

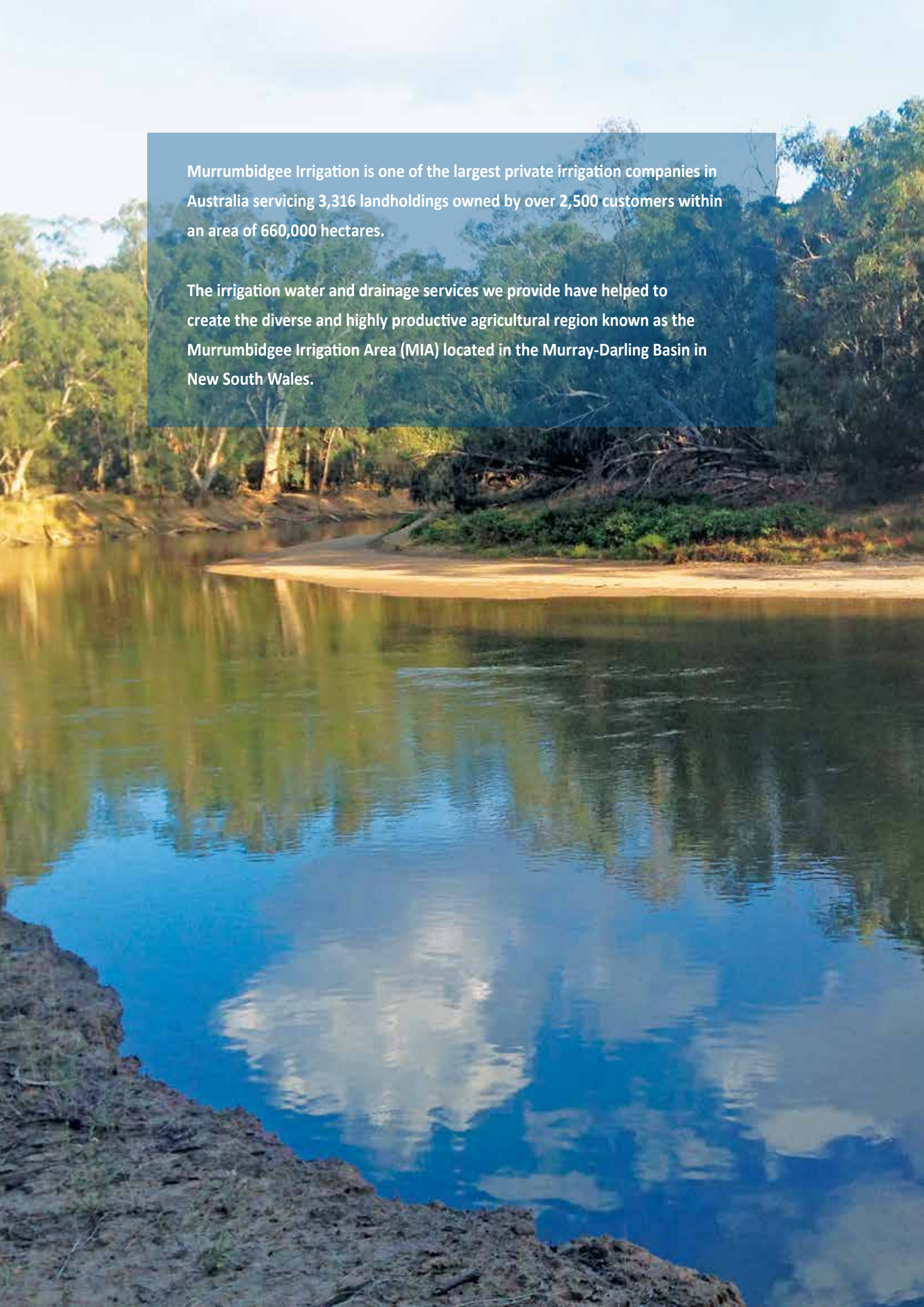


Murrumbidgee  
Irrigation

# ANNUAL REPORT 2016

Growing our future together  
Customers • Company • Community





Murrumbidgee Irrigation is one of the largest private irrigation companies in Australia servicing 3,316 landholdings owned by over 2,500 customers within an area of 660,000 hectares.

The irrigation water and drainage services we provide have helped to create the diverse and highly productive agricultural region known as the Murrumbidgee Irrigation Area (MIA) located in the Murray-Darling Basin in New South Wales.



Murrumbidgee  
Irrigation

The 2016 Murrumbidgee Irrigation Limited (MI) Annual Report is a summary of our corporate performance from 1 July 2015 to 30 June 2016.

We are focused on growing our future together with customers and the community. Our aim is to leverage our system and regional advantages in order to provide water products and services that are valued by our customers.

The 2016 Murrumbidgee Irrigation Limited Annual Report is distributed on request to all shareholders and is available electronically on the Company website.

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### Annual General Meeting 2016

The eighteenth Annual General Meeting of shareholders will be held on Monday 7 November 2016 at the Exies Bagtown Function Centre, 2-4 Blumer Avenue, Griffith NSW 2680.

Registration is from 7.00pm for a 7.30pm start.



# Chairman's review



This report highlights our challenges and opportunities over the past 12 months, as we remained focused on providing an efficient cost-effective water delivery service.

As a business, we have gone through different phases in recent years, and the environment within which we operate is also changing quickly. Water is now a competitive business and we must continue to change at all levels in order to ensure our ongoing viability, and to take advantage of the opportunities presented.

In June 2016 we launched and commenced the implementation of our 2016-21 Corporate Plan. This followed an extensive consultation process to ensure we understood and incorporated views of key stakeholders. We have been determined to leave no stone unturned in considering how best to prepare for the future.

Our focus is on the long term sustainability of our customers, our systems, our company, and our community.

The MIA is arguably the premier irrigation area in Australia. It is the nation's most diverse and highly productive agricultural region, with an average of

170,000 hectares of irrigated lands, over 2,500 customers, and over 3,000 landholdings.

Our area's natural advantages of productive soils, ideal climate, and reliable water, are complemented by our diverse service centres.

These natural advantages have led to significant ongoing innovation and growth in cotton, vegetables, wine grapes, walnuts, and almonds, to name just a few. This season could also see a resurgence in rice acreage.

Our Corporate Plan sets the direction for the Company and is key to ensuring our efforts are focused and aligned to achieve our vision. Overall, the Plan anticipates changing and emerging customer, company, and community needs in an increasingly competitive environment.

An external review of our costs in 2014/15 laid the platform for ongoing efficiency improvements. These improvements should provide shareholders, and the community, with the confidence that we will continue to be a strong and financially sound business in the long term.

With the ongoing implementation of the Murray-Darling Basin Plan, our focus has also been on ensuring that it does not negatively impact farmers and the community.

In September 2015 we welcomed the legislation securing the 1,500 GL cap on water buybacks in the Murray-Darling Basin. I commend both sides of Government for demonstrating their commitment to irrigation communities with this legislation.

While the cap on buybacks does not alter the water recovery target, it does limit the amount of water that can be bought back out of productive use.

At the October 2015 Senate Inquiry into the Murray-Darling Basin Plan we argued strongly for a healthy working basin. Our Company needs this to ensure its sustainability into the next 100 years, and 100 after that.

It is about working with the community to achieve the right outcomes.

We support a balanced plan for the Basin - one that focuses on achieving social, economic and environmental outcomes. Not a plan that focuses on numbers and water recovery at all costs.

We are part of the community, and are fully invested in the Basin's future.

You don't need to tell a farming community how important the environment is to their future, to our future, and to a sustainable future.

We continue to support the Australian Government's investment in infrastructure and the on-farm efficiency projects like those currently available throughout our area. Investment in on-farm and off-farm infrastructure supports both water efficiency and regional productivity. Private Irrigation Infrastructure Operators Program (PIIOP) funding provides a unique opportunity to change the look, feel, and sustainability of our water delivery system. Your Company has treated, and will continue to treat this funding as integral to our future.

In June 2016 we welcomed the announcement of \$84.9 million in funding under Round Three of the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP3) in New South Wales. This additional announcement increases total investment to \$284.5 million by the Australian Government under PIIOP in critical water saving projects in the Murrumbidgee Irrigation Area.

Current PIIOP funding to update our infrastructure dovetails naturally into our plans to expand our systems and adopt state of the art technology.

During the past year there have been a few changes to the composition of our Board of Directors.

I would like to take the opportunity to acknowledge Gillian Kirkup who retired as Chairman following our Annual General Meeting (AGM) held in November 2015. Gillian served on the Board for 12 years, two of them in the role of Deputy Chairman and six as Chairman.

With the numerous challenges the Company and region has faced over Gillian's tenure, from drought to floods and the development of the Murray-Darling Basin Plan, she has always been at the forefront, working closely with stakeholders, peak groups and customers to face these challenges head on.

Despite the numerous external challenges the Company faced, Gillian was always able to bring the attention back to the Company's core focus of delivering water, with strategies put in place over the past few years, and resources realigned, to concentrate efforts on customer services, management of assets and infrastructure projects and the continued improvement of our business efficiencies.

Through Gillian's leadership, the Company has emerged from the ravages of drought and the MDB process in a strong and healthy position. This has enabled MI to focus on the next phase of its development.

At the November 2015 AGM, Willbriggie irrigator Ian Blight was elected as a B Class Member Director for a four-year term, filling the position on the Board created by Gillian's retirement. Ian has shown a keen interest in MI for many years. He is an experienced farmer and businessman, and has brought a new and considered approach to the Board.

I would like to thank Michael Nugent, who had been an Independent Director for four years, and also retired from the Board at the previous AGM.

Former MI Managing Director, Peter Borrows, replaced Michael as an Independent Director. The knowledge Peter gained over his time as Managing Director, combined with his strong leadership skills and extensive experience within the water industry, has proven a valuable asset to the Board.

Brett Jones commenced as CEO in October 2015. In a short period of time, he has demonstrated strong leadership and rapport with his fellow workers. Brett's natural ability and firm commitment to his new role has been evident in his day-to-day management of the Company and further emphasised throughout the development of our new Corporate Plan.

I would like to extend my gratitude to our employees who, led by Brett, have done an outstanding job over the past 12 months.

I wish our shareholders and customers every success for the coming year and beyond, and I thank Deputy Chairman, Nayce Dalton, and my fellow Directors for their support over the last eight months.

Murrumbidgee Irrigation is a good company and together we will make it great.



**Frank Sergi**  
Chairman

# Managing Director's review



This is an exciting and opportunistic time for Murrumbidgee Irrigation and our customers, with the past year being another one of significant change.

Our Corporate Priorities: improving customer service, building organisational capacity and improving operational performance, remained a focus in 2015/16.

This year we restructured our customer services business unit to provide a dedicated customer enquiries team. This has provided a single point of contact for customer enquiries and improved the efficiency of processing customer applications.

We have also listened to customer feedback and are reducing the length and complexity of our processes and forms, making it easier to do business with us. Our Customer Focus Group, shed meetings, on-farm liaison work and daily interactions, assisted us over the year to understand customer expectations, and identify further opportunities for improvement.

During the year our commitment to a healthy and safe working environment for employees, contractors and visitors remained absolute. Our Work Safe Home

Safe program achieved some great outcomes in 2015/16, with an external audit to benchmark our progress identifying significant improvements from our 2013 audit.

Our lost-time injury frequency rate decreased from 17 in 2014/15 to 7 in 2015/16 - the best result we have achieved on record. While we will continue to aspire towards a zero lost-time injury frequency rate, the added focus on better communication, strong safety leadership and improving our safe work processes, is clearly working.

Improving operational performance has focused on moving to a more planned, less reactive maintenance program with greater asset and system knowledge.

With the conclusion of the Asset Refurbishment Funding Deed in 2014/15, we are now required to self-finance our asset refurbishment programs. Hence, the past year has seen the growth of the asset reserve with our investment strategy ongoing and essential.

Further progress was made this year in the planning and delivery of our modernisation program, primarily funded under the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP) in New South Wales.

The Hanwood Modernisation Project was completed in October 2015, providing a modern delivery system to around 210 landholdings in the Hanwood area, while works commenced in Yenda and Bilbul in February 2016, as part of the MIA Modernisation Project.

These off-farm projects are being complemented by on-farm works being rolled out across the MIA. Previously the on-farm opportunities were limited to select project areas but these were opened up in August 2015, with the funding made available to eligible customers throughout the entire MIA.

Water sales for 2015/16 were 526,278 ML, with water diversions peaking at 5,010 ML per day in October.

Total comprehensive income for 2015/16 was \$26.2 million, compared with \$50.5 million in 2014/15. The difference is due to reduced Government revenue in the 2016 financial year.

Revenues were down \$14.1 million in 2015/16 as a result of the reduction in Government funded activity and lower water allocations.

Despite 2015/16 being a significantly low allocation year, we were able to partially offset this through extending the season and allowing customers to take advantage of the June 2016 supplementary flow event.

Expenditure was \$2.4 million higher in 2015/16; the key drivers being labour recovery, depreciation and PIOP on-farm contractor expenditure increases.

There was an income tax benefit in 2015/16 of \$0.4 million, compared with a \$1.4 million benefit in 2014/15.

Recommendations from our external efficiency review in 2014/15 were implemented in 2015/16. These included more cost-effective delivery of services, resourcing strategies and changes to resource levels. Pleasingly, cost savings achieved were greater than originally identified in the review.

Our new Corporate Plan was launched in June 2016, and represents the focus for us over the next five years. This Plan reflects a clear change in emphasis towards a customer centric, commercial and team focussed business.

Our Vision of 'Growing our future together - Customers, Company, Community,' recognises the importance of irrigation to the region and the nation, and our responsibilities to our customers, our company and the community.

This Vision recognises the need for us to ensure that we meet our customers' ever changing needs and deliver the right service at the right price. Our business model is fundamentally changing to align with customer and community expectations.

I thank customers for their hospitality in helping me to get to know the area, and for their valuable feedback on matters which are helping to shape the future direction of the Company.

I also thank the Board of Directors for their advice, support and guidance, and extend my gratitude to the Leadership Team and all employees for their dedication over the past year.

It was obvious to me from the start of my tenure last October that our employees have a passion, enthusiasm and commitment towards delivering benefits to our customers. The efforts of all employees to be more responsive to our customers, work safely, improve our organisational capability and deliver value adding modernisation projects, is evident within the business.



**Brett Jones**  
Managing Director



# Our Vision

Growing our future together – Customers, Company, Community

# Our Mission

We leverage our system and regional advantages to provide water products and services that are valued by our customers

# We Value

## **INTEGRITY**

We do the right thing,  
we behave honestly, openly and  
ethically in everything we do.

## **CUSTOMERS**

We deliver excellent service  
that is timely and consistent; we work  
together for the long term.

## **ACCOUNTABILITY**

We own our actions  
and are responsible for  
delivering what we promise.

## **RESPECT**

We listen to others,  
acknowledge their needs and  
care for our environment.

## **TEAMS**

We work together  
for a common goal, share what we know  
and do not compromise on safety.



# MI Corporate Plan 2016 - 2021

Our new Corporate Plan 2016 - 2021 sets the direction for Murrumbidgee Irrigation and is key to ensuring our efforts are focused and aligned to achieve our Vision: 'Growing our future together - Customers, Company, Community.'

We have made it our mission to leverage our system and regional advantages to provide water products and services that are valued by our customers.

The Corporate Plan incorporates our three strategic themes of business growth, organisational excellence and strategic partnering.

- **Business growth**

The MIA has reliable water security as well as significant regional advantages, and we are planning to leverage these advantages for business growth. Our water products and services are a critical input into many of the interconnected drivers for growth in the region.

- **Organisational excellence**

We are committed to achieving organisational excellence through operating safely, efficiently and effectively, with a strong emphasis on delivering products and services which are of value to our customers.

- **Strategic Partnering**

We want to learn from others, share our knowledge and form strategic partnerships to grow the MIA. Our focus will be on building and supporting initiatives with our customers, our diverse stakeholders and government to drive efficiency, enhance our regional advantages and grow the value of agricultural production in the region.

These themes reflect our commitment to operating a safe business, while being customer focused and promoting the region.

The plan also recognises that we need to embrace change within the organisation.

All staff have worked together to help identify the core values that will support our Vision, and shape our culture to appropriately reflect our enduring set of values.

We are strongest and most productive when we are one team - our future is in our hands.



# Three-year snapshot

**Table 1: Three-year comparison of company information**

GENERAL INFORMATION		Measure	2015/16	2014/15	2013/14
Total area of MIA		ha	660,000	660,000	660,000
Company water licences		ML	1,170,920	1,186,444	1,217,105
Landholdings		Number	3,316 <sup>1</sup>	3,152	3,149
Total area of irrigated crops		ha	116,053	135,284	146,541
Crops planted <sup>2</sup> :	Cereals, oilseeds	% ha	42.4	46.0	50.7
	Citrus, vines, other fruits	% ha	26.5	22.5	20.4
	Cotton	% ha	10.9	5.7	5.9
	Pasture	% ha	5.1	8.1	6.2
	Rice	% ha	10.6	15.6	13.3
	Vegetables	% ha	1.4	1.5	1.9
	Other	% ha	3.2	0.6	1.6

DELIVERING WATER			2015/16	2014/15	2013/14
Total diversions (excluding environmental flows)		ML	641,328	878,614	832,758
Sales:					
On-allocation		ML	484,489	730,016	699,308 <sup>3</sup>
Supplementary water sales		ML	41,789	13,996	3,787
Conveyance used		ML	117,679	139,800	133,450
System efficiency		%	82	84	84
Allocation transfers into licences		ML	48,020	142,027	77,439
Allocation transfers out of licences		ML	158,904	78,554	120,278

FINANCIAL			2015/16	2014/15	2013/14 <sup>4</sup>
Customer revenue		\$'000	33,692	35,629	32,394
Customer expenditure		\$'000	41,367	40,465	36,519
Customer (loss) before interest and tax		\$'000	(7,675)	(4,836)	(4,125)
Water savings sales		\$'000	3,228	2,799	4,391
Investment revenue		\$'000	6,123	5,033	4,440
Contribution to asset reserve		\$'000	3,600	3,100	3,100
Government revenue		\$'000	37,423	51,079	45,811
Profit before tax		\$'000	30,517	46,935	49,727
Consolidated net assets		\$'000	465,544	439,463	388,949
Asset reserve		\$'000	46,559	42,959	-

SOCIAL			2015/16	2014/15	2013/14
Employees (equivalent full-time) <sup>5</sup>		Number	175	172	176
Employees externally funded by PIIOP		Number	20	11	8
Lost time injury frequency rate		I/MH	7.0	17.3	26.5
Sponsorship and donations		\$'000	17.5	3.7	5.2

**Notes:**

1 Joint water supplies now accounted for individually.

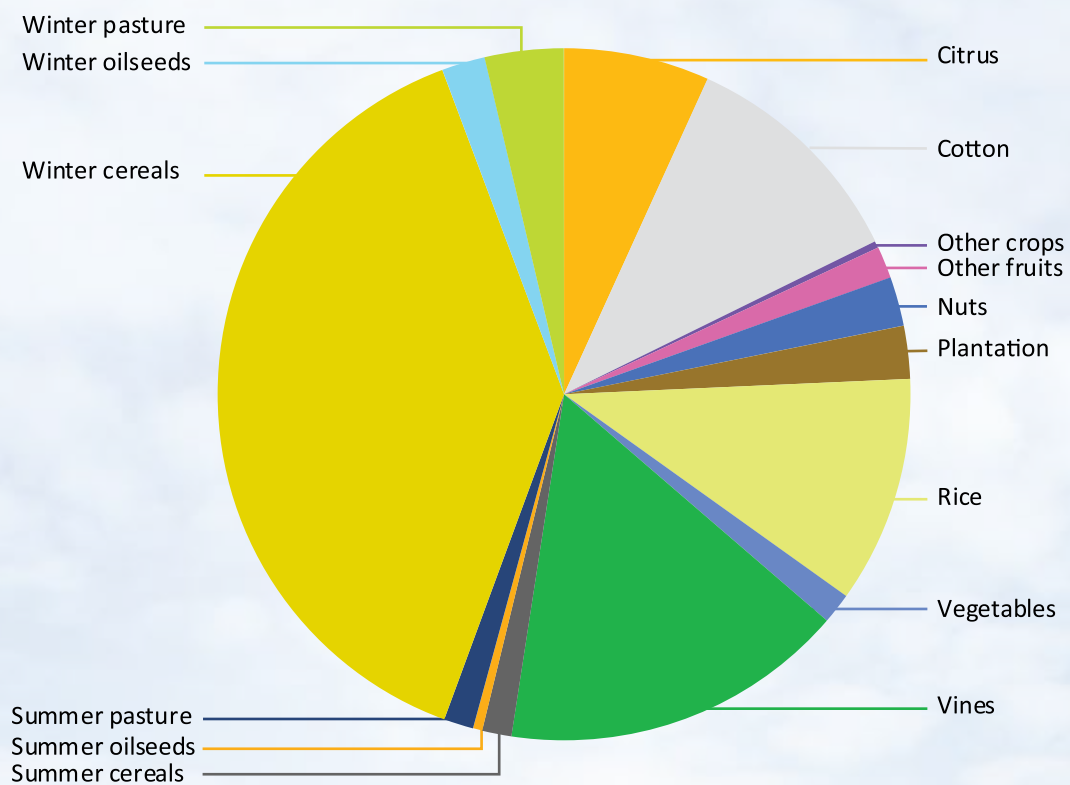
2 Based on customer data.

3 Additional 1,249 ML was sold in 2013/14 as internal supplementary use in accordance with customer contract conditions and has been included in conveyance (used).

4 Restated figures, refer to Note 1(v) on Page 50.

5 Figure includes 20 employees externally funded under the Australian Government's Private Irrigation Infrastructure Operators Program (11 in 2014/15 and 8 in 2013/14).

Figure 1: MIA crop types % of total hectares planted 2015/16



Figures based on data supplied by customers.







# Year in review

## July 2015

- On 1 July, DPI Water replaced the NSW Office of Water (NOW).
- DPI Water announced the opening water allocations for the Murrumbidgee for 2015/16 as 8% of General Security (GS) entitlement and 95% of High Security (HS) entitlement. Allocation increases for 2015/16 are shown in Table 2.
- Trade into, from and within the Murrumbidgee Valley resumed on 1 July.
- Murrumbidgee Irrigation (MI) presented at the Rice Extension Water Trading workshops in Griffith and Leeton. The presentation discussed carry-over, water outlook, transfers, processes and operations.
- Shed meetings were hosted by our Customer Focus Group representatives, Ian Braithwaite and Russell Campbell, at Warrawidgee and Tabbita.
- Works were completed on several culverts, outlets and regulator doors during our winter maintenance shutdown period. Part of our works program was delayed due to the prevailing wet weather, with less critical works re-scheduled until the next winter maintenance shutdown period.

## August 2015

- The on-farm modernisation program was expanded to cover our entire area of operations, under Round 2 of the Private Irrigation Infrastructure Operators Program (PIIOP2) in New South Wales.
- The Murrumbidgee Irrigation Area Renewal Alliance (MIARA) completed the final section of pipeline installation works as part of the Hanwood Modernisation Project.
- MI made a submission and presented to a public forum in Griffith hosted by the ACCC, as part of its review of the Commonwealth Water Charge Rules. The Water Charge Rules regulate charges imposed upon water market participants in the Murray-Darling Basin.
- MI presented at the Rice Extension Pre-season meetings in Whitton and Griffith.

## September 2015

- MI provided a 4% additional annual water allocation to eligible customers as a result of Company water savings and efficiency measures. All customers in the IHS, SAS, LAS and LAW pricing groups who held delivery entitlements in Tier 3 were eligible for the additional annual water allocation.
- The Customer Focus Group reached the end of its first three-year term, with six of the twelve

members retiring, as per the terms of reference of the group. MI acknowledged the contributions of retiring members Wayne Andreatta, John Bonetti, Bernard Whelan, Glen Andreazza, Michael Ciccia and Patrick Sergi.

- MI completed the first stage of the review into our Rice Growing Rules, which resulted in interim changes to the policy for the 2015/16 season, including flexibility in the Rice Approved Area applying to landholdings.
- The algae alert for South Lake Wyangan, in place since 29 January 2015, was lifted, with blue-green algae levels being within the Murrumbidgee Regional Algal Coordinating Committee guidelines for stock and domestic use.
- A cap on Government buyback of water entitlements at 1,500 GL was secured into legislation through the Water Amendment Bill 2015.
- Responsibility for water policy moved from the Environment to the Agriculture portfolio under an agreement struck between The Nationals and Prime Minister, Malcolm Turnbull.

## October 2015

- Stage two of our Australian Government funded (PIIOP2) modernisation program commenced with the customer engagement phase. The project includes works in the Yenda, Bilbul and Leeton areas.

- Commencement of our new CEO Brett Jones.

## November 2015

- The Senate Inquiry into the Murray-Darling Basin Plan visited Griffith. MI presented, and also made a submission, to the Inquiry.
- In response to water market conditions, the funding per megalitre offer for customers signing up to the on-farm efficiency program was significantly increased to \$2,300 for General Security and \$4,400 for High Security.
- Six new members joined our Customer Focus Group following the retirement of half the inaugural members at the end of the group's first three-year term. MI welcomed the following new members to the Customer Focus Group: Robert Flanagan, Kirsten DalBroi, Kel Furner, Debbie Buller, Mario Marin and Brendan Barry.
- Over 60 shareholders attended our seventeenth AGM at the Leeton Soldiers Club on 9 November. Proceedings included farewelling retiring Chairman Gillian Kirkup. Frank Sergi succeeded into the position of Chair following Gillian's retirement.

## December 2015

- The \$40.2 million Hanwood Modernisation Works program was completed, providing a modern and efficient water delivery system to around 210 landholdings.

**Table 2: Annual allocations and dam levels 2015/16**

DPI WATER ANNUAL ALLOCATIONS % of entitlement					DAM LEVELS % of storage capacity	
Date	Towns	S&D	HS	GS*	Burrinjuck	Blowering
1 July 2015	100	100	95	8	46	28
15 July	100	100	95	12	49	33
3 August	100	100	95	17	54	39
1 September	100	100	95	27	70	45
15 October	100	100	95	29*	71	46
16 November	100	100	95	31*	69	42
15 December	100	100	95	32*	65	34
1 February 2016	100	100	95	35*	51	28
15 February	100	100	95	36*	52	29
1 March	100	100	95	37*	45	29

Source DPI Water, Water Allocation Statements - [www.water.nsw.gov.au](http://www.water.nsw.gov.au)

(S&D = Stock and Domestic, HS = High Security, GS = General Security)

\* Average Murrumbidgee Valley additional GS allocation carried over for 2015/16 was 23%.

\* Plus 4 percent additional annual allocation to eligible customers (issued on 18 September).

- Phillip Glyde was appointed as the new Murray-Darling Basin Authority (MDBA) Chief Executive.
- Deakin University established a new research centre at Research Station Road as part of the MI business complex, enabling world-class research into irrigation and sustainable land use to continue in the MIA. The University's new branch, the Centre for Regional and Rural Futures (CeRRF), will be guided by former CSIRO researchers Associate Professor John Hornbuckle and Dr Wendy Quayle. The CeRRF aims to be Australia's premier research centre for agricultural productivity and the Griffith branch will employ five additional researchers.

### January 2016

- A red alert was issued for South Lake Wyangan after blue-green algae levels were recorded above the Murrumbidgee Regional Algal Coordinating Committee guidelines for recreational, domestic and livestock use.
- MI representatives met with Deputy Prime Minister, Barnaby Joyce's advisor, and several departmental officials in Canberra to discuss the ACCC's review of Commonwealth the Water Charge Rules.
- MI hosted National Irrigators' Council members and the ACCC for a workshop on the Commonwealth the Water Charge Rules.
- All MIARA staff relocated to a new site compound at Wade Park in Yenda, with their office strategically located close to where the majority of construction activities will take place for the next two years.

### February 2016

- The MI Board approved our high level strategic direction for 2016-21. This included our Vision 'Growing our future together - Company, Customers, Community,' and Mission, 'We leverage our system and regional advantages to provide water products and services that are valued by our customers.'

### March 2016

- Construction commenced on the Yenda, Bilbul and Leeton area modernisation works as part of the \$149.6 million in



In February 2016, we hosted Threatened Species Commissioner, Gregory Andrews, at Barren Box Storage and Wetland (BBSW), briefing him on a joint MI and Landcare project under the Australian Government's National Landcare '20 Million Trees Programme'. The project involves planting of native trees and shrubs on a 30 hectare section at BBSW, with the benefits including improved habitats for biodiversity of fauna. Mr Andrews was also briefed on local issues such as feral cat predation and conserving threatened vegetation communities, such as Weeping Myall.

*Photo: Threatened Species Minister Gregory Andrews, Jessica Hill (Local Lands Service) and Cathy Semmler (Murrumbidgee Irrigation).*

funding we received under Round Two of the Private Irrigation Infrastructure Operator's Program in NSW (PIIOP2).

### April 2016

- An MIA Modernisation Works community information session was held in Yenda, to provide an overview of the works in the Yenda and Bilbul areas. The community meeting discussed the overall scope, cost and timeframes of the project and also had ample opportunity for questions.
- MI, Department of Primary Industries – Lands, Griffith City Council and the NSW Environment Protection Authority implement a joint project to target illegal dumping in the Griffith area. The project targets the clean-up of dumping hotspots, community awareness campaigns and the monitoring of hotspots.

### May 2016

- Water delivery services for the 2015/16 season concluded on 27 May.
- MI representatives met with ACCC Commissioner, Mick Keogh, in Sydney to discuss Commonwealth the Water Charge Rules.



- MI announced that from 1 July 2016, we will remove the Rice Growing Rules and the fees levied on rice growers to recover the cost of administering these Rules. The Company will continue to meet our monitoring and water use reporting obligations, and will partner with key stakeholders to identify more effective ways to protect the sustainability of land use in the MIA.
- MIA Modernisation Works commence on the Northern Branch Canal, Main Canal and North Merribee Channel, to progress them towards Total Channel Control.

### June 2016

- Late season surplus flows, following upper catchment rain, was welcomed by eligible customers, with over 11,000ML delivered up until the end of June. To assist access to surplus flows, some works were re-prioritised and we also extended the closing date for annual trades.
- Winter watering services were made available for eligible customers from 15 to 22 June.
- The Murrumbidgee Irrigation 2016-21 Corporate Plan and corporate video were launched to all staff.
- Customers were advised there will be some minor amendments to our Rules effective from 1 July 2016.



In May 2016, the Western Riverina Development Forum was held at our Hanwood office hosted by Adrian Piccoli, the State Member for Murray and Education Minister. Also in attendance were the Hon. Rick Colless and the Minister for Early Childhood Education, the Parliamentary Secretary for Natural Resources and Regional Planning, the Hon. Leslie Williams, the Deputy Premier, the Hon. Troy Grant, the Minister for Regional Development and the Hon. John Barilaro. This forum drew together a range of business leaders, local government and Government officials to discuss the significant economic growth opportunities currently being experienced in the Western Riverina, particularly in the value added sectors of agriculture, horticulture and manufacturing.



In June 2016, Member for Farrer, Sussan Ley announced that we would receive \$84.9 million in funding under Round Three of the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP3) in New South Wales. Some of our PIIOP3 projects include: new automation technology to remotely control main supply channels, lining channels to reduce water losses, gravity pipelines and replacing inefficient channels. These projects will compliment significant water delivery system improvements already being delivered under previous funding rounds for the benefit of customers.

*Photo: MI CEO Brett Jones, Member for Farrer Sussan Ley and MI Chairman Frank Sergi.*



## Leadership team



**Brett Jones** BE(Hons), MEngSc, Grad Dip App Fin, HBS AMP, FIEAust, MAIPM, MAICD  
**Chief Executive Officer**

Brett Jones commenced as Chief Executive Officer in October 2015. Brett is an experienced executive with a diverse background in heavy industry including the steel, mining, shipping and energy industries. He holds qualifications in engineering, project management, and finance and rounded out his professional executive leadership training by attending the prestigious Advanced Management Program at the Harvard Business School in Boston, USA.



**Dorian Radue** BA, MBA, MSc (Strategic Focus), CA, ACMA, AGIA, GAICD, JP  
**Company Secretary / Corporate Services Executive**

Dorian Radue was appointed as Company Secretary in 2009. In addition to statutory secretarial duties, her responsibilities include administering the business of the board and managing the Company's corporate service functions. Dorian was formerly an executive in the information technology and banking industries in South Africa



**Jody Rudd**  
**Executive Manager, Delivery**

Jody Rudd joined the Company in 2005 and was appointed Executive Manager, Delivery in 2015, with responsibility for managing Australian Government funded modernisation projects, MI-funded capital projects and business development and growth initiatives. Jody has significant project management and works coordination experience and was formerly MI's Infrastructure Services Manager.



**Alan Shea** B.Eng (Honours), MBA, MAICD

**Executive Manager, Operations**

Alan Shea joined the Company in February 2016 in his current role and is responsible for the operations and maintenance of all infrastructure that services MI's customers, including storage, supply and drainage assets. Alan has 17 years' experience working across various roles in the water industry across NSW, VIC and TAS, including a focus on automation and preventative maintenance.



**Christina Onley** BCom, GDipEnvMan, CA

**General Manager, Finance / Information & Communications Technology**

Christina Onley joined the Company in 2013 and was appointed General Manager, Finance and ICT in 2016 with responsibility for the Company's information and communication technology systems and financial integrity. Christina has extensive experience in financial and IT project management across the agribusiness, manufacturing and health sectors. She was formerly MI's Finance Manager, and is a co-owner/operator of a grazing property west of Narrandera.



**Karen Hutchinson** BSc (Hons), GAICD

**Customer Services/Policy & Stakeholder Manager**

Karen joined the Company in 2009 and was appointed Policy and Stakeholder Manager in 2016 with responsibility for the management of customer services and external water policy. Karen has held policy and advocacy positions in the irrigation industry for the past 15 years and represents MI on the NSW and National Irrigators' Councils. Karen is a co-owner/operator of a horticultural property in Hanwood.



**Dave Gilbert** BE (Hons), ME, PhD, MBA, GAICD

**Executive Manager, Planning**

Dave Gilbert joined the Company in 2008 and was appointed Executive Manager, Planning in 2014, with responsibility for corporate and water resource planning, asset management and regulatory compliance. Dave is an electrical engineer who has held management positions in the electricity supply industry and also the Australian Public Service. Dave left the Company in July 2016.

**Matt Thorpe**

(Not depicted) Matt Thorpe joined the Company as Executive Manager, Operations, from August 2013 and was acting CEO from July to October 2015. Matt left the Company in December 2015.



# Customers & shareholders

## Strategic objectives:

- Customers have confidence in the Company
- Shareholder value is preserved

We are focusing on our customers needs and costs in order to provide them with levels of service that meet their business needs and represent value for money.

This year we have reshaped our frontline customer enquiries team to better receive, record and respond to customer enquiries.

We are also removing unnecessary red tape and improving the efficiency of our processes.







Processes  
were  
simplified



4%  
additional  
allocation  
enhancement



100 additional  
customers  
joined our  
Quick Contacts



1200  
enquiries  
processed  
per month



Our objective is to have highly satisfied customers and shareholders by:

- Focusing on customer needs and costs
- Continually improving our services and removing unnecessary red tape
- Ensuring consistency and efficiency in our processes, and
- Listening and communicating effectively.

As a member owned company, the majority of our customers are our shareholders. This means that our customers are motivated by opportunities for immediate cost and efficiency gains as well as having an interest in the long term sustainability of the Company and its assets. Our focus for 2015/16 has been on improving process efficiency and moving towards a customer centric organisation. We have also maintained strong government and industry relations in order to protect and promote the region's assets.

### Customer services

Throughout 2015/16 we restructured our customer services unit to provide a dedicated customer enquiries team. This has not only provided a single point of contact for customers, but has also improved the efficiency of the processing of applications.

### Process efficiency

We recognise the importance of continuous improvement in our processes. This year we have revised and streamlined our application process for making financial arrangements, removed the requirement to have a statutory declaration as part of a temporary water transfers and have commenced a review of the need to issue paper based certificates for Rights of Access and Water Entitlements. Process efficiencies will continue to be identified and implemented in 2016/17.

### Revised policy on holding security

We have reduced our requirements for security from customers who hold a ratio of Delivery Entitlement to Water Entitlement that exceeds a ratio of 5:1. Security will now generally only be required where customers who meet this criterion are also seeking an extension to our normal payment terms (financial payment arrangement).

### Additional allocation

In October 2015 we provided a 4% additional annual water allocation to eligible customers as a result of Company water savings and efficiency measures.

Additional annual water allocation was credited based on delivery entitlements rather than water entitlements, the same basis as in 2014/15.

We are committed to enabling productive water use within the MIA in order to support our commercial agricultural customers and promote agricultural growth. Providing additional annual water allocation based on delivery entitlements supports these principles and adds clear value to ownership of delivery entitlements.

### Customer Focus Group

Our Customer Focus Group was established in 2012 to provide a forum for regular discussion with customers across our area of operations on new initiatives and matters of importance to us. In 2015/16 the inaugural Customer Focus Group reached the end of its first three-year term and accordingly six of the twelve members retired. We would like to acknowledge the contributions of all the focus group members but particularly retiring members Wayne Andreatta, John Bonetti, Bernard Whelan, Glen Andreazza, Michael Ciccio and Patrick Sergi.

The Customer Focus Group currently comprises: Robert Flanagan (Benerembah), Kirsten DalBroi (Hanwood), Kel Furner (Goolgowi), Debbie Buller (Murrumbidgee), Mario Marin (Yogali), Brendan Barry (Leeton), Raymond Cucinotta (Hanwood), Russell Campbell (Wah Wah), Greg Eckley (Leeton), David Rosetto (Yenda), Scott Williams (Murrumbidgee), and Ian Braithwaite (Benerembah).

### Communications

Our monthly customer newsletter circulation has increased to 892 in 2015/16 from 796 in 2014/15. We also continued our Quick Contact Service which uses SMS messaging and/or email to communicate important water and operational matters to registered customers. Our website remains our main point of reference for information about Company programs and initiatives.



### Government and industry

We work with the NSW and National Irrigators' Councils as well as Local, State and Australian governments to maximise opportunities for asset development and regional growth and limit any negative impacts from water recovery. We have been awarded close to \$300 million dollars in Australian infrastructure funding since 2011. In addition we have prepared submissions to the Senate Inquiry into the Basin Plan and the ACCC's review of Infrastructure Charges. We have also hosted Federal and Local members of parliament to promote and demonstrate the benefits of irrigation to the local and national economy. We continue to lobby for reductions in red tape and the protection of the region's water and other assets.

### MI showcases the Murrumbidgee Irrigation Area

We engaged local filmmaker Vince Bucello to produce a video which highlights the many benefits of the Murrumbidgee Irrigation Area (MIA).

The video showcases the MIA to existing customers, potential investors and Government funding bodies, through visualising what a dynamic and diverse area we live in. It shows that MIA is the area of choice for investment, and also a great place to live.

We want the video to evoke a sense of pride in the community. The MIA is the nation's food bowl and boasts everything from fertile soils, reliable water supply and thriving services centres, through to affordable housing, a laid-back lifestyle, as well as fantastic shops, schools and entertainment options.

A link to the video is available on our Company website.



# Water delivery

## Strategic objectives:

- Optimise network capability
- Optimise water delivery efficiency



**84% of orders  
placed on-line**



**Water demand  
peaked at 5,010 ML  
per day in October**



**314 days of  
irrigation  
supply**



**Total diversions  
from river  
643,597 ML**

**Table 4: Water performance summary**

<b>WATER PERFORMANCE SUMMARY</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
<b>Licensed diversions</b>			
- Annual carry-over provisions	<b>173,067</b>	190,708	177,031
- Bulk water determinations	<b>534,727</b>	643,704	718,252
- Advances taken, transfers received and other adjustments	<b>77,352</b>	142,027	101,518
<b>Supplementary flow access received</b>			
- Use of uncontrolled flows	<b>46,715</b>	13,996	9,423
<b>Conveyance</b>			
- Carry-over from prior year	<b>0</b>	55,457	0
- Bulk water determinations and corrections	<b>164,767</b>	161,343	221,169
<b>TOTAL WATER RECEIVABLE</b>	<b>996,628</b>	1,207,235	1,227,393
<b>Used by customers</b>			
- Sales (includes supplementary water)	<b>526,278</b>	730,016	699,308*
- Advances repaid, transfers out and other adjustments	<b>172,269</b>	78,554	120,278
<b>Conveyance</b>			
- Used	<b>117,679</b>	139,800	133,450
- Savings assigned between MI licences (Allocation less use)	<b>15,760</b>	77,000	28,192
<b>Carried forward to next year</b>	<b>164,642</b>	173,067	246,165
<b>TOTAL WATER ACCOUNTED FOR</b>	<b>996,628</b>	1,207,235	1,227,393

\* Additional water was sold as Internal Supplementary use in accordance with customer contract conditions and is not included in these figures: 2013/14 - 1,249 ML.

Our objective is to provide efficient and cost-effective water delivery services by:

- Implementing a smart approach to system operation and maintenance to optimise water available for customers
- Continuing to improve water delivery efficiency, particularly through use of new technology, remote monitoring and control of key points in the irrigation network to allow greater coordination in operating the delivery system
- Adopting an automation strategy to guide the implementation of technology improvements across the delivery network, and
- Actively managing bulk water licences to maximise the collective benefits for customers.

### Water year overview

Water delivery services for the 2015/16 water year commenced from 24 July, with start dates staggered to allow customers access to water as early as possible. In September we provided a 4% additional annual water allocation to eligible customers.

Water demand peaked in October with maximum flows of 5,010 ML/day for winter crops. In January we achieved a maximum flow of 4,604 ML/day on summer crops.

Water delivery services closed on 27 May 2016. A winter watering period was available for eligible customers in June.

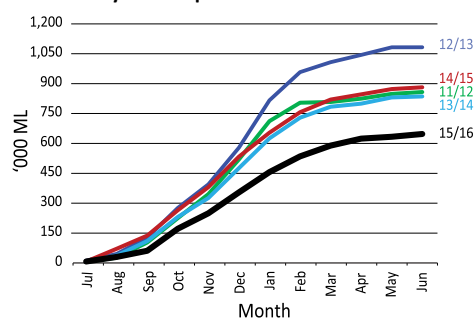
Overall, 314 days of irrigation water was supplied to our customers during the season, meeting our NSP commitments.

In June 2016 a supplementary water event was welcomed by eligible customers, with over 11,000 ML delivered.

To assist access to supplementary water some works were re-prioritised and we also extended the close date for annual trades.

Our operational approach continues to adapt in response to changing customer needs such as seasonal variations in crop plantings.

**Figure 2: Annual cumulative diversions, 5 year comparison**





## Total water sales

Total water sales for the 2015/16 water season were 526,278 ML representing a 27.9% decrease on the previous year (729,697 ML), primarily due to a low allocation season for large area customers.

## Diversions

Total water diversions from the river were 641,328 ML - a 27% decrease on the previous year (878,614 ML).

Total diversion into the Wah Wah S&D Tank Fill for the 2015/16 water season was 14,229 ML.

Total water re-used in the 2015/16 water season totalled 120,826 ML.

## Simple system efficiency

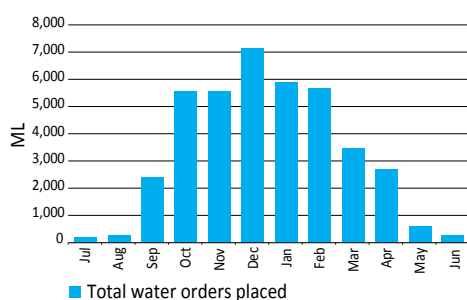
Simple system efficiency is a measure of how efficiently we manage conveyance water in our supply system. In 2015/16, an efficiency of 82% was achieved. This is above the long-term average of 78%.

## Water ordering

A total of 40,692 water orders were placed through our water ordering system, EASYWATER. Online ordering is the preferred method of water ordering with 84% of orders being placed in this way.

We are committed to continually improving the efficiency and features of EASYWATER.

**Figure 3: Water orders 2015/16**

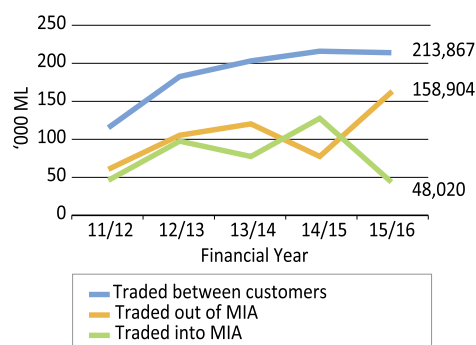


## Water trades

A total of 3,746 individual allocation transfers were approved totalling 420,657 ML. This represents an increase in the number of transfers (3,116 in 2014/15) and a slight decrease in the amount of water traded from the previous year (436,558 ML in 2014/15).

Of the allocation traded, 213,867 ML moved between customers, retaining water within the MIA. A total of 48,020 ML was brought into the MIA through trade and 158,904 ML was traded out of the MIA. This resulted in a net loss to the system of 110,884 ML for the year.

**Figure 4: Annual trade of allocation  
Five year comparison.**



A total of 526 permanent water transfer applications were approved, totalling 86,099 ML. This includes an amount of 4,586 ML of supplementary entitlement traded internally. These are water transfers separate to property ownership changes. Of the water traded, a total of 16,259 ML was permanently traded out of the MIA, which includes a trade out of the area of 280 ML of supplementary entitlement. An amount of 5,775 ML was permanently traded into the MIA, which includes trades of 300 ML of supplementary entitlement.

Of the water traded, 5,148 ML was transferred to the Australian Government as part of either our PIOP or other on-farm efficiency programs.

## Compliance

We have a number of compliance obligations associated with the Combined Water Supply and Water Use Approval (Combined Approval) and Environmental Protection Licence (EPL). We are required to prepare and submit an Annual Compliance Report at the end of each financial year to demonstrate our compliance performance. Full compliance was achieved with the Combined Approval and EPL in 2015/16.

Copies of our Annual Compliance Reports can be found on our website.

## Blue Green Algae

During the 2015/16 irrigation season we trialled changes in operational flows to attempt to reduce the frequency and severity of blue green algae blooms. This trial produced encouraging results with no Red Alerts issued for any of our storages or supply and drainage re-use points. We will continue to trial these operational flows during the 2016/17 season.

## Removal of Rice Growing Rules

We are adopting a fresh approach to sustainable land use, starting with the removal of our Rice Growing Rules.

The Rice Growing Rules were originally developed to protect the long-term sustainability of the MIA. At the time the Rules were considered an effective measure to reduce recharge of groundwater, or otherwise limit the height of the groundwater within the MIA.

Over the past two years we have worked in partnership with our rice growers and the Rice Growers Association to trial interim arrangements to relax the Rice Growing Rules.

Our investigations into the drivers for changes to groundwater levels in the MIA have shown that infrastructure modernisation, and

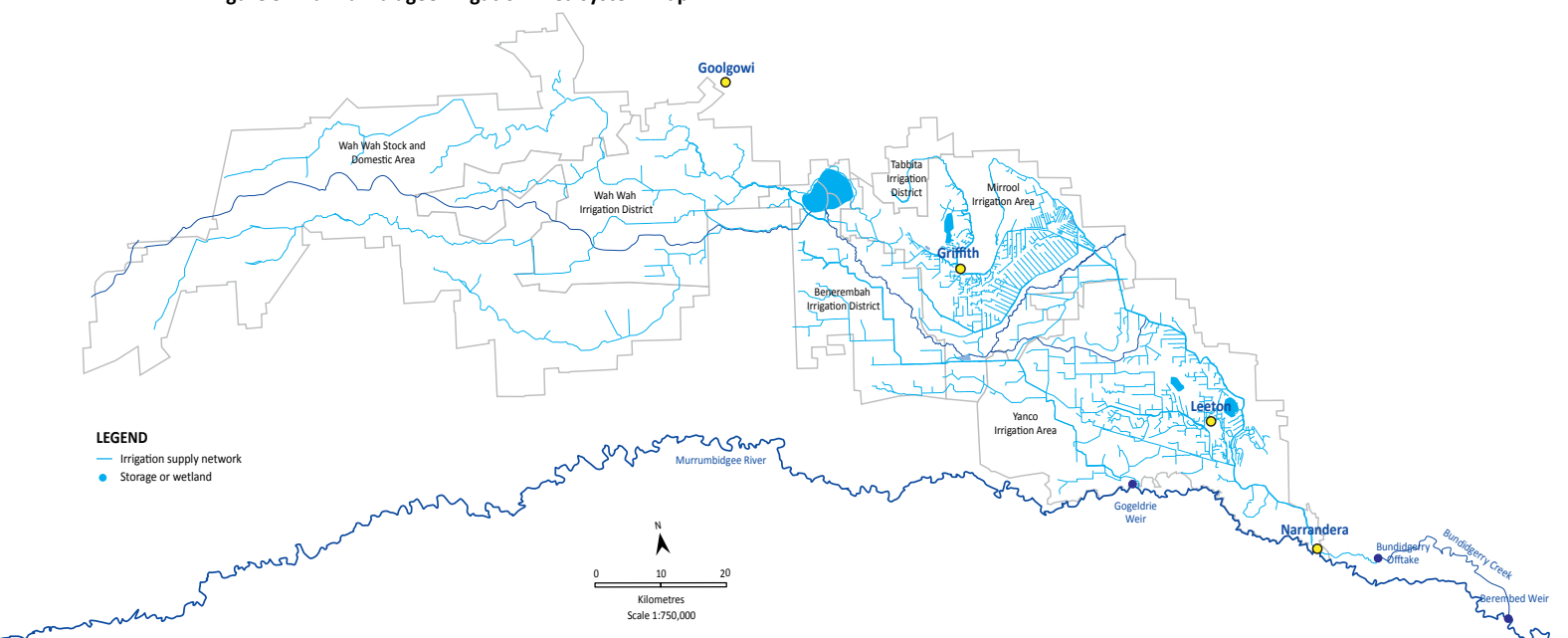
on-farm water efficiency programs, have improved water use efficiency and reduced losses to ground water over time.

It became clear, through our investigations, that the Rules were no longer an effective control measure for managing regional groundwater levels. In addition, there is a growing amount of evidence showing the significant influence of climate events, such as rainfall and flooding, on water tables.

Our Rice Growing Rules were rescinded effective from 1 July 2016, and there will be no Rice Monitoring Fee levied on customers who grow rice from 2016/17.

We will continue to meet our monitoring and water use reporting obligations and will partner with key stakeholders, including the Local Land Services and commodity groups, to identify more effective ways to protect the sustainability of land use in the MIA.

Figure 5: Murrumbidgee Irrigation Area system map



# Asset delivery

## Strategic objectives:

- Deliver effective asset management
- Strengthen project governance arrangements



6,029 works  
maintenance  
requests  
completed



3,204 km of  
weeds  
sprayed



1,120 doppler  
meter  
validations



Over \$16 million  
for on-farm  
water efficiency  
projects

The priorities for the Assets Management team are to focus on:

- PIIOP project delivery
- Ensuring our assets and infrastructure needs are planned and managed in a manner that will continue our long-term viability, and
- Maintain a high level of system efficiency.



Our objective is to be a responsible asset manager by:

- Implementing asset management plans that define standards of service for infrastructure assets to meet future customer requirements
- Effectively maintaining infrastructure assets according to asset management plans to ensure the ongoing integrity and capacity of system infrastructure
- Delivering improvements to asset management maturity levels that enable reliable projections of asset renewals expenditure, and
- Improving project governance arrangements to deliver infrastructure projects according to schedule, budget and quality parameters.

### Asset Management

The Asset Management Improvement Program continued to be rolled out in 2015/16. The program was developed to improve our current asset management practices in line with international standards, and identified a number of areas for improvement to deliver an intermediate level of asset management maturity.

This year saw a number of the projects completed and incorporated into our day-to-day operations. This included the Asset Management Improvement Plan, implementation of scheduled maintenance in the Technology One Enterprise system and the approval of our Private Irrigation Infrastructure Operators Program Round 3 (PIIOP3) application.

A key focus this year has been the further development and implementation of a new Asset Management System and a Strategic Asset Planning application. These new tools will allow us to develop longer term capital replacement and scheduled maintenance programs, as well as allow us to better measure and manage asset performance, asset risk and improve overall cost management.

Extensive planning and delivery works continued on our Modernisation Program in 2015/16. The program, primarily funded through the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP) in NSW, includes upgrades to both the supply network and on-farm areas in exchange

for water savings which are returned to the Australian Government for environmental benefits. Our participation in PIIOP represents a once in a generation opportunity to modernise our irrigation infrastructure and supply system for the benefit of all customers.

### Maintenance requests

There were 6,029 works maintenance requests completed in 2015/16. A scheduled maintenance program was developed for civil maintenance and scheduled inspections were completed on supply channels, structures and drains.

### Weeds treatment

A total of 5,112 scheduled inspections of the drainage system took place in 2015/16. Of these inspections, 4,548 resulted in weed treatments. A total of 3,204 km of drains were treated with some problematic sections receiving multiple treatments.

### Asset refurbishment program

From 1998, our asset refurbishment program was primarily funded by the NSW Government under both the Asset Refurbishment Funding Deed (ARFD) and the Road Bridges and Culverts Funding Deed. These deeds were contractual agreements between MI and the NSW Government for the provision of funds, paid in annual instalments, to improve the condition of our infrastructure assets.

The ARFD funding arrangement expired in June 2015 and the Road Bridges and Culverts Funding Deed ceased in April 2016. Unspent monies from our ARFD and Road Bridges and Culverts Deed funding have been notionally allocated to our asset reserve (30 June 2016: \$19.0 million). Our asset refurbishment programs are now funded through the asset reserve and PIIOP funding.

Our asset refurbishment works commissioned in 2015/16 included:

- The upgrading of three pump stations
- The replacement of 73 meters
- Three road bridge replacements
- Culvert replacements
- Regulator upgrades, and
- The refurbishment of around six kilometres of earthen supply channels.

## Metering

Our metering audit program continued in 2015/16 to ensure the ongoing integrity of metering installations. During the year, 1,120 doppler meter installations were validated. A third of all installations are audited each year, resulting in each meter being inspected every three years. Out of service meters are given maintenance priority.

## Hanwood Modernisation Project

The \$40.2 million Hanwood Modernisation Project was completed in October 2015, providing a modern and efficient water delivery system to around 210 landholdings in the Hanwood area.

This project was funded through a \$149.6 million Australian Government grant to MI through the Sustainable Rural Water Use and Infrastructure Program under Round Two of the Private Irrigation Infrastructure Operator's Program in NSW (PIIOP2).

The project, delivered by the Murrumbidgee Irrigation Area Renewal Alliance (MIARA), involved replacing 12.4 km of ageing concrete-lined supply system channels with gravity flow pipelines, the installation of electronic flow meters with remote monitoring on 67 outlets and the replacement or upgrading of 87 regulating structures within the Hanwood project area. Gravity pipelines were chosen based on key design parameters including service life, durability and lower operational costs for customers.

All of the channels in Hanwood have now been switched into automatic control.

This project has enabled us to better control pools between regulators, reduce water losses through escapes and improve service reliability for our customers.

## Wah Wah Stock and Domestic Pipeline Project

The Wah Wah Stock and Domestic Pipeline Project forms part of the \$149.6 million in funding we have been awarded under Round Two of the Private Irrigation Infrastructure Operator's Program in NSW (PIIOP2).

The scope of the project is to deliver a 280km stock and domestic pipeline for Wah Wah

customers, including the establishment of a private irrigation district, 14 private stock and domestic pipelines, and fund the delivery of on-farm materials to be constructed as an in-kind contribution by customers.

In June 2016 the MI Board of Directors endorsed the business case and provided approval for the project to proceed.

The next steps of the project will involve the engagement of a design and construct contractor for the Wah Wah stock and domestic pipeline, the development and approval of on-farm work plans, and the design and construction of off-farm works. The project is due for completion by April 2018.

## On-farm modernisation projects

Funding for customers across the MIA to fund eligible on-farm works has been provided to through the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP2) in New South Wales.

These eligible on-farm projects enable customers to improve the efficiency and productivity of water use and management in exchange for transferring water entitlements to the Australian Government.

Previously the on-farm opportunities were limited to select project areas but these were opened up in September 2015, with the funding made available to eligible customers throughout the entire MIA.

By the end of June 2016, 105 customers had signed up to undertake eligible on-farm activities totalling \$16,624,000. Water saving infrastructure projects undertaken range from installation of drip irrigation and soil moisture monitoring integrated systems, to large land forming of bankless channels for large area cropping.

Due to an over-subscription through the expression of interest process, we have made an application to the government for additional funding of \$24 million, for further on-farm water saving infrastructure works.

### MIA Modernisation Project

The MIA Modernisation Works includes the Yenda, Bilbul and Leeton areas, with the project set to benefit farmers and the broader community. Works were approved in September 2015 with construction commencing in March 2016.

This project forms part of the \$149.6 million in funding we received under Round Two of the Private Irrigation Infrastructure Operator's Program in NSW (PIIOP2).

The MIA Modernisation Works will replace ageing infrastructure at significant risk of failure or at the end of its service life in the project areas. It will also involve replacing concrete lined channels and the installation of automation on our supply canal regulators. Over 150 Dethridge wheels will be replaced by electronic flow meters with remote monitoring capabilities and around 1,500 existing meters will have remote monitoring capabilities installed as part of the Integrated Remote Meter Monitoring System (IRMS).

The Murrumbidgee Irrigation Area Renewal Alliance (MIARA) is responsible for the construction of the MIA Modernisation Works. All MIARA staff were relocated to a site compound at Wade Park in Yenda in January 2016, with their office strategically located close to where the majority of construction activities will take place for the next two years. The close proximity of the site compound to the main construction areas enables MIARA supervisors and engineers to more effectively manage the safety and quality of construction activities, as well as material deliveries.

### PIIOP3

In June 2016 Member for Farrer, Sussan Ley announced an additional \$84.9 million in funding for MI under Round Three of the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP3) in New South Wales.

This funding will allow us to continue to improve the efficiency of the water delivery system through further infrastructure upgrades across the network.

Some of the sub-projects nominated for MI's PIIOP3 program include: new automation technology to remotely control main supply channels, lining channels to reduce water losses, gravity pipelines and replacing inefficient channels. These projects complement significant water delivery system improvements that are being delivered under previous funding rounds and will benefit all our customers.

This announcement represents a total investment of \$284.5 million by the Australian Government under PIIOP in critical water saving projects in the Murrumbidgee Irrigation Area. A key benefit of this continued investment is the ability to provide a greater degree of control over water flows required to meet changing water demand patterns.

The projects to automate the main supply channels will allow the delivery system to be operated at greater flow rates with the ability to satisfy customer demand for shorter and more intense periods of irrigation.





# Business sustainability

## Strategic objectives:

- Improve organisational performance
- Operate a sustainable business

**Table 5: Pre-tax revenue and expenses by activities (\$'000)**

2015/16 (\$'000)	Core operations	Water savings	Investments	Government & other activity	Hanwood Estate Property Trust	Inter-company	Total
Revenue	33,692	3,228	6,123	37,423	910	(847)	80,529
Expenses	41,367	-	791	7,791	910	(847)	50,012
<b>Total P/L</b>	<b>(7,675)</b>	<b>3,228</b>	<b>5,332</b>	<b>29,632</b>	<b>-</b>	<b>-</b>	<b>30,517</b>

*Refer to Note 2, Page 43 for prior year comparatives.*



**Efficiency  
savings of  
\$920,000**



**Asset Reserve  
increased by 8%**



**Cost recovery  
achieved**

Our objective is to operate a sustainable business by:

- Controlling operating expenditure and introducing improvements to business processes
- Ensuring a risk-based approach to compliance with legal and regulatory obligations, and
- Continuing to maintain sustainable business practices by achieving benchmark financial performance measures, implementing appropriate pricing reforms and introducing a strategic approach to funding expenditure requirements.

The earnings before tax for all activities in 2015/16 was a profit of \$30.5 million, with a total comprehensive income of \$26.2 million. Refer to Table 5 on page 28 for a breakdown by activity.

### Customer operations

Loss before tax from customer operations was \$7.7 million for 2015/16 compared with a loss of \$4.8 million for 2014/15. The key drivers of this change were the following items:

- Decreased customer revenue in line with reduced allocations in 2015/16, and
- Increased employment expenses caused by reduced capitalisation of labour, increased depreciation and due to moving to a preventative maintenance regime.

### Water savings activity

Water savings are derived from two sources, namely savings through bulk water licence management and system efficiency. As a result of these savings we were able to provide a 4% additional annual water allocation to eligible customers, and generate water savings sales of \$3.2 million, up from \$2.8 million in 2014/15. The increase in water savings sales was as a result of higher allocation prices in 2015/16.

### Investment activity

Investment activity returns for the year realised income of \$5.3 million, an increase on the \$5.0 million for the prior year. The key driver of the increased returns was the higher sales revenue from our water investment portfolio. The water investment portfolio at the end of the year had a book value of \$34.7 million and a market value of \$69.0 million.

### Government and other activity

Profit before tax was \$29.6 million for 2015/16 compared with \$43.9 million for the prior year.

While this sum is shown as a profit, it has been spent on our capital expenditure programs.

During 2015/16, \$36.6 million of revenue was recognised for PIOP works, including \$6.9 million recognised as a gain on the disposal of assets for water transfers made to the Australian Government under the PIOP funding agreement. Water transfers in 2015/16 under this agreement consisted of 2,400 ML conveyance as well as 10,065 ML general security from the Water Investment Fund.

In 2015/16 there was also a \$0.7 million loss on disposal of assets to be replaced under PIOP works.

### Other comprehensive income

Actuaries for the Local Government Defined Benefits Superannuation Scheme (LGSS) performed a review of the defined benefits obligations and assets held by the scheme. As a result of this review, a \$4.9 million loss was charged directly to equity.

### Taxation

Income tax benefit for the 2015/16 year is \$0.4 million. Total deferred tax liabilities as at 30 June 2016 were \$32.9 million. This amount is largely due to a timing difference associated with depreciation on the Company's infrastructure assets. The majority of this liability will be realised over the estimated depreciable life of the assets, being 15-100 years for infrastructure.

### Asset reserve

The purpose of the asset reserve is to set aside funds for future investment in infrastructure. These funds are an accumulation of both the asset refurbishment contributions made by irrigators and investment income attributed to these contributions since privatisation.

The balance of the asset reserve as at 30 June 2016 is \$46.6 million. The asset reserve is funded by the water investment fund and cash (refer to Note 24, page 59). Including \$19.0 million unearned Asset Refurbishment revenue as at 30 June 2016, the Asset Reserve has a notional balance of \$65.6 million.

### Efficiency review

The implementation of opportunities identified in the 2014/15 external efficiency review was a key focus for the Company in 2015/16. To 30 June 2016, savings of over \$0.9 million have been realised.



# Learning and growth

## Strategic objectives:

- Create a commercially focused culture
- Provide a safe workplace

Our objective is to be a high performing team with a customer focus by:

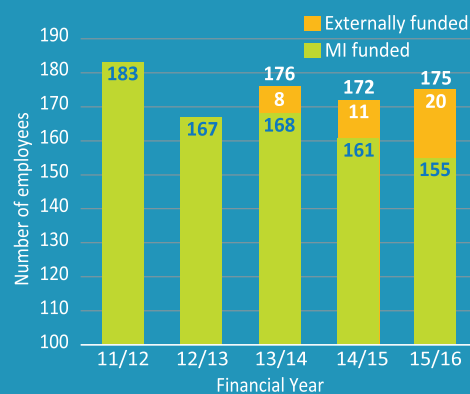
- Exceeding national benchmarks for organisation climate and leadership, and supporting efforts that improve performance outcomes
- Implementing workforce planning initiatives to support the drive to become an 'employer of choice' and enhance the ability to obtain the appropriate mix of skills, and
- Continuing to improve workplace safety by applying national benchmarks to our safety practices and supporting efforts to improve safety performance.

## MI workforce

Our total workforce at 30 June 2016 was 175, comprising 164 permanent employees and 11 employees on term contracts. Of the total, 20 employees were engaged to deliver our modernisation program, with these positions funded by the Australian Government under the Private Irrigation Infrastructure Operators Program (PIIOP) in NSW.

The annual employee turnover rate for 2015/16 is 9.3%, down from last year's figure of 14.3%. The 2015/16 turnover rate is consistent with national trends.

**Figure 5: Five year comparison of FTE employee numbers and funding**



## Health and safety

Providing a healthy and safe working environment for all workers is a high priority. This year has seen a substantial improvement in our lost-time injury frequency rate (per 1,000,000 hours equivalent), which has decreased from 17 in 2014/15 to 7 in 2015/16. This is the best result we have achieved on record. Time lost due to workplace injuries





totalled 303 hours, with 275 of those hours from injuries sustained in previous years. During this period we also saw a drop in the number of significant injury rates, which reduced from 45 to 20 per million working hours.

This year we contracted an external auditor to benchmark our progress and identify any further improvement areas to our safety systems. The audit identified significant improvements from our 2013 audit. This year has also seen an added focus on better communication, strong safety leadership and improving our safe work processes.

### Workplace gender equality

Our 2016 Workplace Gender Equality Agency Annual Public Report was lodged in May. A copy of the report is available on our website. We are pleased to report that we are compliant with the *Workplace Gender Equality Act 2012*.

### Cultural change

Our ongoing cultural change program again saw significant improvements in our previous year's benchmarked results. These improvements over the three-year program have delivered ongoing improvements to our leadership capability and team behaviour, which are the key drivers to delivering cultural improvements across the Company.

### Workforce planning

This year we commenced the development of our Workforce Plan 2016-21 which will assist us to plan for anticipated changes and manage workforce challenges to align with our strategic direction over the next five years. The plan analyses our current and future workforce needs and competencies, and develops strategies to improve workforce capabilities, succession planning and accountability.

### Working with the next generation

In 2015/16 we provided a total of 67 weeks of vacation work for university students in the fields of engineering and environmental science. This enabled students to gain practical experience in their field, and for MI to plan for succession.



**Our lowest  
LTIFR on record**



**Major  
improvements to  
our safety systems**



**9.3% annual  
employee turnover**





## Board of Directors



### **Frank Sergi** Chairman

Frank Sergi is a Certified Practising Accountant with over 30 years' experience as a principal providing taxation and business services. Frank's family have been farming since 1958 and he has maintained a lifetime involvement in horticulture and interests in the wine industry. He is a director of MI Holdings Pty Ltd, MI Energy Pty Ltd and MI EasyTrade Pty Ltd.

Frank is also an officer of a number of other companies including Pinnacle Accounting Partners Pty Ltd, Action Motor Corporation Pty Ltd, Transitional Investments Pty Ltd and Highland Towers Pty Ltd.



### **James (Nayce) Dalton** Deputy Chairman

Local Binya irrigator, Nayce Dalton, has been managing a successful farming business for 30 years. He holds an Advanced Diploma of Agriculture and is a member of the Rice Growers Association, NSW Farmers' Association and the Deputy Chairman of Yenda Producers Co-Operative Society Pty Ltd. Nayce was appointed to the Board in 2013 and is currently Murrumbidgee Irrigation's Deputy Chairman, and is Chairman of MI Holdings Pty Ltd.



### **Ian Blight** Shareholder-elected Director

Ian Blight was elected as one of four shareholder-elected directors for a four-year term in November 2015. Ian has run a successful primary production business at Willbriggie for 30 years. He is a member of the Ricegrowers' Association Mirrool Branch and member of the NSW Farmers' Association Griffith Branch.





**Peter Borrows** Independent Director

Peter Borrows was elected as an Independent Director in 2015 and has a university qualification in engineering. Peter is the former Chief Executive Officer of Queensland Bulk Supply Authority (trading as Seqwater) and served as Murrumbidgee Irrigation's Chief Executive Officer from July 2013 to July 2015. He is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Institution of Engineers. Peter is MI's alternate delegate for the National Irrigators' Council.



**Leith Bouilly** Independent Director

Leith has been an Independent Director since 2005. She has almost 30 years' experience in water and natural resource management.

Leith is currently the Independent Chair of SunWater in Qld and the Australian Water Recycling Centre of Excellence. She is also a board member of Isis Sugar Mill, the Cooperative Research Centre for Water Sensitive Cities, and holds a number of other roles.



**Kaye Dalton** Independent Director

Kaye Dalton was appointed in 2014 as an Independent Director. She has worked within agriculture and the water sector for over 25 years and has a broad range of skills and experience in water policy, reform and management, corporate strategy and planning, and public and private sector investment models.

She is Managing Director of the Risorsa Group Pty Ltd, a consulting company based in the Riverina. Kaye is MI's alternate delegate for the NSW Irrigators' Council and is a director of MI Holdings Pty Ltd.



**Antonio (Tony) Sergi** Shareholder-elected Director

Tony Sergi has been one of MI's four shareholder-elected directors since 2005. He has been a horticultural farmer for over 40 years in the MIA growing and exporting prunes, grapes, peaches and vegetables. Tony was formerly President of the NSW Canning Fruit Growers' Association.



**Brett Jones**  
Chief Executive Officer and Managing Director

Brett Jones commenced as Chief Executive Officer in October 2015. Brett is an experienced executive with a diverse background in heavy industry including the steel, mining, shipping and energy industries. He holds qualifications in engineering, project management, and finance and rounded out his professional executive leadership training by attending the prestigious Advanced Management Program at the Harvard Business School in Boston, USA. Brett was appointed to the Board on 1 July 2016.

**Gillian Kirkup** Chairman

Gillian Kirkup was elected to the Board in 2003. She became Deputy Chairman of the Company in 2007 and was elected Chairman in 2009. Her third four-year term concluded in November 2015.

**Michael Nugent** Independent Director

Michael Nugent joined the board as an Independent Director in 2011. His second term concluded at the AGM in November 2015.



An aerial photograph showing a vast landscape. In the foreground and middle ground, there are rows of grapevines in a vineyard, interspersed with residential houses and roads. The background shows a flat, open landscape under a clear sky.

# Governance Statement

An organisation-wide commitment to conducting the business in accordance with best practice principles of corporate governance beyond mere legislative compliance underpins the actions of the Board and directs the ethical behaviour of directors and employees alike.

## Overview

Directors are committed to observing the highest standards of corporate governance. They recognise that they are responsible to shareholders for our short and longer term performance, and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Directors strive to align the commercial and governance imperatives facing the Company and are aware of the need to incorporate a range of complementary skills and experience amongst Board members. The Board is mindful of the community expectations of a company in which most customers are shareholders, and continues to adopt a cost recovery business model which is appropriate under such circumstances.

The Chairman is responsible for leading the Board, ensuring proper briefing of directors, facilitating Board discussions and managing the relationships between Board members and employees, particularly the Company's Chief Executive Officer.

Day-to-day management of the Company and the implementation of approved strategy and policy initiatives are formally delegated to the Chief Executive Officer.

An aspiration to high standards of financial accountability, ethical behaviour and legislative compliance guides the Board in its decision making. Board members continue to actively work to protect and promote the rights and interests of all shareholders as owners of a resilient and sustainable Company.

The Board's corporate governance objectives, and its duties, processes and practices are set out in the Board Charter. Each director formally acknowledges adherence to the principles set out in the Charter annually.



## Board composition

The Board comprises either seven or eight directors, being four member directors, three independent directors and the Managing Director, if a Managing Director has been appointed by the Board.

- The shareholder-elected directors are directly elected for four-year terms by shareholders in two voting colleges (A class and B class), through a postal ballot.
- Directors appoint independent directors subject to shareholder confirmation at Annual General Meetings. Appointments are for one, two or three years.
- At intervals not exceeding two years, all directors other than the Managing Director elect the Chairman and Deputy Chairman.
- Directors may appoint the Chief Executive Officer to the Board as Managing Director.

## Directors' information

There was one change to the shareholder-elected positions during 2015/16: Gillian Kirkup retired after 12 years on the Board. The position was filled from the date of the 2015 AGM by Ian Blight, who was elected on primary votes in a B class shareholder ballot.

A class director Frank Sergi completed his first term as a director in 2015 and nominated for re-election. He was elected unopposed and commenced his second 4-year term from the 2015 AGM.

An independent director vacancy arose in November 2015 when Michael Nugent completed his second term on the Board. The directors recommended that the vacancy be filled through the appointment of former CEO Peter Borrows as an independent director. This appointment, for a three year term, was approved by shareholders at the 2015 AGM.

After the AGM Frank Sergi was appointed as Company Chairman by the directors, and B class director Nayce Dalton was appointed as Deputy Chairman.

The directors for the year are identified in Table 7 in the Directors' Report and in the Company Directory.

As at 30 June 2016, MI's directors held the following significant directorships and offices:

- Frank Sergi is an officer of a number of companies which include Pinnacle Accounting Partners Pty Ltd and MI's suppliers Action Motor Corporation Pty Ltd, Transitional Investments Pty Ltd and Highland Towers Pty Ltd. Frank is also a director of MI group companies MI Holdings Pty Ltd, MI Energy Pty Ltd, and MI EasyTrade Pty Ltd.
- Nayce Dalton is the Chairman of MI Holdings Pty Ltd. He is also Deputy Chair of Yenda Producers Co-operative Society Pty Ltd and a director of Yenda Producers Distribution.
- Peter Borrows is a director of Kedron Consulting Pty Ltd and is MI's alternate delegate to the National Irrigators' Council.
- Leith Bouilly holds a number of offices, including as Chairman of SunWater Ltd and the Australian Water Recycling Centre of Excellence. She is also a director of Isis Central Sugar Mill and the Cooperative Research Centre for Water Sensitive Cities.
- Kaye Dalton is Managing Director of the Risorsa Group Pty Ltd, and a director of Water Alliance Group Pty Ltd. Kaye is MI's alternate delegate to the NSW Irrigators' Council and a director of MI Holdings Pty Ltd.

## Board remuneration

In accordance with a standing resolution of shareholders, directors' remuneration is increased by CPI on 1 July each year.

Directors' annual remuneration and daily sitting fees effective from 1 July 2015 are shown in Table 6.

**Table 6: Directors' remuneration and sitting fees from 1 July 2015**

Position	Annual Fee \$	Sitting Fee \$
Chairman	50,710	508
Independent and Member Directors	46,370	508

## Committees

Board committees assist the Board by overseeing and advising the Board on complex or specialist issues which require particular focus. The standing committees at 30 June 2016 were:

- Audit and Risk Committee
- Remuneration and Nominations Committee
- Infrastructure Committee

### **Audit and Risk Committee**

This committee assists the Board with financial reporting matters, internal and external audit processes, and oversight of risk management, governance and compliance. It also reviews and provides feedback on key areas of financial, operational and strategic risk. Leith Bouilly chairs the committee, which consists of two member directors and two independent directors. The Company Chairman is not eligible to be a member of the committee but attends meetings on an ex officio basis.

### **Remuneration and Nominations Committee**

This committee advises the Board on strategic employment and remuneration issues. In particular, the Committee assists the Board with the recruitment and retention of the Chief Executive Officer, manages the performance and remuneration arrangements of the Chief Executive Officer, and oversees succession planning and performance of other leadership team members. In addition, the Committee manages the process for attracting and assessing suitable applicants for recommendation to the Board for the independent director positions in the interests of succession planning, and oversees remuneration arrangements for directors. Frank Sergi chairs the committee, which comprises two member directors and two independent directors.

### **Infrastructure Committee**

The Infrastructure Committee oversees the Company's critical infrastructure assets strategy, planning and management functions, including planned asset maintenance and long-term infrastructure renewal and funding. The Committee is chaired by Nayce Dalton and its membership currently comprises one independent director and three member directors. The Company Chairman attends meetings in an ex officio capacity.

In addition, the Board establishes advisory committees from time to time if a particular need is identified.

The Board continually reviews the activities and composition of its committees.

## Directors' and managers' interests

Shareholder directors Frank Sergi, Nayce Dalton, Ian Blight and Tony Sergi all have interests in contracts with Murrumbidgee Irrigation Limited to acquire and deliver water. These contracts are based on normal customer terms and conditions. The individual contracts are not subject to discussion at directors' meetings. All directors declare any interests in matters relevant to the Company as they arise, and formally table disclosures of their interests at least annually. When matters are discussed in which a material personal interest might exist or be perceived to exist for an individual director, that director will excuse him or herself from the meeting and take no further part in decisions relating to those matters unless the remaining directors determine whether it is in the Company's best interests for the director to participate.

Directors acknowledge that their overriding duty is to the Company and that Board decisions must be made in the best long-term interests of the Company. Directors are required to place the company's interests ahead of their personal business interests, and refrain from actions which constitute competing with the Company or taking personal advantage of information provided to them in their capacity as directors.

Our Constitution prohibits the Managing Director from holding voting shares in the Company. In addition, the Board has determined that the Chief Executive Officer and leadership team members may only hold voting shares in the Company if formally approved.



### Shares, options and loans

Company shares are not listed on any share trading exchange.

There are no securities under option or in respect of which options have been created, nor have any options been exercised.

On winding up of the Company, any remaining assets may not be distributed to shareholders but must be transferred to another irrigation corporation in the MIA, or an entity with similar purposes to the Company.

Shares held by directors are disclosed in the Directors' Report, and transactions with key management personnel are disclosed in the notes to the financial statements.

No loan has been granted to any director or leadership team members.

### Code of conduct

Murrumbidgee Irrigation Limited has continued to promote investment in its internal culture, including safety leadership development initiatives, which reflect our accountability to shareholders and the wider stakeholder community. This recognises that to support ethical codes, it is necessary to demonstrate and continually practice behaviour that reinforces its values. The Code of Conduct provides guidance for both directors and employees.

### Training and development

Directors are encouraged to become members of, and to undertake training provided by, the Australian Institute of Company Directors and other professional organisations which add to the value, capability and competency directors bring to the Company. Individually and as a group, directors undertook a number of training and development sessions during the past year.

### Independent professional advice

Directors have the right, in connection with their duties and responsibilities as directors of the Company, at the Company's expense and with the permission of the Chairman, to seek independent professional advice on matters of concern.

### Risk management

Directors confirm that risk management processes and practices are in place, and that business risks continue to be managed at an appropriate level. The Board has formally adopted a statement of risk appetite which it applies when making decisions on behalf of the Company.

### Compliance

Significant areas such as workplace health and safety practices, and legislative and licence compliance, have continued to receive substantial attention. The Company has met the requirements of the NSW State government licences it operates under. Full compliance with the monitoring component of our Environmental Protection Licence 4651 was achieved.

### Auditor's independence

Audit firm Grant Thornton has no representation on the Board or on Board committees, nor is there any relationship between Company officers and auditor other than the normal business relationship between auditor and client.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Auditor's Independence Declaration is included with the financial statements. Fees paid to the external auditors for audit and non-audit services are fully disclosed in the notes to the financial statements.

# Directors' report

Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2016.

## Directors

The persons who served as directors of Murrumbidgee Irrigation Limited during the year in review and to the date of this report are listed in Table 7. Additional relevant information is also provided.

## Company Secretary

The Company Secretary throughout the year under review was Dorian Radue (BA, MBA, MSc (Strategic Focus), GradDipACG, ACMA, AGIA, ACIS, CA, GAICD, JP).

## Meetings

The Board met in person 11 times during the year, with most meetings held in Griffith. The duration of meetings was one to two days, including Committee meetings, field trips site visits and training. Meetings are generally held on-site and face-to-face, although teleconference and electronic meeting technology is used where cost effective. The Board also participated in several joint workshops with management to develop a new corporate strategy and to work on solutions to challenges facing the Company.

The agenda for meetings is set through consultation between the Chairman, the Chief Executive Officer and other leadership team

members. Prior to each meeting, directors are provided with briefing papers on matters to be considered, and are encouraged to participate in debate and to bring to meetings independent views on all relevant issues. Details of attendance at Board meetings are shown in Table 9 on page 40 of this report.

## Principal activities

The consolidated entity continued its principal activity of delivering core water-related services to all customers while maintaining a competitive, resilient business through prudent fiscal management. This primary goal continues to guide the consolidated entity in achieving sustainable irrigation in our area.

There were no significant changes to the nature of the consolidated entity's principal activities during the financial year.

## Financial statements

The financial statements for the 2015/16 year in review are contained within this Annual Report.

## Basis of preparation of financial statements

The financial statements for the year in review are presented as consolidated entity statements. They incorporate the results of the Company and its controlled entities, MI Holdings Pty Ltd, the Hanwood Estate Property Trust, MI Energy Pty Ltd and MI EasyTrade

**Table 7: Information on directors during the year and to the date of this report**

Director	Special responsibilities and qualifications
Frank Sergi	Member Director. MI Chairman. Chair, Remuneration and Nominations Committee. Qualifications: BBus, CPA
James (Nayce) Dalton	Member Director. MI Deputy Chairman. Chair, Infrastructure Committee. Qualifications: AdvDipAg, GAICD
Ian Blight	Member Director, appointed 9 November 2015
Peter Borrows	Independent Director, appointed 9 November 2015 Qualifications: BE (UQ), Grad Dip in Bus Admin (QIT - now QUT), FIE (Aust), FAIM, FAICD
Leith Bouilly	Independent Director. Chair, Audit and Risk Committee. Qualifications: BRuSc, DipBusStud, FAICD, FAIM, CDec
Kaye Dalton	Independent Director. Qualifications: BSc (Forestry), GAICD
Antonio (Tony) Sergi	Member Director
Brett Jones	Managing Director, appointed 1 July 2016. Qualifications: BE(Hons), MEngSc, GradDipAppFin, HBS AMP, FIEAust, MAIPM, MAICD

Pty Ltd on a consolidated basis, as required by Australian Accounting Standards (Reduced Disclosure Requirements).

### Review of operations

2015/16 produced a consolidated result of \$30,517,000 net profit before tax. Total revenue for the year was \$80,529,000 compared with \$94,579,000 for the previous year. The key differences being:

- Water deliveries for the year were 484 GL (2015: 730 GL) which contributed to total customer revenue of \$36,909,000; and
- Government and other revenue was \$37,423,000 which is mainly attributable to government funding for works under the PIOP2 program.

Total expenditure for the year was \$50,012,000 compared with \$47,644,000 for the prior year.

The key differences being a decrease in labour recoveries, depreciation and increased recoverable contractor costs for PIOP on-farm works.

An actuarial review of the fair value for the Local Government Defined Benefits Superannuation Scheme (LGSS) resulted in an actuarial loss of \$6,931,000 (pre tax) for 2015/16 which was allocated directly to equity.

### Significant changes in the state of affairs

There are no significant changes in the state of affairs of the consolidated entity.

### Matters subsequent to the end of the year

Between the end of the financial year and the date of this Directors' Report, no events have occurred, which in the opinion of directors, have the potential to significantly affect the state of affairs of the consolidated entity.

**Table 8: Particulars of directors' interests in shares at 30 June 2016**

Director	Directors' interest in shares		
	A Class	B Class	C Class
Frank Sergi	1648	-	-
Nayce Dalton	1109	3323	-
Antonio Sergi	220	-	-
Ian Blight	302	1094	-

### Future developments

Operating costs, investment returns and water sales are the key drivers for the Company's performance. A focus on process efficiency and implementing recommendations from the 2015 internal regulatory review are starting to show value, and 2016/17 prices for customers reflect the lowest price increase in 6 years. The Company's new corporate plan continues our focus on cost reflective services and efficiency.

Water reform remains a key challenge to the business, and the development of State water resource plans (part of the implementation of the Murray-Darling Basin Plan) will require concerted efforts to ensure sharing principles are honoured and Company bulk water entitlements are protected.

The Commonwealth government's mandate to cut red tape has already reduced some of the regulatory burden on the Company with a reduction in reporting obligations to the Bureau of Meteorology. The review of Commonwealth water charge rules by the ACCC is also expected to remove the obligation to produce an audited Network Services Plan, further relieving the regulatory burden on the business.

Early indications for 2016/17 water allocations indicate that this will be the 6th consecutive year of above average diversions. Regional development indicators are positive and the Riverina Murray Regional Plan sets a growth agenda which is supported by the Company's new corporate plan. Strong customer interest in expansion and automation projects along the Sturt system, Northern Branch Canal and in Tabbita further reflect the return of business confidence to the region.

### Environmental regulation

Murrumbidgee Irrigation Limited is licensed under the *Protection of the Environment Operations Act 1997* and holds an Environmental Protection Licence issued by the NSW Environmental Protection Authority. The licence requires monitoring and reporting of specified water quality parameters at sites that discharge water outside MI's Area of Operation. Murrumbidgee Irrigation Limited also operates access licences and approvals under the *Water Management Act 2000*.

There have been no breaches to any licences or approval held by Murrumbidgee Irrigation Limited during the reporting period.



MI publishes a separate Annual Compliance Report (available on our website, [www.mirrigration.com.au](http://www.mirrigration.com.au)) to satisfy the requirements of the Environment Protection Licence issued by the NSW Environment Protection Authority and the requirements of the *Water Management Act 2000* access licences and approvals.

### Indemnifying Directors and Officers

Murrumbidgee Irrigation Limited indemnifies directors and leadership team members for liabilities to third parties as a result of their role as officers of the Company, unless that liability arises out of conduct involving a lack of good faith or a pecuniary penalty or compensation order under the Corporations Act 2001. The Company also provides an indemnity for directors and leadership team members against the cost of successfully defending themselves against civil or criminal proceedings. The Company has insurance policies that provide cover for permitted situations.

During 2015/16, the Company paid a premium of \$55,780 (exclusive of GST and stamp duty) to provide liability insurance cover for directors and leadership team members of the Company. The insured liabilities include any legal costs that may be incurred in defending civil or criminal proceedings which may be brought against the Company or leadership team members in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers

or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

It is not possible to apportion the premium between amounts relating to insurance against legal costs and relating to other liabilities, or between the officers' insurance cover and the Company's cover.

### Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

### Dividends

The Company is prohibited from declaring any dividends.

### Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the financial statements and Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars or to the nearest dollar.

**Table 9: Directors' attendance at meetings**

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nominations Committee		Infrastructure Committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Gillian Kirkup <sup>(1)</sup>	4	4	1 <sup>(5)</sup>	1 <sup>(5)</sup>	1	1	2 <sup>(5)</sup>	1 <sup>(5)</sup>
Frank Sergi (as Chairman)	7	7	3 <sup>(5)</sup>	3 <sup>(5)</sup>	2	2	-	-
Frank Sergi (as Director)	4	4	1	1	-	-	4 <sup>(5)</sup>	4 <sup>(5)</sup>
Ian Blight <sup>(2)</sup>	7	7	2	2	-	-	3	3
Peter Borrows <sup>(3)</sup>	7	7	-	-	2	2	4	4
Leith Bouilly	11	11	4	3	3	3	-	-
Kaye Dalton	11	11	4	4	-	-	-	-
James (Nayce) Dalton	11	11	4	4	-	-	6	6
Michael Nugent <sup>(4)</sup>	4	4	-	-	1	1	2	2
Antonio (Tony) Sergi	11	11	-	-	3	3	6	6

(1) Completed term 9 November 2015

(2) Appointed 9 November 2015

(3) Appointed 9 November 2015

(4) Completed term 9 November 2015

(5) Ex officio

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out below

**Grant Thornton**

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

Correspondence to:  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E info.vic@au.gt.com  
W www.grantthornton.com.au

**Auditor's Independence Declaration  
To the Directors of Murrumbidgee Irrigation Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Murrumbidgee Irrigation Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*  
GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*Eric W Passaris*  
Eric Passaris  
Partner - Audit and Assurance  
Melbourne, 31 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Directors are satisfied that the auditors, Grant Thornton, have met the general standard of independence for auditors imposed by the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.



Frank Sergi  
Chairman  
at Hanwood, NSW on 31 August 2016.

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# Financial statements

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**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
<b>REVENUE</b>			
Operations	6	36,909	38,418
Government and other	6	37,423	51,079
Investments		6,197	5,082
<b>Total Revenue</b>		<b>80,529</b>	<b>94,579</b>
<b>EXPENDITURE</b>			
Bulk water		6,428	7,679
Contractors and consultants - operating	7	1,402	2,438
Contractors and consultants - PIIOP (recoverable)		5,430	4,408
Depreciation	14	7,829	7,181
Employment related	7	18,206	16,569
Impairment of assets	14	836	500
Net (gain)/loss on disposal of assets		(31)	896
Operation and materials		5,537	4,514
Other	7	3,266	2,120
Utilities		1,109	1,339
<b>Total Expenditure</b>		<b>50,012</b>	<b>47,644</b>
<b>Profit before tax</b>		<b>30,517</b>	<b>46,935</b>
Income tax benefit	15	462	1,431
<b>Profit for the year</b>		<b>30,979</b>	<b>48,366</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss:</b>			
Available for sale financial asset revaluation gains		133	-
Income tax benefit/(expense) on items recognised directly in equity		(40)	-
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial (losses)/gains of defined benefits plan recognised directly in equity		(6,931)	3,069
Income tax benefit/(expense) on items recognised directly in equity		2,079	(921)
<b>Other comprehensive (loss)/income for the year net of tax</b>	5	<b>(4,759)</b>	<b>2,148</b>
<b>Total comprehensive income for the year</b>		<b>26,220</b>	<b>50,514</b>

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated statement of financial position as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	84,163	75,724
Financial assets	13	7,458	8,996
Trade and other receivables	10	13,267	26,547
Inventories	11	868	1,027
Other assets	12	492	1,306
Current tax asset		2,504	-
<b>Total current assets</b>		<b>108,752</b>	<b>113,600</b>
<b>Non-current assets</b>			
Financial assets	13	29,586	37,246
Other receivables	10	725	1,258
Property, plant and equipment	14	297,904	282,718
Intangible assets	16	138,089	130,204
Shares in co-operative		30	23
<b>Total non-current assets</b>		<b>466,334</b>	<b>451,449</b>
<b>Total assets</b>		<b>575,086</b>	<b>565,049</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	7,396	8,440
Provisions	18	5,896	5,294
Deferred revenue	19	47,758	66,465
Current tax liability		-	1,785
Other liabilities	20	1,021	459
<b>Total current liabilities</b>		<b>62,071</b>	<b>82,443</b>
<b>Non-current liabilities</b>			
Provisions	18	261	553
Deferred tax liabilities	15	32,858	34,746
Other liabilities	20	14,213	7,844
<b>Total non-current liabilities</b>		<b>47,332</b>	<b>43,143</b>
<b>Total liabilities</b>		<b>109,403</b>	<b>125,586</b>
<b>Net assets</b>		<b>465,683</b>	<b>439,463</b>
<b>EQUITY</b>			
Contributed equity	22	273,734	273,734
Retained profits	23	145,297	122,770
Reserves	24	46,652	42,959
<b>Total equity</b>		<b>465,683</b>	<b>439,463</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity for the year ended 30 June 2016

	Share Capital \$'000	AFS Reval Reserve* \$'000	Asset reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>	<b>273,734</b>	-	-	<b>115,215</b>	<b>388,949</b>
Transfer - opening balance asset reserve	-	-	42,959	(42,959)	-
Profit for the year	-	-	-	48,366	48,366
Other comprehensive income for the year	-	-	-	2,148	2,148
Total comprehensive income for the year	-	-	-	50,514	50,514
<b>Balance as at 30 June 2015</b>	<b>273,734</b>	-	<b>42,959</b>	<b>122,770</b>	<b>439,463</b>
Transfer retained earnings to asset reserve	-	-	3,600	(3,600)	-
Profit for the year	-	-	-	30,979	30,979
Other comprehensive income for the year	-	93	-	(4,852)	(4,759)
Total comprehensive income for the year	-	93	-	26,127	26,220
<b>Balance as at 1 July 2016</b>	<b>273,734</b>	<b>93</b>	<b>46,559</b>	<b>145,297</b>	<b>465,683</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

\* Available For Sale (AFS) revaluation reserve - refer to notes 1 (q) and 1(t)

## Consolidated statement of cash flows for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (including GST)		47,093	45,657
Payments to suppliers and employees (including GST)		(40,852)	(42,768)
Cash generated from operations		6,241	2,889
Receipts from annual water trading and leasing of water and land		3,437	3,053
Receipts from termination charges		73	21
Receipts from Government contributions		22,037	57,878
Income tax paid		(3,676)	(431)
<b>Net cash generated by operating activities</b>		<b>28,112</b>	<b>63,410</b>
<b>Cash flows from investing activities</b>			
Payments to acquire financial assets		(12,707)	(19,470)
Proceeds on sale of financial assets		22,125	20,728
Payments for property, plant and equipment		(26,551)	(43,811)
Proceeds on sale of property, plant and equipment		348	4,373
Payments for water investments		(9,077)	-
Interest and investment income received		6,189	4,778
<b>Net cash used in investing activities</b>		<b>(19,673)</b>	<b>(33,402)</b>
<b>Cash flows from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		<b>8,439</b>	<b>30,008</b>
Cash and cash equivalents at the beginning of the year		75,724	45,716
<b>Cash and cash equivalents at the end of the year</b>	9	<b>84,163</b>	<b>75,724</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.



## Notes to the financial statements as at 30 June 2016

Note 1.	Summary of significant accounting policies
<p>The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where there has been a change in presentation format, prior year comparatives have been changed accordingly.</p>	<p>(iii) Revenue from contributions to MIA EnviroWise (LWMP) activities: Contributions received by the consolidated entity from these sources are recognised as revenue when the expenditure is incurred in the appropriate programs.</p>
<b>(a) Basis of preparation</b>	<p>(iv) Government contributions for asset refurbishment (ARFD): Contributions received from the government for asset refurbishment programs are recognised as revenue as the relevant expenditure is incurred.</p>
<p>The Company's principal purpose is to provide cost effective services to its customers rather than to generate profits, as such, the directors have determined that the Company is a not-for-profit entity as defined under Australian Accounting Standards - Reduced Disclosure Requirements (RDR).</p>	<p>(v) Government contributions for Private Irrigation Infrastructure Operators Program (PIIOP): Contributions received from the government for infrastructure improvements are recognised as revenue as the relevant expenditure is incurred. As the consolidated entity is obliged under the terms of the funding agreement to undertake the relevant infrastructure works or refund the money, any unexpended funds at balance date are brought to account as a liability.</p>
<p>These financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.</p>	<p>(vi) Leasing of water and property: Revenue is recognised on a straight line basis over the term of the lease.</p>
<p>Murrumbidgee Irrigation Limited (the "Company") is a limited company incorporated in Australia. The registered office and principal place of business of Murrumbidgee Irrigation Limited is: Lot 255 Research Station Road, Hanwood NSW 2680.</p>	<p>(vii) Interest income: Interest income is recognised as it accrues.</p>
<b>(b) Basis of consolidation</b>	<p>(viii) Revenue from the sale of assets: Revenue from the sale of fixed assets is recognised when risks and rewards of ownership have passed to the buyer.</p>
<p>The consolidated financial statements incorporate the financial statements of Murrumbidgee Irrigation Limited and its controlled entities MI Holdings Pty Ltd, Hanwood Estate Property Trust, MI EasyTrade Pty Ltd and MI Energy Pty Ltd. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.</p>	<p>(ix) Temporary transfer of water: Revenue from the temporary transfer of water is recognised when the risks and rewards have passed to the buyer.</p>
<p>Control is achieved where Murrumbidgee Irrigation Limited:</p>	<p>(x) Termination charges: A charge is levied on cancellation of delivery entitlements. This charge for 2015/16 was based on a multiple of 10 times fixed charges in accordance with ACCC water charge rules.</p>
<ul style="list-style-type: none"> <li>• has power over the investee;</li> <li>• is exposed, or has rights, to variable returns from its involvement with the investee; and</li> <li>• has the ability to use its power to affect its returns.</li> </ul>	<b>(d) Income tax</b>
<b>(c) Revenue recognition</b>	<p>The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate 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</p>
<p>Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities:</p>	<p>Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a</p>
<ul style="list-style-type: none"> <li>(i) Revenue from the supply of water: Revenue from the supply of water and drainage services comprises both access and usage-based charges which are billed GST-free annually to all customers.</li> <li>(ii) Contract and other revenue: Other revenue is raised from the provision of contract works, including the installation of irrigation supply infrastructure, earthmoving, hire of plant and workshop activities, and is recognised as services are performed.</li> </ul>	

transaction that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In 2013/14, the entity elected to adopt the NANE (non assessable non exempt) provisions for all PIOP revenue and expenses. Under these provisions all PIOP related revenue is exempt from tax and expenditure is not claimable.

#### (e) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

As the consolidated entity is a not-for-profit entity and the future economic benefits of the consolidated entity assets are not primarily dependent on their ability to generate cash flows, value in use is taken to be depreciated replacement cost provided that the consolidated entity would, if deprived of the asset, replace it.

Accordingly, the consolidated entity's non-current assets may be carried at amounts significantly in excess of the values that would be applied if it were a 'for profit' entity in accordance with Australian Accounting Standards - RDR and had applied the impairment rules of a 'for profit' entity.

#### (f) Trade and other receivables

Trade receivables are recognised at fair value. Trade receivables are raised at the end of April for fixed charges and the end of June for water use based charges and are due for settlement no more than 28 days from the date of raising of the invoices. Other debtors are due for settlement in no more than 28 days. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms. The amount of movement in the provision is recognised in the Statement of Profit or Loss.

Chapter 7, Part 4, clauses 354 to 362 of the *Water Management Act 2000* ('the Act') provides that a rate or charge imposed on the owner of any land by an irrigation corporation is a charge on the land to which it relates, thereby securing the debts.

Chapter 4, Part 1, Division 6, paragraph 136 of the Act further provides that on a change of ownership of land, the new landholder is liable to the irrigation corporation for the amount of any charges levied by the irrigation corporation in relation to the land and unpaid by the previous landholder as if the new landholder had entered into a contract with the irrigation corporation for the supply of the service or services to which the unpaid services relate.

Based on the above provisions of the *Water Management Act 2000* the consolidated entity considers the provision for doubtful debts to be appropriate.

#### (g) Inventories

Raw materials and stores are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. No inventory is held for resale.

#### (h) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of overheads. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful life, as follows:

	Years
Earth channels and drains	100
Infrastructure	15–100
Buildings and cottages	40
Plant	6–15
Office equipment	3–5
Scientific instruments	5–15
Motor vehicles	4–7

Assets are not depreciated until they have been commissioned. The assets' residual values and useful life are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer Note 1 (e)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit or Loss.

#### (i) Intangible assets

Water shares are brought to account at cost. The licences have indefinite useful life and accordingly no amortisation is charged. The water shares are checked for impairment annually (refer Note 1 (e)).

#### (j) Maintenance expenditure

Routine maintenance expenditure of a regular and ongoing nature is charged as an operating expense to the Statement of Profit or Loss as and when incurred. Major refurbishments in respect of earth supply and drainage channels and other infrastructure, which is material and cyclical expenditure incurred under a periodic maintenance plan are treated as capital.

**(k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity up to the reporting date which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(l) Employee benefits****(i) Short-term and long-term employee benefits.**

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

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits, are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

**(ii) Retirement benefit obligations.** All employees of the consolidated entity are entitled to benefits on retirement, disability or death. Plans are either defined contribution or defined benefit. The defined benefit plan provides defined lump sum or pension benefits based on years of service and final average salary and is administered by the Local Government Superannuation Scheme. Under the accumulated plans, the consolidated entity makes contributions as determined by legislation.

A liability or asset in respect of defined benefit superannuation plans is recognised in the consolidated statement of financial position and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Movements in the value of the defined benefits plans' assets and liabilities are recognised directly to other comprehensive income. Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(m) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand and cash at bank.

**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(o) Rounding of amounts**

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(p) Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**(q) Financial assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

**(i) Available-for-sale financial assets:** Available-for-sale financial assets comprise investments in



debt instruments such as fixed and floating rate notes. After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale reserve), except for impairment losses, which are recognised in profit or loss.

Reversals of impairment losses for available-for-sale debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For available-for-sale equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

- (ii) **Impairment of financial assets:** Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**(r) Financial liabilities**

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**(s) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**(t) Reserves**

The Constitution provides that directors may, at their discretion, set aside reserves out of Company profits, to be used for any purpose that the profits of the Company can be properly applied. Such reserves can be used in the business of the Company or reinvested as the directors think fit.

**Asset Reserve** - The purpose of the Asset Reserve is to set aside funds for future investment in

infrastructure. These funds are an accumulation of both the Asset Refurbishment contribution made annually by irrigators since privatisation and investment income attributed to these contributions over the same time.

**Available For Sale Reserve (AFS)** - The purpose of the AFS Reserve is to accumulate unrealised gains or losses on AFS revaluations.

**(u) Critical accounting judgments and key sources of estimation uncertainty**

In the application of the consolidated entity's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

- (i) **Useful lives of property, plant and equipment:**  
The directors periodically review operating infrastructure, plant and equipment to determine that their condition and remaining useful life are reasonable.
- (ii) **Provision for environmental remediation:**  
The directors have recorded a provision for environmental remediation - Note 27.
- (iii) **Provision for long service leave - oncosts** do not include superannuation as the majority of leave is generally paid on termination.
- (iv) **The majority of available-for-sale investments held by the Company** are not listed on an exchange and therefore no market price can be observed. Calculation of the fair value of these assets is therefore based on other methodologies, such as analysing off market trading and considering the expected cash flows attached to the instruments, taking into account the instrument's estimated yield to maturity.
- (v) **Assets are reviewed annually for impairment** or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

As the Company is a not-for-profit entity and the future economic benefits of the Company's assets are not primarily dependent on their ability to generate cash flows, value in use is taken to be depreciated replacement cost provided that the Company would, if deprived of the asset, replace it.

Intangible assets with indefinite useful lives are reviewed annually as to whether their carrying value exceeds their recoverable amount.

The commencement of the PIIOP project created an expectation that a significant portion of the Company's capital assets will be replaced, decommissioned or handed over to the landholders in future years. Where the Company has been able to make a reasonable estimate of such items, the carrying amount of the relevant assets has been reduced to their recoverable amount. That reduction is recognised as an impairment loss through profit and loss.

**(v) Adjustments made to prior periods**

Material prior period errors are retrospectively corrected in the first financial statements authorised for issue after their discovery by restating the comparative amounts for the prior periods presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

**(w) Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law. Accounting Standards include Australian Accounting Standards - Reduced Disclosure Requirements.

The financial statements were authorised for issue by the directors on 31 August 2016.

**(x) Application of new and revised Accounting Standards**

No Standards or Interpretation were adopted for the first time in the year ended 30 June 2016.

**(y) Comparatives**

Unless otherwise stated, all accounting policies applied are consistent with those of prior years. Where necessary, comparatives have been reclassified for consistency with current year disclosures.

## Note 2. Segment reporting

Revenue and expenses by activities (\$'000)

	Customer operations	Water savings	Investments	Government and other activities	Hanwood Estate Property Trust	Inter-company	Total
<b>2016</b>							
Revenue	33,692	3,228	6,123	37,423	910	(847)	<b>80,529</b>
Expenses	41,367	-	791	7,791	910	(847)	<b>50,012</b>
<b>(Loss)/profit before tax</b>	<b>(7,675)</b>	<b>3,228</b>	<b>5,332</b>	<b>29,632</b>	<b>-</b>	<b>-</b>	<b>30,517</b>
	Customer operations	Water savings	Investments	Government and other activities	Hanwood Estate Property Trust	Inter-company	Total
<b>2015</b>							
Revenue	35,629	2,799	5,033	51,079	872	(833)	<b>94,579</b>
Expenses	40,465	-	-	7,140	872	(833)	<b>47,644</b>
<b>(Loss)/profit before tax</b>	<b>(4,836)</b>	<b>2,799</b>	<b>5,033</b>	<b>43,939</b>	<b>-</b>	<b>-</b>	<b>46,935</b>

## Note 3. Parent entity disclosure

Statement of profit or loss and other comprehensive income of the parent entity  
Murrumbidgee Irrigation Limited

	2016 \$'000	2015 \$'000
Operations revenue	43,043	43,461
Government and other revenue	37,423	51,079
<b>Total revenue</b>	<b>80,466</b>	<b>94,540</b>
Customer expenditure	42,158	40,465
Government and other expenditure	7,791	7,140
<b>Total expenditure</b>	<b>49,949</b>	<b>47,605</b>
<b>Profit before tax</b>	<b>30,517</b>	<b>46,935</b>
Income tax benefit	462	1,431
<b>Profit for the year</b>	<b>30,979</b>	<b>48,366</b>
<b>Other comprehensive income</b>		
Actuarial (loss)/gain of defined benefit plan recognised directly in equity	(6,931)	3,069
Available for sale financial asset revaluation gains	133	-
Income tax benefit/(expense) on items recognised directly in equity	2,039	(921)
<b>Other comprehensive income for the year net of tax</b>	<b>(4,759)</b>	<b>2,148</b>
<b>Total comprehensive income for the year net of tax</b>	<b>26,220</b>	<b>50,514</b>

Statement of financial position of the parent entity Murrumbidgee Irrigation Limited

Current assets	107,999	113,153
Non-current assets	467,081	451,890
<b>Total assets</b>	<b>575,080</b>	<b>565,043</b>
Current liabilities	62,047	81,960
Non-current liabilities	47,332	43,602
<b>Total liabilities</b>	<b>109,379</b>	<b>125,562</b>
<b>Net assets</b>	<b>465,701</b>	<b>439,481</b>
Contributed equity	273,734	273,734
Reserves	46,652	42,959
Retained profits	145,315	122,788
<b>Total equity</b>	<b>465,701</b>	<b>439,481</b>



#### Note 4. Subsidiaries

Information about the composition of the Group at the end of the reporting period is as follows.

Name of Entity	Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		Proportion of interest and voting power held	
			2016	2015	2016	2015
MI Holdings Pty Ltd	Trustee Company	Australia	1	1	100%	100%
Hanwood Estate Property Trust	Investment	Australia	1	1	100%	100%
MI EasyTrade Pty Ltd	Not active	Australia	1	1	100%	100%
MI Energy Pty Ltd	Not active	Australia	1	1	100%	100%
Number of wholly-owned subsidiaries			4	4		

#### Note 5. Amounts recognised directly in equity

The following amounts were recognised directly to equity:

	2016 \$'000	2015 \$'000
Actuarial (losses)/gains of defined benefits plan recognised directly in equity	(6,931)	3,069
Available for sale financial asset revaluation gains	133	-
Income tax benefit/(expense) on items recognised directly in equity	2,039	(921)
<b>Net income recognised directly in equity</b>	<b>(4,759)</b>	<b>2,148</b>

#### Note 6. Revenue

	2016 \$'000	2015 \$'000
<b>Customer Revenue</b>		
Fixed charges - other	19,844	18,895
Usage	5,911	7,787
Bulk water	6,243	7,469
Contract and other	1,683	1,468
<b>Total customer revenue</b>	<b>33,681</b>	<b>35,619</b>
Water savings sales	3,228	2,799
<b>Total operating revenue</b>	<b>36,909</b>	<b>38,418</b>
<b>Government and other revenue</b>		
PIIOP - infrastructure funding	29,695	26,962
PIIOP - sale of water	6,859	12,257
Asset refurbishment	393	10,445
Other	476	1,415
<b>Total government and other revenue</b>	<b>37,423</b>	<b>51,079</b>

#### Note 7. Expenses

The Statement of profit or loss and other comprehensive income includes the following expenses:

	2016 \$'000	2015 \$'000
Salaries and wages	13,631	13,462
Superannuation	1,396	1,437
Labour oncosts	3,125	2,903
Defined benefit contribution	459	459
Labour recoveries	(405)	(1,692)
<b>Total employment related</b>	<b>18,206</b>	<b>16,569</b>
Legal	160	529
Consultants	517	683
Audit and taxation advisors	79	70
Environmental	620	353
Expense of environmental remediation provision	-	785
Other	26	18
<b>Total contractors and consultants - operating</b>	<b>1,402</b>	<b>2,438</b>
Insurance	679	668
Information Technology	911	694
Fees and charges	281	239
Water allocation purchased (associated with investments)	791	-
Other	604	519
<b>Total other</b>	<b>3,266</b>	<b>2,120</b>

Note 8.	Remuneration of auditors
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(a) Auditor of the parent entity	2016 \$	2015 \$
Audit of the financial report	61,200	60,000
Taxation services	17,040	-
Other assurance services	10,000	-
Audit of financial report - additional services	-	7,515
	<b>88,240</b>	<b>67,515</b>
(b) Other auditors	2016 \$	2015 \$
Audit or review of the financial report of Hanwood Estate Property Trust	1,545	1,545
Other assurance services	61,903	80,854
	<b>63,448</b>	<b>82,399</b>

Other assurance services (other auditors) relate to audits of the Alliance expenditure and PIOP milestone reports by Pitcher Partners and Johnsons MME.

Note 9.	Cash and cash equivalents
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	2016 \$'000	2015 \$'000
Cash at bank and on hand	84,163	75,724
<b>Total cash and cash equivalents</b>	<b>84,163</b>	<b>75,724</b>
Included in the above cash and cash equivalents are the following:		
Cash held for Private Irrigation Infrastructure Operators Program	59,196	57,478
Unrestricted operational cash	24,967	18,246
<b>Total cash and cash equivalents</b>	<b>84,163</b>	<b>75,724</b>

In 2016 there has been a change in accounting classification, whereby investments in money market instruments are now shown as available for sale financial assets. Refer to Note 13.

Note 10.	Trade and other receivables
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Current trade and other receivables:	2016 \$'000	2015 \$'000
Trade receivables	3,344	4,323
Less: Allowance for doubtful debts	(156)	(155)
	<b>3,188</b>	<b>4,168</b>
Other receivables	10,085	22,389
Less: Allowance for doubtful debts	(6)	(10)
	<b>10,079</b>	<b>22,379</b>
<b>Total current receivables</b>	<b>13,267</b>	<b>26,547</b>
Non-current trade and other receivables:		
Other receivables	725	1,258
<b>Total non-current receivables</b>	<b>725</b>	<b>1,258</b>
<b>Total receivables</b>	<b>13,992</b>	<b>27,805</b>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. No interest is charged on trade receivables for the first 35 days from the date of the invoice. Thereafter, interest is charged at the maximum rate permissible under the *Water Management Act 2000* on the outstanding balance. The provision for doubtful debts on trade receivables is influenced by the security the consolidated entity holds over lands on which the debt relates in terms of Note 1 (f). The consolidated entity has recognised an allowance for doubtful debts based on the identification of all unsatisfactory accounts with debt greater than 90 days.

Movement in the allowance for doubtful debts:	2016 \$'000	2015 \$'000
Balance at the beginning of the year	165	204
Impairment losses recognised on receivables	41	51
Amounts written off during the year as uncollectable	(13)	(63)
Amounts recovered during the year	(31)	(27)
<b>Balance at end of the year</b>	<b>162</b>	<b>165</b>

<b>Note 11. Current assets — inventories</b>		
	2016 \$'000	2015 \$'000
General inventory, chemicals and construction materials – at cost	868	1,027
<b>Total inventories</b>	<b>868</b>	<b>1,027</b>

<b>Note 12. Other assets - other</b>		
	2016 \$'000	2015 \$'000
Prepayments	402	1,215
Assets held for re-sale	90	91
<b>Total other assets</b>	<b>492</b>	<b>1,306</b>

Note 13. Financial assets			
	Notes	2016 \$'000	2015 \$'000
Available for sale (AFS) financial assets at fair value		37,044	46,242
<b>Total financial assets</b>		<b>37,044</b>	<b>46,242</b>

Included in the above AFS financial assets are the following:

Financial assets held for asset reserve	24	11,845	17,322
Unrestricted AFS financial assets		25,199	28,920
<b>Total financial assets</b>		<b>37,044</b>	<b>46,242</b>
Current		7,458	8,996
Non-current		29,586	37,246
<b>Total financial assets</b>		<b>37,044</b>	<b>46,242</b>

<b>Note 14. Property, plant and equipment</b>		
Net book values:	2016 \$'000	2015 \$'000
Land	8,324	8,324
Earth channels and infrastructure	248,451	223,791
Buildings and cottages	9,710	10,021
Plant	1,817	2,017
Office and scientific equipment	4,530	2,758
Motor vehicles	2,860	3,317
In course of construction	22,212	32,490
<b>Balance as at 30 June</b>	<b>297,904</b>	<b>282,718</b>

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land (\$'000)	Earth channels and infrastructure (\$'000)	Buildings and cottages (\$'000)	Plant (\$'000)	Office and scientific equipment (\$'000)	Motor vehicles (\$'000)	In course of construction (\$'000)	Total (\$'000)
<b>Carrying amount at 1 July 2015</b>	<b>8,324</b>	<b>223,791</b>	<b>10,021</b>	<b>2,017</b>	<b>2,758</b>	<b>3,317</b>	<b>32,490</b>	<b>282,718</b>
Acquisitions	-	-	-	297	175	356	23,309	<b>24,137</b>
Disposals	-	(45)	-	(18)	-	(223)	-	<b>(286)</b>
Depreciation	-	(5,501)	(356)	(479)	(891)	(602)	-	<b>(7,829)</b>
Transfers in/(out)	-	31,042	45	-	2,488	12	(33,587)	-
Impairment of Assets <sup>1</sup>	-	(836)	-	-	-	-	-	<b>(836)</b>
<b>Balance at 30 June 2016</b>	<b>8,324</b>	<b>248,451</b>	<b>9,710</b>	<b>1,817</b>	<b>4,530</b>	<b>2,860</b>	<b>22,212</b>	<b>297,904</b>

The consolidated entity's policy for accounting for depreciation of assets is described in Note 1(h).

<sup>1</sup> A provision for asset impairment has been raised for assets to be replaced under the PIIOP 2 program of works.



Note 15.	Income taxes
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	2016 \$'000	2015 \$'000
Tax benefit/(expense) comprises:		
Current tax benefit/(expense)		
In respect of the current year	746	(2,132)
<b>Total current tax benefit/(expense)</b>	<b>746</b>	<b>(2,132)</b>
Deferred tax expense		
Deferred tax (expense)/benefit relating to the recognition and reversal of temporary differences	(1,086)	3,647
Adjustments recognised in the current year in relation to the tax of prior years	817	(84)
R&D offset	80	-
Other timing differences	(95)	-
<b>Total deferred tax (expense)/benefit</b>	<b>(284)</b>	<b>3,563</b>
<b>Total current tax benefit relating to continuing operations</b>	<b>462</b>	<b>1,431</b>
The expense for the year can be reconciled to the accounting profit as follows:	2016 \$'000	2015 \$'000
Profit from continuing operations	30,517	46,935
Income tax expense calculated at 30%	(9,155)	(14,080)
Effect of revenue that is exempt from taxation	8,831	8,860
Effect of expenses that are not deductible in determining taxable profit	(16)	(87)
Adjustments recognised in the current year in relation to the tax of prior years	817	(84)
Other timing differences	(95)	5,933
Research and development tax offset	80	889
<b>Income tax benefit recognised in profit or loss</b>	<b>462</b>	<b>1,431</b>

Deferred tax balances are presented in the statement of financial position as follows:

	2016 \$'000	2015 \$'000
Capital allowances and depreciation	40,557	39,276
Retirement obligation	(1,508)	(2,491)
Employee entitlements	(4,570)	(1,383)
Early PIIOP establishment costs	(103)	(206)
Tax losses and R&D offset	(827)	-
Other	(691)	(450)
<b>Deferred tax liabilities</b>	<b>32,858</b>	<b>34,746</b>

Note 16.	Intangible assets
----------	-------------------

	Notes	2016 \$'000	2015 \$'000
Water - conveyance at cost (parent entity)		102,933	104,125
Water - High Security and General Security		34,714	25,637
Water - at cost (controlled entity)		442	442
<b>Total water</b>		<b>138,089</b>	<b>130,204</b>
<b>Reconciliation - water</b>			
Carrying amount 1 July		130,204	132,753
Water - conveyance sold during year		(1,192)	(3,527)
Water - High Security and General Security sold during year		(13,930)	(1,371)
Water - High Security and General Security acquired during year		23,007	79
Water - High Security and General Security reclassified from land		-	2,270
<b>Carrying amount</b>		<b>138,089</b>	<b>130,204</b>

Intangible assets are carried at the lower of their cost or cost less impairment. The consolidated entity's policy for accounting for water and impairment of assets is described in Notes 1(e) and 1 (i).

**Note 17. Trade and other payables**

	2016 \$'000	2015 \$'000
Trade payables	1,906	3,229
Accruals	5,490	5,211
<b>Total trade and other payables</b>	<b>7,396</b>	<b>8,440</b>

Generally no interest is charged on trade payables for the first 30 days from date of the invoice. Thereafter, interest may be charged on outstanding balances. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

**Note 18. Provisions**

	Notes	2016 \$'000	2015 \$'000
Environmental remediation	27		
Opening balance		785	1,489
Expense to of provision		-	776
Expenses		(66)	(1,480)
<b>Closing balance</b>		<b>719</b>	<b>785</b>
Employee entitlements			
Annual leave		1,306	1,344
Long service leave		4,132	3,718
<b>Total provisions</b>		<b>6,157</b>	<b>5,847</b>
Current		5,896	5,294
Non-current		261	553
<b>Total provisions</b>		<b>6,157</b>	<b>5,847</b>

**Note 19. Deferred revenue**

	Notes	2016 \$'000	2015 \$'000
MIA EnviroWise	1 (c) (iii)	7,012	7,487
Asset refurbishment - Government	1 (c) (iv)	18,962	15,922
Private Irrigation Infrastructure Operators Program	1 (c) (v)	20,716	42,214
Customer security deposits		47	238
Other		1,021	604
<b>Total Deferred Revenue</b>		<b>47,758</b>	<b>66,465</b>

**Note 20. Other liabilities**

	Notes	2016 \$'000	2015 \$'000
Retirement benefit obligation	21	15,234	8,303
<b>Total other liabilities</b>		<b>15,234</b>	<b>8,303</b>
Current		1,021	459
Non-current		14,213	7,844
<b>Total other liabilities</b>		<b>15,234</b>	<b>8,303</b>

**Note 21. Retirement benefit plans**

All employees are entitled to benefits on retirement, disability or death. The entity has two retirement plans, the defined benefits plan and the accumulation plan. The accumulation plan provides benefits on accumulations based on contribution and investment income.

The defined benefits superannuation plans are administered by the Local Government Superannuation Scheme (the Scheme) in accordance with legislation. The defined benefits plans provide benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. In respect of contributions to the defined benefits plans, the company has applied the rate of employer contribution advised by the actuary and by the Scheme administrators (Local Government Superannuation Scheme).

The Scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament for the purpose of providing retirement benefits for public sector employees of certain Local Government bodies in NSW. The Scheme has received an exemption from annual actuarial valuation and therefore actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2015 by Mercer Consulting (Australia) Pty Ltd. The next actuarial investigation is due as at 30 June 2018 and will be released in the 2018/19 financial year. However actuarial assessments are made in the intervening period for financial reporting purposes, with Mercers Consulting (Australia) Pty Ltd conducting an assessment as at 30 June 2016. The Directors rely on the reviews and valuations performed by Mercer Consulting (Australia) Pty Ltd to determine the entity's obligation in respect of its defined benefit plans.

**Note 21. Retirement benefit plans** *Continued*

There are a number of risks to which the plan exposes the Employer. The more significant risks relating to the defined benefits are:

Interest rate risk	The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation. A decrease in market yield on high quality corporate bonds will increase the entity's defined benefit liability.
Investment risk	The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
Longevity risk	The risk that pensioners live longer than assumed, increasing future pensions.
Pension indexation risk	The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
Salary growth risk	The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
Legislative risk	The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

A reconciliation of the entity's defined benefit obligation and plan assets to the amount presented in the consolidated statement of financial position for each of the reporting periods is presented below:

	2016 \$'000	2015 \$'000
Present value of defined benefit obligations	34,688	27,614
Fair value of defined benefit plan assets	19,454	(19,311)
<b>Net liability</b>	<b>15,234</b>	<b>8,303</b>

The details of the entity's defined benefit obligation are as follows:

	2016 \$'000	2015 \$'000
Present value of defined benefit obligation at 1 July 2015	27,614	29,195
Current service cost	290	363
Interest cost	1,228	1,016
Actuarial losses/(gains) arising from changes in financial assumptions	4,710	(3,637)
Actuarial losses arising from changes in demographic assumptions	1,662	-
Actuarial losses arising from liability experience	444	1,627
Benefits paid	(1,072)	(820)
Taxes, premiums and expenses paid	(188)	(130)
<b>Defined benefit obligation 30 June 2016</b>	<b>34,688</b>	<b>27,614</b>

The reconciliation of the balance of the assets held for the defined benefit plans is presented below:

	2016 \$'000	2015 \$'000
Fair value of plans assets at 1 July 2015	19,311	17,823
Interest income	867	622
Actual (loss)/return on fund assets less interest income	(206)	1,046
Employer contributions	742	770
Benefits paid	(1,072)	(820)
Taxes, premiums and expenses paid	(188)	(130)
<b>Fair value of plans assets 30 June 2016</b>	<b>19,454</b>	<b>19,311</b>



**Note 21. Retirement benefit plans** *Continued*

All Division B, C and D assets are held in Pool B of the Scheme. As such, assets are not separately invested for each employer and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities, and the disclosures below relate to total assets of Pool B of the Scheme.

	Total (\$'000)	Quoted prices in active markets for identical assets Level 1 (\$'000)	Significant observable inputs Level 2 (\$'000)	Unobservable inputs Level 3 (\$'000)
Unlisted Securities and Trusts	3,264,371	-	2,991,887	272,484
<b>Total</b>	<b>3,264,371</b>	<b>-</b>	<b>2,991,887</b>	<b>272,484</b>

The significant actuarial assumptions used for the valuation are as follows:

	2016	2015
Discount rate at 30 June	<b>3.38%</b>	4.55%
Salary growth rate	<b>3.50%</b>	4.00%
Expected rate of CPI increase	<b>2.50%</b>	2.50%

**Note 22. Contributed equity**

## (a) Ordinary shares – fully paid

	2016 \$'000	2015 \$'000
Contributed equity	273,734	273,734

Shares are cancelled as a result of transformation of water entitlement out of Murrumbidgee Irrigation Limited's water access licences. There is no impact on contributed equity.

## (b) Movement in number of shares

	2016 Shares No.	Terminated or cancelled shares No.	2015 Shares No.
A Class Shares	256,876	7,661	264,537
B Class Shares	598,024	11,792	609,816
C Class Shares	17,237	432	17,669
<b>Total ordinary shares</b>	<b>872,137</b>	<b>19,885</b>	<b>892,022</b>

## (c) Voting rights

	2016	2015
Voting rights attached to A Class shares	1,472	1,479
Voting rights attached to B Class shares	1,051	1,067
Voting rights attached to C Class shares	-	-

The Constitution prescribes one vote per landholding.

A Class and B Class shareholders have voting rights at general meetings and for the election of Member Directors in their voting college.

Where a shareholder holds both 'A' Class and 'B' Class shares, the holder votes in the college in which they hold the greater number of shares.

C Class shareholders generally have no voting rights other than in respect of matters affecting their class rights.

## (d) Rights to assets

Shares carry no rights to, or have residual interest in, any assets remaining on the winding up of the Company.

**Note 23. Retained profits**

	2016 \$'000	2015 \$'000
Retained profits at the beginning of the financial year	122,770	115,215
Total comprehensive income for the year	26,127	50,514
Transfer to asset reserve	(3,600)	(42,959)
<b>Retained profits at the end of the financial year</b>	<b>145,297</b>	<b>122,770</b>

Note 24. Reserves				
	Notes	2016 \$'000	2015 \$'000	
Asset reserve at the beginning of the year		42,959	-	
Transfer from retained profits	23	3,600	42,959	
<b>Asset reserve at the end of the year</b>		<b>46,559</b>	<b>42,959</b>	
Available for sale (AFS) revaluation reserve at the beginning of the year		-	-	
AFS asset revaluation gains		93	-	
<b>AFS reserve at the end of the year</b>		<b>93</b>	-	
<b>Total reserves at the end of the year</b>		<b>46,652</b>	<b>42,959</b>	
Asset reserve is funded by the following investments:				
Water - High Security and General Security	16	34,714	25,637	
AFS Financial Assets	13	11,845	17,322	
<b>Total funding</b>		<b>46,559</b>	<b>42,959</b>	

The purpose of the asset reserve is to set aside funds for future investment in infrastructure. These funds are an accumulation of both the asset refurbishment contributions made by irrigators since privatisation and investment income attributed to these contributions over the same time.

Investments in water - High Security and General Security investments are held at the lower of cost and net realisable value. As at 30 June 2016, the market value of the water was approximately \$69,000,000.

#### Note 25. Financial instruments

The consolidated entity's activities expose it primarily to the financial risks of liquidity, credit risk and interest rate risk.

The directors and senior management are responsible for monitoring and managing the financial risks of the consolidated entity. They monitor these risks through monthly board meetings where monthly management reports are presented and analysed.

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as going concerns while maximising the returns to the consolidated entity through the optimisation of investment opportunities.

The consolidated entity's overall strategy remains unchanged from 2015. The consolidated entity's financial instruments consist mainly of deposits with banks, fixed and floating rate notes, accounts receivable and accounts payable. Risks the Company is exposed to through financial instruments are:

- (a) **Credit risk exposures:** Credit risk is the risk of financial loss to the consolidated entity if a party to a financial instrument fails to meet its contractual obligations. In respect of its cash and term deposits, the consolidated entity manages its risk by the application of the consolidated entity's investment policy which requires capital guaranteed investment with Standard and Poors BBB rated investment houses. In respect of trade debtors, the credit risk is largely mitigated by the security described at Note 1 (f). The consolidated entity establishes allowances for impairment when it is expected that any receivables are not considered collectible.

The maximum exposure to credit risk as at balance date is the carrying amount as disclosed in the statement of financial position.

- (b) **Liquidity risk management:** Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due.

The consolidated entity has both short and long term facilities which enable sufficient cash to be available to settle obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which is continuously reviewing practices with the purpose of establishing an appropriate liquidity risk management framework for the consolidated entity's short, medium and long term funding and liquidity management requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the consolidated entity aims at maintaining flexibility in funding by keeping committed credit lines available. The credit risk on liquid funds is limited because the investment houses are banks with high credit ratings assigned by international credit rating agencies.

- (c) **Net fair value of financial assets and liabilities:** The directors consider that the carrying amount of financial assets and financial liabilities recognised at amortised cost in the financial statements approximates their fair values.

**Note 26. Key management personnel compensation**

a) The directors and other members of key management personnel of the consolidated entity during the year were:

- (i) Directors  
 Non-executive Chairman: F S Sergi (appointed 9 November 2015), G L Kirkup (resigned 9 November 2015)  
 Non-executive Directors: I H Blight, P C Borrows (appointed 9 November 2015), L E Bouilly, J I Dalton, K L Dalton, M R Nugent (resigned 9 November 2015), A J Sergi, F S Sergi.
- (ii) Leadership team
- | Name:          | Position:  |
|----------------|--|
| B A Jones      | Managing Director (appointed Chief Executive Officer 6 October 2015, appointed Managing Director 1 July 2016)          |
| D M Gilbert    | Executive Manager Infrastructure Planning (redundant 6 July 2016)  |
| K J Hutchinson | Policy and Stakeholder Manager (appointed 6 October 2015)  |
| C N Onley      | General Manager – Finance and ICT  |
| D P Radue      | Company Secretary  |
| J J Rudd       | Executive Manager Delivery   |
| A P Shea       | Executive Manager Operations (appointed 1 February 2016)   |
| M G Thorpe     | Executive Manager Operations (acting Chief Executive Officer 1 July 2015 to 5 October 2015, resigned 23 December 2015) |

(b) Key management personnel compensation:

	2016 \$	2015 \$
(i) Directors (excluding Managing Director)		
Short-term benefits	389,817	379,564
Post-employment benefits	33,746	30,111
<b>Total compensation</b>	<b>423,563</b>	<b>409,675</b>
(ii) Leadership (including Managing Director)		
Short-term benefits (including payment of leave entitlements on retirement)	1,494,841	1,249,354
Post-employment benefits	129,794	119,144
<b>Total compensation</b>	<b>1,624,635</b>	<b>1,368,498</b>

(c) Equity instrument disclosures for key management personnel

The aggregate numbers of shares in the company held at balance date by key management personnel were:

	2016	Movement	2015
Ordinary shares			
A Class	3,387	438	2,949
B Class	4,427	(2,222)	6,649
C Class	-	(2)	2
<b>Total ordinary shares</b>	<b>7,814</b>	<b>(1,786)</b>	<b>9,600</b>

(d) Other transactions with key management personnel

As active irrigator shareholders of the company a number of key management personnel entered into normal commercial transactions for the supply of water and drainage services in accordance with the Water Entitlements and Water Delivery Contracts.

	2016 \$	2015 \$
Value of transactions		
Water supply and drainage services	246,055	133,477
Receivable balance at reporting date	12,852	12,201

(e) Loans to key management personnel

There are no loans to key management personnel.

**Note 27. Environmental remediation**

A provision was raised in the 2014/15 year for remediation costs for sites that have been identified as contaminated. The provision is based on management's estimate of costs derived from knowledge gained from remediation work performed in previous years. The balance as at 30 June 2016 was \$719,000 (2015: \$785,000).

The provision of \$719,000 (2015: \$785,000) included in Note 18 represents the directors' best estimate of the likely cost of remediating the sites currently identified as requiring remediation.

**Note 28. Commitments for expenditure****Capital commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date, but not recognised as liabilities

2016 \$'000	2015 \$'000
20,361	2,139

**Note 29. Events occurring after balance date**

At the date of this report, no matter or event has occurred since the balance date that is likely to materially impact the state of affairs of the consolidated entity in the short term.

**Note 30. Contingent liabilities**

The consolidated entity is not aware of any contingent liabilities at the reporting date.

## Directors' declaration

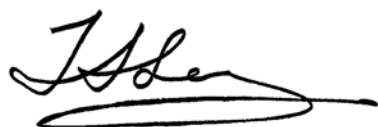
The directors declare that the financial statements and notes set out on pages 42 to 61:

- (a) comply with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Frank Sergi  
Chairman  
Hanwood, NSW  
31 August 2016



# Independent auditor's report



The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

Correspondence to:  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **Independent Auditor's Report To the Members of Murrumbidgee Irrigation Limited**

We have audited the accompanying financial report of Murrumbidgee Irrigation Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- a the financial report of Murrumbidgee Irrigation Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Eric Passaris  
Partner - Audit and Assurance

Melbourne, 31 August 2016

# Company directory

as at 31 August 2016

## **Murrumbidgee Irrigation Limited**

<b>ABN</b>	39 084 943 037
<b>Directors</b>	Frank Sergi (Chairman) Nayce Dalton (Deputy Chairman) Ian Blight Peter Borrows Leith Bouilly Kaye Dalton Tony Sergi Brett Jones
<b>Company Secretary</b>	Dorian Radue
<b>Registered office and Share Register</b>	Lot 255 Research Station Road HANWOOD NSW 2680 Tel: 02 6962 0200
<b>Leeton office</b>	Dunn Avenue LEETON NSW 2705 Tel: 02 6953 0100
<b>Postal</b>	Locked Bag 6010 GRIFFITH NSW 2680
<b>Website</b>	<a href="http://www.mirrigration.com.au">www.mirrigration.com.au</a>
<b>Email</b>	<a href="mailto:info@mirrigration.com.au">info@mirrigration.com.au</a>
<b>Auditor</b>	Grant Thornton MELBOURNE VIC 3000
<b>Bankers</b>	Commonwealth Bank of Australia LEETON NSW 2705
<b>Insurance brokers</b>	Arthur J. Gallagher NORTH SYDNEY NSW 2060
<b>Solicitors</b>	Addisons SYDNEY NSW 2000

## Photo credits

Page	Description	Photographer
6	Main Canal	Tony Onley
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30-31	Staff group	Brett Naseby
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34	Aerial, Hanwood	Vince Bucello

All other photos by Murrumbidgee Irrigation.

## Abbreviations and acronyms

Acronym	Description
AASB	Australian Accounting Standards Board
AFS	Available For Sale
ABN	Australian Business Number
ACCC	Australian Competition and Consumer Commission
AGM	Annual General Meeting
ARFD	Asset Refurbishment Funding Deed
CPI	Consumer Price Index
GL	Gigalitre
GS	General Security
GST	Goods and Services Tax
ha	Hectare
HS	High Security
IHS	Integrated Horticulture Supply
I/MH	Injuries per million hours
LAS	Large Area Supplies non-Wah Wah (excluding IHS)
LAW	Large Area Supplies Wah Wah (excluding IHS)
LWMP	Land and Water Management Plan
MDB	Murray-Darling Basin
MDBA	Murray-Darling Basin Authority
MI	Murrumbidgee Irrigation
MIA	Murrumbidgee Irrigation Area
MIARA	MIA Renewal Alliance
ML	Megalitre
NSP	Network Service Plan
PIIOP	Private Irrigation Infrastructure Operators Program
SAS	Small Area Supplies (excluding IHS)
S&D	Stock and Domestic
SMS	Short messaging service
WIP	Work in progress
%	Percentage

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Murrumbidgee  
Irrigation

**Murrumbidgee Irrigation Limited**

• Research Station Road, Hanwood NSW 2680

• Dunn Avenue, Leeton NSW 2705

Phone: (02) 6962 0200 Fax: (02) 6962 0209

Email: [info@mirrigation.com.au](mailto:info@mirrigation.com.au)

Website: [www.mirrigation.com.au](http://www.mirrigation.com.au)