



ANNUAL REPORT

2015





2015 Murrumbidgee Irrigation Limited Annual Report

The Murrumbidgee Irrigation Limited (MI) Annual Report is a summary of our corporate performance from 1 July 2014 to 30 June 2015.

MI has a strong focus on our core business and we aim to build a culture of excellence in customer service and asset management.

The 2015 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 2015

The seventeenth Annual General Meeting of shareholders will be held on Monday 9 November 2015 at the Leeton Soldiers Club.

Registration is from 7:00pm for a 7:30pm start.

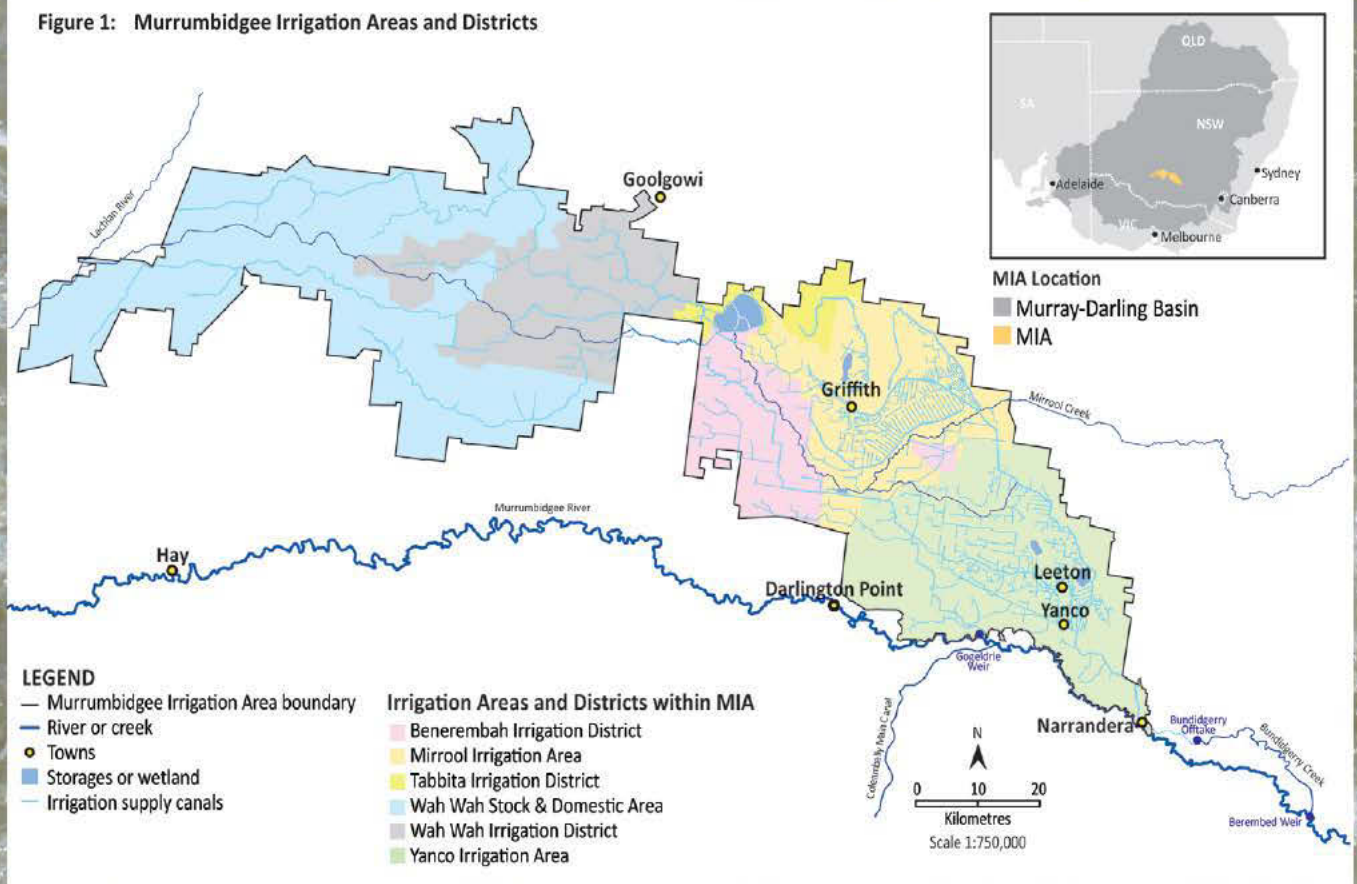
About us

We are one of the largest private irrigation companies in Australia servicing 3,152 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 a diverse and highly productive agricultural region known as the Murrumbidgee Irrigation Area (MIA) located in the Murray-Darling Basin in New South Wales.

Our mission:

To provide quality customer service,
develop opportunities for growth
and improve the environment for the future.

Figure 1: Murrumbidgee Irrigation Areas and Districts



Three-year snapshot

Table 1: Three-year comparison of company information

GENERAL INFORMATION		Measure	2014/15	2013/14	2012/13
Total area of MIA		ha	660,000	660,000	660,000
Company water licences		ML	1,186,444	1,217,105	1,233,240
Landholdings		Number	3,152	3,149	3,184
Total area of irrigated crops		ha	135,284	146,541	173,420
Crops planted:	Cereals, oilseeds	% ha	46	50.7	49.3
	Citrus, vines, other fruits	% ha	22.5	20.4	17.5
	Cotton	% ha	5.7	5.9	5
	Pasture	% ha	8.1	6.2	9.3
	Rice	% ha	15.6	13.3	16.6
	Vegetables	% ha	1.5	1.9	1.8
	Other	% ha	0.6	1.6	0.5
DELIVERING WATER			2014/15	2013/14	2012/13
Total diversions (excluding environmental flows)		ML	878,614	832,758	1,079,643
Sales		ML	730,016	699,308 ¹	931,341 ¹
Supplementary water sales		ML	13,996	3,787	36,814
Conveyance used		ML	139,800	133,450	148,302
System efficiency		%	84	84	86
Allocation transfers into licences		ML	142,027	77,439	97,588
Allocation transfers out of licences		ML	78,554	120,278	105,386
Water delivered:	Cereals, oilseeds	ML/ha	2.8	2.2	2.6
	Citrus, vines, other fruits	ML/ha	4.9	4.6	5.1
	Cotton	ML/ha	7.8	8.5	9.9
	Pasture	ML/ha	2.9	3	2.7
	Rice	ML/ha	12.1	12.3	12.8
	Vegetables	ML/ha	6	6.4	6.4
FINANCIAL			2014/15	2013/14 ²	2012/13
Customer revenue		\$'000	35,629	32,394	37,272
Customer expenditure		\$'000	40,465	36,519	36,772
Customer (loss)/earnings before interest and tax		\$'000	(4,836)	(4,125)	500
Water savings sales		\$'000	2,799	4,391	2,648
Investment revenue		\$'000	5,033	4,440	1,952
Customer contribution to asset refurbishment		\$'000	3,100	3,100	3,100
Government revenue		\$'000	51,079	45,811	14,668
Profit before tax		\$'000	46,935	49,727	10,277
Consolidated net assets		\$'000	439,463	388,949	347,220
Asset reserve		\$'000	42,959	0	0
ENVIRONMENTAL			2014/15	2013/14	2012/13
Average depth to shallow groundwater		metres	5	3.5	3.4
Groundwater area median less than two metres		%	5	8	30
Energy use ³		TJ	24.7	28.4	40
Emissions ⁴		ktCO ₂ -e	7.58	8.58	14.1
SOCIAL			2014/15	2013/14	2012/13
Employees (equivalent full-time) ⁵		Number	172	176	167
Lost time injury frequency rate		I/MH	17.3	26.5	16.8
Sponsorship and donations		\$'000	3.7	5.2	8.8

Notes:

- 1 Additional water was sold as internal supplementary use in accordance with customer contract conditions and has been included in conveyance (used): 2012/13 - 8,469 ML and 2013/14 - 1,249 ML.
- 2 Restated figures, refer to Note 1(v) on Page 42.
- 3 Adjusted calculation method for energy use. Previous figures have been re-stated to reflect actual consumption only.
- 4 Adjusted calculation method for carbon emissions. Previous figures have been re-stated using conversion factors from Department of Environment's Greenhouse Accounts Factors - December 2014. The carbon emissions includes Scope 1 direct greenhouse gas emissions from our vehicles and gas consumption and Scope 2 indirect greenhouse gas emissions from purchased electricity.
- 5 Figures include employees externally funded under the Australian Government's Private Irrigation Infrastructure Operators Program: 8 in 2013/14 and 11 in 2014/15.

Year in review

July 2014

- The year started with General Security (GS) at 10% and High Security (HS) at 95% of annual entitlement. Allocation increases are shown in Table 2.
- Trade into the Murrumbidgee Valley opened (trade out remained closed until January 2015).
- By the beginning of July, 22 customers had signed up to the Hanwood on-farm modernisation project, with a total funding allocation of over \$2.3 million and 667 megalitres of water committed to be returned to the Australian Government.
- The first gravity pipelines were installed as we commenced the construction phase of the \$28 million Hanwood modernisation project. This project is primarily funded by the Australian Government under Round 2 of the Private Irrigation Infrastructure Operators Program (PIIOP2) in NSW.
- We took delivery of a new zero-swing excavator and a long-arm excavator. These excavators are critical for desilting and channel maintenance.

August 2014

- Water delivery services were brought forward due to the hot dry spring weather. The system was opened progressively as winter maintenance works were completed and this also allowed Water NSW (formerly State Water) to complete works at Gogeldrie Weir. Full supply was achieved by 15 August.
- A shed meeting was hosted by our Customer Focus Group (CFG) representative, Bernard Whelan, at Whitton.
- A shed meeting was hosted by our CFG representative, Scott Williams, at Murrumbidgee.

September 2014

- The Murray-Darling Basin Authority (MDBA) hosted a community meeting in Griffith to provide an update on the implementation of the Murray-Darling Basin Plan (MDBP) including water efficiency infrastructure programs, constraints and water trading.
- We hosted the Riverina Regional Group of Engineers Australia on a tour of MIA infrastructure. The tour included visits to Bundidgerie Regulator, Yanco Regulator and our Lake Wyangan Modernisation Project.

Table 2: 2014/15 Annual allocations and dam levels

Date	ANNUAL ALLOCATIONS % of entitlement*				DAM LEVELS % of storage capacity	
	Towns	S&D	HS	GS	Burrinjuck	Blowering
1/07/2014	100	100	95	10	60	60
15/07/2014	100	100	95	17	68	65
1/08/2014	100	100	95	24	73	69
15/08/2014	100	100	95	26	74	70
1/09/2014	100	100	95	30	79	71
15/09/2014	100	100	95	34	84	72
1/10/2014	100	100	95	37	84	72
14/10/2014	100	100	95	40 [#]	79	64
15/01/2015	100	100	95	46 [#]	58	31
2/02/2015	100	100	95	49 [#]	53	31
16/02/2015	100	100	95	51 [#]	43	30
15/04/2015	100	100	95	53 [#]	36	26

(S&D = Stock and Domestic, HS = High Security, GS = General Security) *DPI Water.

4 percent additional annual allocation was issued to eligible customers.



The zero-swing excavator allows us to work on narrow channel banks without damaging adjoining fencing.

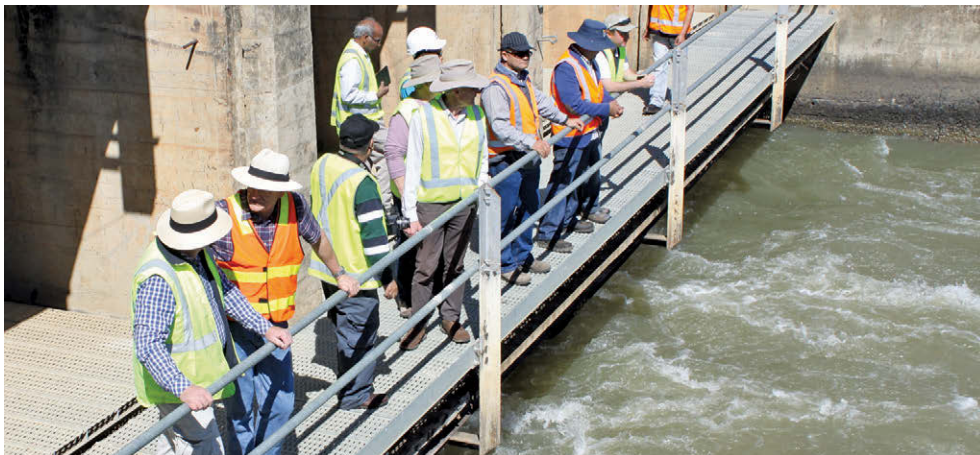


Preparation for pipe laying as part of the Hanwood modernisation project.

- Meetings were held with customers in the Yenda, Northern Branch Canal and Bilbul areas to discuss on-farm and system modernisation projects to be funded by the Australian Government (under PIIOP2).
- Natural Resources, Lands and Water Minister, The Hon. Kevin Humphries, MP, visited MI Hanwood as part of his tour of the Southern NSW Murray-Darling Basin. Our representatives provided an overview of the company and the key challenges we face. Minister Humphries was accompanied by the Senior Policy Advisor, Warwick Pelly; NSW DPI Director General, Scott Hansen; NSW Water CEO, David Harriss; NSWIC Chairman, Richard Stott and NSWIC CEO, Mark MacKenzie.
- Water sales for August to October were the strongest on record, due to a dry winter and hot and windy conditions.
- DPI Water closed trades out of the Murrumbidgee Valley to manage the Inter-Valley Trade (IVT) account. Over 50,000 ML was traded out of the valley in a two week period, causing the IVT to reach 150,000 ML, which was well beyond its normal operating range.
- We issued an additional annual water allocation of 4% to eligible customers. There was a change in eligibility from previous years, based on delivery entitlements. 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.

October 2014

- This was one of the hottest Octobers on record resulting in a spike in water orders. The Bureau of Meteorology reported area-averaged rain totalling 12.1mm across the Murray-Darling Basin, 70% below the long-term mean and the eighth driest October in 115 years of records.
- We were represented at the MIA Ag Inspirations Field Day for high school students from around the MIA. The program highlighted the career pathways within agriculture and the food and fibre industries.



Members of Engineers Australia inspect the Bundiderry regulator.



The Lake Wyangan Modernisation project was completed in November. Pictured: MIA Renewal Alliance Manager Peter Scheiwe, MI Project Managers Chris Green and Miguel Reyes, MI Customer Liaison Officer, Ian Hardie, and MI Project Engineer, Ben McCallum.

November 2014

- The Lake Wyangan Modernisation Project was completed. All regulators along the Lake View Branch Canal were placed into automatic channel control mode, which is the first of its kind in the MIA.
- We engaged an independent consultant to conduct an efficiency review of our business costs.
- We held our sixteenth AGM in Griffith. Over 75 shareholders attended.
- Kaye Dalton, was elected as our new Independent Director.

December 2014

- A shed meeting hosted by our Customer Focus Group (CFG) representative, Glenn Andreazza, was held at Willbriggie.
- The Australian Government announced \$125 million funding for the final (5th) round of the On-Farm Irrigation Efficiency Program. The Ricegrowers' Association of Australia Inc. (RGA) formed a consortium with MI and other organisations to prepare a bid to implement the program within the Murrumbidgee Valley.

January 2015

- In January we reached the milestone of delivering our 10 millionth megalitre of water since privatisation.
- State Water and the Sydney Catchment Authority came together to form Water NSW – a new single organisation responsible for managing bulk water supply across the State.
- A blue-green algae alert was issued for Wah Wah and South Lake Wyangan.

February 2015

- We hosted The Hon. Bob Baldwin, the new Parliamentary Secretary to the Minister for the Environment, and Neil Andrew, the new MDBA Chairman during their tour of the region.
- Our representatives met with Natural Resources Land and Water Minister, The Hon. Kevin Humphries, along with other local irrigator groups, to discuss the NSW Government's progress towards the MDBP.
- The blue-green algae alert was lifted for Wah Wah.



Chris Barnes (Walnuts Australia), Paul Maytom (Leeton mayor), The Hon. Bob Baldwin (Parliamentary Secretary to the Environment), Neil Andrew (MDBA chairman), Peter Borrows (MI Managing Director), Scott Minnikin (Riverina Beef) and Ruth Wade (RGA Executive Director).



Several shed meetings were held throughout the year. The meetings provide valuable feedback to us on the services we provide and the issues impacting our customers.



Mark McKenzie, NSWIC CEO and Paul Simpson, DPI Water, Director of Surface Water, spoke at an allocation information meeting in Griffith.

March 2015

- A shed meeting was hosted by our Customer Focus Group (CFG) representatives, Michael Ciccica and Greg Eckley, at Leeton.

April 2015

- Our representatives met with The Hon. Niall Blair, the new state Minister for Primary Industries and Minister for Lands and Water, in Griffith.

May 2015

- Water delivery services for the 2014/15 water year concluded between 25 and 28 May, with extensions in some areas due to customer needs.
- A shed meeting was hosted by our Customer Focus Group (CFG) representative, Ray Cucinotta, in the Hanwood/Yoogali area.
- Works were completed to remediate long-term contaminated land within the Mirrool Creek area, near Hanwood.

- An independent telephone survey of our customers opinions of MI's service was conducted.
- We submitted an application for funding from the Australian Government, under Round 3 of PIOP.

June 2015

- Around 200 people attended a public meeting held by DPI Water in Griffith, at the request of MI. Water resource planning and seasonal water allocations in the Murrumbidgee Valley were explained by DPI Water Director of Surface Water, Paul Simpson.
- Pipeline installation was completed in the Hanwood Modernisation Project area. The second phase of the project commenced to remove surplus regulators, upgrade and extend regulator head walls, install walkways and fit automated regulators.
- NSW Government Asset Refurbishment funding for MI came to a close after more than 15 years.



Gravity pipelines and remote monitoring replaced the ageing concrete lined supply channels in our Hanwood modernisation area.



The Contaminated Land Remediation Project involved the containment of large amounts of illegally dumped asbestos within an earthen mound.



Chairman's review

The future of irrigation presents numerous challenges including declining water availability and variable climate patterns. The last 12 months has been no exception. However water is our core business and we remain focused on providing an efficient, cost-effective water delivery service to meet the challenges of the future.

We have undertaken considerable corporate change over the past three years. This change is essential in order for us to remain a strong and viable business into the future. The 2010-2015 Corporate Plan has been extended to 30 June 2016, with continued focus on core business, and building a culture of excellence in customer service and asset management. We have also undertaken an external review of our costs and have begun implementing most of the efficiency improvements identified by the review.

The implementation of the Murray-Darling Basin Plan (MDBP) remains a constant presence on our agenda. Our focus is to ensure that implementation of the Plan does not negatively impact our shareholders and the community. We continue to support initiatives that minimise the loss of productive water from the region. To this end, the introduction of legislation to cap the Australian Government water buyback at 1,500GL in March, was a welcome announcement. The legislation is expected to pass through the Senate later in 2015.

Similarly, investment in on-farm and system delivery infrastructure supports both water efficiency and regional productivity. We have actively sought funding from the Australian Government through the Sustainable Rural Water Use and Infrastructure Program under Round 2 of the Private Irrigation Infrastructure Operator's Program (PIIOP2) in NSW. Our program of infrastructure investment is progressing well and we currently have funding available for customers to undertake eligible on-farm works in project areas across the MIA.

Our positive engagement in these programs and the political implementation of the Basin Plan, keeps us in a strong position to respond to future water availability scenarios for the benefit of our customers and shareholders.

In February we hosted the new Parliamentary Secretary to the Environment, The Hon. Bob Baldwin, and Murray-Darling Basin Authority Chairman, Neil Andrew, on a tour of local farms and our modernisation infrastructure. During the visit we took the opportunity to highlight to Minister Baldwin, and Mr Andrew, the productivity and diversity of the area, as well as the importance of water to the region.

The last 12 months have seen significant changes at a State level with State Water becoming Water NSW in January, and a new State Water Minister, Niall Blair, appointed in April. We look forward to working with Minister Blair on the implementation of the MDBP as he undertakes State-level reforms.

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

Markeeta Gibson finished in her position on the Board as an Independent Director, in September 2014. Markeeta was a Board member from 2007 and I thank her for the valuable contribution she has made.

At our Annual General Meeting, held in November 2014, Kaye Dalton was elected an Independent Director. Kaye brings with her over 25 years' experience in the agriculture and the water sector and I welcome her to our Board.

Managing Director, Peter Borrows, finished his contract term with the Company in July 2015 after leading us through the transitional phase of the company. I would like to thank Peter for his leadership and input throughout his time and wish him every success in his future endeavours.

I will not be standing for re-election to the Board this year. I am proud to be leaving at a time when the Company is well placed to prosper into the future, continuing to serve the needs of our shareholders and customers.

I wish our shareholders and customers a successful and profitable future in irrigation and I thank Deputy Chairman, Frank Sergi, and my fellow Directors for their dedication to the Company and support over the last 12 months. It is this expertise, drive and commitment that will ensure we can continue to adapt to the new environment in which the water industry is operating.

Gillian Kirkup
Chairman



Managing Director's review

The past year has again posed an array of challenges and I am pleased to report that our responses and achievements have been overwhelmingly positive. We are in a period of considerable change, with the focus over the past year being to improve the performance of the business.

This year saw a continued concentration on the implementation of 12 strategic initiatives to improve our core activities of asset management, water delivery and customer service.

The Asset Management Improvement Program is one of our key projects. The need for our assets to meet the current and future needs of our customers is one of our key responsibilities.

2014/15 has seen the conclusion of the Asset Refurbishment Funding Deed (NSW Government funded). The building of our asset reserve has been, and will continue to be, a challenge.

An important project which has been completed this year is the Hydrological Model. This project provided a tool for us to improve our short-term operational and long-term planning decisions, as well as the overall efficiency of the system.

We have developed a Customer Charter, which defines the standard levels of service you can expect from us across the range of services we provide.

Our Customer Charter underpins our service commitment to our customers and aligns with our Corporate Plan and Network Service Plan commitments.

During the year, we have commenced the formulation of our corporate plan for the next five years. We have sought the views of a number of stakeholders and customer groups to ensure the relevance of this plan.

Our modernisation program, used to improve the efficiency of the business, is primarily funded under the Australian Government's Private Irrigation Infrastructure Operators Program (PIIOP) in New South Wales. A significant milestone has been the

completion of the Lake Wyangan Modernisation Project in November 2014, providing a modern delivery system that has substantially increased the maximum system capacity for our Lake Wyangan customers.

Water sales for 2014/15 were 730,016 ML, with water diversions peaking at 6,740 ML per day in December.

Total comprehensive income for 2014/15 was \$50.5 million, compared with \$38.5 million in 2013/14. Revenues were up \$7.5 million in 2014/15 as a result of increased revenues across all business segments. In particular, customer sales were 30,000 ML higher; and PIIOP and asset refurbishment activity was also higher.

Expenditure was \$10.3 million higher in 2014/15. The key drivers being increased environmental remediation, bulk water costs and depreciation. We also had losses on disposal and impairment for assets disposed, or to be disposed, due to infrastructure upgrades.

There is an income tax benefit in 2014/15 of \$1.4 million, this compared with an \$11.3 million expense in 2013/14. The 2013/14 expense was due to our adoption of Non-Assessable Non Exempt (NANE) for PIIOP revenue and expenses. In 2014/15, we were also successful in claiming research and development status for works on the Hydrological Model which resulted in a significant tax benefit.

There is still significant work to be done to ensure we continue to be a commercially viable irrigation company, delivering affordable and effective irrigation services to our customers.

During the year, we commissioned

an external efficiency review of our operations. The review identified opportunities for more cost effective delivery of services; resourcing strategies and changes to resource levels, and resulting targets for levels of cost savings. The Board and management are determining the implementation plan to best achieve the improvements identified.

Customer engagement was a continued priority over the past year and I wish to acknowledge our Customer Focus Group (CFG) for the part they played, providing valuable feedback on a range of issues from pricing through to the future direction of the Company.

Since reshaping the format of our shed meetings last year, CFG members have hosted meetings in: Benerembah, Whitton, Murrumbidgee, Leeton and Hanwood/Yoogali. There will be further meetings for other areas arranged over the coming year.

As this will be my final Annual Report as Managing Director, I would like to take the opportunity to sincerely thank our customers, who I have thoroughly enjoyed working in collaboration with.

My personal thanks go to the Board of Directors and particularly the Chairman, Gillian Kirkup, for their guidance, support and encouragement. I also extended my gratitude to the Executive Management Team and all employees for their dedication and contribution to our performance over the past year.

Peter Borrows
Managing Director

Board of Directors



Gillian Kirkup Chairman

Gillian was elected to the Board in 2003. She became Deputy Chairman in 2007 and was elected Chairman in 2009. Gillian and her husband, Barry, own and operate broadacre farms at Gogeldrie. Gillian is a director of MI Holdings Pty Ltd, MI Energy Pty Ltd, MI EasyTrade Pty Ltd, SunRice and its subsidiary companies Rice Research Australia Pty Limited and Riviana Foods. She is a Member of the Rice Marketing Board for the State of NSW, Rice Research Australia Pty Ltd and the Agricultural Consultative Committee for the Bureau of Meteorology.



Frank Sergi Shareholder-elected Director, Deputy 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. Frank is an officer of a number of companies including Pinnacle Accounting Partners Pty Ltd, Action Motor Corporation Pty Ltd, Transitional Investments Pty Ltd and Highland Towers Pty Ltd. Frank is MI's alternate delegate for the NSW 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 and with her family, operates a grazing and irrigation property at Dirranbandi in Queensland. Leith is currently the Independent Chair of the Queensland SunWater Local Management Arrangements project, Chairman of Healthy Waterways Ltd and Australian Water Recycling Centre of Excellence. She is also a National Water Commissioner, board member of Seqwater, Toowoomba Surat Basin Enterprise and Isis Sugar Mill, and is an external member of the Nominations Committee of GHD.



James (Nayce) Dalton Shareholder-elected Director

Local Binya irrigator, Nayce Dalton, has been managing a successful farm 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 is Chairman of MI Holdings Pty Ltd and is MI's alternate delegate for the National Irrigators' Council.



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, organisational change, the operation of water markets, and public and private sector investment models. She is experienced in establishing and maintaining effective customer relationships in public and private sector organisations and has led the development of business cases to secure funding and investment for significant water infrastructure projects in southern NSW and northern Victoria. Kaye holds a Bachelor of Science from the Australian National University, and owns and manages a consulting company based in the Riverina. She is currently Managing Director of the Risorsa Group Pty Ltd, and a director of Water Alliance Group Pty Ltd.



Michael Nugent Independent Director

Michael Nugent was appointed as an independent director in 2011. Michael is an experienced company director and has a broad range of skills and experience in management, strategy, governance, marketing and finance. He has extensive experience in food and agricultural industries as well as infrastructure management and the execution of large capital projects. Michael currently holds a directorship with TransGrid and was formerly a non-executive director of Eraring Energy, Rail Access Corporation, Snowy Mountains Engineering Corporation and LiveCorp.



Antonio (Tony) Sergi Shareholder-elected Director

Tony has been one of 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.



Peter Borrows Chief Executive Officer and Managing Director

Peter Borrows commenced as Chief Executive Officer in June 2013 and was appointed as Managing Director in February 2014. Peter holds qualifications in engineering and management. He has strong leadership skills and a solid record of building high performing and customer focused organisations. Peter is a fellow of the Australian Institute of Company Directors, the Institution of Engineers and the Australian Institute of Management. Peter resigned from the Board in June 2015.



Markeeta Gibson Independent Director

Markeeta held the position of Non-Executive Director from 2007 to 2014. She resigned from the Board in September 2014.

Executive team



Peter Borrows

BE (UQ), Grad Dip in Bus Admin (QIT – now QUT), FIE (Aust), FAIM, FAICD

Chief Executive Officer and Managing Director

Peter Borrows commenced as Chief Executive Officer in June 2013 and was appointed as Managing Director in February 2014. Holding university qualifications in engineering and management, Peter has strong leadership skills and a solid record of building high performing and customer focused organisations. Peter is a fellow of the Australian Institute of Company Directors, the Institution of Engineers and the Australian Institute of Management. Peter left MI in July 2015.



Matt Thorpe

BEng (Civil), AdvDiploma (Personnel and Operations), MEngSci (Project Management)

Executive Manager, Operations and Acting CEO

Matt Thorpe was appointed in August 2013 and leads a large and diverse team of employees responsible for irrigation services, customer services and infrastructure maintenance. Matt has over 20 years in experience in operations and construction and has held senior positions with the Royal Australian Air Force and with the engineering consultancy, GHD Pty Ltd. Matt was appointed acting CEO from 1 July 2015.



Dorian Radue

BA, MBA, MSc (Strategic Focus), ACMA, AGIA, GAICD, CA, CA(SA).

Company Secretary

Dorian Radue was appointed as Company Secretary in 2009. In addition to statutory secretarial duties, her responsibilities include administering the business of the board, company insurances, legal services, internal audit and risk management. Dorian was formerly an executive in the information technology and banking industries in South Africa.



Dave Gilbert

BE (Hons), ME, PhD, MBA, MAICD

Executive Manager, Planning

Dave Gilbert commenced in 2008 and was appointed as Executive Manager, Planning, in March 2014, responsible for corporate and water resource planning, asset management and regulatory compliance functions. He has previously been responsible for delivery of major capital infrastructure projects. Dave is an electrical engineer who has held management roles in the electricity supply industry and also within the Australian public service that has included implementation of the National Electricity Market, administration of Australia's export controls and defence-related research projects.



Jody Rudd

Executive Manager, Delivery

Jody Rudd joined the Company as a Project Manager on the Barren Box Storage and Wetland Project in 2005, before being appointed Works Program Coordinator in 2007. In 2012, Jody was appointed Infrastructure Services Manager where he was responsible for minor capital delivery and infrastructure maintenance. He was appointed Executive Manager, Delivery, in March 2015 and is responsible for leading the delivery team in managing Australian Government funded modernisation projects.



Andrew Reilly

BBus (Accounting), GDCSP, AGIA, MCommLaw

Chief Financial Officer

Andrew Reilly joined the company as Chief Financial Officer in April 2013 and was responsible for leading the company's finance, property services, stores, workshops and information technology services. Andrew left MI in June 2015.

Robert Belcher

(Not depicted) Robert Belcher was the Executive Manager, Delivery, from April to August 2014.



Water delivery

Strategic objectives:

- Optimise network capability
- Optimise water delivery efficiency

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

- Implementing a risk-based approach to system operation and maintenance to optimise water available for delivery
- Continuing to improve water delivery efficiency, particularly through use of 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 2014/15 water year commenced from 1 August. Start dates were staggered over a two week period, to allow customers access to water as early as possible. In October we provided a four percent additional annual water allocation to eligible customers.

Water demand peaked at an average of 6,740 ML per day in December, an increase of 340 ML per day from the same period the previous year, mainly due to an increase in summer crops being irrigated.

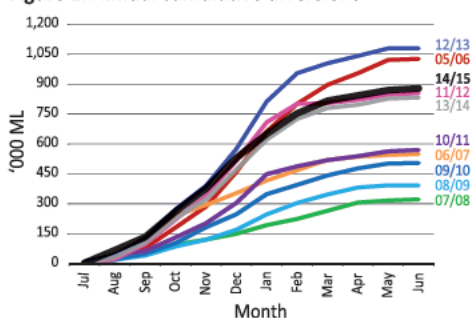
We maintained a seven day forecast accuracy of within 10% of actual demand (excluding rainfall rejection periods). Our Network Service Plan (NSP) target to deliver all compliant water orders within 48 hours of receipt was achieved.

Water delivery services for most customers closed 28 May. Due to Private Irrigation Infrastructure Operators Program (PIIOP) modernisation works in Hanwood, some areas closed a few days earlier.

Overall, 309 days of irrigation water was supplied to our customers during the season, meeting our NSP commitments.

A winter watering period was available for eligible customers in June. Encouraging the early ordering of water enabled us to meet customer needs and still undertake critical maintenance works. We thank customers for working with us during this period.

Figure 2: Annual cumulative diversions



Simple system efficiency

Simple system efficiency is a measure of how efficiently we manage conveyance water in our supply system. In 2014/15, an efficiency of 84% was achieved. This is well above the long-term average of 77.9%.

Total water sales

A total of 730,016 ML was sold in 2014/15 representing a 4.3% increase on the previous year.

Diversions

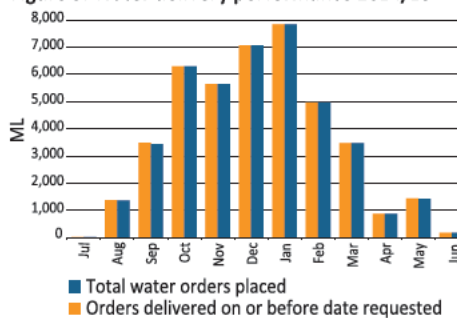
Total diversions from the river were 878,614 ML - a 5.5% increase on the previous year. Figure 2 shows a comparison of annual cumulative diversions since 2005/06.

Water ordering

A web-based interface for use on mobile devices now makes it easier for customers to manage their water orders, access current account information and communicate with our planners.

A total of 47,038 water orders were placed through our water ordering system, EASYWATER, an increase of 10% on the previous year. This is the preferred method of water ordering with 82% of orders being placed online. We are committed to continually improving the efficiency and features of EASYWATER.

Figure 3: Water delivery performance 2014/15



Water trades

Our NSP goal is to facilitate customer water trades as expediently as possible by processing valid allocation trades within two business days, and valid entitlement trades within 15 business days.

A total of 3,116 individual allocation transfers were approved totalling 436,558 ML. This represents a large increase in the number of transfers (2,032 in 2013/14) and a slight increase in the amount of water traded from the previous year (400,881 ML in 2013/14).

Of the allocation traded, 215,977 ML moved between customers, retaining water within the MIA. A total of 142,027 ML was brought into the MIA through trade and 78,554 ML was traded out of the MIA. This resulted in a net gain to the system of 63,473 ML for the year.

A total of 447 permanent water transfer applications were approved, totalling 59,650 ML. These are water transfers separate to property ownership changes. Of the water traded, a total of 18,620 ML was permanently traded out of the MIA. Of this, 10,137 ML was transferred to the Australian Government as part of either our PIOP or other on-farm efficiency programs.

Table 3: Water performance summary

WATER RECEIVABLE (ML)	2014/15	2013/14	2012/13
Licensed diversions - Annual carryover provisions	190,708	177,031	202,462
Licensed diversions - Bulk water determinations	643,704	718,252	1,005,023
Licensed diversions - Advances taken, transfers received and other adjustments	142,027	101,518	119,188
Supplementary flow access received - Use of uncontrolled flows	13,996	9,423	36,814
Conveyance - Carryover from prior year	55,457	0	0
Conveyance - Bulk water determinations and corrections	161,343	221,169	222,400
Total water receivable	1,207,235	1,227,393	1,585,887
WATER ACCOUNTED FOR (ML)	2014/15	2013/14	2012/13
Used by customers - Sales	730,016	699,308*	931,341*
Used by customers - Advances repaid, transfers out and other adjustments	78,554	120,278	307,613
Conveyance - used	139,800	133,450	148,302
Conveyance - savings assigned	77,000	28,192	21,600
Carried forward to next year	173,067	246,165	177,031
Total water accounted for	1,207,235	1,227,393	1,585,887

* Additional water was sold as Internal Supplementary use in accordance with customer contract conditions and is not included in these figures: 2012/13 - 8,469 ML and 2013/14 - 1,249 ML.

A large background image showing a construction site. In the foreground, a worker in a blue shirt, orange safety vest, and white hard hat is operating a large, vertical, yellow and black hydraulic rammer. To the left, another worker in a yellow shirt and white hard hat is visible. In the background, a third worker in a yellow shirt and red hard hat is standing near a large, dark, circular pipe. A yellow excavator arm with the brand name 'SUMITOMO' is visible in the upper left corner. The ground is uneven and appears to be a mix of dirt and sand.

Asset management

Strategic objectives:

- Deliver effective asset management
- Strengthen project governance arrangements

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 enables reliable projections of asset renewals expenditure, and
- Improving project governance arrangement to deliver infrastructure projects according to schedule, budget and quality parameters.

Asset management

The Asset Management Improvement Program has continued to be rolled out in 2014/15. 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 implementation of a condition data collection program, that will see every asset inspected at least once every three years, and the development of an asset risk framework to help evaluate and give maintenance or replacement priority to our high risk assets.

A key focus this year has been the 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.

The priority for the Asset Planning team in the coming year is to focus on sustainability, ensuring our assets and

infrastructure needs are planned and managed and in a manner that will continue our long-term viability and maintain a high level of system efficiency.

Maintenance requests

There were 4,352 works maintenance requests completed in 2014/15. We carried out all maintenance works within the agreed budget, while still meeting the requirements of our Water Delivery team.

Weeds treatment

A total of 5,527 scheduled inspections of the drainage system took place in 2014/15. Of these inspections, 4,335 resulted in weed treatments. A total of 4,328 km of drains were treated with some problematic sections receiving multiple treatments.

Asset refurbishment program

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

Each year an annual works program is approved by the NSW Government and funded in that financial year. The ARFD funding arrangement commenced in 1998 and expired in June 2015. From July 2015 we will be required to self-fund all asset refurbishment programs. The Road Bridges and Culverts Funding Deed is still ongoing.

Our program to upgrade non-compliant meters and asset refurbishment works commissioned in 2014/15 included:

- Replacement of 45 Dethridge outlets in Hanwood
- Replacement of 38 metered outlets
- Replacement of 35 walkways
- Replacement of 16 road bridges and culverts
- Two regulator replacements, including six door upgrades
- Replacement of one subway

- Refurbishment of around three kilometres of earthen supply channels
- Scour protection of 2 km of earthen drains, and
- Upgrading of three pump stations.

New road crossings

In July 2014, we completed three replacement road crossings along Main Drain J to improve water flow and road access across our irrigation network. We used pre-cast 'place and drive over' structures so water did not have to be diverted around the construction site. This allowed us to maintain levels of service and limit road interruption during the construction process.



One of three replacement bridges along Main Drain J.



One of several outlet replacements at Murrumbidgee.

Metering

Our metering audit program continued in 2014/15 to ensure the ongoing integrity of metering installations. During the year, 910 doppler meter installations were audited as per the company's target rate to audit a third of all installations each year resulting in each meter being inspected every three years.

In addition, all active meters are regularly visually inspected by Division Operators. Meter usage data is compared to customer order data, to further monitor meter performance.

Upgrade of BBSW Pump Station

In June, our Technical Maintenance team completed the installation of a new electrical system for the Barren Box Storage and Wetland (BBSW) pump station. Works included a complete overhaul of the electrical wiring system, the installation of new motor soft starters and the installation of an MI designed control and automation system. All aspects of the system including design, installation and commissioning, were performed using our internal resources.

Infrastructure modernisation

Extensive planning and delivery works continued on our Modernisation Program in 2014/15. 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.

A progress summary on each of the current projects within our Modernisation Program is featured in this section.

Lake Wyangan Modernisation Project

The \$54 million Lake Wyangan Modernisation Project was completed in November 2014. This project, delivered by the Murrumbidgee Irrigation Area Renewal Alliance (MIARA), aimed to improve the capacity, efficiency and reliability of the irrigation network through the replacement of open channels with gravity pipelines, the expansion and relining of the Lake View Branch Canal using an innovative shotcrete application, and the upgrade of flow control structures with automation. In order to minimise supply disruptions to customers, the majority of the works were completed during the winter maintenance shutdown period.

After replacing 9.8 km of concrete channel in 2013, MIARA completed the remaining 5.8 km of channel relining in late July 2014. The canal has been widened to increase supply capacity to customers and is designed for an 80 year working life. The final section of the 13.8 km of gravity pipelines was installed and commissioned in October 2014. Automated regulators, offtakes and escapes were installed



Over 15 km of concrete channels were re-lined and expanded as part of the Lake Wyangan Modernisation project.



Gravity pipelines and remote monitoring in the Lake Wyangan Modernisation Project area.

along the Lake View Branch Canal to improve the control and reliability of the irrigation system.

A review of the project conducted in June 2015 indicated that it will achieve its 6,000 ML water saving target, equivalent to the volume of water transferred to the Australian Government in return for the project funding. The performance of the system is expected to improve further for the 2015/16 irrigation season, now that



Replacement and upgrades of regulating structures were undertaken in the Hanwood modernisation area.

construction works and fine-tuning of the automation system is complete.

Hanwood Modernisation Project

Construction works for the \$30.4 million Hanwood Modernisation Project continued over the past year, with the project set for completion by September 2015.

The project involves 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.

Pipeline installation was completed during the 2014/15 irrigation season and managed through system shutdowns to reduce the time and cost pressures associated with construction during the winter maintenance

shutdown period. This also benefitted the project by reducing the effect of delays due to rain that would normally be experienced when completing works during the winter months.

Wah Wah Stock and Domestic Pipeline Project

The Wah Wah Stock and Domestic Pipeline Project involves the design and construction of a pressurised stock and domestic pipeline from the Murrumbidgee River that will supply and integrate with 60 on-farm stock and domestic systems. We are proposing to replace the inefficient open earthen channels in exchange for transferring water entitlements to the Australian Government under PIIO2.

Planning and consultation continued throughout the year for the development of the Proponent Deed which is planned for release early in the 2015/16 financial year. We are continuing to consult with landholders and the Australian Government on the project scope and delivery model. Planning for the project will continue throughout 2015/16. Project approval will be determined by sufficient support for the Deed and a competitive tender process to ascertain that the project scope can be delivered within budget.

On-farm modernisation projects

Funding for customers to undertake eligible on-farm activities has been provided to us by the Australian Government under PIIO2.

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. By the end of June 2015, 70 customers had signed up to undertake eligible on-farm activities.



Yenda customers, Louise and Brett Turner, took advantage of on-farm funding to complete lasering works on their property to increase the efficiency of their farm water use.

Business sustainability

Strategic objectives:

- Improve organisational performance
- Operate a sustainable business

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 2014/15 was a profit of \$46.9 million, with a total comprehensive income of \$50.5 million. Refer to Table 4 on page 21 for a breakdown by activity.

Customer operations

Loss before tax from customer operations was \$4.8 million for 2014/15 compared with a loss of \$4.1 million for 2013/14. The key drivers of this change were the following non-recurring items:

- The reversal of a provision for environmental remediation costs of \$2.3 million in 2013/14 coupled with an increase in environmental remediation costs of \$0.8 million in 2014/15.
- An increase in depreciation costs of \$1.1 million largely associated with commissioning of the Private Irrigation Infrastructure Operators Program (PIIOP) funded infrastructure works.

Water savings activity

Water savings sales were \$2.8 million, down from \$4.4 million in 2013/14. The decrease resulting from less water carried over to 2014/15. These sales arise from effective management of the company's water and system efficiency.

Investment activity

Investment activity returns for the year realised income of \$5.0 million for 2014/15, an increase on the \$4.4 million for the prior year. The key driver of the increased returns was the higher sales revenue from the water investment portfolio. The water investment portfolio at

the end of the year consisted of the following water shares: 16,881 ML high security, 194 ML general security and 2,866 ML supplementary. Returns from financial instruments were marginally higher than the prior year.

Government and other activity

Profit before tax was \$43.9 million for 2014/15 compared to \$45.0 million for the prior year. While this sum is shown as a profit, it has been spent on our capital expenditure programs.

During 2014/15 \$39.2 million of revenue was recognised for PIOP works and \$10.4 million for NSW Government funds received for asset refurbishment. Included in the PIOP revenue, was \$10.3 million recognised as a gain on the disposal of assets, being:

- The water transfers to the Australian Government under the PIOP funding agreement, totalling 7,103 ML of conveyance and 1,884 ML of general security from the Water Investment Fund, and
- A \$1.0 million loss on disposal of assets to be replaced under the PIOP works including a provision of \$0.5 million for assets to be replaced under planned PIOP programs.

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, there has been a \$2.1 million gain (post tax) credited directly to equity.

Cash

Total cash held as at 30 June 2015 was \$122.0 million, an increase from \$93.2 million in 2014. The increase is largely due to the receipt of \$54 million in PIOP funding in June 2015.

The total cash held includes deferred revenue funds held for programs such as PIOP, asset refurbishment, EnviroWise as well as other items such as customer security deposits.

Taxation

Income tax benefit for the 2014/15 year is \$1.4 million and should be read in conjunction with Note 14 Income Taxes, page 47.

This amount for 2014/15 reflects an estimated current tax expense of \$2.1 million and a deferred tax benefit of \$3.6 million.

Total deferred tax liabilities as at 30 June 2015 were \$34.7 million. This amount is largely due to a timing difference associated with depreciation on the company's infrastructure assets. As a result, the bulk of this liability will be realised over the estimated depreciable life of the assets, which is 100 years for earthen channels and drains, and 15-100 years for infrastructure.

In 2014/15, we gained registration for the research and development tax incentive for funds spent on the Hydrological Model. This has resulted in a significant tax benefit.

Asset reserve

An asset reserve was created from the entity's retained profits as at 30 June 2015. 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.

The asset reserve is funded by the water investment fund and cash (refer to Note 23, page 51).

A priority for the coming year is the development of a long term capital replacement program which will better inform us of the asset reserve adequacy.

Efficiency review

In 2014/15 an external efficiency review of the entity's operations was undertaken. The review identified opportunities for changes to the business, which would deliver more cost effective services. The implementation of opportunities identified will be a key focus for the company in 2015/16.

Table 4: Pre-tax revenue and expenses by activities (\$'000)

2014/15 (\$'000)	Core operations	Water savings	Investments	Government & other activity	Hanwood Estate Property Trust	Intercompany	Total
Revenue	35,629	2,799	5,033	51,079	872	(833)	94,579
Expenses	40,465	0	0	7,140	872	(833)	47,644
Total P/L	(4,836)	2,799	5,033	43,939	0	0	46,935

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

Improving the environment

Environmental compliance

Full compliance was achieved with our Combined Water Supply Work Approval and Water Use Approval (Combined Approval) and also with our Environment Protection Licence (EPL). These regulatory documents set the minimum standard for environmental monitoring. We have a corporate objective to meet our legal and regulatory obligations and have implemented programs and projects that ensure we meet these objectives. The environmental programs we have in place have been developed to extend beyond legal and regulatory compliance and demonstrate our commitment to ensuring our operations do not adversely impact on the environment.

Water quality

Water quality monitoring and reporting is undertaken in accordance with our Combined Approval and EPL. Our integrated water quality monitoring program consists of 11 fixed monitoring stations and five mobile water quality stations throughout our supply and drainage system. These stations allow us to view flow volumes and water quality data in real time, which enables us to make informed operational decisions. We also conduct water resource monitoring across our supply and drainage systems over the irrigation season.

A total of nine pollution incidents were recorded in our area of operation. These incidents were all managed in accordance with our Pollution Incident Response Management Plan.

Weekly monitoring of blue-green algae in our main supply and drainage channels, as well as our major storages, occurs throughout the summer months as algae can be easily stimulated by sunlight and high temperatures. Algae alerts are notified on our website.

Groundwater monitoring

The groundwater system (aquifer) of the MIA extends from an area between Narrandera and Leeton through to parts of the Wah Wah area.

Areas of concern are those where groundwater levels are within less than two metres of ground surface level - the point at which salinity risk is increased and may impact crop production. These areas include parts of Leeton, Murrumbidgee, Benerambah and Hanwood. This is likely attributed to low topography, rainfall, proximity of the aquifer to the ground surface level and irrigation. We are continuing our monitoring and research efforts to assist customers to manage the risks associated with rising groundwater levels.

Contaminated lands remediation

In May, works were completed to remediate a long-term waste stockpile site adjacent to Mirrool Creek, near Hanwood. Materials cleared included stockpiled green waste, metal and concrete waste as well as legacy asbestos contaminated materials from illegal dumping activities. The cost of clearing asbestos materials illegally dumped on our lands is substantial to our shareholders.

Site remediation involved the management of the asbestos waste within a specially constructed containment cell, incorporating extensive rock layers for erosion control and native seeding for re-vegetation.

The site achieved a contamination clearance certification to meet the requirements of the NSW Environment Protection Authority (EPA) and will be maintained in the future under a Site Environmental Management plan.

Our remediation project achieved contamination clearance certification from the NSW EPA.



Review of bore monitoring network and groundwater policy

This year we conducted an audit and evaluation of rationalising our bore monitoring network. This enables us to meet current and future compliance requirements, and also provides an opportunity to rationalise duplicated and redundant bores occupying our current monitoring network. This evaluation will also assist us with planning for future compliance needs where current gaps in knowledge and monitoring network coverage need to be addressed.

We have also participated in reviewing, developing and researching alternatives to new policies that have flexibility across the water industry to address issues with groundwater level rise and potential soil salinity at the regional level. This includes participation as a sitting member on the NSW Irrigators' Council (NSWIC) Committee for Coal Seam Gas and Mining.

Water modelling project

We commenced a research and development project in 2014 to look at more efficient ways to plan and operate our water delivery system through the use of technology, resulting in the development of the Murrumbidgee Irrigation Operation and Planning System (MIOPS).

Our asset management and water delivery operations are changing as new technology and support systems become available. This development is also reflected in the irrigation industry with the introduction of in-field automated technologies and water efficiency improvements.

For an irrigation scheme of our size and scale, we are currently an industry leader in the use of new modelling tools, such as MIOPS, and its adaptive approach to water modelling.



Computer software has been developed to model water delivery in our channel operation system, allowing us to test different scenarios.

Automation strategy

We have received Australian Government funding for the implementation of channel automation as part of our extensive PIOP infrastructure modernisation program. An automation strategy has been developed to guide the selection and implementation of future investment in channel automation across the water delivery network over the coming years.

In the MIA, water for irrigation has been delivered largely through the manual operation of an extensive network of gravity-fed open supply channels for over 100 years.

In recent years, the mechanisation of regulators has represented a significant part in the modernisation of our ageing irrigation infrastructure, and an essential first step towards the implementation of channel automation. A growing number of mechanised gates now provide greater control over channel flows, improve water delivery efficiency and reduce workplace hazards for our staff.



Automated channel regulators in the Lake View Branch Canal regulate water levels for timely water deliveries and increased system efficiency.

Customers & shareholders

Strategic objectives:

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

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

- Building customer confidence in the Company by consistently meeting defined standards of service
- Ensuring customers value the service they receive by maintaining a cost effective and responsive delivery service
- Maintaining an ongoing commitment to the regional community, and
- Ensuring shareholder value is adequately reflected in the Network Service Plan.

Our stakeholders include our customers and shareholders, employees, industry and commodity groups, governments and associated agencies, environment groups, suppliers and contractors, media and the community. A summary of engagement and communication activities and initiatives undertaken in 2014/15 is provided in this section.

Communications

Our customer service goal is to provide customers with timely, informative and relevant information.

We offer a Quick Contact Service which uses SMS messaging and/or email to communicate important water and operational issues to registered customers. We distributed our newsletter, News in Brief, through our Quick Contact Service 12 times during 2014/15, in line with our Network Service Plan commitment.

Our target to communicate water announcements to customers within 24 hours of receipt was also met this year on all occasions.

We update our website (www.mirrigration.com.au) regularly, to provide our stakeholders and the community with a suite of company and related water industry information.

Customer charter

We understand the importance of making and meeting service commitments to customers. The Board approved a

Customer Charter in June 2015, which is now available on our website. The Charter identifies the level of service you can expect from us across the range of services we provide. We will provide regular updates on our service commitments in our newsletter and report on them in our Annual Report.

Customer Focus Group

In 2012 we established a Customer Focus Group (CFG) to provide a forum for regular discussions with customers across our area of operations on new initiatives and matters of importance. This has been a valuable forum for sharing ideas and receiving feedback on our services and programs. We would like to take this opportunity to thank all of the members for their contributions over the last year.

Customer shed meetings

In 2014/15 shed meetings were held in Whitton, Murrumbidgee, Willbriggie, Leeton and Hanwood/Yoogali, and we thank the CFG members who hosted these meetings.

The meetings provide us with feedback on the services we provide and the issues impacting our customers. This year we heard about our customers concerns on pricing, delivery entitlements and modernisation works. Meetings for other areas are being scheduled.



Customer shed meeting at Hanwood.

Customer Survey

In May, we engaged an independent company to conduct a telephone survey our customers. A representative sample of 300 customers was randomly selected. The confidential interview results gave us feedback on issues affecting irrigators and how we can improve our services.

Project engagement

Stakeholder engagement has been critical to the progress of our modernisation projects in 2014/15. Several engagement activities were undertaken by our project team over the past

year to give our customers the opportunity to provide meaningful input. Customers in some modernisation project areas were required to work with regular supply interruptions during the irrigation season to allow the Murrumbidgee Irrigation Area Renewal Alliance (MIARA) contractors to install new supply infrastructure. This work could not have been undertaken without the cooperation and understanding of these customers. Stakeholder Engagement and Irrigation Services staff maintained regular contact with customers this year through phone calls, on-site meetings, SMS notifications, letters and notifications on the company website.



Our Stakeholder Engagement team.

Government relations

Throughout 2014/15 we promoted the importance of our region, through meetings with Parliamentary Secretary to the Minister for the Environment, The Hon. Bob Baldwin, State Minister for Land and Water, The Hon. Niall Blair, and other parliamentary and industry representatives. We have also worked closely with our peak groups, the NSW Irrigators' Council and the National Irrigators' Council, to ensure that methods to recover water maximise positive outcomes for our farmers and our communities.

In June DPI Water (formerly NSW Office of Water) Director of Surface Water, Paul Simpson, presented at a meeting in Griffith on how Murrumbidgee water resource planning and seasonal water allocations occur. We convened the meeting following requests from a number of customers wanting to better understand the intricacies of the water allocation process in the Murrumbidgee Valley.

Community relations

Our corporate philosophy includes a commitment to act as a responsible corporate citizen through sponsoring events that are aligned with our key corporate objectives. Our employees are also enthusiastic supporters of several charitable organisations, local fundraising and community events.

Learning and growth

Strategic objectives:

- Create a commercially focused culture
- Provide a safe workplace

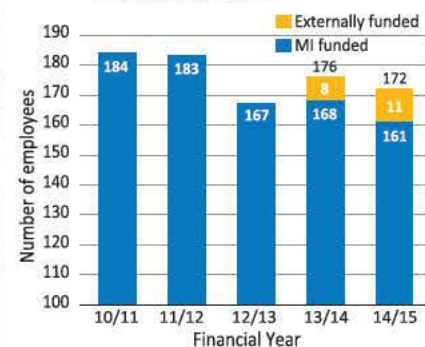
Our objective is to be a high performing team with an external focus by:

- Applying national benchmarks to 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 to 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.

Annual employee turnover

Our total workforce at 30 June 2015 was 172 equivalent full-time employees. Of this number, 11 employees were engaged to deliver our modernisation program. These positions are funded by the Australian Government under the Private Irrigation Infrastructure Operators Program (PIIOP) in NSW.

Figure 4: Five year comparison of FTE employee numbers



The annual employee turnover rate for 2014/15 is 14.3%, up from last year's figure of 7.59%. The 2014/15 turnover rate is consistent with national trends.

Health and safety

Providing a healthy and safe working environment for all workers is a high priority. This year has seen an improvement in our lost-time injury frequency rate (per 1,000,000 hours equivalent), which has decreased from 26 in 2013/14 to 17 in 2014/15.

Time lost due to workplace injuries totalled 900 hours, with 403 of those hours from injuries sustained in previous years.

A number of initiatives have been underway to target further improvement to our safety performance including finalising the recommendations made from our external Work Health and Safety (WHS) audit, workshop safety upgrades, improving our contractor management systems and the provision of targeted WHS training.

There were 134 WHS work improvement recommendations completed in 2014/15. All high risk ratings were prioritised and completed.

Developing our leaders is integral in ensuring all those who conduct our work are safe. A total of 31 employees graduated with a Certificate IV in WHS, which provides them with the tools and skills to drive safety initiatives across all areas of the business.

Employee service milestones

Four employees celebrated significant milestones this year. Eddie McDonald (pictured right) completed 40 years of service.

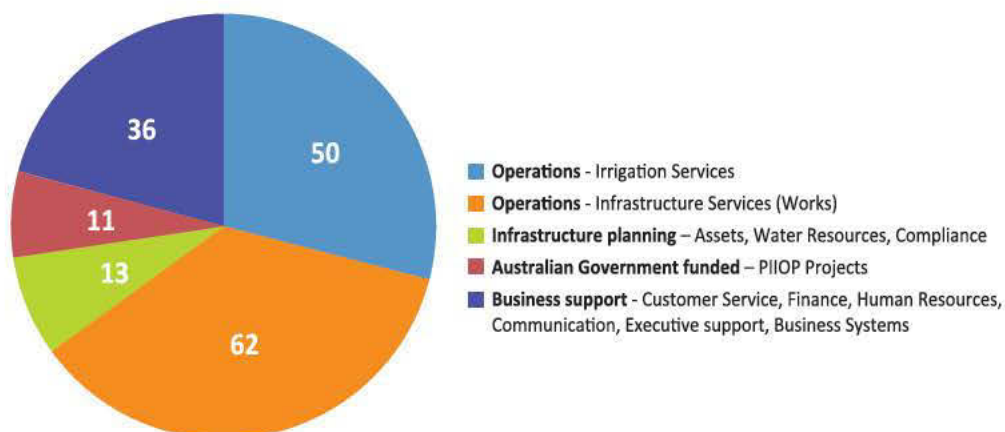
Ramesh Ratnavadivel, Neville Gras and Neil Pope each completed 10 years of service.



Gender equality report

Our 2015 Workplace Gender Equality Agency Annual Public Report was lodged in May. A copy of the report is available on the company website. We are pleased to report that we are compliant with the *Workplace Gender Equality Act 2012*.

Figure 5: Number of employees per workgroup 2015



Learning and growth

Training and development of our employees is a driver for positive individual, team and organisational outcomes. This includes increased employee productivity, job satisfaction and improved business performance. A total of 384 individual training opportunities were offered across 32 courses throughout the year. These opportunities were a mixture of professional and operational opportunities to build employee capability and meet various compliance requirements.

Our ongoing cultural change program saw significant improvements in our previous year's benchmarked results. The program is aimed to improve our leadership capability and team behaviour, which are the key drivers to delivering improvements across the company.

Working with the next generation

Attracting and retaining skilled employees to regional areas can be challenging. Our work experience program is designed to encourage high school and university students to start and build their careers in the MIA.

Throughout 2014/15, we provided work experience to high school students in the fields of electrotechnology and engineering. We also provided a total of 32 weeks of vacation work for university students in the fields of civil and environmental engineering.

We exhibited at the annual Leeton Careers Expo and at the Ag Inspirations workshops to highlight the many vocational, technical and professional career pathways available within the water industry, to the young people of our community.

Network Service Plan targets

Targets and performance

The Network Service Plan (NSP) presents our water infrastructure plans and pricing for the period 1 July 2012 until 30 June 2017. A copy of our NSP can be found on the company website. As described in our NSP, service standards and performance targets were developed for the core services provided to customers across eight key areas of our operation. Our performance against these service level targets for 2014/15 is reported in Table 5 below.

Table 5: Service level targets and performance

SERVICE STANDARD	TARGET (2012-2017)	2015	2014
WATER DELIVERY			
Irrigation season length	300 days	Achieved	Achieved
Water order delivery timeframe	100% compliant orders within 48 hours	Achieved	Achieved
Meter reading frequency	100% active meters read monthly	Achieved	Achieved
Flow rate share (when enacted)	100% water delivered in line with DE	Achieved	Achieved
ASSET MAINTENANCE			
Request acknowledgement timeframe	1 business day	Not achieved ¹	Not Achieved ¹
Request completion timeframe	95% within agreed timeframe	Not achieved ²	Achieved
Satisfaction rating	85% (high satisfaction level)	Achieved	Achieved
PLANNED SUPPLY INTERRUPTION			
Network closure notice period	30 days	Achieved	Achieved
Major interruptions notice period	14 days	Achieved	Achieved
WATER TRADING			
Allocation processing timeframe	2 business days for valid trades	Not achieved ³	Not Achieved
Entitlement processing timeframe	15 business days for valid trades	Not achieved ⁴	Not Achieved
WATER QUALITY			
Monitoring and reporting	100% compliance with licences	Achieved	Not Achieved
EC levels (Wah Wah only)	No greater than 700 EC daily	Achieved	Achieved
COMPLAINT HANDLING			
Complaint acknowledgement timeframe	2 business days	Not achieved ⁵	Not Achieved
Complaint resolution timeframe	100% within agreed timeframe	Not achieved ⁶	Not Achieved
INFORMATION PROVISION			
Water announcements	24 hours	Achieved	Achieved
Regulatory requirements	5 business days	Achieved	Achieved
Customer newsletter	Published monthly	Achieved	Achieved
BILLING			
Account statements	Issued annually (May and July)	Achieved	Achieved
Charge Schedule	Published as amended	Achieved	Achieved
Charge change notice	10 business days	Achieved	Achieved

Notes:

¹ The request acknowledgment framework increased to 91% by the end of June 2015.

² Improved internal processes have now been implemented.

³ Over 3,100 applications were processed during the year, with 33 applications taking more than two business days to process.

⁴ On average, 98% of entitlement trading was processed within 15 days.

⁵ On average, 99% were completed within two business days.

⁶ We are progressing with the Service Excellence project.

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.

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 implementation of approved strategy and policy initiatives are formally delegated to the Chief Executive Officer or Managing Director.

An aspiration to high standards of financial accountability, ethical behaviour and legislative compliance guides the Board in its decision making. We continue to actively work to protect 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 by shareholders in two voting colleges, for four-year terms, through a postal ballot.
- Directors appoint the independent directors subject to shareholder confirmation at the Annual General Meeting. Appointments are for one, two or three years so that terms are staggered.
- 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 as Managing Director.

There were no changes to the shareholder-elected positions during 2014/15.

An independent director vacancy arose in September 2014 due to the resignation of Markeeta Gibson. Following a recruitment process, the Board recommended the appointment of Kaye Dalton as an independent director. This appointment, for a three year term, was approved by shareholders at the 2014 AGM.

The only other change to the Board for the year in review was the resignation of Managing Director Peter Borrows, from the close of business on 30 June 2015, on completion of his two year employment term as Chief Executive Officer of the company.

Our directors for the year are identified in the Directors' Report and the Company Directory.

As at 30 June 2015, MI's directors held the following significant directorships and offices:

- Gillian Kirkup is a director of Murrumbidgee Irrigation Limited's controlled entities MI Holdings Pty Ltd, MI Energy Pty Ltd and MI EasyTrade Pty Ltd. She is also a director of SunRice and its subsidiary companies Rice Research Australia Pty Ltd and Riviana Foods, and a member of the Rice Marketing Board for the State of NSW.

- Leith Bouly is Chair of the Queensland SunWater LMA project, Chairman of Australian Water Recycling Centre of Excellence and Healthy Waterways Ltd. She is also a National Water Commissioner, a board member of Seqwater, Toowoomba Surat Basin Enterprise and Isis Central Sugar Mill.
- Nayce Dalton is Chairman of MI Holdings Pty Ltd, and is MI's alternate delegate to the National Irrigators' Council. He is also a director and the Deputy Chair of Yenda Producers Co-operative Society Pty Ltd.
- Kaye Dalton is Managing Director of the Risorsa Group Pty Ltd, and a director of Water Alliance Group Pty Ltd.
- Michael Nugent is a director of TransGrid.
- Frank Sergi is MI's alternate delegate to the NSW Irrigators' Council. He is an officer of a number of companies which include Pinnacle Accounting Partners Pty Ltd and Murrumbidgee Irrigation Limited's suppliers Action Motor Corporation Pty Ltd, Transitional Investments Pty Ltd and Highland Towers Pty Ltd.
- Peter Borrows was a director of MI Holdings Pty Ltd until 30 June 2015.

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 2014 are shown in Table 6.

Table 6: Directors' remuneration and sitting fees from 1 July 2014

Position	Annual Fee \$	Sitting Fee \$
Chairman	49,960	500
Independent and Member Directors	45,680	500

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 2015 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 Bouly 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, and 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. The committee also 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 executives. Gillian Kirkup 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 Michael Nugent and its membership comprises one independent director and two 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 senior executives' interests

Shareholder directors Gillian Kirkup, Nayce Dalton, Frank Sergi 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 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.

Our Constitution prohibits the Managing Director from holding voting shares in the company. In addition, the Board has determined that senior executives, including the Chief Executive Officer, 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 senior executive.

Code of conduct

Murrumbidgee Irrigation Limited has continued to promote investment in its internal culture, including 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

Significant areas such as legislative compliance, workplace health and safety, and management of environmental risks have continued to receive substantial attention, and directors confirm the ongoing management of business risks at an appropriate level. The Board has documented the risk appetite it applies when making decisions on behalf of the company.

Compliance

The company has met the requirements of its operating licence. Full compliance with the monitoring component of our Environmental Protection Licence 4651 was achieved.

Auditor's independence

Audit firm Grant Thornton was appointed as the company's auditor from 1 July 2014. The firm 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 2015.

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 on page 52 of this Annual Report.

Company Secretary

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

Meetings

The Board met in person 11 times during the year, and all meetings were held in Griffith. The duration of meetings was one to two days, including Committee meetings and site visits. Additionally, several teleconferences were held to deal with specific items requiring decisions between Board meetings and where it was cost effective to replace face-to-face meetings. 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 senior executives. Prior to each meeting, directors

are provided with detailed 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 the directors' attendance in Table 9.

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 while taking a lead role in improving the environment.

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 2014/15 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 Pty Ltd on a consolidated basis, as required by Australian Accounting Standards (Reduced Disclosure Requirements).

Table 7: Information on directors

Director	Special responsibilities and qualifications
Gillian Kirkup	Member Director. MI Chairman. Chair, Remuneration and Nominations Committee. Qualification: MAICD
Leith Bouilly	Independent Director. Chair, Audit and Risk Committee. Qualifications: BRuSc, DipBusStud, FAICD, FAIM, CDec
James (Nayce) Dalton	Member Director. Qualifications: MAICD, AdvDipAg
Kaye Dalton	Independent Director, appointed 25 November 2014. Qualifications: BSc (Forestry), GAICD
Michael Nugent	Independent Director. Chair, Infrastructure Committee Qualifications: FCPA, FAICD
Antonio (Tony) Sergi	Member Director
Frank Sergi	Member Director. Deputy Chairman. Qualifications: BBus, CPA
Markeeta Gibson	Independent Director, resigned 23 September 2014. Qualifications: BSc (SCREM), LLB, GradDipLaw, GAICD
Peter Borrows	Managing Director, resigned 1 July 2015. Qualifications: BE (UQ), Grad Dip in Bus Admin (QIT – now QUT), FIE (Aust), FAIM, FAICD

Review of operations

2014/15 produced a consolidated result of \$46,935,000 net profit before tax. Total revenue for the year was \$94,579,000 compared with \$87,046,000 for the previous year. The key differences being:

- Water deliveries for the year were 730 GL (2014: 700 GL) which contributed to total customer revenue of \$38,418,000; and
- Government and other revenue was \$51,079,000 which is mainly attributable to government funding for asset refurbishment and the recognition of PIIOP works.

Total expenditure for the year was \$47,644,000 compared with \$37,319,000 for the prior year.

The key differences being the movement in the environmental remediation provision, the increase in depreciation and the losses on disposal or impairment of assets for infrastructure upgrades.

An actuarial review of the fair value for the Local Government Defined Benefits Superannuation Scheme (LGSS) resulted in a net gain of \$2,148,000 (post tax) for 2014/15 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.

Future developments

The company's results are influenced by the level of its operating costs, the amounts

required to be set aside in reserves, and income derived from the sale of water and other sources. We are confident that our efforts to manage costs, coupled with efficient systems operation, will ensure a commercially acceptable outcome for the coming year.

Initial water allocations for 2015/16 provide an early indication that water availability will be within the range of the Network Service Plan assumptions. The Network Service Plan assumed an annual sales volume of 600 GL which is the MI's long-term average annual volume. MI will continue to monitor seasonal conditions and dam storage levels.

The implementation of the Murray-Darling Basin Plan continues to challenge the consolidated entity and the region due to the potential exit of water entitlements and reliability impacts from Supply Measures made under the Basin Plan. Continued engagement with the State Government and our irrigation peak bodies will be critical in mitigating the potential impact of Basin Plan implementation.

We remain committed to ensuring the company's core business activities continue to support growth in the diversity and productivity of the region.

Environmental regulation

Murrumbidgee Irrigation Limited is licensed under the *Protection of the Environment Operations Act 1997*. The licence includes authorised discharge and monitoring points and requires the company to develop and maintain chemical contingency plans, chemical control plans and pollution reduction programs. The licence requires monitoring of water quality parameters at sites that discharge outside our area of operations, including salinity, total nitrogen, total phosphorus, turbidity and specified agricultural chemicals, using a risk-based approach.

Murrumbidgee Irrigation Limited also operates under the *Water Management Act 2000* through access licences and approvals. These licences and approvals include environmental management conditions that focus on:

- water supply volume (allocation and diversions)
- water supply management (distribution and use)
- soil salinity and noxious aquatic weeds
- groundwater management (including groundwater quality)
- salinity and drainage strategy (application)

Table 8: Particulars of directors' interests in shares at 30 June 2015

Director	Directors' interest in shares		
	A Class	B Class	C Class
Gillian Kirkup	33	3,316	2
Nayce Dalton	1,109	3,323	-
Antonio Sergi	220	-	-
Frank Sergi	1,587	-	-

The conditions target water use efficiency, surface drainage, groundwater accessions, water borne salt loads, soil salinity and water table levels.

Murrumbidgee Irrigation Limited publishes a separate Annual Compliance Report (also available on our website, www.mirrigation.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*, water access licences and approvals.

Indemnifying Directors and Officers

Murrumbidgee Irrigation Limited indemnifies directors and senior executives 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 senior executives against the cost of successfully defending themselves against civil or criminal proceedings. The company has insurance policies that provide cover for permitted situations.

During 2014/15, the company paid a premium of \$53,780 (exclusive of GST and stamp duty) to provide liability insurance cover for directors and senior executives 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 senior executives 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 the insurance against legal costs and those relating to other liabilities, or between the officers' and the company 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 98/0100, 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 in certain cases, 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	11	11	5 ⁽⁴⁾	5 ⁽⁴⁾	3	3	4 ⁽⁴⁾	4 ⁽⁴⁾
Leith Bouilly	11	11	5	5	3	3		
James (Nayce) Dalton	11	11	5	5			4	4
Kaye Dalton ⁽¹⁾	7	6	2	1				
Markeeta Gibson ⁽²⁾	3	3	2	2				
Michael Nugent	10	10			3	2	3	3
Antonio (Tony) Sergi	11	11			3	3	4	4
Frank Sergi	11	10	5	4				
Peter Borrows ⁽³⁾	11	11						

⁽¹⁾ Appointed 25 November 2014 ⁽²⁾ Resigned 23 September 2014 ⁽³⁾ Resigned 30 June 2015 ⁽⁴⁾ Attended 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

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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 2015, 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 W Passaris
Partner – Audit and Assurance

Melbourne, 2 September 2015

Grant Thornton ABN 13 871 256 387
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 555 389

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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.

Auditor

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.

GK

Gillian Kirkup
Chairman
at Hanwood, NSW on 2 September 2015.

Financial statements

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Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Notes	2015 \$'000	Restated 2014 \$'000
REVENUE			
Operations	6	38,418	36,762
Government and other	6	51,079	45,811
Investments		5,082	4,473
Total Revenue		94,579	87,046
EXPENDITURE			
Bulk water		7,679	6,759
Contractors and consultants - operating	7	2,438	(463)
Contractors and consultants - PIIOP (recoverable)		4,408	548
Depreciation	13	7,181	6,199
Employment related	7	16,569	16,230
Impairment of assets	13	500	0
Net loss (gain) on disposal of assets		896	(109)
Operation and materials		4,514	4,602
Other	7	2,120	2,081
Utilities		1,339	1,472
Total Expenditure		47,644	37,319
Profit before tax		46,935	49,727
Income tax benefit/(expense)	14	1,431	(11,262)
Profit for the year		48,366	38,465
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation		3,069	3,237
Income tax expense on items recognised directly in equity		(921)	(971)
Other comprehensive income for the year net of tax	5	2,148	2,266
Total comprehensive income for the year		50,514	40,731

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 2015

	Notes	2015 \$'000	Restated 2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	84,720	45,716
Trade and other receivables	10	26,547	21,447
Inventories	11	1,027	925
Other assets	12	1,306	369
Total current assets		113,600	68,457
Non-current assets			
Financial assets	9	37,246	47,576
Other receivables	10	1,258	401
Property, plant and equipment	13	282,718	257,802
Intangible assets	15	130,227	132,772
Total non-current assets		451,449	438,551
Total assets		565,049	507,008
LIABILITIES			
Current liabilities			
Trade and other payables	16	8,440	8,801
Provisions	17	5,294	6,197
Deferred revenue	18	66,465	50,429
Current tax liability		1,785	3,532
Total current liabilities		81,984	68,959
Non-current liabilities			
Provisions	17	553	113
Deferred tax liabilities	14	34,746	37,473
Other liabilities	19	8,303	11,514
Total non-current liabilities		43,602	49,100
Total liabilities		125,586	118,059
Net assets		439,463	388,949
EQUITY			
Contributed equity	21	273,734	273,734
Retained profits	22	122,770	115,215
Asset reserve	23	42,959	0
Total equity		439,463	388,949

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 2015

	Notes	Share Capital \$'000	Asset reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2013		273,734	0	73,486	347,220
Adjustment	1(v)	0	0	998	998
Restated balance as at 1 July 2013		273,734	0	74,484	348,218
Profit for the year		0	0	38,465	38,465
Actuarial profit of defined benefit plans recognised directly in equity		0	0	3,237	3,237
Income tax on items recognised directly in equity		0	0	(971)	(971)
Other comprehensive income for the year	5	0	0	2,266	2,266
Total comprehensive income for the year		0	0	40,731	40,731
Restated balance as at 30 June 2014		273,734	0	115,215	388,949
Profit for the year		0	0	48,366	48,366
Transfer retained earnings to opening balance asset reserve		0	42,959	(42,959)	0
Actuarial profit of defined benefit plans recognised directly in equity		0	0	3,069	3,069
Income tax benefit on items recognised directly in equity		0	0	(921)	(921)
Other comprehensive income for the year	5	0	0	2,148	2,148
Total comprehensive income for the year		0	42,959	7,555	50,514
Balance as at 30 June 2015		273,734	42,959	122,770	439,463

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

Consolidated statement of cash flows for the year ended 30 June 2015

	Notes	2015 \$'000	Restated 2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		45,657	41,297
Payments to suppliers and employees (inclusive of goods and services tax)		(41,091)	(40,899)
Cash generated from operations		4,566	398
Receipts from annual water trading and leasing of water and land		3,053	4,637
Receipts from termination charges		19	65
Receipts from Government contributions		52,617	45,007
Income tax paid		(431)	0
Net cash generated by operating activities		59,824	50,107
Cash flows from investing activities			
Payments to acquire financial assets		(19,470)	(5,570)
Proceeds on sale of financial assets		20,728	0
Payments for property, plant and equipment		(39,828)	(42,706)
Proceeds on sale of property, plant and equipment		3,976	2,773
Interest and investment income received		4,778	3,546
Net cash (used in) investing activities		(29,816)	(41,957)
Cash flows from financing activities		0	0
Net increase in cash and cash equivalents		30,008	8,150
Cash and cash equivalents at the beginning of the year		45,716	37,566
Cash and cash equivalents at the end of the year	9	75,724	45,716

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

Notes to the financial statements as at 30 June 2015

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

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).

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.

The directors have determined that Murrumbidgee Irrigation Limited is permitted to apply the Tier 2 reporting requirements (Australian Accounting Standards - RDR as set out in AASB 1053 Application of Tiers of Australian Accounting Standards - RDR because it is a not-for-profit private sector entity that does not have public accountability. As such, the directors have adopted AASB 1053 Application of Tiers of Australian Accounting Standards - RDR effective from 1 July 2014.

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.

(b) Basis of consolidation

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.

Control is achieved where Murrumbidgee Irrigation Limited:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

(c) Revenue recognition

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:

- 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.
- 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.
- 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. As the consolidated entity is obligated under the terms of the funding agreements to undertake the relevant works on MIA EnviroWise activities or refund the unexpended portion of the funds held at balance date, unexpended contributions are brought to account as a liability until the work has been completed.

- 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. As the consolidated entity is obliged under the terms of the funding agreement to undertake the relevant asset refurbishment works or refund the money, any unexpended funds at balance sheet date are brought to account as a liability.
- 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.
- Leasing of water and property: Revenue is recognised on a straight line basis over the term of the lease.
- Interest income: Interest income is recognised as it accrues.
- 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.
- Temporary transfer of water: Revenue from the temporary transfer of water is recognised when the risks and rewards have passed to the buyer.
- Termination charges: A charge is levied on cancellation of delivery entitlements. This charge for 2014/15 was based on a multiple of 10 times fixed charges in accordance with ACCC water charge rules.
- Irrigator contributions for future asset refurbishment: Contributions are based on the annuity required to fund the future modification and replacement of existing infrastructure due to wear, tear and obsolescence or destruction. The annuity calculation accounts for remaining funds from ARFD and expected interest returns and CPI prediction. Revenue is recognised on issue of fixed charges invoice.

(d) Income tax

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.

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 currently 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 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 PIIOP revenue and expenses. Under these provisions all PIIOP related revenue is exempt from tax and expenditure is not claimable. Following this adoption, amendments were made to the 2011 and 2012 tax returns, where PIIOP related balances had previously been included, to remove these amounts from the assessable income and expenses in those years.

(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. From 2014/15, 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, is no longer charged to the Statement of Profit or Loss as incurred, and is now 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 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 financial assets with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(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 98/0100, 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.

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.

Note 1. Summary of significant accounting policies continued

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.

(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 26.
- (iii) Provision for long service leave - oncosts do not include superannuation as the majority of leave is generally paid on termination.

(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.

The value of Water – High Security and General Security, acquired in prior years by the entity but not previously brought to account, has been recognised directly to equity as at 1 July 2014, at the value of the water shares as at the date of privatisation.

This error has been rectified by restating each of the affected financial statement line items for 2014 as follows:

Statement of Financial Position (extract)	Previous amount \$'000	Adjustment \$'000	Restated Balance \$'000
Intangible Assets	131,774	998	132,772
Retained Profits	114,217	998	115,215

The Statement of profit or loss in 2014 has been reclassified to show revenue and expense items by nature and not function. This change has been made to better reflect the nature of revenue and expenses and has resulted in no change to the recorded profit.

In the 2014 financial statements, revenue of \$4,195,000 from the transfer of water to the Australian Government under PIOP was shown as a contra expense. In the 2015 financial statements, the amount has been restated as revenue in the comparative figures.

(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 2 September 2015.

(x) Application of new and revised Accounting Standards

The following Standard and Interpretation was adopted for the first time in the year ended 30 June 2015 financial report:

AASB119 Employee Benefits - To satisfy the requirements of AASB119, the consolidated entity has changed the discount rate used in measuring its defined benefits obligations and other long term employee benefits, from the Australian government bond rate to the high quality corporate bond rate. The consolidated entity has included \$3,637,171 of actuarial gains arising from this change in financial assumptions (see Note 20).

The adoption of this standard has had no material impact on the financial statements of the consolidated entity.

AASB 10 Consolidated Financial Statements - AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

AASB 10 became applicable to not-for-profit entities for annual reporting periods beginning on or after 1 January 2014.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

Note 2.	Segment reporting
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Revenue and expenses by activities (\$'000)

	Customer operations	Water savings	Investments	Government and other activities	Hanwood Estate Property Trust	Inter-company	Total
2015							
Revenue	35,629	2,799	5,033	51,079	872	(833)	94,579
Expenses	40,465	0	0	7,140	872	(833)	47,644
(Loss)/profit before tax	(4,836)	2,799	5,033	43,939	0	0	46,935
2014							
Revenue	32,394	4,391	4,440	45,811	811	(801)	87,046
Expenses	36,519	0	0	790	811	(801)	37,319
(Loss)/profit before tax	(4,125)	4,391	4,440	45,021	0	0	49,727

Note 3.	Parent entity disclosure
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Statement of profit or loss and other comprehensive income of the parent entity
Murrumbidgee Irrigation Limited

	2015 \$'000	Restated 2014 \$'000
Operations revenue	43,461	41,225
Government and other revenue	51,079	45,811
Total revenue	94,540	87,036
Customer expenditure	40,465	36,519
Government and other expenditure	7,140	790
Total expenditure	47,605	37,309
Profit before tax	46,935	49,727
Income tax benefit/(expense)	1,431	(11,262)
Profit for the year	48,366	38,465
Other comprehensive income		
Actuarial gain of defined benefit plan recognised directly in equity	3,069	3,237
Income tax expense on items recognised directly in equity	(921)	(971)
Other comprehensive income for the year net of tax	2,148	2,266
Total comprehensive income for the year net of tax	50,514	40,731

Statement of financial position of the parent entity Murrumbidgee Irrigation Limited

Current assets	113,153	67,829
Non-current assets	451,890	439,175
Total assets	565,043	507,004
Current liabilities	81,960	68,937
Non-current liabilities	43,602	49,100
Total liabilities	125,562	118,037
Net assets	439,481	388,967
Contributed equity	273,734	273,734
Reserve	42,959	0
Retained profits	122,788	115,233
Total equity	439,481	388,967

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	
			2015	2014	2015	2014
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:

	2015 \$'000	2014 \$'000
Actuarial gains of defined benefits plan recognised directly in equity	3,069	3,237
Income tax on items recognised directly in equity	(921)	(971)
Net income recognised directly in equity	2,148	2,266

Note 6. Revenue

	2015 \$'000	2014 \$'000
Customer Revenue		
Fixed charges - asset refurbishment	3,100	3,100
Fixed charges - other	15,795	14,996
Usage	7,787	7,084
Bulk water	7,469	5,944
Contract and other	1,467	1,247
Total customer revenue	35,618	32,371
Water savings sales	2,799	4,391
Total operating revenue	38,418	36,762
Government and other revenue		
PIIOP - infrastructure funding	26,962	27,271
PIIOP - sale of water	12,257	4,194
Asset Refurbishment	10,445	12,939
EnviroWise/Other	1,385	1,407
Total government and other revenue	51,079	45,811

Note 7. Expenses

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

	2015 \$'000	2014 \$'000
Salaries and wages	13,462	12,907
Superannuation	1,437	1,363
Labour oncosts	2,903	2,823
Defined benefit contribution	459	459
Labour recoveries	(1,692)	(1,322)
Total employment related	16,569	16,230
Legal	529	619
Consultants	683	531
Audit and taxation advisors	70	97
Environmental	353	610
Expense/(reversal) of environmental remediation provision	785	(2,320)
Other	18	0
Total contractors and consultants - operating	2,438	(463)
Insurance	668	650
Information Technology	694	529
Fees and charges	239	333
Other	519	569
Total other	2,120	2,081

Note 8.	Remuneration of auditors
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	2015 \$	2014 \$
(a) Auditor of the parent entity		
Audit of the financial report	60,000	71,070
Audit of financial report - additional services	7,515	2,230
	67,515	73,300

In November 2014, Grant Thornton was appointed auditor of the consolidated entity.
Prior to November 2014, Deloitte Touche Tohmatsu was the auditor.

	2015 \$	2014 \$
(b) Other auditors		
Audit or review of the financial report of Hanwood Estate Property Trust	1,545	1,391
Other assurance services	80,854	86,555
	82,399	87,946

Other assurance services 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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For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in the banks and investments in money market instruments with terms of less than 12 months. The cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Notes	2015 \$'000	2014 \$'000
Cash at bank and on hand		75,724	45,716
Financial assets - current		8,996	0
Balance as per statement of cash flows		84,720	45,716
Financial assets - non-current		37,246	47,576
Total cash and cash equivalents		121,966	93,292

Included in the above cash and cash equivalents are the following:

		2015 \$'000	2014 \$'000
Cash held for Private Irrigation Infrastructure Operators Program		57,478	32,044
Cash held for asset refurbishment - roads, bridges and culverts		8,316	6,728
Cash held for asset reserve	23	17,322	0
Unrestricted operational cash		38,850	54,520
Total cash and cash equivalents		121,966	93,292

Note 10.	Trade and other receivables
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	2015 \$'000	2014 \$'000
Current trade and other receivables:		
Trade receivables	4,323	14,727
Less: Allowance for doubtful debts	(155)	(154)
	4,168	14,573
Other receivables	22,389	6,924
Less: Allowance for doubtful debts	(10)	(50)
	22,379	6,874
Total current receivables	26,547	21,447
Non-current trade and other receivables:		
Other receivables	1,258	401
Total non-current receivables	1,258	401
Total receivables	27,805	21,848

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.

Note 10. Trade and other receivables *Continued*

	2015 \$'000	2014 \$'000
Movement in the allowance for doubtful debts:		
Balance at the beginning of the year	204	184
Impairment losses recognised on receivables	51	111
Amounts written off during the year as uncollectable	(63)	0
Amounts recovered during the year	(27)	(91)
Balance at end of the year	165	204

Note 11. Current assets — inventories

	2015 \$'000	2014 \$'000
General inventory, chemicals and construction materials – at cost	1,027	925
Total inventories	1,027	925

Note 12. Other assets - other

	Notes	2015 \$'000	2014 \$'000
Prepayments		1,215	369
Assets held for re-sale	13	91	0
Total other assets		1,306	369

Note 13. Property, plant and equipment

	2015 \$'000	2014 \$'000
Net book values:		
Land	8,324	13,302
Earth channels and infrastructure	223,791	170,394
Buildings and cottages	10,021	10,456
Plant	2,017	2,074
Office and scientific equipment	2,758	3,312
Motor vehicles	3,317	3,244
In course of construction	32,490	55,020
Balance as at 30 June	282,718	257,802

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)
Carrying amount at 1 July 2014	13,302	170,394	10,456	2,074	3,312	3,244	55,020	257,802
Acquisitions	0	0	8	519	165	1,846	37,290	39,828
Disposals	(2,666)	(811)	(32)	(137)	(46)	(1,179)	0	(4,871)
Depreciation		(5,073)	(363)	(439)	(712)	(594)	0	(7,181)
Transfers in (out) ¹	(42)	59,781	(48)	0	39	0	(59,820)	(90)
Impairment of Assets ²	0	(500)	0	0	0	0	0	(500)
Adjustments ³	(2,270)	0	0	0	0	0	0	(2,270)
Balance at 30 June 2015	8,324	223,791	10,021	2,017	2,758	3,317	32,490	282,718

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

¹ The net transfers of \$90,520 represents the transfer out of assets now held for resale (refer to Note 12).

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

³ An adjustment of \$2,269,510 was made to reduce the value of land, as this represented the reclassification of water acquired at the time of purchase. The value of the Water – High Security and General Security (refer to Note 15) was increased by this amount.

Note 14.	Income taxes
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	2015 \$'000	2014 \$'000
Tax expense comprises:		
Current tax expense		
In respect of the current year	(2,132)	(3,532)
Total current tax expense	(2,132)	(3,532)
Deferred tax expense		
Deferred tax expense relating to the recognition and reversal of temporary differences	3,647	(4,152)
Reversal of PIIOP depreciation and black hole expenditure previously claimed as a result of election made in 2014	0	(3,307)
Adjustments recognised in the current year in relation to the tax of prior years	(84)	(271)
Total deferred tax benefit/(expense)	3,563	(7,730)
Total current tax benefit/(expense) relating to continuing operations	1,431	(11,262)
The expense for the year can be reconciled to the accounting profit as follows:		
Profit from continuing operations	46,935	49,727
Income tax expense calculated at 30%	(14,080)	(14,918)
Effect of revenue that is exempt from taxation	8,860	7,259
Effect of expenses that are not deductible in determining taxable profit	(87)	(25)
Reversal of PIIOP depreciation and black hole expenditure previously claimed as a result of NANE election made in 2014	0	(3,307)
Adjustments recognised in the current year in relation to the tax of prior years	(84)	(271)
Other timing differences	5,933	0
Research and development tax offset	889	0
Income tax benefit/(expense) recognised in profit or loss	1,431	(11,262)

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

	2015 \$'000	2014 \$'000
Capital allowances and depreciation	39,276	42,907
Retirement obligation	(2,491)	(3,411)
Employee entitlements	(1,383)	(1,297)
Early PIIOP establishment costs	(206)	(309)
Other	(450)	(417)
Deferred tax liabilities	34,746	37,473

Note 15.	Intangible assets
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	Notes	2015 \$'000	Restated 2014 \$'000
Water - conveyance at cost (parent entity)		104,125	107,652
Water - High Security and General Security		25,637	24,660
Water - at cost (controlled entity)		442	442
Shares held in another company		23	18
Total water		130,227	132,772
Reconciliation - water			
Carrying amount 1 July		132,772	134,953
Water - conveyance (sold) during year		(3,527)	(2,185)
Water - High Security and General Security (sold) during year		(1,371)	0
Water - High Security and General Security acquired during year		79	0
Water - High Security and General Security reclassified from land	13	2,270	0
Shares acquired during year		4	4
Carrying amount		130,227	132,772

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 16. Trade and other payables

	2015 \$'000	2014 \$'000
Trade payables	3,229	1,404
Accruals	5,211	7,397
Total trade and other payables	8,440	8,801

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 17. Provisions

	Notes	2015 \$'000	2014 \$'000
Environmental remediation	26		
Opening balance		1,489	3,844
Expense to/(write back) of provision		776	(2,321)
Expenses		(1,480)	(34)
Closing balance		785	1,489
Employee entitlements			
Annual leave		1,344	1,269
Long service leave		3,718	3,552
Total provisions		5,847	6,310
Current		5,294	6,197
Non-current		553	113
Total provisions		5,847	6,310

Note 18. Deferred revenue

	Notes	2015 \$'000	2014 \$'000
MIA EnviroWise - Government	1 (c) (iii)	1,657	2,738
MIA EnviroWise - Irrigators	1 (c) (iii)	5,830	6,124
Asset refurbishment - Government	1 (c) (iv)	15,922	18,212
Private Irrigation Infrastructure Operators Program	1 (c) (v)	42,214	22,017
Customer security deposits		238	1,090
Other		604	248
Total Deferred Revenue		66,465	50,429

Note 19. Other liabilities

	Notes	2015 \$'000	2014 \$'000
Retirement benefit obligation	20	8,303	11,372
Reinstatement of Delivery Entitlements		0	142
Total other liabilities		8,303	11,514

Note 20. 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 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 2012 by Mercer Consulting (Australia) Pty Ltd. The next actuarial investigation is due as at 30 June 2015 and will be released in the 2015/16 financial year. 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 20. 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 (2014: government 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 (2014: government bonds) will increase the entity's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.
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:

	2015 \$'000	2014 \$'000
Defined benefit obligations	27,614	29,195
Fair value of defined benefit plan assets	(19,311)	(17,823)
Net liability	8,303	11,372
Classified as:		
Non-current liability	8,303	11,372

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

	2015 \$'000	2014 \$'000
Defined benefit obligation 1 July	29,195	31,435
Current service cost	363	386
Interest cost	1,016	1,164
Actuarial (gains)/losses arising from changes in financial assumptions	(3,637)	882
Actuarial losses/(gains) arising from liability experience	1,627	(3,046)
Benefits paid	(820)	(1,492)
Taxes, premiums and expenses paid	(130)	(134)
Defined benefit obligation 30 June	27,614	29,195

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

	2015 \$'000	2014 \$'000
Fair value of plans assets 1 July	17,823	16,826
Interest income	622	622
Actual return on fund assets less interest income	1,046	1,235
Employer contributions	770	766
Benefits paid	(820)	(1,492)
Taxes, premiums and expenses paid	(130)	(134)
Fair value of plans assets 30 June	19,311	17,823

Note 20. 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 (\$)	Quoted prices in active markets for identical assets Level 1 (\$)	Significant observable inputs Level 2 (\$)	Unobservable inputs Level 3 (\$)
Unlisted Securities and Trusts	3,284,047	0	3,008,230	275,817
Total	3,284,047	0	3,008,230	275,817

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

	2015	2014
Discount rate at 30 June	4.55%	3.57%
Salary growth rate	4.00%	4.00%
Expected rate of CPI increase	2.50%	2.50%

All other assumptions were those used in the 30 June 2012 triennial valuation of the Local Government Superannuation Scheme.

Note 21. Contributed equity

(a) Ordinary shares – fully paid

	2015 \$'000	2014 \$'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

	2015 Shares No.	Terminated or cancelled shares No.	2014 Shares No.
A Class Shares	264,537	(4,367)	268,904
B Class Shares	609,816	(24,000)	633,816
C Class Shares	17,669	(353)	18,022
Total ordinary shares	892,022	(28,720)	920,742

(c) Voting rights

	2015	2014
Voting rights attached to A Class shares	1,479	1,478
Voting rights attached to B Class shares	1,067	1,071
Voting rights attached to C Class shares	0	0

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 22. Retained profits		
	2015 \$'000	Restated 2014 \$'000
Retained profits at the beginning of the financial year	115,215	74,484
Total comprehensive income for the year	50,514	40,731
Transfer to asset reserve	(42,959)	0
Retained profits at the end of the financial year	122,770	115,215

Note 23.		Asset reserve	
	Notes	2015 \$'000	2014 \$'000
Asset reserve at the beginning of the financial year		0	0
Transfer from retained profits	22	42,959	0
Asset reserve at the end of the financial year		42,959	0
Asset reserve is funded by the following investments			
Water - High Security and General Security	15	25,637	0
Cash and cash equivalents	9	17,322	0
Total funding		42,959	0

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 2015, the market value of the water was approximately \$42,400,000.

Note 24. 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 2014. 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.

Note 24. Financial instruments Continued

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 25. Key management personnel compensation

- a) The directors and other members of key management personnel of the consolidated entity during the year were:
- (i) Directors
 - (ii) Non-executive Chairman G L Kirkup
 - (iii) Non-executive Directors L E Bouilly, J I Dalton, M Gibson (resigned 23 September 2014), M R Nugent, A J Sergi, F S Sergi, K L Dalton (appointed 25 November 2014)

(iv) Key management personnel

Name	Position
P C Borrows	Managing Director (resigned 1 July 2015)
R C Belcher	Executive Manager Delivery (resigned 5 September 2014)
D M Gilbert	Executive Manager Planning
C N Onley	Senior Financial and Information Systems Manager (commenced 29 June 2015)
D P Radue	Company Secretary
A T Reilly	Chief Financial Officer (resigned 26 June 2015)
J J Rudd	Executive Manager Delivery (commenced 31 March 2015)
M G Thorpe	Executive Manager Operations (acting Chief Executive Officer from 1 July 2015)

- (b) Key management personnel compensation:

	2015 \$	2014 \$
(i) Directors (excluding Managing Director)		
Short-term benefits	379,564	371,325
Post-employment benefits	30,111	29,894
Total compensation	409,675	401,219
(ii) Executive (including Managing Director)		
Short-term benefits (including payment of leave entitlements on retirement)	1,249,354	1,280,169
Post-employment benefits	119,144	105,278
Total compensation	1,368,498	1,385,447

- (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:

	2015	Movement	2014
Ordinary shares			
A Class	2,949	324	2,625
B Class	6,649	654	5,995
C Class	2	0	2
Total ordinary shares	9,600	978	8,622

- (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.

	2015 \$'000	2014 \$'000
Value of transactions		
Water supply and drainage services	133	270
Receivable balance at reporting date	12	123

- (e) Loans to key management personnel

There are no loans to key management personnel.

Note 26. Environmental remediation

The consolidated entity revised the provision for environmental remediation costs associated with one site in the 2013/14 financial statements. In March 2014, the Environment Protection Authority (EPA) approved the entity's remedial action plan and work was undertaken and completed in the 2014/15 year. A new provision was raised in the 2014/15 year for additional 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 the 2014/15 year. The balance as at 30 June 2015 was \$785,000 (2014: \$1,489,000).

The provision of \$785,000 (2014: \$1,489,000) included in Note 17 represents the directors' best estimate of the likely cost of remediating the one site currently identified as requiring remediation.

Note 27. Commitments for expenditure**Capital commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date, but not recognised as liabilities, payable not later than one year

2015 \$'000	2014 \$'000
2,139	3,121

Note 28. 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 29. 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 36 to 53:

- (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 2015 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.



Gillian Kirkup
Chairman
Hanwood, NSW
2 September 2015

Independent auditor's report



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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 2015, 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 2015 and of its performance for the year then ended;
- 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 & Assurance

Melbourne, 2 September 2015

Company directory

as at 2 September 2015

Murrumbidgee Irrigation Limited

ABN	39 084 943 037
Directors	Gillian Kirkup (Chairman) Frank Sergi Leith Bouilly Nayce Dalton Kaye Dalton Michael Nugent Antonio Sergi
Company Secretary	Dorian Radue
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Insurance brokers	Strathearn Insurance Brokers NORTH SYDNEY NSW 2060
Solicitors	Norton Rose Fulbright SYDNEY NSW 2000

Abbreviations and acronyms

Acronym	Description	Acronym	Description
AASB	Australian Accounting Standards Board	MIARA	MIA Renewal Alliance
ABN	Australian Business Number	ML	Megalitre
ACCC	Australian Competition and Consumer Commission	NSP	Network Service Plan
AGM	Annual General Meeting	PIIOP	Private Irrigation Infrastructure Operators Program
ARFD	Asset Refurbishment Funding Deed	SAS	Small Area Supplies (excluding IHS)
CPI	Consumer Price Index	S&D	Stock and Domestic
EC	Electrical conductivity (salinity)	SMS	Short messaging service
GL	Gigalitre	TJ	Terra Joules
GS	General Security	WIP	Work in progress
GST	Goods and Services Tax	%	Percentage
ha	Hectare		
HS	High Security		
IHS	Integrated Horticulture Supply		
I/MH	Injuries per million hours		
ktCO ₂ -e	Kilotonnes of carbon dioxide equivalents		
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		

Photo credits

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