Murrumbidgee Irrigation

2019 ANNUAL REPORT

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MURRUMBIDGEE IRRIGATION LIMITED
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This report is a summary of our company performance and key activities from 1 July 2018 to 30 June 2019.

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

This report is available electronically on the Company website *www.mirrigation.com.au/About-Us/Annual-Reports.*

ANNUAL GENERAL MEETING 2019

The twenty first Annual General Meeting of shareholders will be held on **Monday 11 November 2019** at the Leeton Soldiers Club, Yanco Avenue, Leeton. Registration is from 7.00pm for a 7.30pm start.

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Nayce Dalton, Chair.

Brett Jones, Chief Executive Officer.

Foreword

It has been another year of considerable change across our network and the business - change that will set us, and our customers, up for success over the next 50 years.

A tremendous amount has been achieved in 2018/19, including continuing to modernise and simplify our asset base to support our customers' business needs.

The past three years of extensive modernisation works have provided a more responsive system better equipped to adapt to changing conditions and capture every last drop of water, ready for when allocations turn around. The works have already helped us respond better to variable supply conditions through the river shortages over the past year.

In 2018/19, we have been focusing on upgrading outlets, so they are automation ready. Through this process customers have taken the opportunity to reset their delivery needs to match their business, resulting in fewer outlets and lowers costs for customers and the Company. We have also conducted an audit of unmetered outlets across our area of operations, to better understand how and where water is being used.

As part of our rationalisation program we have also been removing redundant assets including channels, regulators, bridges and culverts, where they have become unsafe or are restricting flow across the network. Our objective is to only retain and maintain the assets that we need to deliver the services our customers want and to keep our costs on a fair price path.

We are one year into our new approach to customer engagement, with teams dedicated to working with customers to understand their business and provide key points of contact for the services they need.

This year we have held 24 meetings about delivery entitlements and flow rate assurance, with over 250 customers from traditional horticultural areas. The conversations highlighted the huge amount of water reform over the last 20 years, the importance of understanding how water delivery capacity is shared, and the impacts of changing farm practices across our customer base.

In December, many years of hard work culminated in Wah Wah Stock and Domestic farmers forming their own Private Irrigation District, after we handed over ownership of the new Gunbar Water Pipeline to Gunbar Water.

The handover has resulted in a significant change to our area of operations, removing over 300,000 hectares. The project has provided pressurised filtered water to 62 landholdings that previously had water delivered only twice a year. It has also saved over 9,000ML of water that was being lost every year through seepage and unauthorised access.

The MIA is a fantastic example of what a region can do when it has access to productive water, with our producers and industry working together to adapt to the changing nature of water use. Hence, we have actively sought infrastructure funding to set this region up for success in a future with less water.

The $348M investment in modernising our network, through the Private Irrigation Infrastructure Operators Program (PIIOP), has directly benefited customers through efficiency and productivity.

This PIIOP funding comes at a cost and that cost is water. The water savings are realised through new or reconfigured infrastructure, and this is water that was otherwise lost. Overall, the program has saved more water than the 52,279ML of water returned to government for environmental use.

There is no doubt that the hard work we have done in securing investment for water savings has protected the region from further water buybacks. However, we remain exposed to losing water from this area, with 605GL still to be accounted for through State projects, before the Basin Plan is complete. These projects are essential to protect productive water in the MIA, and we have been actively lobbying our NSW Water Minister and industry bodies over the past year to ensure that these projects, or the equivalent, go ahead.

In addition to the lingering Basin Plan threats from buybacks, the current climatic and market conditions have left us exposed to the loss of High Security water from the MIA. Over the past decade we have seen High Security water entitlements being sold out of the area. The diversity of crops and water entitlements in the MIA is what sets us apart from other irrigation districts, enabling us to better respond to changing conditions. It is an important part of the region's success, even throughout dry periods, and the loss of such an asset to the region could be comparable to the Basin Plan in impacts.

On a closing note, we would like to acknowledge Leith Boully and Frank Sergi, who are retiring from the MI Board at our AGM this year. Leith has served on the Board for 14 years, chairing several committees, and providing strong governance discipline and a commercial outlook. Frank stepped down as Chair of MI in March, after overseeing the most significant period of change in our history, championing an extensive automation program and driving positive changes in how we do business. We thank Frank and Leith for their dedication to MI and wish them all the best for the future.

Three year snapshot

GENERAL INFORMATION	Measure	2018/19	2017/18	2016/17
Total area of MIA	ha	**378,911**	680,500	670,000
Company water licences	ML	**1,103,659**	1,115,229	1,119,671
Total delivery entitlements in issue	Number	**1,221,511**	1,171,297	1,087,282
Landholdings	Number	**3,260**	3,276	3,314
Total area of irrigated crops	ha	**89,917**	140,992	117,900
Employees (equivalent full-time, including externally funded)	Number	**157**	181	181
Employees externally funded by PIIOP	Number	**9**	22	29
Lost time injury frequency rate	I/MH	**6.6**	9.4	6.4

FINANCIAL	Measure	2018/19	2017/18	2016/17
Profit before tax and depreciation	$'000	**30,620**	88,539	39,855
Customer operations (loss)/profit before tax and depreciation	$'000	**(1,342)**	898	107
Customer operations loss before tax	$'000	**(12,216)**	(9,451)	(7,750)
Water savings revenue	$'000	**4,054**	9,154	1,602
Investment revenue	$'000	**4,201**	5,613	5,345
Government revenue	$'000	**75,244**	103,427	46,640
Net assets	$'000	**595,808**	576,788	501,911
Asset reserve (book value)	$'000	**51,236**	51,236	50,559
Sponsorship and donations	$'000	**9**	19	27

WATER SUMMARY	Measure	2018/19	2017/18	2016/17
Water available				
Carryover from previous year	ML	**129,520**	242,383	164,664
Govt. announced allocation (all licences)	ML	**467,805**	714,109	964,088
Temporary transfers into MIA	ML	**75,042**	189,525	69,385
Supplementary flows from river	ML	**0**	12,288	23,736
Internal surplus flows (eg from rainfall)[1]	ML	**1,273**	1,603	49,226
Total	ML	**673,640**	1,159,908	1,271,099
Water accounted				
Total water delivered (all licences, inc. surplus flows)	ML	**588,287**	947,407	828,818
Temporary transfers out of MIA	ML	**63,241**	82,981	182,481
Carryover into following year	ML	**22,112**	129,520	242,383
Spill to Govt. resource set[2]	ML	**0**	0	17,417
Total	ML	**673,640**	1,159,908	1,271,099
Allocations				
Special purpose High Security (Towns, S&D)	% of entitlement	**100%**	100%	100%
High Security	% of entitlement	**95%**	95%	100%
General Security	% of entitlement	**7%**	45%	100%
Additional Water[3]	% of entitlement	**3%**	4%	4%

Notes: 1. This does not include flows released through the floodway and overland. 2. Water remaining in licences that cannot be carried over into following year. 3. For eligible customers who hold more than 250 Delivery Entitlements.

Year in review

JULY 2018

South-West modernisation works

We ramped up supply across the MIA, with interruptions due to modernisation works on the Sturt Canal and south-western parts of the network, and maintenance on the Main Canal, drawing to a close.

AUGUST

Winter modernisation works complete

The final touches were put on MI's modernisation works in the Sturt Canal, Benerembah, Wah Wah, Tabbita, and Warburn channels. The extensive 2018 modernisation works built on from the automation of the Main Canal in 2017. The works were completed on, or ahead of schedule and were critical in enabling us to maximise the benefits of the projects already completed across the MIA.

Transition to automation

Our Sturt Canal, Warburn, Benerembah, Tabbita, Wah Wah, Bilbul and Widgelli structures changed over from manual to automated operation.

Emergency Drought Assistance Relief announced

As part of its Emergency Drought Relief Package, the NSW Government announced that it would provide financial assistance of up to $4,000 to all General Security and supplementary water access licences in rural and regional NSW. The rebate applied to the fixed component of the Government Bulk Water charge.

SEPTEMBER

Australian Institute of Company Directors session

Twenty-two people took the opportunity to attend an information session delivered by the Australian Institute of Company Directors (AICD), which we hosted in Griffith.

Additional water allocation

MI announced a 3% additional water allocation to eligible customers. The 3% additional water allocation was available to customers who hold more than 250 delivery entitlements (excluding Towns, WWSD and Cudgel Creek pricing groups).

OCTOBER

Environmental watering

Environmental flows were delivered to several sites across the MIA. These environmental flows, managed by the Office of Environment and Heritage (OEH), included the watering of the Ramsar listed Fivebough swamp in Leeton. With reduced rice plantings this season, this watering was critical in supporting Australasian bittern breeding. The OEH is one of our customers and we work with them to ensure their environmental water orders are delivered in the best way possible.

Engineering solution saving water

We used a 10ML pump at Deadman's Check, near Tharbogang, to redirect escape water back into our system before it reached Barren Box Storage. On average the pump redirected 8ML a day back into our system for use.

Main Canal/Mirrool Creek floodgate works

Works commenced on the reinstatement of floodgates near the East Mirrool Regulator.

Final WWS&D MI watering

The final Wah Wah Stock & Domestic watering using MI channels commenced in October. Additional resources were allocated towards managing this final watering in the most efficient way possible to minimise system losses.

NOVEMBER

Annual General Meeting

Around 70 MI shareholders attended our twentieth Annual General Meeting at the Exies Club in Griffith on 12 November.

All six resolutions were carried by shareholders, including making amendments to the Company's Constitution to introduce an annual election pattern for Member Directors.

Shareholders also voted in favour of reappointing Peter Borrows as an Independent Director for a further three-year term.

Blow grass removal

We were kept busy removing blow grass from channels. Blow grass is an ongoing issue throughout our network and had been particularly troublesome due to dry and windy conditions.

The build-up of blow grass in some channels resulted in blockages at regulators. Our staff worked long hours to ensure customers supply needs were met, removing the blow grass with the use of several excavators.

Getting connected: radio towers supporting change to automation

Radio towers were installed across the MIA network to support our change to automation.

There are several areas now operating under full automation and we have seen reductions in escape losses and improved delivery efficiency as a result. Testing of these systems continued over the next few months.

DECEMBER

Gunbar Water Pipeline launch

We officially launched Gunbar Water Pipeline near Hay at the Main Pump Station site. This was the final step before we handed over ownership of the pipeline to Gunbar Private Water Supply District on 31 December.

The new 270km pipeline supplies filtered, pressurised water to 62 properties in the Wah Wah district, which covers 310,000 hectares from Carrathool to Hay in the south, and from Gunbar to Booligal in the north. The handover has resulted in a significant change to MI's area of operations removing over 300,000 hectares.

December supply restrictions

We experienced a surge in demand for water due to a combination of forecast rain not arriving and a spike in temperatures, causing crop demands to soar. This resulted in a supply shortage with restrictions being required based on DE's. Water from Lake Talbot in Narrandera was used to help to reduce the immediate impact on customers, with volumes replaced immediately after the event passed. Diversions for key environmental sites were also suspended through the high demand period.

By using our new automated structures differently and working with Councils to manage non-essential usage, we reduced the extent and severity of the supply impact on customers from the anticipated 7 days to 2 days of restriction on the Main Canal supply system.

JANUARY 2019

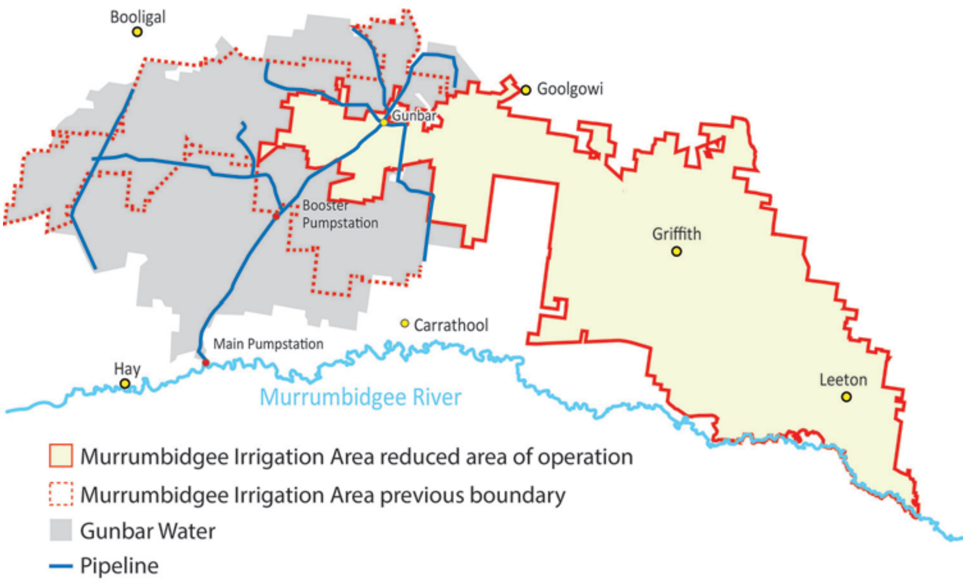
Adjusting operations to maintain supply

A week of temperatures over 45°C caused crop demands to soar, with lower water levels in some of our channels again making it a challenge to maintain supply. We adjusted our operations and, in some instances, used pumps to ensure we could continue to deliver water to these areas.

FEBRUARY

State Pre-election Water and Energy Forum in Griffith

Politicians were told loud and clear how important water is to the future of the MIA at the State Pre-election Water and Energy Forum hosted by NSW Farmers in Griffith.



Minister for Primary Industries, Niall Blair, Shadow Minister for Water, Chris Minns, and The Greens MLC, Justin Field, took part in the forum, with the major concern raised by those in attendance surrounding reports that the cap on buybacks could be scrapped. MI called on State and Federal politicians of all persuasions to strongly oppose any such moves.

Water shortage averted

We again managed to avoid supply restrictions, after diversions into our system from Water NSW at Berembed Weir were reduced at short notice. To limit the potential impact on customers we cleaned the screen at Bundidgerry Regulator to maximise available flows and enable access to lower levels of stored water. Lake Talbot and our internal storages at Yenda, Bray's Dam and Barren Box were managed across the shortage period to supplement supply to customers.

MARCH

Baton change on MI Board

Nayce Dalton was appointed as the new Chair of MI by the MI Board, after serving in the role of Deputy Chair for the previous 3 ½ years. Nayce took over from Frank Sergi, who was Chair for 3 ½ years. Frank is continuing on the MI Board until his term expires at the AGM in November 2019.

CEWH eyes opened to diversity of region

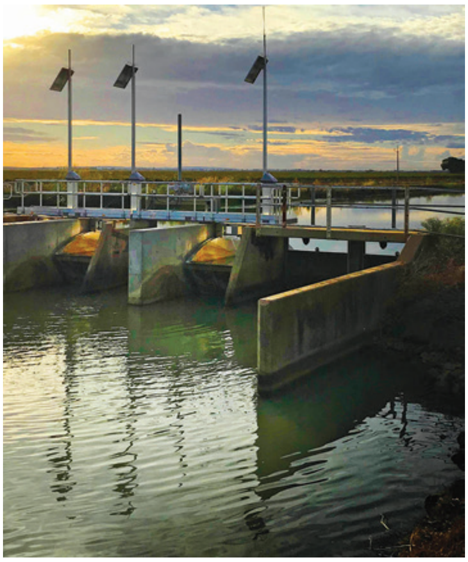
The Commonwealth Environmental Water Holder (CEWH), Jody Swirepik, visited the MIA and was shown our off-farm modernisation works, which enable us to deliver water in the most efficient way possible, as well as some of the on-farm works.

Minister announces 30 new jobs for the region

Minister for Agriculture and Water Resources David Littleproud announced that up to 30 new jobs would be created for Griffith through the decentralisation of the MDBA. Following the announcement, Minister Littleproud joined MDBA CEO, Philip Glyde, on a tour of MI's operations to see how investment in infrastructure has already resulted in real water savings and efficiency gains.

Stage 2 drought criticality

The Murrumbidgee Valley moved to Stage 2 drought criticality and the Department of Industry Water commenced drought operational planning in preparation for extreme dry conditions continuing throughout 2019/20.



MDBP amendments survive

Proposed amendments to the Murray-Darling Basin Plan that will substitute water efficiency projects instead of buying back 605GL of water, survived a challenge in the Senate.

APRIL

New member for Murray

The Coalition were re-elected at the April State Election, and Melinda Pavey (National Party) appointed as the new Minister for Water, Property and Housing. Helen Dalton (Shooters, Farmers and Fishers) was elected as the new member for Murray.

Facelift for Yanco Village

Construction commenced on Stage 2 of the Yanco Stock & Domestic Project. This was a continuation of the works which commenced in 2018. The project provides a safer environment for residents through the removal of open waterways and narrow road crossings. Some channels were replaced with gravity pipelines in 2018 under Stage 1 of the project, and others were replaced with a low-pressure pumped system.

Relocating fish from channel

Fisheries experts from the Narrandera Fisheries were able to get into a section of the Main Canal and relocate over 200 native fish, after it was drained down in preparation for an upgrade of the Griffith Leagues Club Regulator. We saw this as great opportunity to work with the Department of Industry Fisheries experts to ensure the fish were relocated and there was no impact on native species.

MAY

New app (MIAPP)

We launched a trial of our new customer App to make it easier for customers to make requests, check the progress of trades and more, at the click of a button.

Water and Agriculture portfolios split

The Coalition were re-elected at the May Federal Election, with the Agriculture and Water Resources portfolio separated - David Littleproud was appointed Minister for Water Resources and Senator Bridget McKenzie Minister for Agriculture. Sussan Ley was re-elected as the Member for Farrer and appointed into the Ministry as Minister for Environment.

JUNE

Winter works

We commenced the third year of extensive modernisation program for the 2019 winter period, following from the Main Canal works in 2017 and South West works in 2018. Project areas included: Lake View Branch Canal, Gogelderie Branch Canal, Mirrool Creek Branch Canal, Yanco Stock & Domestic, Warburn and the ongoing region wide Outlet Program. The works involved more automation, some channel lining and structure upgrades.

Barren Box Storage

One of our first infrastructure projects that was funded in exchange for water savings, Barren Box delivered 20,000ML to Snowy River. The project was recognised for its engineering excellence with an award in 2006.

Drought

The millennium drought lasted over 10 years and challenged our farmers and our region. The diversity of cropping and water entitlement in the MIA helped keep us going until the rains returned.

Flood

Our worst flood in 100 years, in 2012, followed the 10 years of drought. Many areas were hard hit including the village of Yenda which remained under water for many months. As a result, Griffith City Council now has new flood protocols in place including for the use of the upgraded East Mirrool Regulator.

Centenary of Irrigation

We reached our 100 year milestone in 2012 and took the time to showcase the region's history, acknowledge our pioneers, and promote the significance of irrigation to the region and the nation. The celebrations brought together thousands of people with a link to the region, both past and present.

20 years since privatisation

Water Reform

Twenty years of reform has completely reshaped water from a land based right to a tradable property right with all its implications. Over the past 20 years, we've had a Water Sharing Plan created, the introduction of ACCC regulation, new contracts issued for delivery and water, removal of trade restrictions and a Commonwealth Basin Plan over the top.



This year we reflect over the past twenty years since privatisation. On 12 February 1999, MI became a private company. Over the past 20 years we have seen droughts, floods, water reform and the ongoing modernisation of our infrastructure.

Modernisation

From how water is ordered to the meters that deliver it, and the automation that supports the network, we have been investing in modernisation for more than 20 years. Modernisation helps provide the service our customers want to meet their changing needs, at a fair price and in the best possible way.

Gunbar Private Irrigation District created

The Wah Wah S&D Project which had been talked about for over a decade finally came to fruition in 2019. There were lots of hard yards but a great outcome for Gunbar and MI customers with pressurised, filtered water supply now available through Gunbar Water.

Chairs since privatisation

- Dick Thompson (1997-2009)
- Gillian Kirkup (2009-2015)
- Frank Sergi (2015- 2019)
- Nayce Dalton (2019- present)

CEOs since privatisation

- Cedric Hoare (1990-2001)
- Geoff Hipkins (2002- 2005)
- Brett Tucker (2005-2011)
- Raveen Jaduram (2012-2013)
- Peter Borrows (2013-2015)
- Brett Jones (2015 - present)





Photo (left to right): Nayce Dalton, Tony Sergi, Hayden Cudmore, Leith Boully, Peter Borrows, Kaye Dalton, Brett Jones and Frank Sergi.

Board of Directors

James (Nayce) Dalton *AdvDipAg, GAICD*

Chair

Nayce Dalton was appointed to the Board as a shareholder-elected Director in 2013, and as MI Chair in March 2019. Nayce is the manager of a successful mixed farming business in Binya, which has been operating for over 30 years. He is currently Chair of Murrumbidgee Irrigation Limited and group property company MI Holdings Pty Ltd.

Hayden Cudmore *GAICD*

Deputy Chair - Shareholder-elected Director

Hayden Cudmore was appointed to the Board as a shareholder-elected Director in 2017, and as Deputy Chair in March 2019. He has been farming at Benerembah for the past 36 years. Hayden has had 17 years' experience at the Rice Growers Association (RGA) and previously represented the RGA at various rice and water industry forums. He is also a member of the Australian Rural Leadership Foundation.

Leith Boully *BRuSc, DipBusStud, FAICD, CDec*

Independent Director

Leith Boully was appointed as an Independent Director in 2005. Leith has extensive experience in water and natural resource management. She is currently the Independent Chair of Queensland bulk water provider, SunWater.

Peter Borrows *BE (UQ), Grad Dip in Bus Admin (QIT - now QUT), FIE (Aust), FAICD*

Independent Director

Peter Borrows was appointed as an Independent Director in 2015. He is the former CEO of Queensland Bulk Supply Authority (Seqwater) and was MI's CEO from July 2013 to July 2015. Peter is MI's alternate delegate for the National Irrigators' Council.

Kaye Dalton *BSc (Forestry), GAICD*

Independent Director

Kaye Dalton was appointed in 2014 as an Independent Director. Kaye has over 25 years' experience in the water sector, including water policy and reform, development of water infrastructure projects and stakeholder engagement. Kaye is MI's alternate delegate for the NSW Irrigators' Council and is a director of MI Holdings Pty Ltd.

Antonio (Tony) Sergi

Shareholder-elected Director

Tony Sergi was appointed to the Board as a shareholder-elected Director in 2005. He has been a horticultural farmer for over 40 years in the MIA growing and exporting prunes, grapes, peaches and vegetables.

Frank Sergi *BBus, CPA*

Shareholder-elected Director

Frank Sergi was appointed to the Board as a shareholder-elected Director in February 2013 and served as MI Chair from 2015 to 2019. Frank has 40 years' experience as a Principal in Public Accountancy Practice. His family have been farming in the area since 1958 and he has an ongoing involvement in horticulture and the wine industry.

Brett Jones *BE (Hons), MEngSc, GradDipAppFin, HBS AMP, FIE (Aust), MAIPM, MAICD*

Chief Executive Officer and Managing Director

Brett Jones commenced as Chief Executive Officer in October 2015 and was appointed to the Board as Managing Director in July 2016. Brett is an experienced executive with qualifications in engineering, project management and finance.

Photo (left to right): Alan Shea, Helen Bourne, Karen Hutchinson, Brett Jones, Dorian Radue, Sharon Hansen and Jody Rudd.

Leadership Team

Brett Jones *BE (Hons), MEngSc, GradDipAppFin, HBS AMP, FIE (Aust), MAIPM, MAICD*

Chief Executive Officer and Managing Director

Brett Jones commenced as Chief Executive Officer in October 2015 and was appointed to the Board as Managing Director in July 2016. Brett is an experienced executive with qualifications in engineering, project management and finance.

Dorian Radue *BA, MBA, MSc (Strategic Focus), GradDipACG, CA, ACMA, GAICD, FGIA, FCIS, JP*

Company Secretary and General Manager - Corporate Services

Dorian Radue was appointed as Company Secretary in 2009. In addition to statutory secretarial duties, her responsibilities include administering the business of the Board and managing the Company's corporate services functions.

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

General Manager - Operations

Alan Shea joined the Company in February 2016. Alan is responsible for the operation and maintenance of all infrastructure that services MI's customers, including storage, supply and drainage assets.

Jody Rudd

General Manager - Asset Delivery

Jody Rudd joined MI in 2005 and was appointed General Manager Asset Delivery in 2015. Jody is responsible for managing Australian Government funded modernisation projects, MI funded capital projects and business development initiatives.

Sharon Hansen

General Manager - Customer Services

Sharon Hansen joined the Company in August 2016. Sharon is responsible for managing our customer services functions and ensuring that customers are the centre of what we do.

Karen Hutchinson *BSc (Hons), GAICD*

General Manager - Policy & Communications

Karen Hutchinson joined the Company in 2009 and was appointed General Manager Policy & Communications in 2016. Karen is responsible for company and corporate communications and external water policy. She is MI's delegate on the National and NSW Irrigators' Councils.

Helen Bourne *BBus (Acc), CPA, MBA, MAICD*

General Manager - Finance & ICT

Helen Bourne commenced as General Manager, Finance and ICT in April 2018. She is responsible for providing financial stewardship to the organisation, along with effective management and oversight of the information and communication technology function.

Governance Statement

An organisation-wide commitment to conducting our 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 the Company's short and longer term performance, and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Directors strive to align the commercial and governance imperatives facing the Company and are aware of the need to incorporate a range of complementary skills and experience amongst Board members. The Board is mindful of the community expectations of a Company in which most customers are shareholders, and continues to adopt a cost recovery business model which is appropriate under such circumstances.

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

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

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

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

Board composition

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

- The shareholder-elected directors are directly elected for three- or four-year terms by shareholders in two voting colleges (A class and B class).
- Directors appoint independent directors subject to shareholder confirmation at Annual General Meetings. Appointments are generally for three years, but may be of shorter duration.
- At intervals not exceeding two years, all directors other than the Managing Director elect the Chair and Deputy Chair.
- Directors have discretion to appoint the Chief Executive Officer to the Board as Managing Director.

Directors' information

There were no changes to the overall composition of the Board in 2018/19.

Frank Sergi served as Company Chair until March 2019, with Nayce Dalton as Deputy. In March, Nayce took on the role of Chair and Hayden Cudmore was elected Deputy Chair by the Board.

At the 2018 AGM, Peter Borrows' first three-year term as an Independent Director was completed, and Peter's re-appointment for a further three-year term was ratified by shareholders.

Information about the Directors, their qualifications and roles on the Board is contained in Table 1 in the Directors' Report.

As at 30 June 2019, MI's Directors held the following significant directorships and offices:

- Nayce Dalton is the Chair of MI and of group company MI Holdings Pty Ltd. He is also sole director of MI dormant companies MI Energy Pty Ltd and MI EasyTrade Pty Ltd. He is the Chairman of Yenda Producers Co-operative Society Pty Ltd and Yenda Producers Distribution Pty Ltd.
- Peter Borrows is a director of Kedron Consulting Pty Ltd and is MI's alternate delegate to the National Irrigators' Council.

- Leith Boully holds a number of offices, including as Chair of SunWater Ltd. She is also a director of Isis Central Sugar Mill and Queensland Rural and Industry Development Authority.
- Kaye Dalton is Managing Director of the Risorsa Group Pty Ltd. Kaye is MI's alternate delegate to the NSW Irrigators' Council and a director of MI Holdings Pty Ltd.
- Frank Sergi is an officer of a number of companies, including Foleys Corner Vineyard Pty Ltd and Highland Towers Pty Ltd.
- Brett Jones is a director of MI Holdings Pty Ltd.

Independent Board review

The Board of Directors regularly conducts reviews of its past performance, future needs and succession plans. Periodically, these reviews are undertaken by an external party in order to provide an opinion of the Board's effectiveness and its governance practices.

During the previous financial year the Company engaged consultants, Directors Australia, to undertake an independent review of the Board and of the directors. In 2018/19 the Board has continued its program of development activities to give effect to the recommendations.

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 2019 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. Kaye Dalton chairs the Committee, which consists of two member directors and two independent directors. The Company Chair is not eligible to chair the Committee.

Remuneration and Nominations Committee
This committee advises the Board on strategic employment and remuneration issues.
In particular, the Committee assists the Board with the recruitment and retention of the Chief Executive Officer, manages the performance and remuneration arrangements of the Chief Executive Officer, and oversees succession planning and performance of other leadership team members. In addition, the Committee manages the process for attracting and assessing suitable applicants for independent director positions in light of the Board's skills and experience requirements and succession planning needs, and oversees directors' remuneration arrangements. Nayce Dalton 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 Peter Borrows and its membership comprises one independent director and two member directors.

In addition, the Board establishes advisory committees from time to time if a particular need is identified. The Board continually reviews the effectiveness and composition of its committees.

Directors' remuneration

At the Annual General Meeting held on 7 November 2016, shareholders approved a change to the method of remunerating directors, which introduced an annual cap for directors' fees. The cap for 2018/19 was $444,180 (inclusive of superannuation contributions).

Information on directors' aggregate compensation for the financial year is shown in Note 26 to the financial statements.

Directors' and managers' interests

Shareholder directors Nayce Dalton, Hayden Cudmore, 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 disclosures of their interests at least annually. When matters are discussed in which a material personal interest might exist or be perceived to exist for an individual director, that director will excuse him or herself from the meeting and take no further part in decisions relating to those matters unless the remaining directors determine whether it is in the Company's best interests for the director to participate.

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

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

Aggregate information on shares and commercial transactions of key management personnel with the company are shown in Note 26 to the financial statements.

Code of conduct

Murrumbidgee Irrigation has continued to promote investment in its internal culture and corporate values, reflecting 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 of directors. Directors undertook a number of training and development sessions during the past year individually and as a group.

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 Chair, to seek independent professional advice on matters of concern.

Risk management

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

Compliance

Significant areas such as workplace health and safety practices, regulatory and licence compliance, remain focus areas. The Company has met the requirements of the NSW State government licences it operates under and full compliance with the monitoring requirements of our Environmental Protection Licence was achieved.

Directors' report

Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2019.

Directors

The persons who served as directors of Murrumbidgee Irrigation Limited during the year in review and up to the date of this report are listed in Table 1.

Company Secretary

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

Meetings

The Board met in person 11 times during the year, with most meetings held in Griffith. The duration of meetings was one to two days, including committee meetings, field trips, site visits, customer meetings, training and a strategy session. Meetings are generally held on-site and face-to-face, although teleconference and electronic meeting technology is used where cost effective.

The agenda for meetings is set through consultation between the Chair, the Chief Executive Officer and other leadership team members. Prior to each meeting, directors are provided with briefing papers on matters to be considered, and are encouraged to participate in debate and to bring to meetings independent views on all relevant issues.

Details of attendance at Board meetings are shown in Table 2 of this report.

Principal activities

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

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

Significant changes in the state of affairs

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

Financial statements

The financial statements for the 2018/19 year in review are contained within this 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,

Table 1: Information on directors during the year and to the date of this report

Director	Special responsibilities and qualifications
James (Nayce) Dalton	Member Director. MI Chair. Chair, Remuneration & Nominations Committee *Qualifications: AdvDipAg, GAICD*
Hayden Cudmore	Member Director. MI Deputy Chair *Qualifications: GAICD*
Peter Borrows	Independent Director. Chair, Infrastructure Committee *Qualifications: BE (UQ), Grad Dip in Bus Admin (QIT - now QUT), FIE (Aust), FAICD*
Leith Boully	Independent Director *Qualifications: BRuSc, DipBusStud, FAICD, CDec*
Kaye Dalton	Independent Director. Chair, Audit & Risk Committee *Qualifications: BSc (Forestry), GAICD*
Antonio (Tony) Sergi	Member Director
Frank Sergi	Member Director *Qualifications: BBus, CPA*
Brett Jones	Managing Director *Qualifications: BE(Hons), MEngSc, GradDipAppFin, HBS AMP, FIE (Aust), MAIPM, MAICD*

Table 2: Directors' attendance at meetings

Director	Directors' Meetings		Audit and Risk Committee		Remuneration and Nominations Committee		Infrastructure Committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
James (Nayce) Dalton	11	11	2	2			3	3
- ex officio			2	2			3	3
Hayden Cudmore	11	11	4	4			6	6
Brett Jones	11	11						
- ex officio			4	4	2	2	6	6
Leith Boully	10	9	4	4	2	2		
Peter Borrows	11	11			2	2	6	6
Kaye Dalton	11	11	4	4				
Antonio (Tony) Sergi	10	10					5	4
Frank Sergi	11	11	2	2	2	2		
- ex officio			2	2			3	3

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).

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.

Table 3: Particulars of directors' interests in shares at 30 June 2019

Director	Directors' interest in shares		
	A Class	B Class	C Class
Nayce Dalton	1154	3012	
Hayden Cudmore		2103	
Tony Sergi	220		
Frank Sergi	1655		

Shares held by directors are disclosed in Table 3 in the Directors' Report.

No loan has been granted to any director during the year.

Auditor's independence

Audit firm Grant Thornton has no representation on the Board or on Board committees, nor is there any relationship between Company officers and the 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* (Cth).

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.

Review of operations

The consolidated result for 2018/19 was $19,746,000 net profit before tax. The total revenue for the year was $116,260,000 compared with $157,187,000 for the prior year.

The key drivers for the decrease in revenue include:

- A decrease in government funding for works under the PIIOP program with total government and other revenue of $75,244,000 (2018: $103,427,000);
- Reduced total water deliveries for the year of 489 GL (2018: 802 GL) which contributed to total customer revenue of $32,740,000 (2018: $38,938,000); and
- Reduced water savings sales of $4,054,000 (2018: $9,154,000);

Total expenditure for the year was $96,514,000 compared with $79,292,000 for the prior year.

The key drivers for the increase in expenditure include:

- Recognition of a loss on disposal assets with the handover of the Gunbar pipeline $23,179,000 (2018: Nil); and
- Operation and materials costs recoverable under the PIIOP program $10,726,000 (2018: $3,912,000).

Other areas of expenditure reduced year on year, including:

- Contractors and consultant costs recoverable under the PIIOP program $10,865,000 (2018: $15,410,000);
- Bulk water charge $5,400,000 (2018: $8,193,000); and
- Employment related costs $19,113,000 (2018: $20,163,000).

An actuarial review of the fair value for the Local Government Defined Benefits Superannuation Scheme (LGSS) resulted in an adjustment of $5,908,000 for 2018/19. The reduction included recognition of employer contributions for the purchase of a Challenger Annuity product. The net liability as at 30 June 2019 was $1,296,000.

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

As we move into a second year of drought, all the challenges associated with climate change including increased seasonal variability have come into focus. The extended dry period will enable us to demonstrate the value of the last 3 years of investment in automation and in particular, our ability to contain losses, improve measurement and re-regulate water flows to meet customer needs with maximum water and cost efficiency.

The sharp increase in the market value of both water allocation and entitlement will also support a renewed focus on counting every drop and removing redundant infrastructure to contain unnecessary costs. Some of our customers may respond to the increase in water value by exiting the industry.

The combination of these challenges means that a continued focus on network efficiency and people development is essential to support system responsiveness and create an agile workforce ready to respond now and in future.

Water reform

This year should have seen the completion of the review of our Water Sharing Plan and the adoption of a new Water Resource Plan for the Murrumbidgee. Disappointingly this has not been completed and despite a process spanning several years no real change to our water sharing plan is expected. The Murrumbidgee Water Sharing Plan has largely served the MIA well, however we will continue to lobby for improvements including a review of trade rules that are out of touch with modern trading practices and potentially disadvantage the Murrumbidgee; as well as a simplification of the overly complex translucency rules.

Elections across most States and Commonwealth maintained the political and divisive nature of the Basin Plan for the year. The increasing localised angst in response to efficiency projects and constraints management makes it essential that we maintain our efforts to support the projects in order to protect this region from further loss of productive water through buybacks.

Environmental regulation

Murrumbidgee Irrigation Limited holds an operating licence under the *Water Management Act 2000* (NSW) to carry out the business and function of water delivery within its Area of Operations. A requirement of this operating licence is to hold an Environmental Protection Licence (EPL) under the *Protection of the Environment Operations Act 1997* (NSW). The EPL is issued by the Environmental Protection Authority (EPA) and requires monitoring and reporting of specified water quality parameters at sites that discharge water outside MI's Area of Operation.

MI achieved full compliance with our EPL for this reporting year.

To satisfy the requirements of our licences, MI prepares and submits an Annual Compliance Report covering the licensed activities.

A copy of our latest available report is available on our website *www.mirrigation.com.au.*

Indemnifying Directors and Officers

Murrumbidgee Irrigation Limited indemnifies directors and leadership team members for liabilities to third parties arising from 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* (Cth). The Company also provides an indemnity for directors and leadership team members against the cost of successfully defending themselves against civil or criminal proceedings. The Company has insurance policies that provide cover for permitted situations.

During 2018/19, the Company paid a premium of $56,350 (exclusive of GST and stamp duty) to provide liability insurance cover for directors and officers and 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 officers 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.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* (Cth) 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* (Cth).

Dividends

The Company constitution prohibits it from declaring any dividends.

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

Collins Square, Tower 5
727 Collins Street
Melbourne Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

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

Auditor’s Independence Declaration

To the Directors of Murrumbidgee Irrigation Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Murrumbidgee Irrigation Limited for the year ended 30 June 2019, 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 Audit Pty Ltd
Chartered Accountants

E W Passaris
Partner – Audit & Assurance

Melbourne, 28 August 2019

Directors are satisfied that the auditor, Grant Thornton, has met the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth).

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

Nayce Dalton
Chair
at Hanwood, NSW on 28 August 2019.

Financial Statements

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

REVENUE

	Notes	2019 $'000	2018 $'000
Operations	6	36,785	48,082
Government and other	6	75,244	103,427
Investments	6	4,231	5,678
Total revenue		**116,260**	**157,187**

EXPENDITURE

	Notes	2019 $'000	2018 $'000
Bulk water charge	7	5,400	8,193
Contractors and consultants - operating	7	2,146	1,755
Contractors and consultants - PIIOP (recoverable)		10,865	15,410
Depreciation	14	10,874	10,644
Employment related	7	19,113	20,163
Impairment of assets	14	1,229	2,541
Net loss on transfer of assets – Gunbar Water	14	23,179	-
Net (gain)/loss on disposal of assets	7	(128)	1,526
Operation and materials		5,722	5,484
Operation and materials – PIIOP (recoverable)		10,726	3,912
Other	7	5,815	7,880
Utilities		1,573	1,784
Total expenditure		**96,514**	**79,292**
Profit before tax		**19,746**	**77,895**
Income tax expense	15	(8,297)	(3,415)
Profit for the year		**11,449**	**74,480**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Financial asset at FVOCI[1] revaluation loss		(118)	(861)
Income tax benefit on items recognised directly in equity		35	258
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gains of defined benefits plan recognised directly in equity		(609)	1,675
Income tax benefit/(expense) on items recognised directly in equity		183	(674)
Other comprehensive income for the year net of tax	5	**(509)**	**398**
Total comprehensive income for the year		**10,940**	**74,878**

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.
[1] Fair Value through Other Comprehensive Income (FVOCI)

Consolidated statement of financial position as at 30 June 2019

ASSETS

	Notes	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	9	28,172	109,344
Financial assets	13	-	20,116
Trade and other receivables	10	15,513	25,482
Inventories	11	1,141	1,209
Other assets	12	1,478	544
Total current assets		**46,304**	**156,695**
Non-current assets			
Financial assets	13	13,751	18,732
Other receivables	10	-	20
Property, plant and equipment	14	452,747	401,152
Intangible assets	16	145,146	144,415
Shares in co-operative		41	38
Total non-current assets		**611,685**	**564,357**
Total assets		**657,989**	**721,052**

LIABILITIES

	Notes	2019 $'000	2018 $'000
Current liabilities			
Trade and other payables	17	12,193	20,082
Provisions	18	4,638	5,451
Deferred revenue	19	4,799	72,149
Other liabilities	20	-	1,200
Total current liabilities		**21,630**	**98,882**
Non-current liabilities			
Provisions	18	487	610
Deferred tax liabilities	15	46,848	38,768
Other liabilities	20	1,296	6,004
Total non-current liabilities		**48,631**	**45,382**
Total liabilities		**70,261**	**144,264**
Net assets		**587,728**	**576,788**

EQUITY

	Notes	2019 $'000	2018 $'000
Contributed equity	22	273,734	273,734
Retained earnings	23	262,766	251,743
Reserves	24	51,288	51,311
Total equity		**587,728**	**576,788**

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 2019

	Share Capital $'000	FVOCI Reval Reserve* $'000	Asset reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 30 June 2017	**273,734**	**678**	**50,559**	**176,940**	**501,911**
Transfer retained earnings to asset reserve	-		677	(677)	-
Profit for the year	-	-	-	74,480	74,480
Other comprehensive income for the year	-	(603)	-	1,001	398
Total comprehensive income for the year	-	(603)	-	75,480	74,878
Balance as at 30 June 2018	**273,734**	**75**	**51,236**	**251,743**	**576,788**
Transfer retained earnings to asset reserve	-	-	-	-	-
Profit for the year	-	-	-	11,449	11,449
Other comprehensive income for the year	-	(83)	-	(426)	(509)
Total comprehensive income for the year	-	(83)	-	11,023	10,940
Balance as at 30 June 2019	**273,734**	**(8)**	**51,236**	**262,766**	**587,728**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
** Fair Value through Other Comprehensive Income (FVOCI) revaluation reserve - refer to notes 1(r) and 1(u)*

Consolidated statement of cash flows for the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (including GST)		32,167	37,194
Payments to suppliers and employees (including GST)		(63,933)	(66,344)
Cash used by operations		**(31,766)**	**(29,150)**
Receipts from annual water trading and leasing of water and land		4,214	9,304
Receipts from termination charges		-	47
Receipts from government contributions		18,033	85,501
Income tax paid		-	434
Net cash generated by operating activities		**(9,519)**	**66,136**
Cash flows from investing activities			
Payments to acquire financial assets		(32,026)	(14,358)
Proceeds on sale of financial assets		57,006	27,293
Payments for property, plant and equipment		(97,307)	(102,769)
Proceeds on sale of property, plant and equipment		1,983	482
Payments for water investments		(5,540)	(6,039)
Interest and investment income received		4,231	5,678
Net cash used in investing activities		**(71,653)**	**(89,714)**
Cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		**(81,172)**	**(23,578)**
Cash and cash equivalents at the beginning of the year		109,344	132,922
Cash and cash equivalents at the end of the year	9	**28,172**	**109,344**

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

Notes to the financial statements as at 30 June 2019

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).

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

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:

86 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 as trustee for the 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) New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The Company has assessed the classification and measurement of the Company's financial liabilities and financial assets.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The adoption of AASB 9 has impacted in the following areas:

Classification and measurement of financial assets

Investments – Available for sale financial assets under AASB 139 included investments in corporate bonds that have been reclassified to fair value through other comprehensive income (FVOCI) under AASB 9. This has not resulted in an adjustment opening retained earnings.

Impairment of financial assets

AASB 9's new impairment model uses more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Company considers a broader range of information when assessing credit risk and measuring expected credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables the Company applies a simplified approach of recognising lifetime expected credit losses as these do not have a significant financing component. The impact of the transition did not have a material impact on the financial statements.

Reconciliation of financial instruments on adoption of AASB 9

On the date of initial application, 1 July 2018, the financial instruments of the Company were reclassified as follows:

	Notes	Measurement Category: Original AASB 139 Category	Measurement Category: New AASB 9 Category	Carrying Amount: Closing balance 30 June 2018 (AASB 139) $000	Carrying Amount: Adoption of AASB 9 $000	Carrying Amount: Opening balance 1 July 2018 (AASB9) $000
Assets						
Current financial assets						
Cash and cash equivalents	9	Amortised cost	Amortised cost	109,344	-	109,344
Trade and other receivables	10	Amortised cost	Amortised cost	25,482	-	25,482
Non-current financial assets						
Investments	13	Available for sale	FVOCI	18,732	-	18,732
Total financial asset balance				153,558	-	153,558
Liabilities						
Current financial liabilities						
Trade and other payables	17	Amortised cost	Amortised cost	20,082	-	20,082
Total financial liabilities				**20,082**	**-**	**20,082**

(d) 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:

(i) **Revenue from the supply of water:** Revenue from the supply of water and drainage services comprises both access and usage-based charges which are billed GST-free annually to all customers. Revenue is recognised as the services are delivered to customers.

(ii) **Contract and other revenue:** Other revenue is raised from the provision of contract works, including the installation of irrigation supply infrastructure, earthmoving, hire of plant and workshop activities, and is recognised using a percentage completion method.

(iii) **Revenue recognised from government contributions (LWMP and ARFD):** Contributions received by the consolidated entity from these sources are recognised as revenue when the expenditure is incurred in the appropriate programs.

(iv) **Government contributions for Private Irrigation Infrastructure Operators Program 2 (PIIOP2):** 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.

(v) **Government contributions for Private Irrigation Infrastructure Operators Program 3 (PIIOP 3):** Contributions received from the government for infrastructure improvements are recognised as revenue on a percentage of completion basis, as the relevant expenditure is incurred and when water entitlements are returned. As this arrangement constitutes a bundled contract, revenue relating to each element is recognised proportional to their fair value at contract date as if they were sold performed independently of each other. 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, equivalent to any unperformed work, at balance date are brought to account as a liability.

(vi) **Leasing of water and property:** Revenue is recognised on a straight line basis over the term of the lease.

(vii) **Interest income:** Interest income is recognised as it accrues.

(viii) **Revenue from the sale of assets:** Revenue from the sale of fixed assets is recognised when risks and rewards of ownership have passed to the buyer.

(ix) **Temporary transfer of water:** Revenue from the temporary transfer of water is recognised when the risks and rewards have passed to the buyer.

(x) **Termination charges:** A charge is levied on cancellation of delivery entitlements. This charge for 2018/19 was based on a multiple of 10 times fixed charges in accordance with ACCC water charge rules.

(e) 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 substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a 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.

(f) 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 current 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.

(g) 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 consolidated statement of profit or loss and other comprehensive income.

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.

(h) 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.

(i) 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 (f)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

(j) Intangible assets

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

(k) Maintenance expenditure

Routine maintenance expenditure of a regular and ongoing nature is charged as an operating expense to the profit or loss as and when incurred. Major refurbishments in respect of earth supply and drainage channels and other infrastructure are treated as capital.

(l) 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.

(m) Employee benefits

(i) **Short-term and long-term employee benefits:** A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

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

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

A liability or asset in respect of defined benefit superannuation plans is recognised in the consolidated statement of financial position and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Movements in the value of the defined benefits plans' assets and liabilities are recognised directly to other comprehensive income. Post service costs and net interest expense or income are recognised in profit or loss in the period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(n) Cash and cash equivalents

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

(o) 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.

(p) Rounding of amounts

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

(q) 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.

(r) Financial assets

(i) Recognition, initial measurement and derecognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

(iii) Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI. Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset. This category includes corporate bonds that were previously classified as 'available-for-sale' under AASB 139.

Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using the practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Accounting policy applicable to comparative period (30 June 2018)

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

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

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

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

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

(s) 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.

(t) Provisions

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

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

(u) 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.

(i) **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.

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

(v) Critical accounting judgments and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) **Useful lives of property, plant and equipment:** The directors periodically review operating infrastructure, plant and equipment to determine that their condition and remaining useful life are reasonable.

(ii) **Provision for environmental remediation:** The directors have recorded a provision for environmental remediation - Note 27.

(iii) **Provision for long service leave:** Oncosts do not include superannuation as the majority of leave is generally paid on termination.

(iv) **Investments available for sale:** The majority of available-for-sale investments held by the Company are not listed on an exchange and therefore no market price can be observed. Calculation of the fair value of these assets is therefore based on other methodologies, such as analysing off-market trading and considering the expected cash flows attached to the instruments, taking into account the instrument's estimated yield to maturity.

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

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

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

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

(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 28 August 2019.

(x) Comparatives

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

Note 2. Segment reporting

Revenue and expenses by activities ($'000)

2019	Customer operations	Water savings	Investments	Government and other activities	Hanwood Estate Property Trust	Inter-company	**Total**
Revenue	32,740	4,054	4,201	75,244	1,016	(995)	**116,260**
Expenses	(44,956)	-	(2,648)	(48,889)	(1,016)	995	**(96,514)**
(Loss)/profit before tax	**(12,216)**	**4,054**	**1,553**	**26,355**	**-**	**-**	**19,746**

2018	Customer operations	Water savings	Investments	Government and other activities	Hanwood Estate Property Trust	Inter-company	**Total**
Revenue	38,938	9,154	5,613	103,427	906	(851)	**157,187**
Expenses	(48,389)	-	(4,172)	(26,676)	(906)	851	**(79,292)**
(Loss)/profit before tax	**(9,451)**	**9,154**	**1,441**	**76,751**	**-**	**-**	**77,895**

Note 3. Parent entity disclosure

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

	2019 $'000	2018 $'000
Operations revenue	40,995	53,704
Government and other revenue	75,244	103,427
Total revenue	**116,239**	**157,131**
Customer expenditure	47,604	52,563
Government and other expenditure	48,889	26,673
Total expenditure	**96,493**	**79,236**
Profit before tax	19,746	77,895
Income tax expense	(8,297)	(3,415)
Profit for the year	**11,449**	**74,480**
Other comprehensive income		
Actuarial (loss)/gains of defined benefit plan recognised directly in equity	(609)	1,675
Financial asset at FVOCI revaluation losses	(118)	(603)
Income tax expense on items recognised directly in equity	218	(674)
Other comprehensive income for the year net of tax	**(509)**	**398**
Total comprehensive income for the year net of tax	**10,940**	**74,878**

Statement of financial position of the parent entity Murrumbidgee Irrigation Limited

Current assets	46,129	135,157
Non-current assets	613,260	585,889
Total assets	**659,389**	**721,046**
Current liabilities	23,099	97,577
Non-current liabilities	48,544	46,663
Total liabilities	**71,643**	**144,240**
Net assets	**587,746**	**576,806**
Contributed equity	273,734	273,734
Reserves	51,228	51,310
Retained earnings	262,784	251,762
Total equity	**587,746**	**576,806**

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**	**Number of wholly-owned subsidiaries**		**Proportion of interest and voting**	
			2019	**2018**	**2019**	2018
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:	2019 $'000	2018 $'000
Actuarial (loss)/gains of defined benefits plan recognised directly in equity	(609)	1,675
Financial asset at FVOCI revaluation losses	(118)	(861)
Income tax expense on items recognised directly in equity	218	(416)
Net income/(loss) recognised directly in equity	**(509)**	**398**

Note 6. Revenue

	2019 $'000	2018 $'000
Customer Revenue		
Fixed charges - other	20,329	20,191
Usage	6,419	9,183
Bulk water	5,236	8,207
Contract and other	747	1,347
Total customer revenue	**32,731**	**38,928**
Water savings sales	4,054	9,154
Total operating revenue	**36,785**	**48,082**
Government and other revenue		
PIIOP - infrastructure funding	34,919	75,956
PIIOP - sale of water	18,656	11,463
Asset refurbishment	20,279	13,508
Other	1,390	2,500
Total government and other revenue	**75,244**	**103,427**
Investment revenue		
Interest	1,150	2,077
Water allocation sales	3,081	3,601
Total investment revenue	**4,231**	**5,678**

Note 7. Expenses

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

	2019 $'000	2018 $'000
Salaries and wages	14,734	15,129
Superannuation	1,265	1,609
Labour on-costs	3,145	3,465
Labour recoveries	(31)	(40)
Total employment related	**19,113**	**20,163**
Legal	268	279
Consultants	1,628	1,045
Audit and taxation advisors	196	133
Environmental	50	298
Other	4	-
Total contractors and consultants - operating	**2,146**	**1,755**
Entitlement	3,128	4,542
Regulated river water usage	2,272	3,651
Total bulk water	**5,400**	**8,193**
Insurance	853	736
Information Technology	1,382	1,259
Fees and charges	414	726
Water allocation purchased (associated with investments)	2,529	4,172
Other	637	987
Total other	**5,815**	**7,880**
Non – infrastructure disposals	(1,170)	56
Infrastructure disposals	1,042	1,470
Total net (gain)/loss on disposal of assets	**(128)**	**1,526**

Note 8. Remuneration of auditors

	2019 $	2018 $
(a) Auditor of the parent entity		
Audit of the financial report	65,000	63,000
Taxation services	75,191	23,693
Other assurance services	23,664	22,662
	163,855	**109,355**
(b) Other auditors		
Audit or review of the financial report of Hanwood Estate Property Trust	1,585	1,585
Other assurance services	30,354	21,902
	31,939	**23,487**

Other assurance services (other auditors) relate to audits of the MIARA expenditure by Pitcher Partners.

Note 9. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	28,172	109,344
Total cash and cash equivalents	**28,172**	**109,344**

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

Cash held for Private Irrigation Infrastructure Operators Program (PIIOP)	19,975	104,229
Unrestricted operational cash	8,197	5,115
Total cash and cash equivalents	**28,172**	**109,344**

Note 10. Trade and other receivables

Current trade and other receivables:	2019 $'000	2018 $'000
Trade receivables	5,411	4,516
Less: Allowance for credit losses	(17)	(182)
	5,394	**4,334**
Other receivables	10,123	21,150
Less: Allowance for credit losses	(4)	(2)
	10,119	**21,148**
Total current receivables	**15,513**	**25,482**
Non-current trade and other receivables:		
Other receivables	-	20
Total non-current receivables	**-**	**20**
Total receivables	**15,513**	**25,502**

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. In accounting for the loss allowance for trade and other receivables, the consolidated entity uses the simplified approach to recognise this equal to the expected lifetime credit losses. The consolidated entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Movement in the allowance for credit losses:	2019 $'000	2018 $'000
Balance at the beginning of the year	184	162
Impairment (gains)/losses recognised on receivables	(163)	30
Amounts written off during the year as uncollectable	-	(8)
Amounts recovered during the year	-	-
Balance at end of the year	**21**	**184**

Note 11. Current assets — inventories

	2019 $'000	2018 $'000
General inventory, chemicals and construction materials – at cost	1,141	1,209
Total inventories	**1,141**	**1,209**

Note 12. Other assets - other

	2019 $'000	2018 $'000
Prepayments	1,478	454
Assets held for re-sale	-	90
Total other assets	**1,478**	**544**

Note 13. Financial assets

	Notes	2019 $'000	2018 $'000
Financial assets at FVOCI		13,751	-
Available for sale financial assets		-	38,848
Total financial assets		**13,751**	**38,848**
Included in the above financial assets at FVOCI are the following:			
Financial assets held for asset reserve	24	2,293	7,915
Unrestricted financial assets at FVOCI		11,458	30,933
Total financial assets		**13,751**	**38,848**
Current		-	20,116
Non-current		13,751	18,732
Total financial assets		**13,751**	**38,848**

Note 14. Property, plant and equipment

Net book values:	2019 $'000	2018 $'000
Land	13,423	8,902
Earth channels and infrastructure	307,900	309,611
Buildings and cottages	9,300	9,151
Plant	1,814	1,196
Office and scientific equipment	1,591	1,872
Motor vehicles	2,046	2,138
In course of construction	116,673	68,282
Balance as at 30 June	**452,747**	**401,152**

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 2018	**8,902**	**309,611**	**9,151**	**1,196**	**1,872**	**2,138**	**68,282**	**401,152**
Acquisitions	4,521	-	572	1,038	508	790	80,892	**88,321**
Disposals	-	(1,041)	(32)	(32)	(7)	(332)	-	**(1,444)**
Transfer to Gunbar Water	-	-	-	-	-	-	(23,179)[2]	**(23,179)**
Depreciation	-	(8,763)	(391)	(388)	(782)	(550)	-	**(10,874)**
Transfers in/(out)	-	9,322	-	-	-	-	(9,322)	**-**
Impairment of assets	-	(1,229)[1]		-	-	-	-	**(1,229)**
Balance at 30 June 2019	**13,423**	**307,900**	**9,300**	**1,814**	**1,591**	**2,046**	**116,673**	**452,747**

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

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

[2] Net loss on the transfer ownership of the Gunbar Water Pipeline to the Gunbar Private Water Supply District.

Note 15. Income taxes

Tax benefit comprises:

	2019 $'000	2018 $'000
Current tax benefit		
In respect of the current year	687	74
Total current tax benefit	**687**	**74**
Deferred tax expense relating to the recognition and reversal of temporary differences	(8,984)	(3,414)
Adjustments recognised in the current year in relation to the tax of prior years	-	(158)
Research and development tax offset	-	83
Total deferred tax expense	**(8,984)**	**(3,489)**
Total current tax expense relating to continuing operations	**(8,297)**	**(3,415)**

The expense for the year can be reconciled to the accounting profit as follows:

	2019 $'000	2018 $'000
Profit from continuing operations	19,746	77,895
Income tax expense calculated at 30%	(5,924)	(23,368)
Effect of revenue that is exempt from taxation	1,590	20,028
Under/over - R&D and tax losses	216	(75)
Under/over - property, plant and equipment	(1,125)	-
Reversal of prior year under/over - property, plant and equipment	(3,054)	-
Income tax expense recognised in profit or loss	**(8,297)**	**(3,415)**

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

	2019 $'000	2018 $'000
Capital allowances and depreciation	53,418	47,501
Retirement obligation	(1,595)	(2,161)
Employee entitlements	(1,417)	(1,549)
Asset impairment	(2,119)	(1,837)
Tax losses and research and development tax offset	(1,363)	(426)
Other	(76)	(2,760)
Deferred tax liabilities	**46,848**	**38,768**

Note 16. Intangible assets

	2019 $'000	2018 $'000
Water - conveyance at cost (parent entity)	95,769	100,578
Water - High Security and General Security	48,935	43,395
Water - at cost (controlled entity)	442	442
Total water	**145,146**	**144,415**
Reconciliation - water		
Carrying amount 1 July	144,415	140,709
Water - conveyance sold during year	(4,808)	(2,333)
Water - High Security and General Security sold during year	-	-
Water - High Security and General Security acquired during year	5,539	6,039
Carrying amount	**145,146**	**144,415**

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(f) and 1(j).

Note 17. Trade and other payables

	2019 $'000	2018 $'000
Trade payables	5,564	968
Accruals	6,629	19,114
Total trade and other payables	**12,193**	**20,082**

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

Note 18. Provisions

	Notes	2019 $'000	2018 $'000
Environmental remediation	27		
Opening balance		690	708
Expenses		(290)	(18)
Closing balance		**400**	**690**
Employee entitlements:			
Annual leave		1,167	1,276
Long service leave		3,558	4,095
Total provisions		**5,125**	**6,061**
Current		4,638	5,451
Non-current		487	610
Total provisions		**5,125**	**6,061**

Note 19. Deferred revenue

	Notes	2019 $'000	2018 $'000
Private Irrigation Infrastructure Operators Program	1 (d) (iv & v)	4,277	55,894
Other	1 (d) (iii)	522	16,255
Total deferred revenue		**4,799**	**72,149**

Note 20. Other liabilities

	Notes	2019 $'000	2018 $'000
Retirement benefit obligation	21	1,296	7,204
Total other liabilities		**1,296**	**7,204**
Current		-	1,200
Non-current		1,296	6,004
Total other liabilities		**1,296**	**7,204**

Note 21. Retirement benefit plans

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

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

The Scheme was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament for the purpose of providing retirement benefits for public sector employees of certain Local Government bodies in NSW. The Scheme has received an exemption from annual actuarial valuation and therefore actuarial valuations are only required triennially.

The last actuarial valuation of the Scheme was performed as at 30 June 2018 by Mercer Consulting (Australia) Pty Ltd. The next actuarial investigation is due as at 30 June 2021 and will be released in the 2021/22 financial year. However actuarial assessments are made in the intervening period for financial reporting purposes, with Mercer Consulting (Australia) Pty Ltd conducting an assessment as at 30 June 2019. 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.

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

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

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

	2019 $'000	2018 $'000
Present value of defined benefit obligations	34,975	30,832
Fair value of defined benefit plan assets	(33,679)	(23,628)
Net liability	**1,296**	**7,204**

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

	2019 $'000	2018 $'000
Present value of defined benefit obligation at 1 July	30,832	31,003
Current service cost	265	265
Interest cost	1,183	1,255
Actuarial losses arising from changes in demographic assumptions	106	-
Actuarial losses arising from changes in financial assumptions	4,857	567
Actuarial losses/(gains) arising from liability experience	664	(314)
Benefits paid	(1,814)	(1,659)
Taxes, premiums and expenses paid	(1,118)	(285)
Defined benefit obligation 30 June	**34,975**	**30,832**

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

	2019 $'000	2018 $'000
Fair value of plans assets at 1 July	23,628	21,553
Interest income	1,033	891
Actual return on fund assets less interest income	5,017	1,660
Employer contributions	6,933	1,468
Benefits paid	(1,814)	(1,659)
Taxes, premiums and expenses paid	(1,118)	(285)
Fair value of plans assets 30 June	**33,679**	**23,628**

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

	Total ($'000)	Quoted prices in active markets for identical assets Level 1 ($'000)	Significant observable inputs Level 2 ($'000)	Unobservable inputs Level 3 ($'000)
Unlisted and listed Securities Employer	1,941,596	1,482,116	436,314	23,165**
Unlisted and listed Securities Member Investment Choice	1,696,996	*	*	
Total	**3,638,592**			

**The split of the Member Investment Choice assets by level is not available*

***Value of Challenger annuity policy held by Trustee valued on the AASB119 basis.*

As shown in the table above some Local Government Super assets are invested in accordance with member investment choices. For Local Government Super assets supporting the Employer Reserve, the percentage invested in each asset class at the reporting date is:

	2019
Equities	59%
Property	12%
Fixed Income	16%
Cash	10%
Other	3%
Total	**100%**

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

	2019	2018
Discount rate at 30 June	2.85%	4.03%
Salary growth rate	3.50%	3.50%
Expected rate of CPI increase	2.50%	2.50%

Note 22. Contributed equity

(a) Ordinary shares – fully paid

	2019 $'000	2018 $'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

	2019 Shares No.	Terminated or cancelled shares No.	2018 Shares No.
A Class Shares	228,670	(4,543)	233,213
B Class Shares	554,038	(9,387)	563,425
C Class Shares	15,574	(515)	16,089
Total ordinary shares	**798,282**	**(14,445)**	**812,727**

(c) Voting rights

	2019	2018
Voting rights attached to A Class shares	1,381	1,405
Voting rights attached to B Class shares	1,008	1,015
Voting rights attached to C Class shares	-	-

The Constitution prescribes one vote per landholding.

A Class and B Class shareholders have voting rights at general meetings and for the election of Member Directors in their voting college. Where a shareholder holds both A Class and B Class shares, the holder votes in the college in which they hold the greater number of shares.

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

(d) Rights to assets

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

Note 23. Retained earnings

	Notes	2019 $'000	2018 $'000
Retained earnings at the beginning of the financial year		251,743	176,940
Total comprehensive income for the year		11,023	75,480
Transfer to asset reserve	24	-	(677)
Retained earnings at the end of the financial year		**262,766**	**251,743**

Note 24. Reserves

	Notes	2019 $'000	2018 $'000
Asset reserve at the beginning of the year		51,236	50,559
Transfer from retained earnings	23	-	677
Asset reserve at the end of the year		**51,236**	**51,236**
Financial asset at FVOCI revaluation reserve at the beginning of the year		75	678
Financial asset at FVOCI revaluation losses		(83)	(603)
Financial asset at FVOCI reserve at the end of the year		**(8)**	**75**
Total reserves at the end of the year		**51,228**	**51,311**
Asset reserve is funded by the following investments:			
Water - High Security and General Security	16	48,935	43,395
Financial assets	13	2,293	7,915
Total funding		**51,228**	**51,311**

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 2019, the market value of the water investments was approximately $143,000,000.

Note 25. Financial instruments

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

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

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

The consolidated entity's overall strategy remains unchanged from 2018. The consolidated entity's financial instruments consist mainly of deposits with banks, fixed and floating rate notes, accounts receivable and accounts payable. The Company is exposed to the following risks through holding financial instruments:

(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 Poor's BBB rated investment houses. In respect of trade debtors, the credit risk is largely mitigated by the security described at Note 1 (f). The consolidated entity establishes allowances for impairment when it is expected that any receivables are not considered collectible.

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

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

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

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Due to the dynamic nature of the underlying businesses, the consolidated entity aims at maintaining flexibility in funding by keeping committed credit lines available. The credit risk on liquid funds is limited because the investment houses are banks with high credit ratings assigned by international credit rating agencies.

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

Note 26. Key management personnel compensation

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

(i) Directors

Non-executive Chair:	F S Sergi (up to 1/3/19) J I Dalton (from 1/3/19)
Non-executive Directors:	P C Borrows, L E Boully, H P Cudmore, J I Dalton, K L Dalton, A J Sergi, F S Sergi
Managing Director:	B A Jones

(ii) Leadership team

B A Jones	Chief Executive Officer
H E Bourne	General Manager Finance and ICT
S J Hansen	General Manager Customer Services
K J Hutchinson	General Manager Policy and Stakeholder
D P Radue	Company Secretary/General Manager Corporate Services
J J Rudd	General Manager Asset Delivery
A P Shea	General Manager Operations

(b) Key management personnel compensation:

(i) Directors (excluding Managing Director)	2019 $	2018 $
Short-term benefits	394,169	371,318
Post-employment benefits	37,446	35,779
Total compensation	**431,615**	**407,097**

(ii) Leadership (including Managing Director)	2019 $	2018 $
Short-term benefits (including payment of leave entitlements on termination)	1,881,078	1,786,488
Post-employment benefits	155,150	155,556
Total compensation	**2,036,228**	**1,942,044**

(c) Equity instrument disclosures for key management personnel
The aggregate numbers of shares in the company at balance date that key management personnel have an interest in were:

Ordinary shares	2019	Movement	2018
A Class	3,029	(61)	3,090
B Class	5,115	91	5,024
C Class	-	-	-
Total ordinary shares	**8,144**	**30**	**8,114**

(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.

Value of transactions	2019 $	2018 $
Water supply and drainage services	280,537	346,221
Receivable balance at reporting date	7,678	7,193

(e) Loans to key management personnel
There are no loans to key management personnel.

Note 27. Environmental remediation

A provision was raised in the 2014/15 year for remediation costs for sites that have been identified as contaminated. The provision is based on management's estimate of costs derived from knowledge gained from remediation work performed in previous years. The balance as at 30 June 2019 was $400,000 (2018: $690,000).

The provision of $400,000 (2018: $690,000) included in Note 18, represents the directors' best estimate of the likely cost of remediating the sites currently identified as requiring remediation.

Note 28. Commitments

Capital commitments	2019 $'000	2018 $'000
Commitments for the acquisition of plant and equipment contracted for at the reporting date, but not recognised as liabilities	17,912	105,074

At 30 June 2019, the outstanding funds to be received from the Commonwealth of Australia under the PIIOP funding agreements are $5,533,000. The outstanding water to be handed back under PIIOP funding agreements is the equivalent of 9,000ML of conveyance water.

Note 29. Events occurring after balance date

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

Note 30. Contingent liabilities

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

Note 31. Operating leases

The Group's future minimum operating lease payments are as follows:

Minimum lease payments due	2019 $'000	2018 $'000
With 1 year	29	53
1 to 5 years	-	-

Lease expense during the period amounts to $108,338 (2018: $141,398) representing the minimum lease payments. The vehicle lease commitments are non-cancellable operating leases with lease terms of between one and five years. Increases in lease commitments may occur in line with CPI or market rent reviews in accordance with the agreements.

Directors' declaration

The directors declare that the financial statements and notes set out on pages 22 to 44:

(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 2019 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.

Nayce Dalton, Chair
Hanwood, NSW
28 August 2019

GrantThornton

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Independent Auditor's Report

To the Members of Murrumbidgee Irrigation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Murrumbidgee Irrigation Limited and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Grant Thornton

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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*. The Directors' responsibility also includes 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Eric W Passaris

E W Passaris
Partner - Audit & Assurance

Melbourne, 28 August 2019

Company directory as at 28 August 2019

Murrumbidgee Irrigation Limited

ABN	39 084 943 037
Directors	Nayce Dalton (Chair, appointed 1/3/19) Hayden Cudmore (Deputy Chair, appointed 1/3/19) Peter Borrows Leith Boully Kaye Dalton Tony Sergi Frank Sergi Brett Jones
Company Secretary	Dorian Radue
Registered office and Share Register	86 Research Station Road Hanwood NSW 2680 Tel: 02 6962 0200
Leeton office	Dunn Avenue Leeton NSW 2705 Tel: 02 6953 0100
Postal	Locked Bag 6010 Griffith NSW 2680
Website	www.mirrigation.com.au
Email	info@mirrigation.com.au
Auditor	Grant Thornton Melbourne VIC 3000
Bankers	Commonwealth Bank of Australia Leeton NSW 2705
Insurance brokers	Arthur J. Gallagher North Sydney NSW 2060
Solicitors	Addisons Sydney NSW 2000

Abbreviations and acronyms

ABN	Australian Business Number
ACCC	Australian Competition & Consumer Commission
ARFD	Asset Refurbishment Funding Deed
FVOCI	Fair Value through Other Comprehensive Income
GL	Gigalitre
GS	General Security
GST	Goods and Services Tax
ha	Hectare
HS	High Security
I/MH	Injuries per million hours
LWMP	Land and Water Management Plan
MDB	Murray-Darling Basin
MDBA	Murray-Darling Basin Authority
MI	Murrumbidgee Irrigation
MIA	Murrumbidgee Irrigation Area
MIARA	MIA Renewal Alliance
ML	Megalitre
PIIOP	Private Irrigation Infrastructure Operators Program
S&D	Stock and Domestic
WIP	Work in progress

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Murrumbidgee Irrigation

OUR VISION

Growing our future together - Customers, Company, Community

OUR MISSION

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

WE VALUE

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

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

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

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

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

Murrumbidgee Irrigation

Murrumbidgee Irrigation Limited

ABN 39 084 943 037

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