19	1 Jan 19	Where a significant divergence between the asset value or service provided vs. the monetary consideration paid, AASB 1058 will apply to gross up the revenue to fair value.
AASB 2016-8 <i>Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 19	1 Jan 19	This guidance will be required for the amendments to AASB 9 and AASB 15.

NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

The following accounting pronouncements are also issued but not effective for the 2016-17 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

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

Disclosure Index

The 2016/17 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 2016/17 is compliant with all statutory reporting requirements.



Philip Endley
Managing Director
11th September 2017

ITEM	Disclosure	PAGE
Financial Reporting		
<i>(as required under Part 7 of the Financial Management Act 1994, Standing Directions and FRDs)</i>		
	Comprehensive Operating Statement	50
	Balance Sheet	51
	Statement of Changes in Equity	52
FRD110A	Cash Flow Statement	53
	Notes accompanying the Financial Statements	54
SD4.2(c)	Accountable Officer's declaration	
FRD120K	Accounting and Reporting pronouncements applicable to 2016/17 reporting period	54
FRD105B	Borrowing Costs	76
SD4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	54
SD4.2(a)	Compliance with Ministerial Directions	54
FRD119A	Transfers through contributed capital	99
FRD112D	Defined Benefit Superannuation Obligations	61
FRD09B	Departmental Disclosure of Administered Assets and Liabilities by Activi	86
FRD114B	Financial Instruments - General Government Entities and Public Non Financial Corporations	78
FRD106A	Impairments of Assets	68
FRD109A	Intangible Assets	70
FRD102A	Inventories	74
FRD103F	Non-current Physical Assets	65
SD4.2(d)	Rounding of amounts	55
Legislation		
	<i>Building Act 1993 (accompanying Building Regulations 1994)</i>	31
	<i>Charter of Human Rights & Responsibilities Act 2006</i>	32
	<i>Financial Management Act 1994</i>	6,34,39,47
	<i>Freedom of Information Act 1982</i>	31
	<i>Health Records Act 2001</i>	32
	<i>Privacy and Data Protection Act 2014</i>	32
	<i>Protected Disclosures Act 2012</i>	32
	<i>Safe Drinking Water Act 2003</i>	8
	<i>Local Jobs First - Victorian Industry Participation Policy Act 2003</i>	32
	<i>Water Act 1989</i>	2

Disclosure Index

ITEM	Disclosure	PAGE
Ministerial Reporting Directions		
MRD04	Bulk entitlement reporting	17
MRD01	Certification of Performance Report for 2016/17	39
MRD03	Community education and water awareness campaigns	25
MRD03	Community Service Obligations	30
MRD02	Corporate water consumption	29
MRD02	Drought Preparedness Plan	3,25
MRD03	Efficiency of irrigation systems	24
MRD01	Financial Performance Indicators	35
MRD03	Greenhouse Gas Emissions and Net Energy Consumption	28
MRD05	Major non-residential water users	20
MRD03	Regional Catchment Strategy	27
MRD01	Service and Environmental Performance Indicators (whole of business)	35
MRD01	Victorian Auditor-General's Report - Performance Statement	40
MRD03	Victorian Biodiversity Strategy	28
MRD03	Victorian Waterway Management Strategy	28
MRD02	Water consumption report	20
MRD03	Water recycling	24
Report of Operations		
FRD22H	Application and operation of <i>Freedom of Information Act 1982</i>	31
FRD22H	Application and operation of <i>Protected Disclosures Act 2012</i>	32
FRD22H	Board Member profiles	11
FRD29B	Comparative Workforce data	13
FRD22H	Compliance with provisions of the <i>Building Act 1993</i>	31
FRD22H	Details of consultancies <\$10,000	43
FRD22H	Details of consultancies >\$10,000	44
FRD10	Disclosure Index	Appendix 1
FRD12A	Disclosure of Major Contracts	43
FRD24C	Environmental Performance	24, 38
FRD22H	Government Advertising Expenditure	31
FRD22H	Information and Communication Technology (ICT) Expenditure	32
FRD22H	Major Board Committees	31, 33
FRD22H	Manner of establishment and the relevant Ministers	2
FRD22H	Merit and Equity	15
FRD22H	Nature and range of services provided	3
FRD22H	Objectives, functions, powers and duties	4
FRD22H	Occupational Health and Safety	16
FRD22H	Organisational structure	10
SD 3.7.1	Risk Management Framework & Processes attestation	33
FRD22H	Significant changes in financial position during the year	42
FRD30B	Standard requirements for the design and print of annual reports	whole of report
FRD22H	Statement of availability of other information	34
FRD22H	Statement of Workforce data	13
FRD22H	Statement on National Competition Policy	32
FRD22H	Subsequent events which will affect operations in future years	34
FRD22H	Summary of the Financial Results	42
FRD25C	Local Jobs First - Victorian Industry Participation Policy disclosures	32

Notes

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

Printed on 100% Recycled Paper
ISSN: 1325-1139



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