



Annual Report 2012



Growing opportunity - water and beyond.



MIA Centenary 2012

The Murrumbidgee Irrigation Area (MIA) was established in 1912 following construction of Burrinjuck Dam, Berembed Weir and 139km of canals. The irrigation scheme was designed to drought proof inland Australia and provide food security for the nation.

The governing body of the MIA for the first 84 years was the Water Conservation and Irrigation Commission (WC&IC). The MIA and districts remained a State Government entity until 1999 when it was privatised. The irrigation network is owned by Murrumbidgee Irrigation Limited which in turn is owned by most of the landowners.

In 2012, our community celebrated 100 years since the irrigation water was first released into the MIA. The Centenary provides us with an opportunity to reflect on the past and to honour the pioneers of the MIA, acknowledge their foresight, their endurance, and their commitment to the success of this irrigation area.

Thank you to State Water Corporation for allowing us to use MIA photos from their archives.



Widening of Main Canal, c.1920. The Main Canal was widened to ensure there was enough water for soldier settlers' farms.



A successful MIA rice crop, c.1930. Rice was the first crop in the irrigation area to return good profits.



H.J. Harrison (Cannery Manger) bottling fruit, c.1915. The first WC&IC Leeton Canning Factory operated between 1914 and 1918 before a larger factory was built.



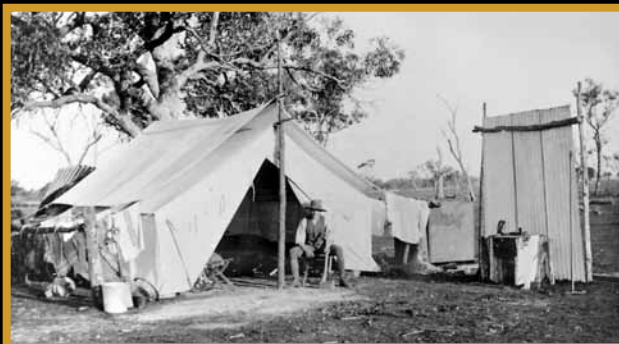
Channel construction using steam traction engine and delver ditcher, c.1918.



Children enjoying Elberta peaches from trees at the Leeton Nursery, c.1917.



MIA irrigable land before clearing, c.1912.



Early settler outside a typical tent, Yanco, c.1913.



Delivering milk to WC&IC's Leeton Butter Factory, c.1916. The factory was opened in 1913 to serve and encourage dairying as a staple industry as the irrigation settlements were developed. It became a farmer's co-operative in 1921 and closed in 1967 due to a decline in dairying.



Leeton, view from the water tower, c.1930.



WC&IC Yanco Bacon Factory, c.1918. The pigs were kept by the dairy farmers to dispose of the excess skim milk after the butter making process.



Henry Lawson (1867-1922) outside his house at Farm 418, Leeton, where he lived from 1916-1917. Lawson was employed by WC&IC to write promotional material on the MIA.



Interior of WC&IC Canning Factory at Leeton, preparing fruit for canning, c.1915.



Mirrool Cheese Factory and Tomato Pulping Plant, located near Research Station Road, Hanwood, c.1916.



Yanco Experimental Farm, cultivating for weed control between fruit trees, c.1915.



Packing butter, WC&IC Butter Factory at Leeton, c.1914.



Hydro Accommodation House, Leeton, for WC&IC officers and visitors, c.1920.



Overlooking site of the future City of Griffith, c.1923.



Spraying fruit trees c.1916.



Construction of the Main Canal (between Beelbangera and Penfold's Bridge near Griffith) c.1915.



A re-enactment of the first release of water into the MIA was held on 13 July 2012 as part of the centenary celebrations.

Growing opportunity - water and beyond.

Our Mission

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

Our Commitment

We value a culture of achievement, delivering what we promise and working together for mutual benefit.



This Annual Report is a summary of our corporate performance from 1 July 2011 to 30 June 2012

AGM 2012
 The fourteenth Annual General Meeting of shareholders will be held on Monday 26 November 2012 at the Gemini Function Centre, Banna Avenue, Griffith.
 Registration from 7:00pm for a 7:30pm start.

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About us

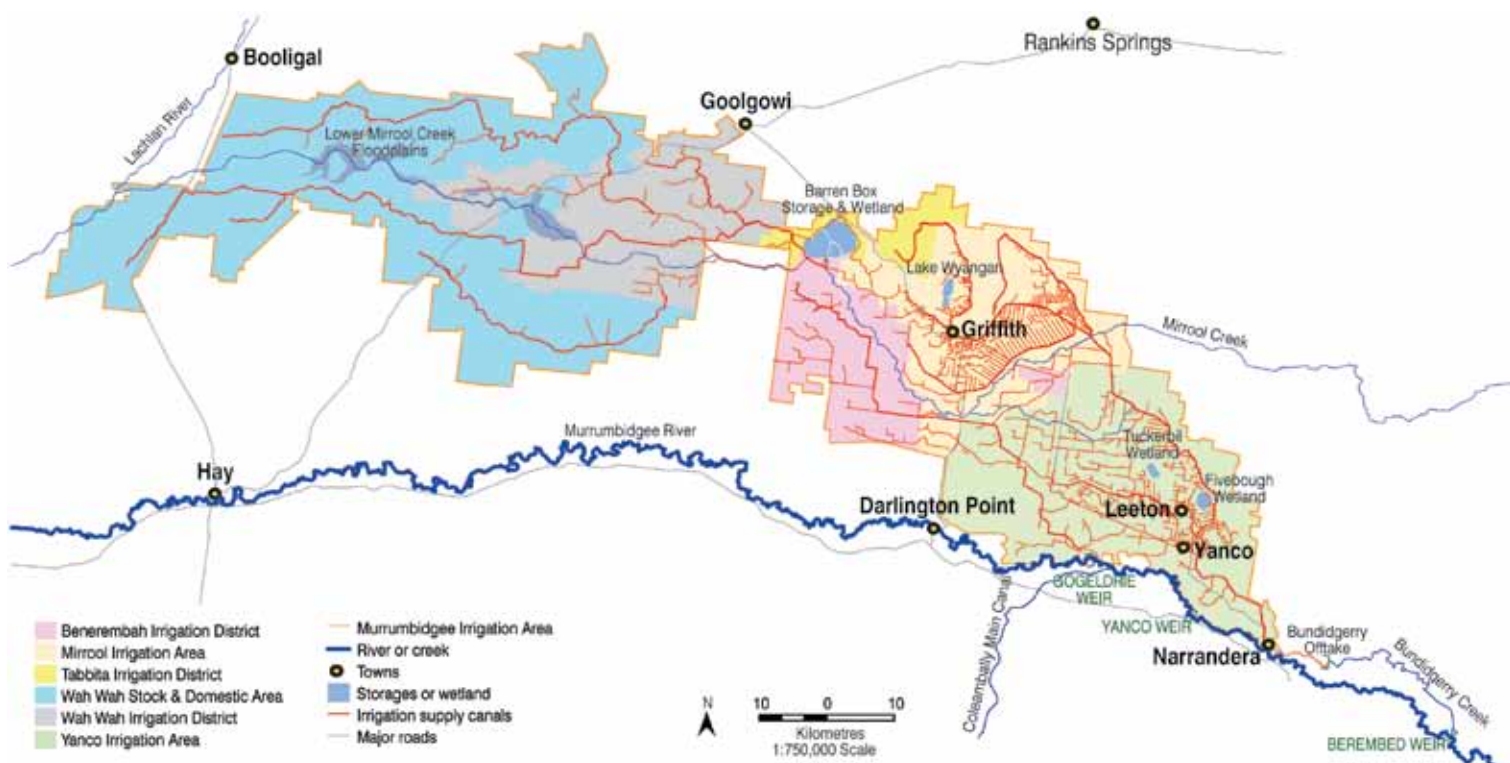


Murrumbidgee Irrigation Limited is one of the largest private irrigation companies in Australia serving over 3,200 landholdings owned by over 2,500 customers within an area of 660,000 hectares.

Our core business is water distribution. We provide irrigation water and drainage services to an area known as the Murrumbidgee Irrigation Area (MIA).

The MIA is one of the most diverse and productive regions in Australia. To ensure our sustainability we work to improve water efficiency through innovation, infrastructure upgrades and better business management. Murrumbidgee Irrigation Limited promotes a balanced approach to the management of our region where environmental and productive outcomes can be achieved harmoniously.

GENERAL INFORMATION	Measure	2011/12	2010/11	2009/10
Area of MIA	ha	660,000	660,000	660,000
MIA irrigated area (total crop area)	ha	135,209	120,184	79,041
Company water licences	ML	1,264,443	1,317,000	1,345,261
Number of landholdings		3,257	3,253	3,364
Crops planted: <i>winter cereals / oilseeds</i>	% ha	36	37	36
<i>horticulture</i>	% ha	22	24	37
<i>rice</i>	% ha	20	21	10
<i>other</i>	% ha	22	18	17
Crop water use: <i>winter cereals / oilseeds</i>	ML/ha	2.4	1.4	1.6
<i>summer cereals</i>	ML/ha	6.9	4.5	5.9
<i>citrus</i>	ML/ha	4.9	3.2	5.2
<i>vines</i>	ML/ha	3.4	2.1	3.8
<i>rice</i>	ML/ha	11.7	9.8	13.5
Groundwater area median less than two metres	%	24.0	9.0	<1
Average depth to shallow groundwater	metres	3.7	4.9	5.66



Three year snapshot



A summary of performance in comparison to the last two years

WATER DELIVERY		Measure	2011/12	2010/11	2009/10
Allocation transfer into licences	ML	49,609	9,674	33,314	
Allocation transfer out of licences	ML	57,047	28,390	106,486	
Allocation advances into licences		0	0	0	
Allocation advances out of licences	ML	0	82,619	16,318	
Supplementary water sales	ML	36,114	36,814	14,864	
Total irrigation diversions (excluding environmental credits)	ML	854,855	569,947	505,176	
Sales	ML	752,845**	481,410*	368,269	
Conveyance (used)	ML	102,010	88,537	136,907	
System efficiency	%	88	86	73	
ENVIRONMENTAL			2011/12	2010/11	2009/10
Attendance at farm and community courses	persons	508	370	200	
Biodiversity new plantings	hectares	187.7	923	657	
Compliance breaches		0	0	0	
Energy use#	TJ	43	40	56	
Emissions	ktCO ₂ -e	5.8	6.2	5.8	
Murrumbidgee CMA funding - admin. versus on-ground works	%	8	9	5	
SOCIAL			2011/12	2010/11	2009/10
Number of employees (equivalent full-time)		183	184	183	
Lost time injury frequency rate	injuries per million hrs	12.37	12.6	13.0	
Total training expenditure / base salaries	%	1.94	2.18	2.69	
Attendance	%	97.1	97.2	97.0	
Sponsorship and donations	\$'000	25.4	9.6	22.9	
ECONOMIC			2011/12	2010/11	2009/10
Customer revenue	\$'000	28,877	24,526	20,942	
Customer expenditure	\$'000	35,178	26,103	24,536	
Customer earnings before interest and tax	\$'000	(6,301)	(1,577)	(3,594)	
Contract and other revenue (part of customer revenue)	\$'000	2,475	2,029	2,679	
Interest revenue	\$'000	2,086	1,997	1,832	
Water and property leasing revenue	\$'000	866	1,075	6,983	
Irrigators' contribution to asset refurbishment	\$'000	3,100	3,100	3,100	
Irrigators' contribution to land and water management	\$'000	692	877	1,217	
Government revenue	\$'000	7,035	10,107	11,875	
Profit before tax	\$'000	2,120	8,163	12,129	
Net assets	\$'000	336,176	341,559	335,143	

* In 2010/11 an additional 8,919 ML was sold as Internal Supplementary use in accordance with customer contract conditions and is not included in this figure.

** In 2011/12 an additional 6,952 ML was sold as Internal Supplementary use in accordance with customer contract conditions and is not included in this figure.

Adjusted calculation method for energy use, based on the Department of Climate Change and Energy standards.

Year in review



We continue to strive for excellence in all areas of our business. The issues that have challenged us throughout the year are a reflection of the multiplicity within the irrigation industry. We have endeavoured to engage the government on policy issues affecting our region and sought to ensure our sustainability through the development of water efficiency initiatives. We have worked to rebuild our network in the wake of the March floods and we have celebrated the vision of those who pioneered this remarkable irrigation scheme.

The continued rollout of our infrastructure modernisation program demonstrates our commitment to growing opportunity – water and beyond and we look forward to the progress of these projects and the opportunities for growth and investment they present for our region.

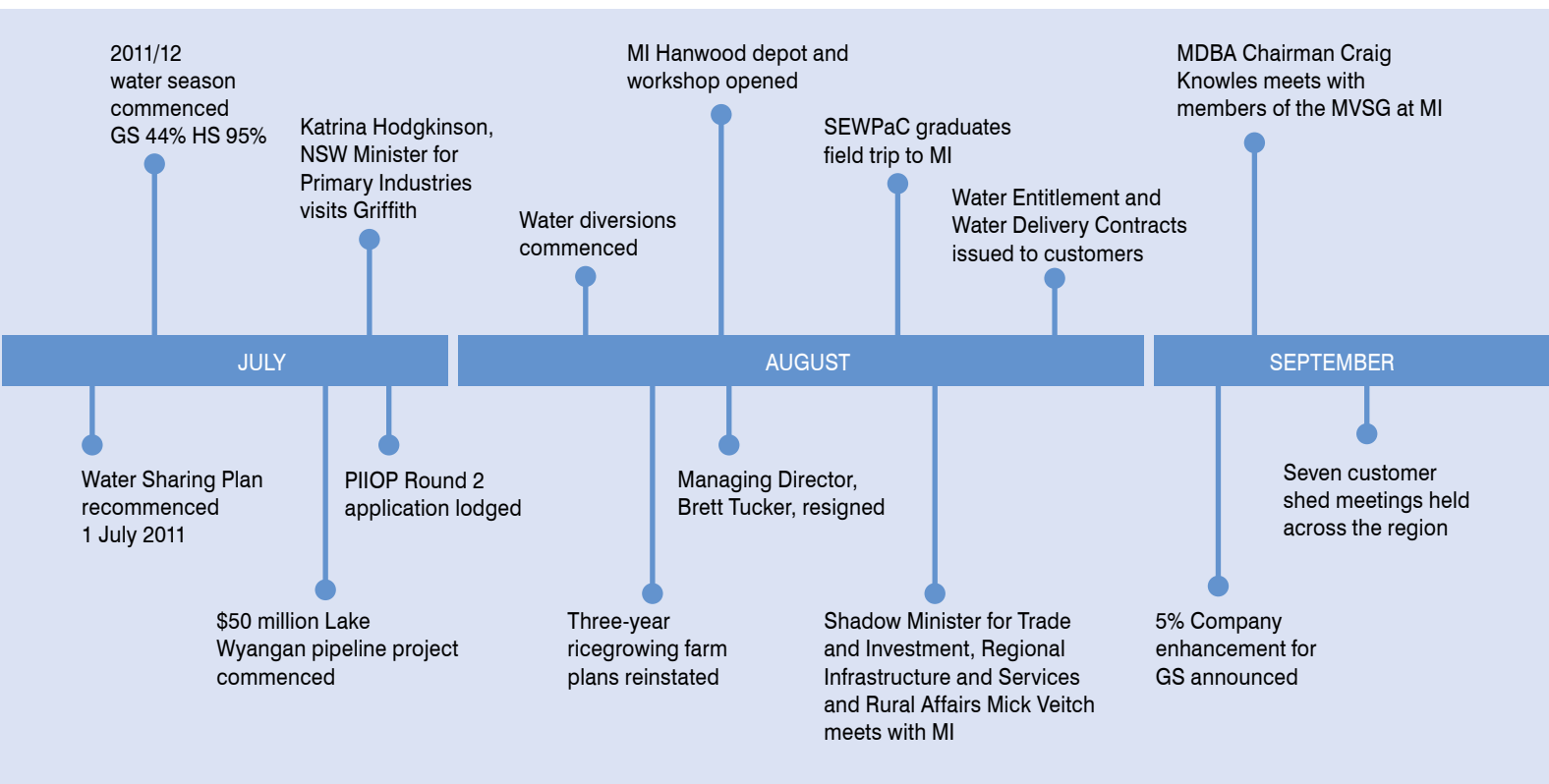
Murray-Darling Basin Plan

The development of the Murray-Darling Basin Plan has been ongoing since 2007 when the Howard Government introduced the Water Act (2007). The Act was passed through Federal Parliament, twice, and received bipartisan support.

The release of the Guide to the Proposed Basin Plan in October 2010 was the catalyst for earnest engagement from both industry and the community. We have actively lobbied the government agencies involved in the management of

the Murray-Darling Basin for better outcomes for irrigators and the region. Throughout the year we met several times with the Federal Minister for Sustainability, Environment, Water, Population and Communities, the Hon. Tony Burke MP and NSW Minister for Primary Industries, the Hon. Katrina Hodgkinson MP; Member for Murrumbidgee, the Hon. Adrian Piccoli MP; Murray-Darling Basin Authority (MDBA) representatives, MDBA Chairman, the Hon. Craig Knowles, the Commonwealth Environmental Water Holder and Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) staff representing the interests of irrigators in the MIA. We have also taken a lead role with local community advocacy groups such as the Murrumbidgee Valley Stakeholder Group (MVSG) in their campaign to achieve a balanced Plan.

On 28 November 2011, the Proposed Murray-Darling Basin Plan was released. The following day Minister Burke attended a meeting with the MVSG in Griffith, while National Party members: Senator Barnaby Joyce, Federal Member for Riverina, Michael McCormack MP, and Senator Fiona Nash held a community meeting in Griffith. We attended both of these meetings ensuring our concerns with the proposed Plan were strongly communicated. The MDBA held a public meeting to discuss the draft Basin Plan in Griffith on 15 December 2011. The meeting was attended by around 10,000 people. MDBA Chairman, Craig Knowles, Minister





Burke and Opposition Leader, the Hon. Tony Abbot MP were in attendance to hear the concerns of industry leaders and the MIA community. The meeting attracted national media attention and was reported throughout Australia.

We provided the MDBA with a submission prior to the close of the 20 week formal consultation period on the Proposed Basin Plan. The revised Basin Plan was released on 28 May 2012 for consideration by the Murray-Darling Basin Ministerial Council; made up of the Basin State Water Ministers and Commonwealth Water Minister Tony Burke. The Plan contained few changes and the 2,750 GL environmental water recovery target had not changed.

Minister Hodgkinson returned to Griffith on 27 June 2012 to address a crowd of over 5,000 people at a rally organised by the MVSG. The Minister reiterated her Government's support for regional Australia and confirmed they would not accept anything less than a balanced Basin Plan.

The MDBA released a third version of the Proposed Basin Plan on 6 August 2012 after taking into consideration the comments of the Ministerial Council. The altered Proposed Basin Plan included a number of changes, the most significant of which was an SDL adjustment mechanism which may allow the water recovery target to increase or decrease within a range of between 2,400 GL/yr to 3,200 GL/yr. It is expected the final Basin Plan will be tabled

in Federal Parliament in late 2012 after further consultation with the Ministerial Council and the MDBA.

Infrastructure modernisation program

Initial scoping of five major infrastructure projects to modernise the MIA and generate water savings to reduce the impacts of the proposed Murray-Darling Basin Plan has been completed. The projects aim to increase the efficiency of the irrigation distribution system which will, in turn, drive regional development, investment and growth. The nominated modernisation project areas include: Lake Wyangan; Wah Wah Stock and Domestic; Bilbul; Northern Branch Canal; and Hanwood, Yenda and Leeton.

The proposed modernisation program will be funded primarily by the Commonwealth Government under the Private Irrigation Infrastructure Operators Program (PIIOP). The Hon. Tony Burke MP announced on 8 July 2011 that work would commence on the \$50 million Lake Wyangan upgrade program that includes replacing a deteriorating concrete-lined and earth channel with an integrated solution of up to 48 kilometres of pipelines and up to 3.5 kilometres of refurbished open channels. This project will then return 6,000 ML/yr of water back to the Commonwealth Environmental Water Holder. The Lake Wyangan upgrade is due for completion in 2014.

New Constitution, Contracts and Rules take effect replacing the Member Contract

2011 AGM Leeton Soldiers' Club

Water Minister Tony Burke, Barnaby Joyce, Michael McCormack and Fiona Nash visit Griffith

MI's first Network Consultation Paper sent to customers

100% allocation announced for GS

OCTOBER

NOVEMBER

DECEMBER

Water orders and diversions peaked at 7,000 ML/day

Proposed Basin Plan released

MDBA public meeting in Griffith attended by approximately 10,000 people

Round 2 PIIOP \$149.6 million funding offer announced for MI



Together with the MIA Renewal Alliance, we submitted an application for funding under Round 2 of PIOP on 26 July 2011. On 12 December, Minister Burke announced an offer of \$149.6 million to complete the remaining infrastructure modernisation projects. This funding has not yet been confirmed as we are currently negotiating details of the agreement with the Government to ensure we can deliver the proposed projects within budget constraints.

In addition there remains an unresolved taxation issue surrounding the receipt of the Government funding. Under the current funding arrangement we would be subject to both income tax and capital gains tax, if the project money is accepted.

It is anticipated that these taxation matters will be resolved in the spring session of Parliament in 2012. The modernisation projects cannot go ahead until this matter has been resolved. It is unacceptable to be in a position where we receive government funding to simply hand it back through taxation.

Infrastructure development is a priority initiative. Negotiating funding for infrastructure modernisation in exchange for water savings is paramount to a balanced outcome for productive irrigation and a healthy river system. We are committed to working with Governments to achieve these outcomes and will continue to pursue water saving initiatives.

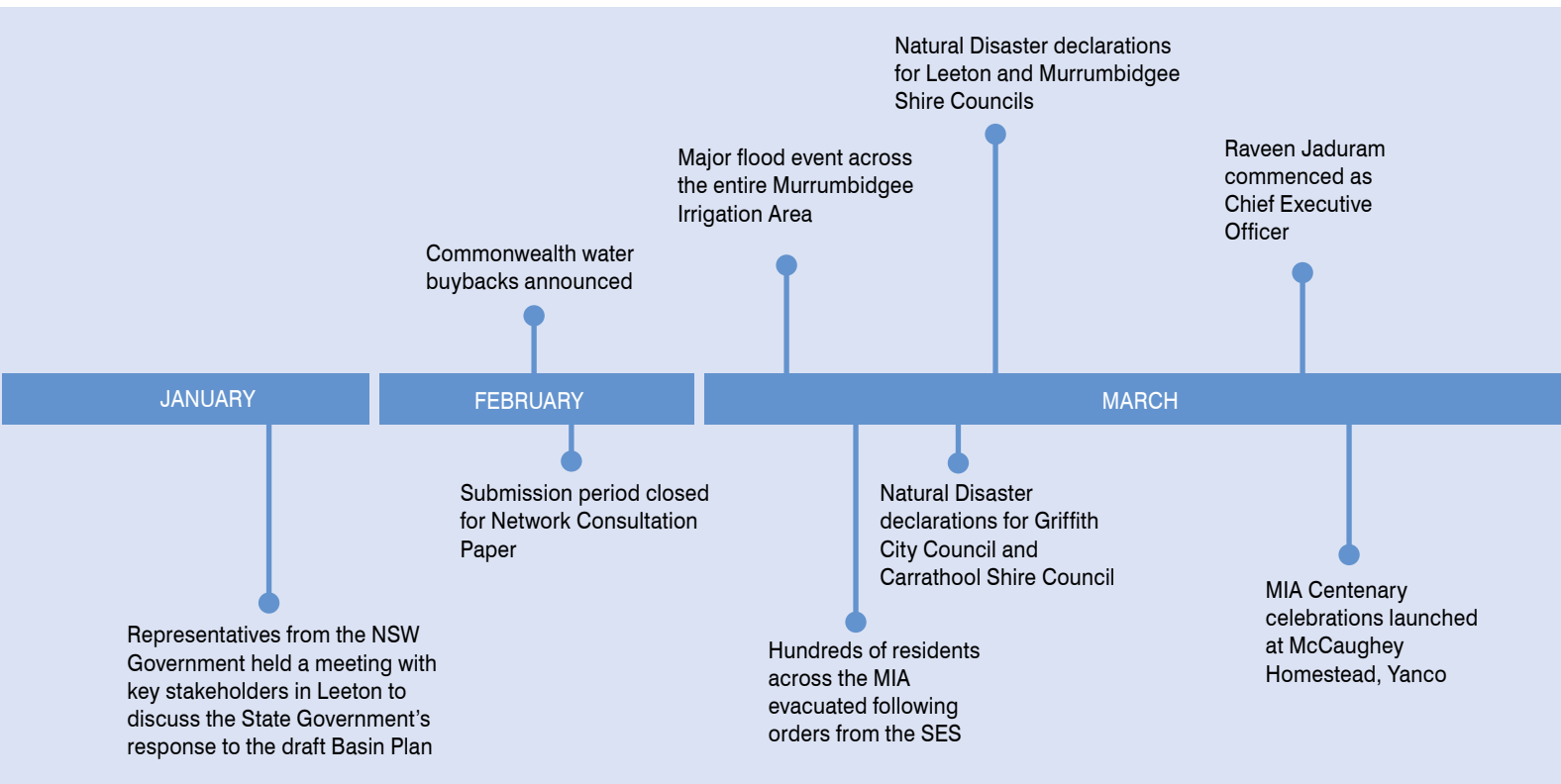
March floods

During March 2012, the MIA experienced unprecedented rainfall that resulted in regional flooding causing significant infrastructure damage. The rain event affecting our region was part of widespread, heavy and persistent rainfall across southeast Australia. The accumulated rainfall in the Murrumbidgee catchment for the period 27 February to 5 March (202.6mm) was nearly double the previous highest on record. In addition, record high daily accumulations were recorded over a large area of NSW. In this context, the event was one of the most extreme multi-day rainfall events in southeast Australia's history¹.

Natural Disaster declarations were given for Leeton, Murrumbidgee, Griffith and Carrathool Shires.

The State Emergency Service (SES) was responsible for the management of the natural flood disaster. We were pleased to provide the SES with machinery and personnel to assist with disaster mitigation strategies.

Like all other infrastructure in the area, our supply and drainage assets were inundated and damaged by the flood. Our priority immediately following the rain event was to reinstate the system. Since then we have been working to return our network to pre-flood condition. We have taken advantage of the season close period to place work crews





throughout the network. During this time we have also been inspecting structures to ensure their operational capacity and to make an assessment of loss-of-asset-life on individual assets.

We will continue to do all we can to restore our network, with the least possible impact on service, so that customers can focus on rebuilding their businesses and look toward a positive future.

¹ Bureau of Meteorology, 2012. Exceptional rainfall across southeast Australia. Special Climate Statement 39.

Centenary of Irrigation

The MIA centenary celebrations were launched at the McCaughey Homestead, Yanco, on 30 March 2012. Kay Hull, retired Member for Riverina presided over the event with special guests, Eileen Townsend and Stewart McWilliam, cutting the centenary cake on behalf of local pioneers.

The Murrumbidgee Irrigation Scheme has emerged as one of the great national success stories of modern times. The vibrancy enjoyed by our region today is a testament to the vision and dedication of our early politicians, engineers and farmers who planned, built and pioneered the MIA.

Our region has made a significant contribution to the Australian economy as well as securing a food source for the nation. Over the past century we have made continuous improvements to our irrigation infrastructure to increase system efficiency. Our customers too, have sought to embrace new technology and irrigation methods. Continuous improvement has proved an effective management response to low water availability through the recent drought and to broader water policy reform from the introduction of the Cap on diversions in 1997, to the delivery of the Murray-Darling Basin Plan.

Through one hundred years our families have endured drought and flood; we have enjoyed years of plentiful water supply and years of want; we have seen commodity prices rise and fall; and we have remained constant while governments come and go. Future generations will continue, as we have, to care for and protect this important agricultural region.

The MIA Centenary of Irrigation celebrations are an initiative of Murrumbidgee Irrigation and executed in cooperation with our community organising committee, councils, community groups, and sponsors. These celebrations provide an opportunity to consider the future of our region as we continue to work together to negotiate a productive and sustainable future.

MIA Centenary historical photo display opens at Leeton Visitors Information Centre

Meeting with NSW Premier, Barry O'Farrell in Leeton to discuss flooding

APRIL

MI lodged submission on the Proposed Basin Plan

MIA Centenary display launched at Pioneer Park

2012 MI Scholarship recipients announced

MAY

Release of the revised Proposed Basin Plan

2011/12 Irrigation season close

MI's inaugural Network Service Plan published

Winter works commence

Closing date for internal High and General Security allocation transfers

JUNE

Winter watering period

Katrina Hodgkinson, NSW Minister for Primary Industries visits Griffith for a community rally organised by the MVSG

Chairman's review



In March this year we commenced our centenary celebrations. Our centenary is so much more than an anniversary. It is a time to consider the achievements of irrigated agriculture and the contribution of the MIA to the social and economic wellbeing of our nation and, in particular, our regional communities.

The visionaries who saw the wealth of natural resources hidden in this arid landscape were indeed sages; however, no less so than the irrigators who have since followed. The MIA has been built on innovation, change and a fundamental belief in agriculture, the evidence of which I see throughout our region today: crop diversification, innovative farming practice, technology developments and growing industry.

The Murray-Darling Basin Plan negotiation continued throughout 2011/12. We remain advocates, on behalf of irrigators and the community, for a balanced approach to social, environmental and economic outcomes. We have taken a multi-faceted approach toward this advocacy role, presenting sound information and economic data to decision makers and other stakeholder groups in the interest of providing a pathway towards these balanced outcomes.

Barren Box Storage and Wetland (BBSW) continues to herald the achievements of water savings through infrastructure investment. During the year we hosted site tours of BBSW to parliamentary and government agencies to evidence the outcomes that can be realised through a diversified approach.

Amidst these challenges that currently face the irrigation industry we will continue our partnership with customers as we strive for efficiencies in water delivery, infrastructure development, business management and customer service.

It seems ironic that, as we began to see restoration following years of drought, the March floods halted the community. The culmination of rain, overland runoff and river flooding was of a magnitude not seen in our lifetime and is believed to be the worst in the history of southeast Australia. Throughout those truly horrific days I was humbled by the selfless effort of so many people, particularly the staff of Murrumbidgee Irrigation. We stood, shoulder to shoulder, with emergency services and councils doing all that we could to safeguard the MIA in what can only be described as dire circumstances.

We must be thankful that the disaster didn't claim any lives, but unfortunately for many in our community it will be some time before their lives will return to normal. I will forever remember this time as the most stressful I have personally endured.

The appointment of Raveen Jaduram as Chief Executive Officer in March 2012 signalled the start of a new era for Murrumbidgee Irrigation. Raveen is a civil engineer with almost 25 years of management experience in the water industry. His wealth of experience will be invaluable as we adapt and evolve our organisation to the outcomes of the Basin Plan and respond to the operating challenges of the economic climate. Raveen has accepted the position of Managing Director as a result of the offer being extended by the Board. The Board is confident that Raveen has both the skills and experience to evolve our company beyond its current capacity.

I would like to take this opportunity to thank Geoff Beard for the commitment he demonstrated to Murrumbidgee Irrigation in the role as acting CEO from August 2011 through to March 2012. To all our employees, a very special thank you for your dedication and loyalty, particularly through the March flood event.

To Deputy Chair, Bruno Brombal, and fellow directors, thank you for your tremendous support throughout the year.

I look forward to the continuation of our centenary celebrations and a positive resolution to the Basin Plan negotiations. It is time to refocus our attention to core business to ensure that the next one hundred years will be as productive and fruitful as the last. Through innovation, hard work and vision it may be that our descendants will apportion a fraction of the respect to us, as caretakers of this wonderful region, which we have deservedly given to our forefathers.

Gillian Kirkup
Chairman



Chief Executive Officer's review



Albeit that I have been in my role for only a few months, it is with much pleasure that I write this review. Through drought and flood, adverse exchange rates, low commodity prices, and uncertainty associated with future water entitlements, it is inspirational to observe the resilience and determination of this community that is founded on such a proud heritage.

Water demand for the 2011/12 year was over 750 GL, an increase of more than 50% from the prior year. This resulted in revenue from water services increasing by nearly \$4 million. However, the operational response, subsequent repairs and remediation costs of the March 2012 floods resulted in additional expenses of around \$1 million. Other items that have adversely affected the financials include a provision of \$4 million for environmental remediation and \$1.6 million to reinstate delivery entitlements.

Overall, the company made a before tax profit of \$2.1 million, due entirely to State Government asset refurbishment funding which was utilised in capital investment programs during the year.

The company has been advised that its obligation to the Local Government Superannuation Scheme for defined benefits has increased by close to \$12 million due mostly to actuarial losses.

The modernisation program that we have integrated with our application for PIOP funding is our most ambitious efficiency initiative. To date, the Lake Wyangan project funded under Round 1 of PIOP is the only project to be secured. Concept and preliminary designs have been completed and construction will begin at the end of the irrigation season.

A further \$150 million has been offered by the Commonwealth in exchange for water entitlements as part of PIOP Round 2. The company has been prudent in not finalising this transaction until after the capital gains tax and income tax implications are resolved via legislation. The legislative changes are expected to be passed through Parliament in the third quarter of the calendar year.

This is not the only issue under contention in the funding negotiation. A balance has to be reached between the volume of water savings achieved with the cost of asset renewal to meet operating needs and changing demands. Cash flow and timing of Commonwealth Government funding is also likely to impact the advancement of the projects. Initial timelines nominated for these projects have already lagged.

Comprehensive consultation was carried out to develop the Network Service Plan (NSP). The NSP provides information on our current and anticipated costs for the next five years, as well as our strategy to recover those costs via the pricing schedules. The NSP, effective on 1 July 2012, has been prepared to ensure compliance with legislative requirements.

The Murray-Darling Basin Plan continued to draw on our policy resources throughout the year. We met with, and hosted a range of political visits to advocate for a balanced approach to the water recovery target. We remained active members of the Murrumbidgee Valley Stakeholders Group and assisted in organising the 10,000 strong community meeting with Murray-Darling Basin Authority and the Federal Water Minister in December. We continue to provide our strong support for the New South Wales Government on its stance on the Proposed Basin Plan.

In the coming year, we will continue to face challenges associated with the Basin Plan. We will finalise our PIOP funding and commence a well-designed implementation of the modernisation program. We will focus the organisation on its principal activities and strive for improved customer service, more effective asset management and greater business efficiency.

I take this opportunity to commend and thank management and staff for their efforts throughout the year and in particular during the March floods. I also convey my appreciation and gratitude to the Board of Directors for their guidance and support. Finally, I thank our many customers who provide feedback, complaints and support – all of which helps us better understand their needs and helps us to be better at what we do. We value your understanding and goodwill.

Raveen Jaduram
Chief Executive Officer



Board of Directors



Gillian Kirkup Chairman

Gillian was elected to the Board in 2003. She became Deputy Chairman in 2007 and was elected Chairman in 2009. Gillian and her husband, Barry, own and operate broad acre farms at Gogeldrie. Gillian is a director of MI Holdings Pty Ltd; MI Energy Pty Ltd; MI EasyTrade Pty Ltd; SunRice and its subsidiary company Rice Research Australia and the Basin Communities Association. She is a Member of the Rice Marketing Board of NSW; Reference Panel for the Prime Minister's Working Group on Soil, Water and Food; Rice Research and Development Committee and the Agricultural Consultative Committee for the Bureau of Meteorology. Gillian is also a delegate of the National Irrigators' Council and NSW Irrigators' Council.



Bruno Brombal Deputy Chairman

Bruno is one of four shareholder-elected directors joining the Board in 2007. He became Deputy Chairman in 2009. Bruno has been farming for over 43 years and now operates over 200 hectares of vine grapes, citrus and grain crops as a family unit in Hanwood and Tabbita. Bruno has been a board member of the Wine Grapes Marketing Board for 23 years and the Chairman for 13 years. He has 13 years experience as an executive member of the New South Wales Wine Industry Association Board. Bruno has been director of the MIA Vine Improvement Society for 21 years.



Raveen Jaduram Managing Director

Raveen joined the Board as Managing Director in July 2012. He has close to 25 years experience in the water industry and has held senior management positions in New Zealand. He is a past Chairman and board member of Water New Zealand and has chaired a commercial real estate and hotel operations company in Fiji. Raveen has extensive knowledge in, and has lectured on the subjects of, asset and risk management. He has led and been involved in the corporatisation of a number of companies and was most recently part of the executive team that amalgamated seven water entities into a single \$7 billion organisation in Auckland.



Leith Bouly Independent Director

Leith has been an independent director since 2005. She has over 20 years experience in natural resource management and with her family, operates a grazing and irrigation property at Dirranbandi in Queensland. Leith is Chairman of Wide Bay Water Corporation, Australian Water Recycling Centre of Excellence, Healthy Waterways Ltd, The Glennie School and the Great Barrier Reef Marine Park Authority's Catchment and Coastal Reef Advisory Council. She is also a board member of Seqwater and is an Adjunct Professor with the School of Agriculture and Food Sciences at the University of Queensland.



Michael Nugent
Independent Director

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



Andrew Cameron
Shareholder-elected Director

Andrew Cameron joined the Board as a shareholder-elected director in 2009. Andrew has been an irrigation farmer in the region for over 25 years growing rice, maize and cereal crops and is an active member of the local community.



Markeeta Gibson
Community Independent Director

Markeeta has held the position of Community Independent Director since 2007. Markeeta has a Bachelor of Science, Resource Environmental Management and a Bachelor of Laws from the Australian National University. She has previously worked for the Department of Land and Water Conservation developing the Hay Private Irrigation Districts Land and Water Management Plan. She operates her own legal firm focusing on rural land transfers and associated rural issues including estate planning, water transfers and water trading. Together with her husband, Markeeta runs a grazing and irrigation property to the north of Hay. She is also the Chairman of MI Holdings Pty Ltd, is a Director of the NSW Rural Assistance Authority and a member of the NSW Youth Affairs Advisory Committee.



Antonio (Tony) Sergi
Shareholder-elected Director

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

Executive team



Raveen Jaduram

Geoff Beard

Rob Kelly

Karen Hutchinson

Dave Gilbert

Dorian Radue

Raveen Jaduram BE (Hons), ME, FIPENZ

Chief Executive Officer

Raveen Jaduram commenced with MI in March 2012 as Chief Executive Officer and accepted appointment as Managing Director in July 2012. Raveen has close to 25 years of management experience in the water industry in New Zealand holding similar positions with Watercare Services Limited and Manukau Water Limited. With honours and masters degrees in civil engineering from the University of Auckland, Raveen has undertaken a number of post-graduate management studies, including those from Stanford University in California, Macquarie Graduate School of Management, Australia, and the University of Auckland.

Geoff Beard

Operations Executive

Geoff has over 30 years tenure with MI and has worked in a variety of roles. Geoff is responsible for leading our Irrigation Services, Infrastructure Services and Asset Management functions including the establishment of standards, implementation and integration of supply and drainage services, asset maintenance and asset renewal programs.

Rob Kelly BSc (Hons), MAICD

Environment Executive

Rob commenced with MI in 1999 in the Environment Team and was appointed as Executive Manager, Environment in 2009. He has over 15 years experience in environmental and natural resource management. Rob's role is to lead the development and implementation of our environmental, natural resource management, research and innovation, and carbon and energy programs and integrate them across the company. He has also played a key role in the establishment of the MIA Renewal Alliance and continues to oversee the development of these projects.

Karen Hutchinson BSc (Hons), GAICD

Public Affairs Executive

Karen commenced with MI in 2009 in the position of Executive Manager, Customers. Karen has a strong background in customer relations, change management and policy development and has previously held positions working for government and with industry peak bodies. She was Executive Director of the Murrumbidgee Horticulture Council for five years and was awarded the prestigious Rural Industries Research and Development Corporation (RIRDC) Rural Woman's Award for NSW in 2011.

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

Commercial Services Executive

Dave commenced with MI in 2008 and was appointed as Commercial Services Executive in 2011, responsible for business strategy, business development, and internal services relating to stores, fleet and workshops. He is also responsible for corporate information services. Dave is an electrical engineer who has held management roles in the electricity supply industry and also within the Australian public service that has included implementation of the National Electricity Market, administration of Australia's export controls and defence-related research projects.

Dorian Radue BA, MBA, MSc (Strategic Focus), CA, CA(SA)

Corporate Services Executive

Dorian commenced with MI in 2009 as Executive Manager, Corporate Services including the role of Company Secretary. Dorian is a chartered accountant by profession, and after spending 17 years in auditing, specialised in corporate governance and risk management through executive positions held in the IT and banking industries in South Africa.

Lindsay Shoemark BBus (Accounting), CPA

Chief Financial Officer

Lindsay commenced with MI as Chief Financial Officer in May 2006, bringing more than 20 years experience in executive finance positions within the motor trade, manufacturing, airline and transport logistics industries. Lindsay was Chief Financial Officer until September 2011.

Vern Howland CA, ACA, MAICD

Chief Financial Officer

Vern Howland commenced as Chief Financial Officer in March 2012. Vern has twenty years of experience across a broad range of financial sectors including banking and treasury. Vern resigned in August 2012.

Irrigation season overview



The new water year opened on 1 July 2011 with an allocation announcement of 95% for High Security and 44% for General Security licence holders. Burrinjuck and Blowering Dams were at 93.9% and 96.2% capacity, respectively.

Diversions commenced in early August to take advantage of the excess flows from the river to fill the major channel systems. General Security customers were also able to access this water until the middle of September.

Surety of General Security allocation resulted in an increased land area being planted to rice and cotton crops for the 2011/12 season. Water orders and diversions increased as the season progressed and peaked in October at 7,000 ML per day.

The extreme rainfall event in March 2012 affected the typical water demands for horticulture and summer crops. The remaining months of the season saw below average diversions and sales.

The irrigation season was officially closed on 31 May 2012. In mid June, a winter watering event was provided to customers for their winter cropping needs. Access to this water was limited and subject to availability of systems to facilitate maintenance work. Early ordering for this watering event enabled us to meet customer needs without significantly disrupting work crews.

2011/12 Allocation History

Date	HIGH SECURITY	GENERAL SECURITY		TOTAL
	NOW	NOW	MI Enhancement	
1/7/11	95%	44%	0%	44%
15/7/11	95%	50%	0%	50%
15/8/11	95%	53%	0%	53%
1/9/11	95%	57%	0%	57%
15/9/11	95%	59%	0%	59%
22/9/11	95%	59%	5%	64%
3/10/11	95%	63%	5%	68%
17/10/11	95%	65%	5%	70%
1/11/11	95%	69%	5%	74%
15/11/11	95%	72%	5%	77%
1/12/11	100%	100%	5%	105%

NOW - NSW Office of Water Announcement

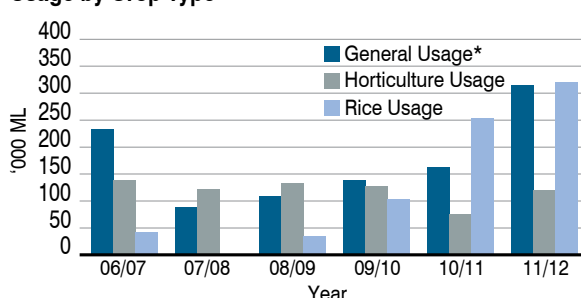
Total diversions from the river for 2011/12 were 854,855 ML (excluding specific use environmental diversions of 2,642 ML). This represents a 51% increase from the previous year. The increase was reflected in sales of 759,797 ML, an increase of 54% on the previous year.

There were five periods of supplementary flows throughout the season extending over a total of 24 weeks.

Early season surplus flows were available to all General Security customers. However, as effective available water later exceeded 70% this supplementary use was converted to normal allocation and only those with separate Supplementary Water Allocations were able to take advantage of the surplus flows. Consequently, despite the extended access to surplus flows, only 36,114 ML was recorded as supplementary water sales.

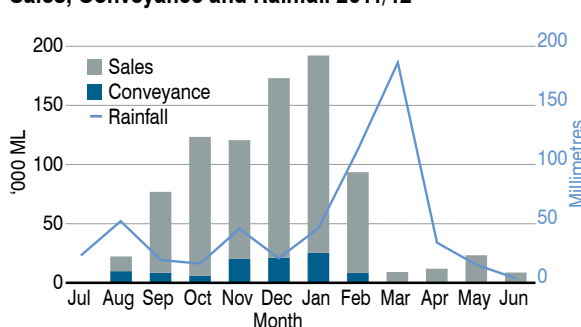
In 2011/12 we achieved simple system efficiency of 88%. This is an improvement on the 86% achieved last year. System efficiency is affected by water allocations, the volume of water moved through our system during the season, as well as the prevailing climatic conditions. We are continually implementing operational efficiencies and upgrading infrastructure to improve the overall efficiency of our network. This continued improvement across similar seasons demonstrates a reduction in system losses and conveyance water.

Usage by Crop Type



* General usage includes broad-acre crops, bulk town supply, industrial, plantations and stock and domestic usage.

Sales, Conveyance and Rainfall 2011/12



1 Delivering water

We will deliver water and associated services in an efficient manner to agreed levels of service.



Water ordering

Our online and telephone water ordering system, EASYWATER was introduced in 2009. EASYWATER enables customers to lodge new irrigation orders; communicate with planners to manage orders and other related issues; access up-to-date information on current entitlement, available water, and current orders lodged 24 hours a day.

The use of online ordering has increased each year since the introduction of EASYWATER. It is now the preferred method for ordering water with only 11% of orders placed via telephone.

The implementation of EASYWATER has improved our ability to schedule orders over several days giving division operators the flexibility to adjust their orders and channel operations to best service the needs of our customers. It has also helped with operational decisions regarding the management of flow rate share in peak periods.

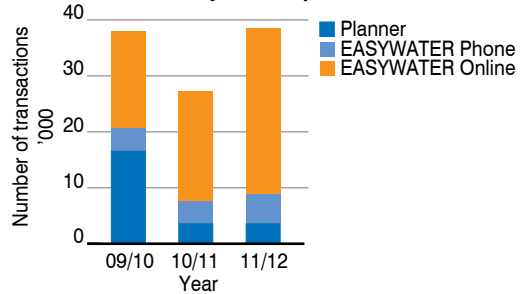
Water performance summary

	2011/12 ML	2010/11 ML	2009/10 ML
Licensed diversions - received and receivable			
Annual Carryover provisions	215,985	218,795	109,553
Bulk water determinations	1,048,938	1,082,383	532,136
Advances taken, transfers received and other adjustments	124,609	9,674	33,314
Supplementary flow access - received			
Use of uncontrolled flows	36,114	36,814	14,864
Conveyance			
Carryover from prior year	66,900	31,585	40,306
Bulk water determinations and corrections	223,000	210,860	158,186
TOTAL WATER RECEIVABLE	1,715,546	1,590,111	888,359
Used by customers			
Sales	752,845**	481,410*	368,269
Advances repaid, transfers out and other adjustments	332,473	101,009	122,804
Conveyance - used	102,010	88,537	136,907
Savings assigned	75,000	10,000	10,000
Receivable water foregone	198,394	626,270	0
Carried forward to next year	254,824	282,885	250,379
TOTAL WATER ACCOUNTED FOR	1,715,546	1,590,111	888,359

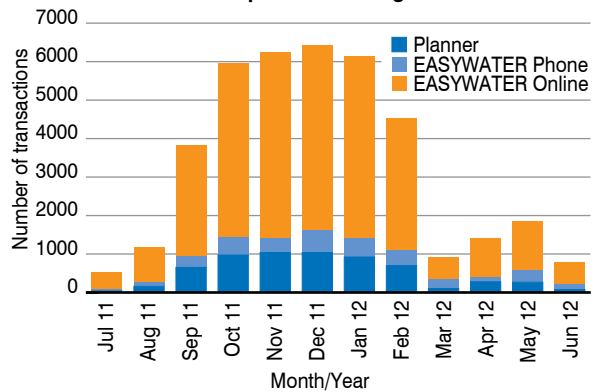
* An additional 8,919 ML was sold as Internal Supplementary use in accordance with customer contract conditions and is not included in this figure.

** An additional 6,952 ML was sold as Internal Supplementary use in accordance with customer contract conditions and is not included in this figure.

EASYWATER three year comparison



EASYWATER online vs phone ordering



CORBIE HILL PIPELINE UPGRADE

The Corbie Hill Pipeline was upgraded in June 2012 in order to improve the overall efficiency of the system. The upgrade includes a 250 kilolitre tank and gravity fed pipeline, making it extremely dynamic in periods of heavy usage.

In terms of efficiency gains, the upgrade has helped to significantly reduce pump cycling. We can now control the pumps so that they meet the flow demand of the system, while ensuring they operate efficiently. Better management and control facilities within the control system ensure we are immediately informed if the system status changes. We also have the ability to remotely interrogate and operate the system. This reduces the need for local operator intervention.

By installing two new variable speed drives, we are also able to reduce the overall number of pump starts and match the system demand over a much wider range of operating conditions.

In addition to this, manually operated control valves on the reservoir have now been automated via a radio network. This allows remote control of the system from the pump shed which is located 800m away on the Main Canal. The tank level battery backup system and tank flow meter have also been made accessible over this network.

An electronic operator interface panel has been installed in the pump shed to allow easy access to diagnostics and system controls.

Frank Brewster of Farm No. 249 Leeton was the first settler to apply for water from the Murrumbidgee Irrigation Trust on 3 October 1912, to water three acres of ploughed ground for lucerne and maize.

Source: WC&IC Archive



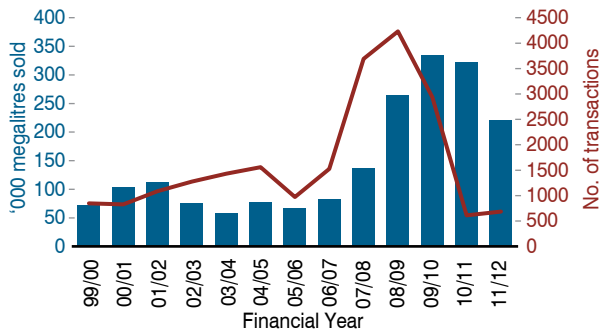
Water trade

A total of 685 individual allocation transfers were approved totalling 221,252 ML. While this represents an increased number of trades, the total amount of water traded decreased. Of the water traded 115,296 ML moved between customers keeping the water within our licence area.

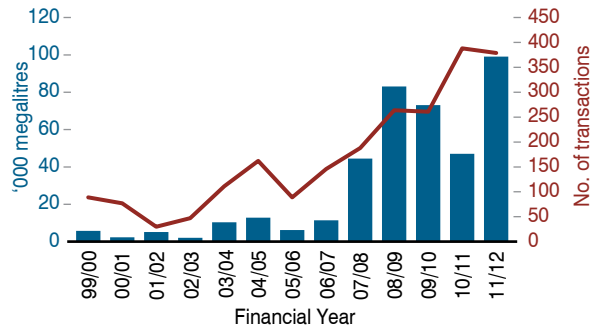
A total of 49,609 ML was brought into the MIA through trade and 56,347 ML was traded out of the MIA. This results in a net loss to the region of 6,738 ML for the year.

A total of 379 individual entitlement transfers (traded without corresponding land sale) were approved totalling 99,056 ML. While this represents a slight decrease in the number of trades, the total amount of water entitlement traded increased. Of the water traded, a total of 51,476 ML was permanently traded out of the MIA.

Temporary Sales



Permanent Sales - Water trade without land



Barren Box Storage and Wetlands

In June 2005, the NSW Government approved the \$29 million redevelopment of Barren Box Storage and Wetlands (BBSW) to improve water storage efficiency and to restore the majority of the site to its natural ephemeral wetland state.

The project had a number of outcomes, including returning 20,000 ML/yr to the Snowy River as well as providing the ability to assist with flood mitigation for downstream users if and when required. The design ensures that there is always a minimum flood storage capacity of 40 GL in the wetland cell. Storage capacity increases when the Active and Intermediate cells are empty.

During the March 2012 floods, BBSW was successfully utilised for flood mitigation. As a result, the impact on downstream areas and farmland in and around BBSW was significantly reduced.

Prior to the flood event, BBSW storage levels had been kept low consistent with system management for that time of year. When the flood water began arriving at BBSW, an action plan was implemented to manage peak flows. Water was diverted into BBSW and to the floodway via the Wah Wah Main Canal and Outfall Channel.

BBSW started the month of March 2012 with a storage volume of 7,500 ML. At the peak of the flood, approximately 10,000 ML/day was arriving at BBSW reaching its peak volume on 22 March at 91,000 ML. In addition to the 83,000 ML captured in BBSW, approximately 45,000 ML was diverted to the Mirrool Creek floodway. This water travelled through the Mirrool Creek flood plains reaching the Lachlan River by June 2012.

Flood water was diverted into the Mirrool Creek floodway until 15 June 2012 to create storage space in BBSW and to allow for critical maintenance works.



Barren Box Storage and Wetland reached a peak storage volume of 91,000 ML in March 2012.

Additionally, the system has been connected to Murrumbidgee Irrigation's SCADA network to enable remote monitoring and control of the facility.

The project was completed during the winter shutdown period with no interruption to supply beyond the ten-day scheduled winter maintenance.



Corbie Hill pump station

2 Managing our assets

We will maintain and invest in our asset base and work with customers to develop best-fit solutions.



Murrumbidgee Irrigation continues to prioritise infrastructure development as a means to improve system efficiency and our service to customers. During 2011/12 over \$5 million was invested in infrastructure refurbishment and replacement.

Maintenance requests

Over 8,900 maintenance requests were lodged on behalf of customers in 2011/12. The majority of these requests related to maintenance on channels, structures, meters, pump stations and other assets. Of these requests, 420 related to flood damage.

Of the total requests, 94.6% were completed within agreed timeframes. This demonstrates an overall improvement of close to 5% when compared to the previous year. Monthly customer survey results also indicate an improved customer satisfaction rating of 86.2%* for maintenance works undertaken during the financial year reflecting our continued focus on customer service.

*The customer satisfaction survey for maintenance works was not undertaken in Feb – Apr 2012 inclusive due to the flood event.

Weeds group

The weeds group completed 6,812 scheduled inspections of the drainage system in the last financial year. Of these inspections, 5,304 resulted in weed treatments. A total of 4,637km of channels have been treated in the reporting period with some problematic sections receiving multiple treatments.

Following successful trials with Casoron G herbicide on the noxious weed *Sagittaria* last year, we continued the program again this year. However, the program was able to be scaled down slightly as a result of the successful outcomes achieved during the last winter close period. We will continue to work towards preventing the spread of this weed to protect the irrigation system and reduce the impact on service delivery.



Regulator installation near Wright Road, Leeton.

Refurbishment

Our refurbishment program includes works to reduce seepage and erosion in our channels as well as upgrading structures such as road bridges and culverts to improve traffic safety.

A summary of the major replacement works carried out this year are as follows.

- The road culvert over the supply channel at the intersection of Petersham and Almond Roads was replaced and upgraded. This was a joint venture with Leeton Shire Council and Essential Energy to alleviate traffic and safety hazards for the community in conjunction with infrastructure replacement. This was a very difficult location for conducting these works. Our staff completed the works without incident.



Yanco Main southern drain culvert.

FLOODS RELATED MAINTENANCE



MIA overland flood March 2012

The MIA experienced unprecedented rainfall during March 2012 with approximately 125,000 ML of water arriving at Barren Box Storage and Wetlands (BBSW). In the wake of the flood our maintenance crews worked hard to restore the network to ensure we could deliver water to our customers.

At 30 June 2012 we had received 423 maintenance requests directly related to the flood. By mid-August, 69.9% of these

The WC&IC has purchased 534 horses at a cost of £13,915. These included 391 draught horses, 123 light horses and 20 breeding horses. The cost of horse feed forms one of the heavy items of expenditure in connection with the scheme. Source: WC&IC Report 1913



- The bridge over the supply channel at Merungle Hill Road and the adjacent road culvert over the drainage channel were replaced.
- The culvert on the drainage channel on the Yanco Main southern drain was replaced and the flume on the supply channel upgraded to incorporate a new culvert to facilitate access to the northern bank of Lateral 68AX.
- A new subway was installed under the main canal at Ulong Street for Griffith City Council. The subway consisted of twin rows of 800mm concrete pipes. The subway forms part of the Council's new drainage system for the Yambil Street area.
- Seven new doors were installed on the regulator on the Barren Box outfall channel as part of our inspection and maintenance program.
- The road bridge over the supply channel at the intersection of the Whitton Stock Route and the North Kooba channel was replaced with a culvert to improve safety and efficiency.

Network Service Plan

In July 2011 we commenced a company-wide compliance project for our irrigation infrastructure network known as the Network Service Plan (NSP); a requirement of the Water Charge (Infrastructure) Rules 2010.

had been completed. Rebuilding projects have been prioritised based on the greatest impact on customers. Many of the structures requiring major work could only be accessed after the season closed on 31 May 2012. To that end, our annual works program was redesigned to accommodate the increased demand on our maintenance crews.

The closure of the season allowed us to commence critical work to reinstate the network to pre-flood condition and conduct a full evaluation of our infrastructure to assist with quantifying the loss-of-asset-life. Major works included:

- restoring the washed-out structure at Roach's Escape in Yanco;
- repairing approximately 2 km of northern and southern bank access on the Main Canal upstream of Roach's Regulator;
- repairing the Main Canal at McNeil's Regulator and the North Kooba off-take;
- repairing the Main Canal downstream of Quinlan's Bridge on the southern bank; and
- repairing the Main Canal upstream of Dalton's Bridge on the northern bank.

We have made an application to the Government for funding to assist with recovering flood related infrastructure expenses.

The project involved five key stages:

- publication of the Network Consultation Paper to communicate to customers our proposed levels of service and infrastructure plans for 2012 – 2017;
- a two-month submission period giving customers an opportunity to comment on our proposed levels of service and infrastructure plans;
- publication of the Network Service Plan 2012 – 2017 outlining our levels of service, infrastructure plans and pricing by 1 June 2012;
- publication of an Information Statement to accompany the Schedule of Charges for 2012/13;
- providing customers with a copy of the Auditor's Report on the NSP when completed (approximately October 2012).

A copy of the NSP can be found on our website under the Policy and Reform link.

Data management

An upgrade of the Enterprise Resource Planning software was completed in 2012. The upgrade incorporated new software features developed since the original software was purchased in 2009. We have been able to automate:

- maintenance scheduling for fleet vehicles and plant;
- stock re-ordering to streamline replenishment of stores inventory; and
- fuel usage records from third party software to avoid manual data entry.

The upgraded software has also enabled business process improvements in other areas, including financial, taxation and other operational reporting. This has allowed integration of common data across other corporate systems to improve decision making, including Geographic Information System (GIS) and electronic records management software. Over time this will incorporate data from our water ordering software.

MIA Renewal Alliance

The work of the MIA Renewal Alliance progressed significantly during the 2011/12 financial year.

Stage 1 planning was completed for the Hanwood modernisation project with a Recommendation Report proposing a scheme comprising automated channels and gravity pipelines. This was approved by the Murrumbidgee Irrigation Board in November 2011. Stage 2, which is design and costing of the project, is nearing completion.

Stage 1 of the Lake Wyangan project started in August 2011. In March 2012 three reports were completed and approved by Murrumbidgee Irrigation including the Baseline Briefing Paper; the Service Area Plan; and the Catchment Status Plan.

The preferred scheme is due to be presented to the Murrumbidgee Irrigation Board in the first part of the 2012/13 Financial Year.

3

Building financial sustainability

We will manage our costs and build new revenue streams to underpin growth and prosperity



The after tax profit for all activities in 2011/12 was \$2.8 million. This result included income and expenditure from:

- core operating activities – net \$6.3 million deficit;
- investment activities – \$2.9 million profit;
- irrigators' contribution to asset refurbishment – \$3.1 million;
- termination fee revenue – \$0.4 million;
- Government and other activities – net \$8.4 million profit; and
- income tax benefit – \$0.6 million as a result of recognising prior year adjustments.

Customer expenditure exceeded customer revenue by \$6.3 million. Contributing factors to this result were the cost of repairs and maintenance related to flood damage, environmental remediation (Note 24, page 53) and reinstatement of delivery entitlements.

The Local Government Defined Benefits Superannuation Scheme (LGSS) (Note 19, pages 48-49) actuaries applied a fair value assessment for the asset values held by the scheme to support the present value of defined benefits obligations. As a result of this review and an erosion of this asset value, there has been a charge of \$8.2 million (net of tax effect) directly to equity (page 35).

Termination fees

Of the reported \$0.4 million income from termination fee charges in 2011/12, nine tenths of the revenue was included in government and other revenue in the year of receipt, since it represents the sum of once-off payments of ten (10) times the annual fixed charges for customers terminating their delivery service following external trade of water entitlements.

In February 2012, the Board resolved to reinstate delivery entitlements (DEs) by making financial offers to eligible customers who had terminated their DEs in 2008/09. This discretionary gesture was made because these customers had been required to pay fifteen (15) times their fixed charges to terminate their DEs when they sold their associated water entitlements. Since 2008/09, the consolidated entity has unbundled its water and delivery rights, in accordance with legislative changes, meaning customers now have the option to decide whether or not they wish to terminate their delivery rights when selling water entitlements. These payments have been recognised in 2011/12 as Reinstatement of Delivery Entitlements (page 33) for an amount of \$1.6 million.

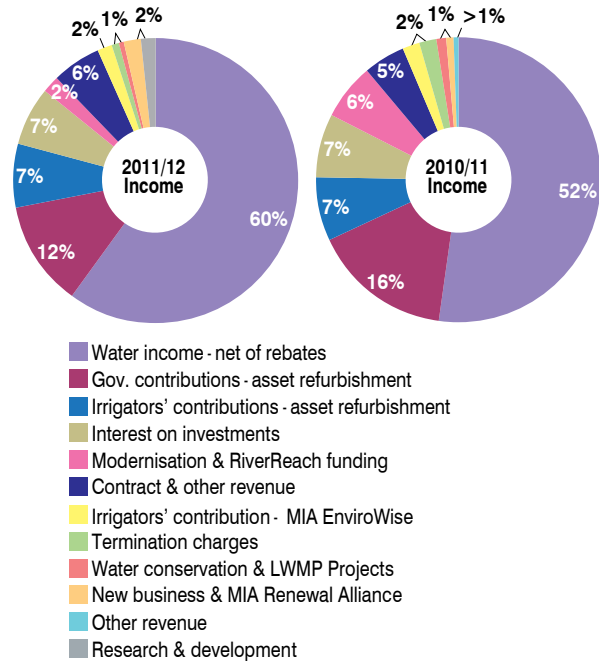
Government and other activities

The reported \$8.4 million net profit from government and other activities is to be read in conjunction with the Consolidated Statement of Financial Position - Deferred Revenue (page 34 and Note 18, page 47 and 48). While this sum is shown as a profit, it has been spent on capital investment programs.

Government funds received for asset refurbishment, environmental works and the Commonwealth's Private Irrigation Infrastructure Operators Program (PIIOP)

improvements can be carried forward into subsequent financial years. However, they are repayable if not expended on approved works. As part of the PIIOP agreement, 6,000 ML of conveyance water entitlement was transferred to the Commonwealth during the year.

Comparison of Revenue – 2011/12 and 2010/11



INCOME FROM EXTERNAL CUSTOMERS

Contract income generated from a range of external activities contributes to our financial sustainability. This income represents around 3% of operating revenue that we are then not required to recover from customers through fixed and usage charges for water delivery.

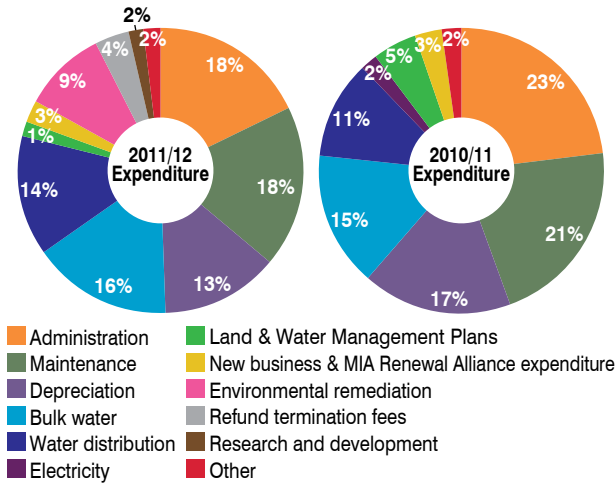
Contract revenue includes income generated from external hire of a range of our heavy plant, such as low loaders to transport heavy plant and equipment, and excavators and crane hire on occasions when they are not fully utilised. It also includes income generated by the mechanical workshops, which have been quietly growing the volume of vehicle servicing and repair work completed for external clients. The work includes contract servicing for various fleet management companies, local businesses and private individuals.

The increased external workload enables us to employ qualified mechanics as well as an apprentice, which facilitates a greater level of workplace flexibility. This means we are able to respond to the emergency needs of our own fleet of vehicles and heavy plant more efficiently should the need arise.

The scheme cannot be a success unless the settlers are successful. When a proportion of the first settlers have made good, the success of the whole project as regards settlement will be assured. Source: WC&IC Report 1913



Comparison of Expenditure – 2011/12 and 2010/11



Investment activities

Investment returns of \$3 million were realised (Consolidated Statement of Comprehensive Income – Investments) consisting of \$0.9 million from leasing property and water entitlements and \$2.1 million from financial investments held during the year (Note 5, page 42). The economic climate, decreasing interest rates, high water allocation and significant rainfall events contributed to the continued reduction in investment returns for this year.

Investment in water entitlements was reduced in comparison to 2010/11, with only small volumes of additional water entitlements acquired. The water investment portfolio at year end consisted of 16,217 ML of HS and 2,032 ML of GS entitlements. Returns from this asset class are derived from a combination of short and medium term investments.

Charging commercial workshop rates to external clients allows us to recover labour and material costs and offset the overhead costs of operating and equipping a modern workshop. We have also replaced our manual billing processes with a new electronically generated invoicing system. This further improves operational performance in the workshop and streamlines business processes.



Apprentice Mechanic David Smith at the Griffith Depot.

Cash

Revenue from customers increased by \$4.3 million in comparison to the prior year, reflecting an increase in customer water usage during the year and the cessation of rebates. The consolidated entity's contracting services and other revenue received increased this year, including interest received on outstanding water charges.

Cash receipts from property and water investments declined this year. Receipts from termination fees were also reduced as customers are increasingly electing to retain or transfer their delivery entitlements. The receipt of government funds such as Asset Refurbishment, MIA EnviroWise and the Commonwealth's PIIOP funds have been applied to costs incurred during the year for related projects, with unspent monies recognised as deferred revenue for recognition in future years as per funding deed agreements.

Increased water usage, combined with reduced allocation trade, poor commodity prices and customers' financial hardship has contributed to an increase in trade and other receivables of \$6.3 million. Given the risk associated with this increase, the consolidated entity will be placing greater emphasis on recovering debt.

Taxation

Our tax return was submitted for the period ending June 2011 and that return reflects:

- taxable income for the year ended 30 June 2011 of \$1.5 million loss; and
- accumulated tax losses carried forward as at 30 June 2011 of \$4.2 million.

We have estimated our taxation liabilities for the period ending June 2012 as follows:

- taxable loss for the year ended 30 June 2012 of \$6.5 million; and
- estimated accumulated tax losses carried forward as at 30 June 2012 of \$10.7 million.

The Consolidated Statement of Comprehensive Income (page 33) shows an income tax benefit for the year to 30 June 2012 of \$0.7 million. This tax calculation is based on book profit in accordance with the relevant accounting standards and has been classified as a deferred tax liability (Note 14, page 46).

A legislative bill addressing the taxation of Commonwealth PIIOP funding is expected to be finalised in late 2012.

Other significant matters

In March 2012, the region experienced a major flooding event. The financial consequences of this event are reflected in an increase in operations and maintenance expenditure (page 33) and a decrease in government revenue as government funded projects had to be deferred.

4

Improving the environment

We will minimise our impact and improve our environment for future generations.



Rice farm plans help manage regional water tables

Together with the Ricegrowers' Association of Australia (RGA), we have published a "Rice Growing Policy" also known as the "Rice Growing Rules". This document endeavours to balance the interests of rice growers and their businesses with our licence obligations and the well-being of the Murrumbidgee Irrigation Area (MIA) environment.

As part of our Rice Growing Policy, three year farm plans were reintroduced in 2011/12 at the request of the RGA. The plans help growers use their farm layout efficiently while avoiding a negative impact on regional water tables.

Farmers can grow up to 10 hectares over the Annual Rice Approved Area for each landholding in any one season. This provides on farm flexibility to assist with planning, as long as the total allowable area is not exceeded in the three year plan.

The Rice Environmental Monitoring Program (REM) was also implemented during the 2011/12 season in accordance with our Water Management Works Licence No. IC5 issued by the NSW Office of Water (NOW). Our Rice Growing Policy helps us to ensure customers comply with this licence. In essence, rice can only be grown on rice approved soils and any chemicals applied must be kept on farm for a minimum of 28 days.

Water quality

The MIA generally receives high quality water from the Murrumbidgee River and we are committed to maintaining that standard within our system. To do that we operate an integrated operational and regulatory water quality program.

Our program includes testing water flow, temperature, turbidity, pH, salinity, pollutants (including nutrients and pesticides) and responding to any complaints in relation to water quality.

The exceptional rainfall and runoff experienced in March impacted water quality severely. As a result, there was an algae outbreak within the network, as well as e-coli and faecal coliform levels above guidelines for use. Vigilant monitoring kept us informed of any risks associated with these outbreaks and the situation was resolved by flushing the network as soon as practically possible, given the extenuating circumstances.

The quality of supply water is monitored using benchmark sampling. In 2011/12, samples were tested three times from eight different sites resulting in 24 samples being collected and 344 tests being undertaken. In total there were no action level detections and two notification level detections.

The quality of drainage water is monitored within sub catchments using a risk-based approach endorsed by the Office of Environment and Heritage (OEH). Trigger monitoring is used to test the water when predefined conditions such as rainfall occur. Water samples are then tested for 12 different chemicals. There were 18 trigger events in 2011/12 resulting in 78 samples being collected across all 13 sub catchments and 1,028 tests being

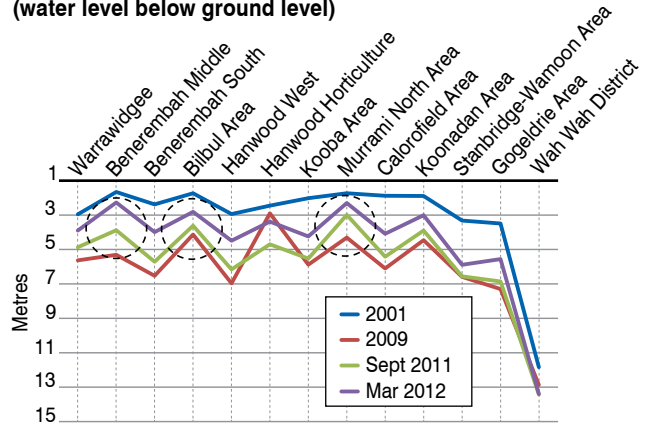
undertaken. In total there were 19 action levels (14 directly related to floodwater) and 41 notification level detections (22 flood related).

Note: Flood water from outside the MIA impacted on water quality from February to April 2012.

Groundwater

The groundwater system (aquifer) of the MIA extends from an area between Narrandera and Leeton through to parts of Wah Wah. Activities that potentially impact on groundwater (intensive irrigation, high rainfall), occurring anywhere over this system, may result in significant changes to the groundwater level throughout the aquifer.

Average Standing Water Level in Regions of the MIA (water level below ground level)



AQUATIC WEED RESEARCH FOR MORE EFFICIENT WATER DELIVERY



Research into aquatic weed eradication.

Aquatic weeds are a major threat to irrigated agricultural productivity, impeding water flow through channels and altering water availability and quality. Water delivery can disperse the weeds into new regions, impacting not only on agriculture, but also on native plant and animal habitats.



Aquatic weed Sagittaria

Farmers have met with considerable difficulty in coping with the rabbits. Every effort was made to keep the pest in check by poisoning, fumigating, digging out burrows, repairing damaged fences, and other means. The amount spent in this manner was considerable (£670), and the results were satisfactory. Source WC&IC Report 1913



We aim to keep water tables below two metres from the surface in the MIA. This is the point at which salinity risk is increased and may impact crop production. Water levels have risen, on average, one-metre per year from 2009 to 2012. This change can likely be attributed to high rainfall, flood events and increased irrigation due to favourable climatic conditions since 2010 (from drought to periods of rainfall). Benerembah has seen the largest rise in groundwater level when compared to other regions over this period.

Intensive summer irrigation and ideal growing conditions, coupled with high rainfall, regional flooding and local geology, all contribute to high water levels in this region. Of particular interest to us is the groundwater rise in Benerembah, Bilbul and Murrumbidgee North where levels are close to reaching 2.5 metres from surface level. It is important that all stakeholders work together to manage irrigation, particularly intensive water use crops, to ensure the groundwater does not reach 2 metres in the MIA. We will continue to conduct monitoring and undertake research to assist landholders to manage and maintain groundwater levels to more than 2.5 metres below ground surface level.

MIA EnviroWise levy

MIA EnviroWise aims to maintain and enhance the sustainability of farming, rural industries and associated communities in the MIA. The program supports the protection and enhancement of the natural resources of the region for future generations. The program is funded jointly between government and community.

Sagittaria is an aggressive aquatic invader with two species now established in most states of Australia. Acrolein is currently the only herbicide registered for the control of submerged aquatic weeds. Although acrolein is effective on a wide range of submerged species, it is very toxic to fauna, potentially dangerous for the people applying it and only provides short-term control of most weeds (about six weeks).

The Department of Primary Industries Victoria, Goulburn-Murray Water and Murrumbidgee Irrigation are funding researchers from DPI Victoria's Weed Sciences group, along with collaboration from Colin Campbell Chemicals, to develop additional options to minimise the effects of aquatic vegetation in irrigation channels across northern Victoria and southern NSW.

The project team has demonstrated that it is possible to control Sagittaria with endothal during winter in static irrigation channels. They now need to determine the dose response relationship for endothal and Sagittaria, i.e. Identify the minimum dose of endothal required to achieve control.

In addition, a second project aimed toward progressing the development of a biological control program against Sagittaria through the selection of safe, effective natural enemies is being carried out. Biological control aims to slow down the rate of weed spread, reduce the reliance on herbicide usage in waterways and mitigate the potential development of herbicide-resistance in Sagittaria populations.

The MIA EnviroWise landholder levy is collected by Murrumbidgee Irrigation, and urban users contribute through their local council water bill. The levy is made up of a flat rate per landholding, with a component related to the number of delivery entitlements, and is included in the Schedule of Charges on our website.

MIA EnviroWise is now in its second phase. Currently the program focuses on:

- adapting to a more variable and difficult climate;
- improving the efficiency of the water delivery system;
- maintaining drainage water quality and the health of aquatic ecosystems;
- improving energy efficiency and promotion of renewable energy use;
- minimising and recycling waste;
- protecting our natural resources; and
- active community engagement.

The following regional activities are aimed at ensuring the sustainability of our operations and include:

- energy efficiency in water delivery;
- water use monitoring;
- the Mirrool Creek restoration project;
- the Barren Box Wetland rehabilitation project;
- waste recycling and management;
- modernisation of the water delivery system;
- water quality monitoring;
- planting perennial vegetation;
- biodiversity projects;
- carbon emission reduction and management projects; and
- seasonal forecasting of water demand.

Sustainability Advantage Program

Murrumbidgee Irrigation has been recognised as a Bronze Partner of the Sustainability Advantage Program run by the Office of Environment and Heritage. The Sustainability Advantage Program supports organisations working to improve their environmental performance.

Bronze Partner status recognises our achievements in developing a Sustainable Business Strategy that includes measuring, monitoring and reducing energy consumption in buildings, fleet vehicles, operating pumps, waste auditing, recycling and the implementation of our sustainable purchasing policy.

We now join a number of organisations with Bronze status in the Riverina who have demonstrated an ongoing commitment to sustainable business practice.



5

Engaging with stakeholders

We will strengthen relationships with stakeholders to meet broader challenges.



Customers and stakeholder relations have featured prominently this year. The termination of the member contract and issue of new water and delivery contracts was a defining point for the company. In addition, the Basin Plan has continued to command our attention, and we have worked with the community to mitigate its impacts on our region. Our first Network Service Plan provided an opportunity for formal consultation on the services and functions we provide, while unprecedented flooding commanded our attention and had a direct impact on our customers and infrastructure. The MIA Centenary of Irrigation has provided an opportunity to reflect and engage with the community on a more positive note. In all it has been a challenging and rewarding year for stakeholder engagement.

The termination of the member contract and the issue of new Water Entitlement and Delivery Entitlement contracts mark a significant shift in customer/shareholder relationships with the company. The formal separation of water entitlement from delivery entitlement means that customers are not automatically shareholders. Shareholders must hold water entitlement and land in the MIA. Customers may hold water entitlement or delivery entitlement or both.

The replacement of contracts commenced in May 2011 in response to constitutional changes agreed in 2009. The issue was subsequently suspended when customers alerted us to concerns over the drafting of some clauses. Several meetings were held with customer representative groups and their legal advisors. In addition, two general customer meetings were held in July and August to explain the contracts, and work through the issues arising. A series of changes were negotiated through peak commodity and customer representative groups and revised contracts were issued and became effective on 21 October 2011.

We continued our annual customer meeting series in September 2011, with seven customer meetings held at venues across the MIA. The meetings provided information to customers on the introduction of Delivery Entitlements (DE's) and the development of our first Network Service Plan. Up-coming Board elections, the MIA Renewal Alliance and the proposed Murray-Darling Basin Plan were also discussed. Meeting attendance was significantly down on previous years (around 150 customers attended compared to the usual 300) due largely to the timing of meetings coinciding with improved seasonal conditions.

The March 2012 floods saw stakeholder engagement move in new direction. To facilitate a quick and centralised information centre we launched a Facebook page that coordinated updates from all agencies managing the crisis. Twitter was also used to engage with customers and pass on relevant, time sensitive information. Community response to this initiative surpassed our expectations and demonstrated the relevance of social media as a communication platform.

Our new website was launched in late March 2012 and feedback was sought from customers through an online survey featured on the home page. This information will be used to improve our site and plan future additions.

Customer (shed) meetings have been held annually for many years. In an effort to engage more broadly with customers we plan to reshape these meetings and incorporate new

engagement strategies. The Murrumbidgee Irrigation Customer Focus Group is one of the new initiatives being implemented in the coming financial year.

Our newsletter, News in Brief, was distributed monthly to customers registered on our Quick Contacts Service via facsimile and email. The newsletter provides a snapshot of current issues as well as allocation announcements, notices and program updates.

The Commonwealth Environmental Water Holder (CEWH) and the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) met with us and representatives from Coleambally Irrigation on 26 October 2011 to discuss the water reform process and build an understanding of water management in the region. The CEWH also visited Barren Box Storage and Wetlands where they observed the positive environmental outcomes that can be achieved through investment in innovative infrastructure development.

We promoted the importance of our region, and an understanding of the impact of reducing productive water, through meetings with NSW Minister for Primary Industries Katrina Hodgkinson, Federal Water Minister Tony Burke, and other parliamentary and industry representatives.

We continue to represent irrigators in the water policy debate on the Murray-Darling Basin Plan and the potential impact on our communities. We are a member of the Murrumbidgee Valley Stakeholder's Group (MVSG) whose key objective is to

NETWORK SERVICE PLAN



The Network Service Plan was published in June 2012.

The development of our Network Service Plan, 2012 – 2017 (NSP) required us to consult with customers on our proposed plans for water service infrastructure and associated regulated charges. The NSP and consultation program are a requirement of the Water Charge Infrastructure Rules 2010 (WCIR).

Through this consultation period, we developed a process whereby stakeholders were informed of our business operations and our plans for network investment as well as our requirements under law in relation to the WCIR. Stakeholders were also able to provide feedback on these matters.

The art of artificial application of water to the soil, in addition to the natural rainfall, must be imparted by the local administration. Two instructors carry out this duty, visiting farms, and being available to afford advice on application. Source: WC&IC Report 1913



provide a coordinated response to the Murray-Darling Basin Plan. The MVSG has lobbied Government Ministers since the release of the Guide to the Proposed Basin Plan in 2010. We have also worked closely with the Basin Communities Association and our peak groups, NSW Irrigators' Council and the National Irrigators' Council.



MIA pioneer descendants, Eileen Townsend and Stuart McWilliam cut the cake at the launch of the MIA Centenary of Irrigation celebrations.

We utilised a number of communication and engagement tools to target stakeholders throughout the consultation period. Updates on NSP developments were published in customer and staff newsletters and provided verbally at various customer meetings. Fact sheets, radio interviews, media releases and our website were also used to keep stakeholders informed.

We recognised the importance of involving our customers early in this process to ensure their involvement and engagement. A Network Consultation Paper (NCP) was published to assist the customer consultation and feedback process.

The NCP communicated to customers our plans for investment in the network with regard to works relating to maintenance, refurbishment, modernisation and rationalisation of our water service infrastructure as well as targeted levels of service during the five year period of the NSP. A formal submission period of two months gave customers the opportunity to provide feedback to us on the NCP document.

The customer submission period for the NCP commenced in late December 2011 and closed two months thereafter on 29 February 2012. We reviewed all submissions on a case-by-case basis and took into consideration the issues raised. These were assessed against a range of criteria to determine their inclusion in the NSP.

Our first NSP was published and distributed to customers by 1 June 2012 and was also made available on our website.

MIA Centenary of Irrigation 2012

The MIA Centenary of Irrigation celebrations reflect the ongoing partnership that exists with our many stakeholders. With the support of industry and business sponsors, and coordinated by a community based committee, the events are being shared by customers and the community throughout the MIA.

In a somewhat turbulent year, the centenary provides an opportunity for us to come together to reflect on the past and the foundation that has built strong, vibrant and prosperous communities. It is a time to think of the future as we work toward balanced, sustainable and productive outcomes for our region.

The MIA Centenary of Irrigation is a Murrumbidgee Irrigation initiative. We are proud to bring these events to the community for the enjoyment of all.

MIA Renewal Alliance

Engaging with customers has played a pivotal role in the work of the MIA Renewal Alliance (Alliance). This has enabled the Alliance to gain trust and valued input from customers and also ensured the modernisation schemes taken to the design stage are acceptable to both customers and Murrumbidgee Irrigation.

The Alliance has used a variety of engagement methods to connect with customers including, face to face meetings, inductions and regular customer updates.

The project teams have worked closely with Griffith City Council, Roads and Maritime Services, commodity, environmental, indigenous and recreational groups to ensure their feedback is considered in the development and rollout of the projects.

Over the last twelve months the Hanwood project team has:

- worked closely with the Hanwood Project Reference Group (PRG), who were elected by Hanwood customers;
- held regular workshops and meetings, including one-on-one consultations with customers. Surveys following the meetings indicated a 96% satisfaction rate with the process and information they were given;
- presented three proposed schemes which were then voted on to select the preferred scheme. Seventy surveys were received, with 94% of indicating support for the scheme taken to design; and
- held one-on-one meetings with 207 customers during the design phase. Customers indicated an overall acceptance for the scheme, with some improvements suggested. These suggestions are being considered by the design team.

The Lake Wyangan team held four customer workshops in November 2011 which were attended by 42 customers. The workshops introduced the project and collected customer concerns before developing schemes to be presented back to Murrumbidgee Irrigation and customers. The Alliance will continue to work closely with customers and stakeholders in the 2012/13 Financial Year.

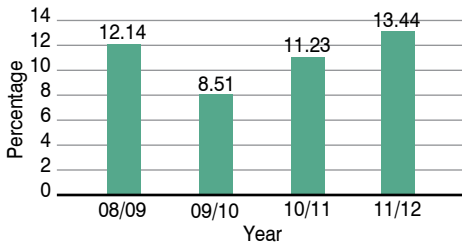
6 Investing in our people

We are committed to developing our people and maintaining a healthy and safe workplace.



Our workforce at 30 June 2012 numbered 183 equivalent full-time employees, compared with 184 at 30 June 2011. The annual employee turnover rate for 2011/12 was 13% and the average length of service for our employees is 12 years.

Annual Employee Turnover



Training and development

We continue to encourage and support training and development activities with the aim of enhancing the capacity of our workforce and improving our business performance. Our varied strategies for employee development include formal training, cross-training between business units, study support, coaching and mentoring, and a commitment to performance development and review processes. We are committed to implementing initiatives that will attract and retain the appropriate mix of skills to enable us to successfully deliver a high level of customer service, significant infrastructure projects and prepare for the challenges ahead.

To assist our frontline operators in the provision of high level customer service, 30 Division Operators recently completed their two year traineeships in the nationally accredited Certificate III in Water Operations. Also, the opportunity for 18 of our Works Field Operators to participate in federally funded Civil Construction traineeships means that almost all our Works Program team members are either qualified tradesman or hold a Certificate III in Civil Construction. Three employees continue their respective apprenticeships in the areas of Electrotechnology Electrical, Carpentry and Joinery, and Automotive Mechanical Technology.

Good leadership is essential in meeting strategic targets, and we have provided Frontline Management training for many employees over the past few years, with seven employees commencing Certificate IV training and six employees undertaking tertiary courses during the reporting period.



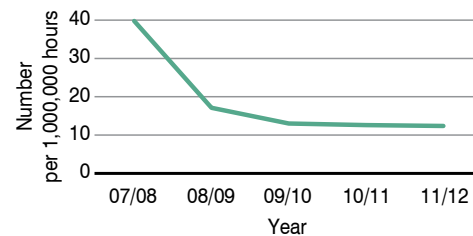
Frontline Management course participants for 2012: Vince Vitucci, Steve Cunial, Grant Gyles, Kacey Johnston and Peter Haddrill. Not pictured, Luke Matthews and Ricky Harrison.

Health and safety

The safety of our people is of paramount importance to us. All possible steps are taken to prevent workplace injuries and accidents at their source. January 2012 saw the introduction of the new nationally harmonised Work Health and Safety legislation. We are taking the opportunity presented by the 12 month implementation period to review and update all our WHS management systems to ensure the highest safety standards are adopted while meeting our compliance obligations in all facets of our operations.

In the prevention and resolution of risk and hazards in the workplace, a well-developed consultation and communication process on WHS matters is fundamental to achieving this goal.

MI Lost Time Injury Frequency Rate



MILESTONES FOR MI EMPLOYEES IN 2011/12

During our centenary year we have reflected on our history and the development of the irrigation network. We have experienced significant change throughout the past 100 years including our transfer from government owned to private enterprise.

While we are celebrating the centenary of our irrigation scheme, it is important to also take time to consider the contribution of our staff over the years. We are fortunate to maintain a high staff retention rate and this year we celebrated a number of long service awards.

2012 marks 40 years of service for Allen O'Connell, Terry Sivewright and Tom Thompson. These men have given a lifetime of service to our customers and to us. Their experience and knowledge of our operations are beyond compare.

Terry Sivewright and Allen O'Connell started with the WC&IC in August 1971 as part of a group of workers employed under a Government grant program. When the grant money ran out the WC&IC, impressed with the work of these two, chose to employ them both on 26 May 1972. They have been with us ever since.

Terry started as a general labourer working in gangs of eight along the supply channels. He worked on a range of manual tasks that today are all completed with machinery.

Terry has been employed in a number of different work teams throughout the past 40 years. He has worked in the spraying team, the carpentry team and as a roustabout on various machines including graders and excavators.

Terry started work on a Longreach on 18 July 1984 and he is now operating his fourth Longreach vehicle. "Many things are

Many visitors come to the area with a very poor opinion of the scheme generally, but almost without exception they go away filled with enthusiasm for its future. Source: WC&IC Report 1913



In addition to our Work Health and Safety (WHS) committee, safety has been mandated for inclusion in our team and toolbox meetings to discuss and promote safe practices. Unfortunately, the lost time injury rate increased slightly in 2011/12 compared to the previous year. Time lost due to workplace injuries totalled 550 hours, of which 233 hours related to an injury sustained in the previous reporting period, however this figure still fell below the five year rolling average.

Working with the next generation

Attracting a skilled workforce to regional Australia is an ongoing challenge. We are working to address this skills shortage by assisting young people to build their careers around the opportunities available in the MIA.

We continue to participate in the annual high school career expo. The focus of our input is to highlight the many vocational, technical and professional career pathways available within the water industry to the young people in our community.

During the year, we provided work experience for six high school students and two university students, in a range of vocational areas.

As part of a longer term focus, we employed a school-based trainee last year, and Thomas Valeri has now almost completed his two-year Conservation and Land Management traineeship, in conjunction with his Year 11 and 12 studies at Wade High.

Scholarship and Cadetship Program

Launched last year, this program again attracted many worthy candidates. Four scholarships were awarded for the 2012 academic year to students studying in a variety of disciplines.

Andrea John, 21, from Griffith, is in the third year of her four-year degree in Health Science, with a Masters in Speech Pathology, at La Trobe University.

Emily Chilvers, 22, grew up on her family farm at Yenda. She has completed two and a half years of her Bachelor of Education in Secondary Teaching (Design and Technology) at the University of Canberra.

Larissa Hanlon, 22, undertook her primary and secondary schooling in Leeton, and is currently studying for a degree in Exercise Science (Rehabilitation) at Charles Sturt University.

Sunny Singh, 20, was born in Kenya, and moved to Griffith 13 years ago. He is studying for a double degree in Optometry and Science at the University of NSW.

We look forward to assisting several more local students over the next few years, via the provision of further scholarships and cadetships. Applications for the 2013 program will open in late January 2013, at which time the program will also be advertised in the local media and on our website.



Tom Thompson, Terry Sivewright and Allen O'Connell (not pictured) each reached 40 years of service in 2012.

enjoyable in life - like 40 years working with MIA," Terry said commenting on his time working for the company.

Allen first worked as a painter for the WC&IC and is currently employed as a field operator.

Tom Thompson began work with the WC&IC in 1971 as a labourer under Ganger, Jack Douglas. He then went to work in weeds for Bert Elliot and Jim Neville. Tom has held a variety of operational positions within the organisation including Manager of Gogeldrie Weir.

Tom is currently a Planner based in our Leeton office. "I have seen a lot of people come and go, and have worked with some unreal people in my time and made many friends along the way," Tom said.

We would also like to wish Mick (Brian) Maguire all the best in his retirement having given 37 years of service. In addition Michael Pettit and Shane Bell both celebrate 25 years of service in 2012.



Andrea John



Emily Chilvers



Larissa Hanlon



Sunny Singh

Governance statement



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

Overview

Directors are committed to observing the highest standards of corporate governance. They recognise that they are responsible to shareholders for our short and longer term performance, and seek to balance sometimes competing objectives in the best interests of the company as a whole. Directors strive to align the commercial and governance imperatives facing the Board and are aware of the need for the Board to incorporate a range of complementary skills.

The Chairman is responsible for leading the Board, ensuring proper briefing of directors, facilitating Board discussions and managing the relationships between Board members and staff.

Day-to-day management of the company and implementation of approved strategy and policy initiatives are a separate function and are formally delegated to the Chief Executive Officer or Managing Director.

An aspiration to the highest standards of financial accountability, ethical behaviour and legislative compliance directs the Board in its decision-making. We continue to actively work to protect the water and other rights and interests of all shareholders, always within the framework of the company's best long term interests.

The Board's corporate governance objectives, duties, processes and practices are set out in its 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.

- The four shareholder-elected directors are directly elected by shareholders through postal ballot.
- Directors appoint the independent directors, including the Community Independent Director.
- All independent director appointments are subject to shareholder confirmation at the Annual General Meeting.
- At intervals not exceeding two years, all directors other than the Managing Director elect the Chairman and Deputy Chairman
- Directors may appoint the Chief Executive Officer as the Managing Director.

Following a recruitment and appointment process for the vacant position of independent director, Michael Nugent was appointed to the position at the 2011 Annual General Meeting and commenced his first two year term.

Independent director Leith Bouly and Community Independent director Markeeta Gibson were re-appointed for further two year terms at the 2011 Annual General Meeting.

Following an election process during 2011, Member Director and Chairman Gillian Kirkup, and Member Director and Deputy Chairman Bruno Brombal were returned for a further four year period.

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

As at 30 June 2012, directors had comparatively few other company directorships:

- Gillian Kirkup is a director of MI Holdings Pty Ltd; MI Energy Pty Ltd; MI EasyTrade Pty Ltd; SunRice and its subsidiary company Rice Research Australia and the Basin Communities Association. She is a Member of the Rice Marketing Board of NSW; Reference Panel for the Prime Minister's Working Group on Soil, Water and Food; Rice Research and Development Committee and the Agricultural Consultative Committee for the Bureau of Meteorology. Gillian is also a delegate of the National Irrigators' Council and NSW Irrigators' Council.
- Leith Bouly is Chairman of Wide Bay Water Corporation, Australian Water Recycling Centre of Excellence, Healthy Waterways Ltd, The Glennie School and the Great Barrier Reef Marine Park Authority's Catchment and Coastal Reef Advisory Council. She is also a board member of Seqwater and is an Adjunct Professor with the School of Agriculture and Food Sciences at the University of Queensland.
- Bruno Brombal is Chairman of the Wine Grapes Marketing Board and a director of the MIA Vine Improvement Society.
- Markeeta Gibson is Chairman of MI Holdings Pty Ltd.
- Michael Nugent is a director of Electrometals Technologies Limited and TransGrid.

Board remuneration

In accordance with previous shareholder resolutions, directors' remuneration is increased by CPI on 1 July each year. Directors' remuneration and daily sitting fees that applied from 1 July 2011 are shown below.

Directors' remuneration and sitting fees

Position	Annual Fee \$	Sitting Fee \$
Chairman	46,655	466
Independent directors	42,656	466
Member directors	19,995	334

Committees

Board committees oversee and advise the Board on complex or specialist issues which require particular focus. The standing committees at 30 June 2012 were:

- Audit and Risk Committee
- Remuneration and Nominations Committee

Audit and Risk Committee. This committee oversees internal and external audit processes, as well as providing

risk management, governance and compliance oversight. It also reviews and provides feedback on key areas of financial, operational and strategic risk. Leith Bouilly chairs the committee, which consists of two member directors and two independent directors. The company's Chairman is not eligible to be a member of the committee.

Remuneration and Nominations Committee. This committee (previously two separate committees) advises the Board on strategic employment and remuneration issues, and manages the process for attracting and assessing suitable applicants for recommendation to the Board for the independent director positions in the interests of succession planning. The committee also assists the Board with the recruitment and retention of the CEO, manages the performance and remuneration arrangements of the CEO, and oversees succession planning and performance of other executives. Gillian Kirkup chairs the committee, which comprises two member directors and two independent directors.

In addition, the Board has established advisory committees in the areas of Research and Development, MIA EnviroWise and Infrastructure, which meet as required.

The last-mentioned of these advisory committees, the Infrastructure Committee, was constituted as a fully-fledged Board sub-committee with effect from 1 July 2012. This new Committee is chaired by Michael Nugent, and its membership comprises one independent director and two member directors.

Continuing review of committee structure and performance

The Board continually reviews the activities and composition of its committees and is mindful of the community expectations of a company in which shareholders are the customers.

Directors' and senior executives' interests

Directors Gillian Kirkup, Bruno Brombal, Andrew Cameron and Antonio Sergi all have interests in contracts with Murrumbidgee Irrigation Limited to acquire and deliver water. These contracts are based on normal terms and conditions. The individual contracts are not subject to discussion at directors' meetings. When matters are discussed in which individual directors consider a conflict of interest might exist, or be perceived to exist, they declare their interest in those dealings to the company. Where the remaining directors assess such conflicts as representing material personal conflicts, the directors involved are excused from the meeting and take no further part in decisions relating to them, whenever appropriate.

Directors acknowledge that their overriding duty is to the company and that Board decisions must be in the best long-term interests of the company.

Our Constitution prohibits the Managing Director from holding voting shares in the company. In addition, the Board has determined that senior executives may only hold voting shares in the company if approved by the Managing Director.

Shares, options and loans

Company shares are not listed on any share trading exchange. Shares held by directors are disclosed in the notes to the accounts and in the Directors' Report. There are no securities under option or in respect of which options have been created, nor have any options been exercised. No loan has been granted to any director or senior executive.

Code of conduct

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

Training

Directors are encouraged to become members of, and to undertake training provided by, the Australian Institute of Company Directors and other professional organisations which add to the value, capability and competency directors bring to the company. Ongoing individual training is seen as a key component of each director's responsibility.

Independent professional advice

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

Risk management

The process of refining the formal risk and compliance management system continued during the year, while addressing the further development of policies and procedures. Significant areas such as legislative compliance, workplace health and safety, and management of environmental risks, have continued to receive substantial attention and directors are pleased to report continuing improvement in performance.

Directors continue to highlight ongoing business risks arising from customers' ability to pay due to the depressed commodities prices suffered by irrigators, coupled with rising input costs.

Compliance

In June 2012, after a year-long project to develop plans and consult with customers, Murrumbidgee Irrigation released its first 5-year Network Services Plan, as required by the ACCC's Water Charge (Infrastructure) Rules 2010.

The company has met the requirements of its operating and environmental licences throughout the course of the year.

Directors report that there were no breaches of the three year Enforceable Undertaking entered into with the ACCC on 13 September 2010.

Auditor's independence

Company auditors, Deloitte Touche Tohmatsu, have no representation on the Board or on Board committees, nor is there any relationship between company officers and auditors, other than the normal business relationship between auditor and client.

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

The Auditor's Independence Declaration is included with the financial statements. Fees paid to the external auditors are fully disclosed in the notes to the financials.

Directors' report



Directors present their report on the company and its controlled entities for the financial year ended 30 June 2012.

Directors

The persons who served as directors of Murrumbidgee Irrigation Limited during and after the year in review are:

Information on Directors

Director	Special responsibilities and qualifications	Particulars of director's interest in shares		
		A Class	B Class	C Class
Gillian Kirkup	Member Director. Chairman Chair, Remuneration and Nominations Committee. Qualification: MAICD	33	4,316	2
Bruno Brombal	Member Director. Deputy Chairman	781	0	0
Leith Bouly	Independent Director. Chair, Audit and Risk Committee. Qualifications: BRuSc, DipBusStud, FAICD, FAIM, FIAMA, CDec	0	0	0
Andrew Cameron	Member Director	319	995	2
Markeeta Gibson	Community Independent Director Qualifications: BSc (SCREM), LLB, Grad Dip Law, GAICD	0	0	0
Antonio Sergi	Member Director	345	0	0
Raveen Jaduram	Managing Director, appointed 23 July 2012 Qualifications: BE(Hons), ME, FIPENZ	0	0	0
Michael Nugent	Independent Director, appointed 28 November 2011 Qualifications: FCPA, FAICD	0	0	0
Brett Tucker	Managing Director, resigned 9 August 2011. Qualifications: BRurSci (Hons), GradCert AFM, MAICD	0	0	0

Additional relevant information is also provided on pages 11 and 12 of this Annual Report.

Company secretary

Dorian Radue served as company secretary throughout the year under review. Her qualifications are: BA, MBA, MSc (Strategic Focus), ACMA, CA, CA(SA).

Meetings

The Board met in person 12 times during the year, the majority of which were held in Griffith. The duration of meetings was one to two days. Additionally, several teleconferences were held to deal with specific items requiring decisions between Board meetings. The agenda for meetings is set in consultation with the Chairman, the Chief Executive Officer and other senior executives. Prior to each meeting, directors are provided with detailed papers on matters to be considered, and are encouraged to participate in debate and to bring to meetings independent views on all relevant issues. Details of attendance at Board meetings are shown in the Directors' attendance table.

Directors' attendance at meetings

	Directors' Meetings		Audit & Risk Committee		Remuneration & Nominations Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
G Kirkup	12	12			7	7
B Brombal	12	11			7	6
L Bouly	12	12	6	6	7	7
M Nugent (from date of appointment)	8	8			3	3
A Cameron	12	12	6	6		
M Gibson	12	12	6	6		
A Sergi	12	10	6	5		
B Tucker (to date of resignation)	1	1				

Principal activities

The consolidated entity continued its principal activities of:

- delivering core water-related services to all customers;
- taking a lead role in improving the environment; and
- developing a competitive, profitable business through diversification of revenue streams.

These primary goals continue to guide the consolidated entity in achieving sustainable irrigation in our area. There were no significant changes to the nature of the consolidated entity's principal activities during the financial year.

Financial statements

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

Basis of preparation of financial statements

The financial statements for the year in review are presented as consolidated entity statements. They incorporate the results of the company and its controlled entities, MI Holdings Pty Ltd, the Hanwood Estate Property Trust, MI Energy Pty Ltd and MI EasyTrade Pty Ltd on a consolidated basis, as required by Australian Accounting Standards.

Review of operations

Water deliveries for the year reached 753 GL, contributing to total revenue of \$43.8 million, an increase of \$1 million from the previous year. Total expenditure increased by \$7 million from \$34.7 million to \$41.7 million, as a result of increased bulk water charges, and one-off expenses for environmental remediation, reinstatement of delivery entitlements, and flood impacts. These items, combined with an increase in the liability for the defined benefits fund, resulted in negative comprehensive income for the year of \$5.4 million.

Significant changes in the state of affairs

Changes to the company's Constitution, as approved by shareholders in 2009, were effected on 21 October 2011. This process entailed the termination of the shareholders' Member Contract and creation of a Water Entitlements Contract and Water Delivery Contract for each customer, in order to separate customer water entitlements and rights of access as required by federal water legislation.

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, has the potential to significantly affect the state of affairs of the consolidated entity.

Future developments

Directors are mindful of the effect that economic factors such as low commodity prices can have on revenues and on customers' ability to pay. Directors remain confident that our efforts to manage costs, coupled with efficient systems operation, will ensure a commercially acceptable outcome for the coming year.

Initial water allocations announced for the 2012/13 season provide early indications of high water availability for the new year.

The company faces two areas of uncertainty arising from external sources. The first relates to the proposed taxation legislation amendments relating to funding offered to MI under the Commonwealth's Private Irrigation Infrastructure Operators Program (PIIOP). The company has delayed acceptance of the bulk of the government's funding offer pending tax exemption legislation being passed. We expect this legislation to be passed in the Spring 2012 Parliamentary sitting and to apply retrospectively to all PIIOP funds, following which MI will be in a position to progress its modernisation programs.

The other significant development which is likely to impact the consolidated entity's operations in future years is the possible exit of water entitlement from the region as a result of the Murray-Darling Basin Plan which becomes effective in 2019. The potential impacts on the consolidated entity and the region in the longer term will not be known until after the Murray-Darling Basin Plan has been finalised and completes its passage through Parliament.

Environmental regulation

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

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

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

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

Murrumbidgee Irrigation Limited publishes a separate Compliance Report (also available on the company website www.mirrigation.com.au) to satisfy the requirements of the Environmental Protection Licence issued by the Department of Environment, Climate Change and Water and the requirements of the *Water Management Act 2000* access licences and approvals. An Environmental Performance Report is also featured within this Annual Report from pages 21 to 22.

Indemnifying directors and officers

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

During the financial year, the company paid a premium of \$36,576 (exclusive of GST and stamp duty) to provide liability insurance cover for directors and senior executives of the company. The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings which may be brought against the company or senior executives in their capacity as officers of the company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

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

Proceedings on behalf of the company

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

Dividends


Rule 112 of the Constitution provides that the company may not declare a dividend.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the financial statements and Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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.

	<p>Deloitte Touche Tohmatsu A.B.N. 74 460 121 060</p> <p>The Barrington Level 10 10 Smith Street Parramatta NSW 2150 PO Box 38 Parramatta NSW 2124 Australia</p> <p>DX 28485 Tel: +61 (0) 2 9840 7000 Fax: +61 (0) 2 9840 7001 www.deloitte.com.au</p>
<p>The Board of Directors Murrumbidgee Irrigation Limited PO Box 492 Griffith NSW 2680</p>	
<p>11 September 2012</p>	
<p>Dear Board Members</p> <p style="text-align: center;">Murrumbidgee Irrigation Limited</p>	
<p>In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Murrumbidgee Irrigation Limited.</p>	
<p>As lead audit partner for the audit of the financial statements of Murrumbidgee Irrigation Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:</p>	
<ul style="list-style-type: none">(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and(ii) any applicable code of professional conduct in relation to the audit.	
<p>Yours sincerely</p> <p></p> <p>DELOITTE TOUCHE TOHMATSU</p> <p></p> <p>David Black Partner Chartered Accountants</p>	
<p><small>Liability limited by a scheme approved under Professional Standards Legislation. Member of Deloitte Touche Tohmatsu.</small></p>	

AUDITOR

Deloitte Touche Tohmatsu continues as auditor in accordance with section 327 of the *Corporations Act 2001*.

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

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



Gillian Kirkup
Chairman
at Hanwood, NSW on 13 September 2012.

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Main Canal concrete lining, looking upstream towards Three Ways Bridge c.1923



Constructing concrete lined distribution channel c.1912



Grazing sheep and dethridge wheel c.1913



Main Canal concrete lining c.1916. (J Degotardi, John Newland collection)

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	Notes	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
REVENUE			
Customer Revenue			
Fixed		16,687	16,435
Usage		9,715	6,082
Rebates		0	(20)
Contract and other		2,475	2,029
Total - Customer Revenue		28,877	24,526
Government & Other Revenue			
Asset refurbishment		3,100	3,100
Land & Water Management		692	877
Investments	5	2,952	3,072
Termination	1 (c x)	398	794
New business & Alliance		828	399
Govt. Asset Refurbishment		5,255	6,750
Govt. Land & Water Management		256	477
Govt. PIIOP 1&2 and RiverReach		864	2,711
Govt. Research & Development		660	169
Total - Government & Other Revenue		15,005	18,349
Total Revenue		43,882	42,875
EXPENDITURE			
Customer Expenditure			
Management		8,586	8,085
Environmental		423	411
System maintenance		6,625	6,043
System operations		4,567	3,964
Bulk water		6,609	5,139
Electricity		1,139	832
Depreciation plant, equipment and vehicles	6	1,641	1,629
Environmental remediation	24	3,964	0
Re-instatement of delivery entitlements		1,624	0
Total - Customer Expenditure		35,178	26,103
Government & Other Expenditure			
Net (gain) on disposal of assets		(1,520)	(380)
Depreciation infrastructure and buildings	6	3,961	4,282
Other		18	261
New business & Alliance		1,111	1,034
Asset management & investigation		211	235
Land and Water Management		620	764
Major periodic maintenance		795	1,228
PIIOP 1&2 and RiverReach		36	129
Research and development		660	169
Irrigators contribution Land & Water Management		692	887
Total - Government & Other Expenditure		6,584	8,609
Total Expenditure		41,762	34,712
Profit before tax		2,120	8,163
Income tax benefit/(expense)	14	664	(3,231)
Profit for the year		2,784	4,932
Other comprehensive income			
Actuarial (loss)/gain of defined benefit plan recognised directly in equity	19 (d)	(11,890)	2,125
Income tax on items recognised directly in equity	14	3,723	(641)
Other comprehensive income for the year net of tax	4	(8,167)	1,484
Total comprehensive income for the year		(5,383)	6,416
Profit attributable to:			
Owners of the company		2,784	4,932
Total comprehensive income attributable to:			
Owners of the company	21	(5,383)	6,416

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2012

	Notes	30/6/12 \$'000	30/6/11 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	25,429	21,096
Trade and other receivables	9	19,371	13,107
Inventories	10	775	1,014
Other assets	12	192	221
		45,767	35,438
Assets classified as held for sale	11	1,508	1,508
Total current assets		47,275	36,946
Non-current assets			
Financial assets	8	20,176	26,811
Property, plant and equipment	13	219,023	209,739
Intangible assets	15	134,549	134,843
Total non-current assets		373,748	371,393
Total assets		421,023	408,339
LIABILITIES			
Current liabilities			
Trade and other payables	16	5,873	5,507
Provisions	17	8,506	4,114
Deferred revenue	18	25,759	20,455
Total current liabilities		40,138	30,076
Non-current liabilities			
Provisions	17	41	59
Deferred tax liabilities	14	24,355	28,743
Other liabilities	29	20,313	7,902
Total non-current liabilities		44,709	36,704
Total liabilities		84,847	66,780
Net assets		336,176	341,559
EQUITY			
Contributed equity	20 (a)	273,734	273,734
Retained profits	21	62,442	67,825
Total equity		336,176	341,559

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 2012

	Notes	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 30 June 2010		273,734	61,409	335,143
Profit for the year		0	4,932	4,932
Actuarial loss of defined benefit plans recognised directly in equity		0	2,125	2,125
Income tax on items recognised directly in equity		0	(641)	(641)
Other comprehensive income for the year	4	0	1,484	1,484
Total comprehensive income for the year		0	6,416	6,416
Balance as at 30 June 2011		273,734	67,825	341,559
Profit for the year		0	2,784	2,784
Actuarial loss of defined benefit plans recognised directly in equity		0	(11,890)	(11,890)
Income tax on items recognised directly in equity		0	3,723	3,723
Other comprehensive income for the year	4	0	(8,167)	(8,167)
Total comprehensive income for the year		0	(5,383)	(5,383)
Balance as at 30 June 2012		273,734	62,442	336,176

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

Consolidated statement of cash flows

for the year ended 30 June 2012

	Notes	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		27,448	29,034
Payments to suppliers and employees (inclusive of goods and services tax)		(33,194)	(32,191)
Cash generated from operations		(5,746)	(3,157)
Receipts from annual water trade and leasing of water and land		723	879
Receipts from termination charges		398	794
Receipts from Government contributions		12,339	13,445
Interest received		2,229	2,193
Alliance revenues		828	399
Net cash generated by operating activities	27	10,771	14,553
Cash flows from investing activities			
Proceeds on sale of property, plant and equipment		2,761	1,157
Redemption of financial assets		6,835	6,677
Payments for property, plant and equipment		(16,328)	(14,646)
Proceeds/(payments) for intangible assets	15	294	(29)
Net cash (used in) investing activities		(6,438)	(6,841)
Cash flows from financing activities			
Net increase in cash and cash equivalents		4,333	7,712
Cash and cash equivalents at the beginning of the year		21,096	13,384
Cash and cash equivalents at the end of the year	8	25,429	21,096

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

Notes to the financial statements as at 30 June 2012

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

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. Because the company's principal purpose is to provide cost effective services to its shareholders, rather than to generate profits, the directors have determined that the company is a not-for-profit entity as defined under Australian Accounting Standards.

These financial statements have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements were authorised for issue by the directors on 13 September 2012.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Murrumbidgee Irrigation Limited and its controlled entities MI Holdings Pty Ltd, Hanwood Estate Property Trust, MI EasyTrade Pty Ltd and MI Energy Pty Ltd. Control is achieved where Murrumbidgee Irrigation Limited has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities:

(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.

(ii) *Contract and other revenue:* Other revenue is raised from the provision of contract works, including the installation of irrigation supply infrastructure, earth moving, hire of plant and workshop activities, and is recognised as services are performed.

(iii) *Revenue from State Government, irrigators' contributions to MIA EnviroWise (LWMP) activities and National Water Commission (RiverReach):* Contributions received by the consolidated entity from

these sources are recognised as revenue when the expenditure is incurred in the appropriate programs. As the consolidated entity is obligated under the terms of the funding agreements to undertake the relevant works on MIA EnviroWise activities or refund the unexpended portion of the funds held at balance date, unexpended contributions are brought to account as a liability until the work has been completed. (Refer Note 18).

(iv) *Government contributions for asset refurbishment (ARFD):* Contributions received from the government for asset refurbishment programs are recognised as revenue as the relevant expenditure is incurred. As the consolidated entity is obliged under the terms of the funding agreement to undertake the relevant asset refurbishment works or refund the money, any unexpended funds at balance date are brought to account as a liability (refer Note 18).

(v) *Government contributions for Private Irrigation Infrastructure Operators Program (PIIOP):* Contributions received from the government for infrastructure improvements are recognised as revenue as the relevant expenditure is incurred. As the consolidated entity is obliged under the terms of the funding agreement to undertake the relevant infrastructure works or refund the money, any unexpended funds at balance date are brought to account as a liability (refer Note 18).

(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 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 2011/12 was based on a multiple of 10 times fixed charges in accordance with ACCC water charge rules. Revenue is recognised on issue of termination charge invoices with a portion offset in the subsequent pricing model.

(xi) *Irrigator contributions for future asset refurbishment:* Contributions are based on the annuity required to fund the future modification and replacement of existing infrastructure due to wear, tear and obsolescence or destruction. The annuity calculation accounts for remaining funds from ARFD and expected interest returns and CPI prediction. Revenue is recognised on issue of fixed charges invoice.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on

the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are currently enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Impairment of assets

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

As the consolidated entity is a not-for-profit entity and the future economic benefits of the consolidated entity assets are not primarily dependent on their ability to generate cash flows, value in use is taken to be depreciated replacement cost provided that the company 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 the company were a 'for profit' entity in accordance with Australian Accounting Standards and had applied the impairment rules of a 'for profit' entity.

(f) Trade and other receivables

Trade receivables are recognised at fair value. Trade receivables are raised at the end of April for fixed charges and the end of June for water use based charges and are due for settlement no more than 28 days from the date of raising of the invoices.

Note 1. Summary of significant accounting policies *continued*

Other debtors are due for settlement in no more than 28 days. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms. The amount of movement in the provision is recognised in the statement of 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.

(g) Inventories

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

(h) Property, plant and equipment

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

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

Assets are not depreciated until they have been commenced.

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer Note 1 (e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(i) Intangible assets

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

(j) Maintenance expenditure

Routine maintenance expenditure of a regular and ongoing nature is charged to the statement of comprehensive income as an operating expense as and when incurred. Major periodic maintenance in respect of earth supply and drainage channels and other infrastructure, which is material and cyclical expenditure incurred under a periodic maintenance plan, is also charged to the statement of comprehensive income as incurred.

(k) Trade and other payables

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

(l) Employee benefits**(i) Wages and salaries, annual leave.**

The liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to experience of employee departures and periods of service. Expected future payments are discounted at a rate of 6% based on composite bonds of 7 plus years duration and indexation of 3% based on the CPI of the year under review.

(iii) Retirement benefit obligations. All employees of the consolidated entity are entitled to benefits on retirement, disability or death from the Local Government Superannuation Scheme. The scheme has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum or pension benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the consolidated entity as determined by the superannuation scheme.

A liability or asset in respect of defined benefit superannuation plans is recognised in the 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 government 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 equity. Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(m) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Goods and Services Tax (GST)

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

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

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

(o) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(p) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed

to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

(q) Financial assets

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

Financial assets are classified into the following specified categories: financial assets 'held-to-maturity' investments, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Effective interest method:

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value Through Profit and Loss (FVTPL).

(ii) Held-to-maturity investments:

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the consolidated entity has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(iii) Loans and receivables:

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Impairment of financial assets:

Financial assets, other than those at FVTPL, 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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the consolidated entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(r) Financial liabilities and equity instruments issued by the consolidated entity

(i) Classification as debt or equity: Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments: An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the consolidated entity are recognised at the proceeds received, net of direct issue costs.

(iii) Other financial liabilities: Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that

exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(s) Provisions

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

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

(t) General information

Murrumbidgee Irrigation Limited (the Company) is a limited company incorporated in Australia. The registered office and principal place of business of Murrumbidgee Irrigation Limited is: Lot 255 Research Station Road, Hanwood NSW 2680.

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

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

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

(ii) Provision for environmental remediation: The directors have recorded a provision for environmental remediation, refer Note 24.

(v) Adjustments made to prior periods

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

Notes to the financial statements as at 30 June 2012 *continued*

Note 1. Summary of significant accounting policies *continued*

Standards and Interpretations in issue not yet adopted.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Standards / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards' arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 ' Amendments to Australian Accounting Standards arising form AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 January 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the consolidated entity but may change disclosures made.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

Note 2. Parent entity disclosure**Statement of comprehensive income**

The table represents the "Statement of comprehensive income" of the parent entity Murrumbidgee Irrigation Limited

	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
REVENUE		
Customer Revenue		
Fixed	16,696	16,443
Usage	9,715	6,082
Rebates	0	(20)
Contract and other	2,760	2,283
Total - Customer Revenue	29,171	24,788
Government & Other Revenue		
Asset refurbishment	3,100	3,100
Land & Water Management	692	878
Investments	2,845	2,977
Termination	398	794
New business & Alliance	828	399
Govt. Asset Refurbishment	5,255	6,750
Govt. Land & Water Management	256	477
Govt. PIIOP 1&2 and RiverReach	864	2,711
Govt. Research & Development	660	169
Total - Government & Other Revenue	14,898	18,255
Total Revenue	44,069	43,043
EXPENDITURE		
Customer Expenditure		
Management	8,527	8,048
Environmental	423	411
System maintenance	7,069	6,439
System operations	4,567	3,964
Bulk water	6,609	5,139
Electricity	1,139	832
Depreciation plant, equipment and vehicles	1,641	1,628
Environmental remediation	3,964	0
Re-instatement of delivery entitlements	1,624	0
Total - Customer Expenditure	35,563	26,461
Government & Other Expenditure		
Net (gain) on disposal of assets	(1,520)	(392)
Depreciation infrastructure and buildings	3,763	4,086
Other	18	261
New business & Alliance	1,111	1,034
Asset management & investigation	211	235
Land and Water Management	620	764
Major periodic maintenance	795	1,228
PIIOP 1&2 and RiverReach	36	129
Research and development	660	169
Irrigators contribution to Land and Water	692	887
Total - Government & Other Expenditure	6,386	8,401
Total Expenditure	41,949	34,862
Profit before tax	2,120	8,181
Income tax expense	664	(3,231)
Profit for the year	2,784	4,950
Other comprehensive income		
Actuarial (loss)/gain of defined benefit plan recognised directly in equity	(11,890)	2,125
Income tax on items recognised directly in equity	3,723	(641)
Other comprehensive income for the year net of tax	(8,167)	1,484
Total comprehensive income for the year net of tax	(5,383)	6,434
Profit attributable to:		
Owners of the company	2,784	4,950
Total comprehensive income attributable to:		
Owners of the company	(5,383)	6,434

Notes to the financial statements as at 30 June 2012 *continued*

Note 2. Parent entity disclosure *continued*

The table represents "Statement of Financial Position" of the parent entity
Murrumbidgee Irrigation Limited

ASSETS

Current assets

Cash and cash equivalents	23,240	19,133
Trade and other receivables	19,642	13,336
Inventories	775	1,014
Other assets	192	206

	43,849	33,689
Assets classified as held for sale	1,508	1,508
Total current assets	45,357	35,197

Non-current assets

Financial assets	28,476	35,111
Property, plant and equipment	213,087	203,608
Intangible assets	134,107	134,401

Total non-current assets	375,670	373,120
Total assets	421,027	408,317

LIABILITIES

Current liabilities

Trade and other payables	5,859	5,467
Provisions	8,506	4,114
Deferred revenue	25,759	20,455

Total current liabilities	40,124	30,036
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Non-current liabilities

Provisions	41	59
Deferred tax liabilities	24,355	28,743
Other liabilities	20,313	7,902

Total non-current liabilities	44,709	36,704
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Total liabilities	84,833	66,740
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NET ASSETS

Equity

Contributed equity	273,734	273,734
Retained profits	62,460	67,843

Total equity	336,194	341,577
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Note 3. Controlled entity disclosure

Details of controlled entities at 30 June 2012

Name of Entity	Principal activity	Place of incorporation and operation	Proportion of interest and voting power held	
			30/6/12	30/6/11
MI Holdings Pty Ltd	Management	Australia	100%	100%
Hanwood Estate Property Trust	Investment	Australia	100%	100%
MI EasyTrade Pty Ltd	Not active	Australia	100%	100%
MI Energy Pty Ltd	Not active	Australia	100%	100%

Note 4. Amounts recognised directly in equity

The following amounts were recognised direct to equity

	Notes	30/6/12 \$'000	30/6/11 \$'000
Actuarial (losses)/gains of defined benefits plan recognised directly in equity	19 (d)	(11,890)	2,125
Income tax on items recognised directly in equity		3,723	(641)
Net (expenses)/income recognised directly in equity		(8,167)	1,484

Note 5. Investment revenue

	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
Interest revenue (bank deposits and non-current financial assets)	2,086	1,997
Water and property leasing	866	1,075
	2,952	3,072

Note 6. Expenses

The Statement of comprehensive income includes the following expenses:

	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
Depreciation of property, plant and equipment	1,641	1,629
Depreciation of infrastructure and buildings	3,961	4,282
Superannuation - Defined benefits	1,201	1,094
- Accumulation funds	1,110	1,089
Other employee benefits - Salaries	13,133	12,601
- Allowances, redundancies and termination payments	267	510

Note 7. Remuneration of auditors**(a) Auditor of the parent entity**

	Year ended 30/06/12 \$	Year ended 30/06/11 \$
Audit of the financial report	45,820	44,100
Audit of financial report - additional services	9,465	22,000
	55,285	66,100

The auditor of the consolidated entity is Deloitte Touche Tohmatsu

(b) Other auditors

	Year ended 30/06/12 \$	Year ended 30/06/11 \$
Audit or review of the financial report of Hanwood Estate Property Trust	1,636	1,455
Audit or review of the financial report of RiverReach	1,895	0
Other assurance services	9,560	0
	13,091	1,455

Note 8. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in the banks and investments in money market instruments with terms of less than 12 months. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows.

	30/6/12 \$'000	30/6/11 \$'000
Cash at bank and on hand	17,648	7,874
Deposits at call - current	7,781	13,222
Balance as per Statement of Cash Flows	25,429	21,096
Deposits - non-current	20,176	26,811
	45,605	47,907

Note 9. Current assets — trade and other receivables

	30/6/12 \$'000	30/6/11 \$'000
Trade receivables	16,786	11,403
Less: Allowance for doubtful debts	(72)	(81)
	16,714	11,322
Other receivables	2,747	1,878
Less: Allowance for doubtful debts	(90)	(93)
	2,657	1,785
Total receivables	19,371	13,107

(a) Trade receivables

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 28 days from the date of the invoice. Thereafter, interest is charged at the maximum rate permissible under the *Water Management Act 2000* on the outstanding balance. The provision for doubtful debts on trade receivables is influenced by the security the consolidated entity holds over lands in which the debt relates in terms of Note 1 (f). The consolidated entity has recognised an allowance for doubtful debts based on the identification of all unsatisfactory accounts with debt greater than three years.

Ageing of past due but not impaired

	30/6/12 \$'000	30/6/11 \$'000
31-60 days	11	6
61-90 days	5,778	4,521
91 days and over	1,539	1,003
Total	7,328	5,530

Ageing of impaired trade receivables

91 days and over	72	81
Total	72	81

(b) Other receivables

Other receivables disclosed above consist of charges to other clients for specific work and recovery for the cost of damaged infrastructure. They are classified as receivables and are therefore measured at amortised cost. No interest is currently charged on outstanding balances. The consolidated entity has recognised an allowance of 100% for specific debts that have been identified as at risk of being unrecoverable pending completion of legal action due to dispute and greater than 90 days.

Ageing of past due but not impaired

	30/6/12 \$'000	30/6/11 \$'000
31-60 days	130	154
61-90 days	17	1
91 days and over	88	8
Total	235	163

Ageing of impaired other receivables

91 days and over	90	93
Total	90	93

(c) Movement in the allowance for doubtful debts

	30/6/12 \$'000	30/6/11 \$'000
Balance at the beginning of the year	174	124
Impairment losses recognised on receivables	6	66
Amounts written off during the year as uncollectable	0	0
Amounts recovered during the year	(18)	(16)
Balance at end of the year	162	174

Note 10. Current assets — inventories

	30/6/12 \$'000	30/6/11 \$'000
General inventory, chemicals and construction materials – at cost	775	1,014
Total inventories	775	1,014

Note 11. Assets held for resale

Net book values	30/6/12 \$'000	30/6/11 \$'000
Land (i)	720	720
Buildings (ii)	788	788
Total	1,508	1,508

(i) & (ii) The consolidated entity intends to dispose of the old Banna Avenue depot (land and buildings) in the next 12 months.

Note 12. Other assets

	30/6/12 \$'000	30/6/11 \$'000
Prepayments	192	207
Other deferred expense	0	14
	192	221
Current	192	221
Non-current	0	0
	192	221

Note 13. Property, plant and equipment

Net book values	30/6/12 \$'000	30/6/11 \$'000
Land	13,004	13,005
Earth channels and infrastructure	158,949	161,974
Buildings and cottages	7,214	7,465
Plant	2,699	2,614
Office and scientific equipment	3,722	3,032
Motor vehicles	3,591	3,775
In course of construction	29,844	17,874
Balance as at 30 June	219,023	209,739

Notes to the financial statements as at 30 June 2012 *continued*

Note 13. Property, plant and equipment *continued*

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.

Cost

	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
Balance at 30 June 2010	13,016	191,851	9,442	6,482	5,906	4,826	7,822	239,345
Acquisitions	0	0	1	1,249	389	1,206	11,801	14,646
Disposals	(11)	(301)	0	(763)	(14)	(1,282)	0	(2,371)
Transfers in (out)	0	1,749	0	0	0	0	(1,749)	0
Balance at 30 June 2011	13,005	193,299	9,443	6,968	6,281	4,750	17,874	251,620
Acquisitions	0	0	35	610	593	1,468	13,622	16,328
Disposals	(1)	(382)	0	(301)	(101)	(1,599)	0	(2,384)
Transfers in (out)	0	954	0	0	698	0	(1,652)	0
Balance at 30 June 2012	13,004	193,871	9,478	7,277	7,471	4,619	29,844	265,564

Accumulated depreciation

	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
Balance at 30 June 2010	0	27,383	1,692	4,545	2,696	957	0	37,273
Eliminated on disposals of assets	0	(55)	0	(676)	(12)	(560)	0	(1,303)
Depreciation expense recognised in profit or loss	0	3,997	286	485	565	578	0	5,911
Balance at 30 June 2011	0	31,325	1,978	4,354	3,249	975	0	41,881
Eliminated on disposals of assets	0	(78)	0	(222)	(100)	(542)	0	(942)
Depreciation expense recognised in profit or loss	0	3,675	286	446	600	595	0	5,602
Balance at 30 June 2012	0	34,922	2,264	4,578	3,749	1,028	0	46,541

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

Note 14. Income taxes

	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
Tax expense comprises:		
Deferred tax expense relating to the recognition and reversal of temporary differences	657	2,520
Adjustments recognised in the current year in relation to the tax of prior years	(1,321)	711
Total current tax expense relating to continuing operations	(664)	3,231

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

	Year ended 30/6/12 \$'000	Year ended 30/6/11 \$'000
Profit from continuing operations	2,120	8,163
Income tax expense calculated at 30%	636	2,449
Effect of expenses that are not deductible in determining taxable profit	21	71
Adjustments recognised in the current year in relation to the current tax of prior years	(1,321)	711
Income tax expense recognised in profit and loss	(664)	3,231

The following table represents the effect of timing differences between financial accounting book values and tax effect accounting values.

The tax rate used for 2011 and 2012 reconciliations is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Deferred tax balances

2011	Opening balance \$'000	Recognised in Equity \$'000	Recognised in Profit and Loss \$'000	Total \$'000
Temporary differences				
Plant, property and equipment – assets	(29,737)	0	(3,407)	(33,144)
Deferred revenue	(111)	0	32	(79)
Consumable and stockpile inventory	(287)	0	(79)	(366)
Doubtful debts	37	0	15	52
Fair value investment adjustment	205	0	(46)	159
Retirement obligation	3,008	(641)*	0	2,370*
Employee entitlements	1,025	0	26	1,051
Audit fees	13	0	1	14
Unused tax losses and credits	973	0	227	1,200
	(24,874)	(641)*	(3,231)	(28,743)*
2012				
Plant, property and equipment – assets	(33,144)	0	(1,463)	(34,607)
Deferred revenue	(79)	0	21	(58)
Consumable and stockpile inventory	(366)	0	36	(330)
Doubtful debts	52	0	(3)	49
Fair value investment adjustment	159	0	(86)	73
Retirement obligation	2,370	3,723*	0	6,094
Employee entitlements	1,051	0	142	1,193
Audit fees	14	0	(6)	8
Unused tax losses and credits	1,200	0	2,023	3,223
	(28,743)*	3,723*	664	(24,355)

* Difference due to rounding

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

	30/06/12 \$'000	30/06/11 \$'000
Deferred tax liabilities	(24,355)	(28,743)

Notes to the financial statements as at 30 June 2012 *continued*

Note 15. Intangible assets

	30/06/12 \$'000	30/06/11 \$'000
Water entitlement - conveyance at cost (parent entity)	110,433	110,737
Water entitlement - HS and GS	23,674	23,664
Water entitlement - at cost (controlled entity)	442	442
Total water entitlements	134,549	134,843
Reconciliation - water entitlements		
Carrying amount 1 July	134,843	134,814
Water entitlement - conveyance (sold) during year	(304)	0
Water entitlement - HS and GS purchased during year	10	29
Carrying amount	134,549	134,843

The consolidated entity's policy for accounting for water entitlements and impairment of assets is described in Notes 1 (e) and 1 (i).

Note 16. Trade and other payables

	30/06/12 \$'000	30/06/11 \$'000
Trade payables	3,038	2,120
Accruals	2,835	3,387
	5,873	5,507

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

Note 17. Provisions

	Notes	30/06/12 \$'000	30/06/11 \$'000
Employee entitlements – annual leave		1,147	1,038
– long service leave		3,436	3,135
Environmental remediation	24	3,964	0
		8,547	4,173
Current		8,506	4,114
Non-current		41	59
		8,457	4,173

Note 18. Deferred revenue

	Notes	30/06/12 \$'000	30/06/11 \$'000
Government contributions to MIA EnviroWise (a)	1 (c) (iii)	2,365	2,383
Irrigators' contributions to MIA EnviroWise (b)	1 (c) (iii)	5,421	4,873
Government contributions to asset refurbishment (c)	1 (c) (iv)	17,093	12,778
RiverReach (d)	1 (c) (iii)	0	12
Private Irrigation Infrastructure Operators Program (e)		57	409
Security Deposits – Termination Charges (f)		823	0
Total Deferred Revenue		25,759	20,455
(a) Government contributions to MIA EnviroWise			
Opening balance		2,383	1,939
Contributions		898	1,089
Interest		62	34
Payments		(978)	(679)
Unexpended funds		2,365	2,383
(b) Irrigators' contributions to MIA EnviroWise			
Opening balance		4,873	4,497
Contributions		1,239	1,254
Interest		300	262
Payments		(991)	(1,140)
Unexpended funds		5,421	4,873

Note 18. Deferred revenue continued

	30/06/12 \$'000	30/06/11 \$'000
(c) Government contributions to asset refurbishment		
Opening balance	12,778	10,382
Contributions	9,570	9,145
Payments	(5,255)	(6,749)
Unexpended funds	17,093	12,778
(d) Other Funds - RiverReach		
Opening balance	12	(27)
Contributions	0	160
Payments	(12)	(121)
Unexpended funds	0	12
(e) Government contributions to Private Irrigation Infrastructure Operators Program		
Opening balance	409	0
Contributions	500	3,000
Payments	(852)	(2,591)
Unexpended funds	57	409
(f) Security Deposits - Termination Charges		
Opening balance	0	326
Contributions	823	0
Payments	0	(326)
Unexpended funds	823	0

Note 19. Retirement benefit plans

(a) Superannuation plan

All employees are entitled to benefits on retirement, disability or death. The defined benefits superannuation plans are administered by the Local Government Superannuation Scheme in accordance with legislation. The defined benefits fund provides benefits based on years of service and final average salary. The accumulation plan provides benefits on accumulations based on contribution and investment income.

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).

Information relating to the defined benefits fund, based on an actuarial assessment updated as at 30 June 2012 is set out below.

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the current service costs. This method sees each period of service as giving to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

	2012 \$'000	2011 \$'000
Discount rate	3.10%	5.30%
Expected rate of return on plan assets	7.00%	7.00%
Expected salary increase	4.00%	4.00%
Expected rate of CPI increase	2.50%	2.50%
(b) Balance sheet amounts		
	2012 \$'000	2011 \$'000
Present value defined benefit obligation	34,194	24,891
Fair value of defined benefit plan assets	(14,402)	(16,989)
Net liability	19,792	7,902

The consolidated entity intends to continue to contribute to the defined benefits section of the scheme at the rate determined by the scheme's actuaries.

Note 19. Retirement benefit plans *continued*

(c) Reconciliations

	Year ended 30/06/12 \$'000	Year ended 30/06/11 \$'000
Reconciliation of present value of defined benefit obligations		
Balance at the beginning of the year	24,891	26,837
Current service cost	464	492
Interest cost	1,210	1,231
Actuarial losses/(gains)	10,423	(1,654)
Benefits paid	(2,794)	(2,015)
Balance at end of financial year	34,194	24,891

Reconciliation of fair value of plan benefits

Balance at the beginning of the year	16,989	16,810
Expected return on scheme assets	1,156	1,151
Actuarial (losses)/gains	(1,737)	191
Employer contributions	788	852
Benefits paid	(2,794)	(2,015)
Balance at end of financial year	14,402	16,989

(d) Amounts recognised direct to equity

	Year ended 30/06/12 \$'000	Year ended 30/06/11 \$'000
Net (liability) brought forward	(7,902)	(10,027)
Plus: Actuarial (loss)/gain recognised in other comprehensive income for the income year	(11,890)	2,125
Net (liability) at end of financial year (Note 19 (b))	(19,792)	(7,902)

(e) Employer contributions

Employer contributions to the defined benefit schemes are based on recommendations by the scheme's actuary. Actuarial assessments are made at no more than three yearly intervals, with the latest triennial assessment to be undertaken as at 30 June 2012 in early 2013.

	Year ended 30/06/12 \$'000	Year ended 30/06/11 \$'000
Employer contributions to the superannuation funds	2,311	1,094

Note 20. Contributed equity

(a) Ordinary shares – fully paid

30/06/12 \$'000	30/06/11 \$'000
273,734	273,734

(b) Movements in ordinary share capital

	2011 shares		Year ended 30/06/11		Termination or cancellation of shares		2012 shares		Year ended 30/06/12			
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000		
A Class Shares	289,000	71,948	(6,334)	5,909	282,666	77,857	776,436	193,299	(98,570)	(6,588)	677,866	186,711
B Class Shares	34,090	8,487	(809)	679	33,281	9,166	1,099,526	273,734	(105,713)	0	993,813	273,734
Total ordinary shares												

Shares are terminated as a result of transformation of water entitlement out of Murrumbidgee Irrigation Limited's water access licences.

(c) Voting rights

	30/06/12 \$'000	30/06/11 \$'000
Voting Rights attached to A Class Shares	1,475	1,470
Voting Rights attached to B Class Shares	1,092	1,101
Voting Rights attached to C Class Shares	0	0

The Constitution prescribes one vote per landholding.

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

Where a shareholder holds dual securities, being 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.

Note 21. Retained profits

	30/06/12 \$'000	30/06/11 \$'000
Retained profits at the beginning of the financial year	67,825	61,409
Total comprehensive income for the year	(5,383)	6,416
Retained profits at the end of the financial year	62,442	67,825

Note 22. 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 2011.

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable. Risks the company is exposed to through financial instruments are:

(a) Credit risk exposures

Credit risk is the risk of financial loss to the consolidated entity if a party to a financial instrument fails to meet its contractual obligations. In respect of its cash and term deposits, the consolidated entity manages its risk by the application of the consolidated entity's investment policy which requires capital guaranteed investment with Standard and Poors A+ 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 presently 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

Except as detailed in the following table, 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.

	30/06/12		30/06/11	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Current financial assets	25,429	25,429	21,096	21,096

	30/06/12		30/06/11	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Non-current financial assets	20,176	20,176	26,811	26,811

Note 22. Financial instruments *continued*
(d) Interest rate risk management

The consolidated entity's exposure to interest rate risk and effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table. The table details the consolidated entity's expected maturity for its non-derivative financial assets. The table has been drawn up based on its undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the consolidated entity's liquidity risk management as the liquidity is managed on a net asset and liquidity basis.

Financial Instruments

2012		Weighted average effective interest rate	Less than one month \$'000	Less than one year \$'000	1 year to 5 years \$'000	5+ years \$'000	Total \$'000
	Notes						
Non-interest bearing		0.00%	1,342	0	0	0	1,342
Variable interest rate instruments		3.71%	16,272	0	0	0	16,272
Variable interest rate instruments		3.00%	0	5,002	0	0	5,002
Non-interest bearing		0.00%	0	0	2,500	0	2,500
Variable interest rate instruments		4.88%	0	0	18,650	0	18,650
Fixed interest rate instruments		7.75%	0	0	5,555	0	5,555
			17,614	5,002	26,705	0	49,321
Loans and receivables	9	0.00%	11,809	7,562	0	0	19,371
			29,423	12,564	26,705	0	68,692
Payables	16	0.00%	(5,873)	0	0	0	(5,873)
			23,550	12,564	26,705	0	62,819
2011							
Non-interest bearing		0.00%	5	0	0	0	5
Variable interest rate instruments		4.76%	12,868	0	0	0	12,868
Variable interest rate instruments		5.73%	0	13,473	0	0	13,473
Non-interest bearing		0.00%	0	0	2,500	0	2,500
Variable interest rate instruments		6.16%	0	0	7,712	0	7,712
Fixed interest rate instruments		7.50%	0	0	17,829	0	17,829
			12,873	13,473	28,041	0	54,387
Loans and receivables	9	0.00%	7,414	5,693	0	0	13,107
			20,287	19,166	28,041	0	67,494
Payables	16	0.00%	(5,507)	0	0	0	(5,507)
			14,780	19,166	28,041	0	61,987

Categories of financial assets / liabilities

	30/06/12 \$'000	30/06/11 \$'000
Financial assets		
Cash and cash balances – current asset	25,429	21,096
Financial assets – non-current	20,176	26,811
Loans and receivables	19,371	13,107
Financial liabilities		
Trade and other creditors at amortised costs	5,873	5,507

The amounts included above for variable interest rate instruments for non-derivative financial assets is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

	+1%		-1%	
2012	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and deposits	493	493	(493)	(493)
Total increase/(decrease)	493	493	(493)	(493)
2011				
Cash and deposits	543	543	(543)	(543)
Total increase/(decrease)	543	543	(543)	(543)

Note 23. Key management personnel compensation

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

(i) Directors

- (i) Non-executive Chairman G L Kirkup
- (ii) Non-executive Directors L E Bouilly, B Brombal, M Gibson, A J Sergi, A A Cameron,
M N Nugent (appointed 28 November 2011)
- (iii) Managing Director B L Tucker (resigned 9 August 2011)

(ii) Other key management personnel

Name	Position
G J Beard	Operations Executive
D M Gilbert	Commercial Services Executive
V M Howland	Chief Financial Officer (commenced 26 March 2012, resigned 10 August 2012)
K J Hutchinson	Public Affairs Executive
R P Jaduram	Chief Executive Officer (commenced 26 March 2012, appointed Managing Director 23 July 2012)
R J Kelly	Environment Executive
D P Radue	Corporate Services Executive
L G Shoemark	Chief Financial Officer (to 10 September 2011)

(b) Key management personnel compensation

(i) Directors (excluding Managing Director)

	Year ended 30/06/12 \$	Year ended 30/06/11 \$
Short-term benefits	321,112	332,949
Post-employment benefits	27,439	22,474
Total compensation	348,551	355,423

(ii) Executive (including Managing Director)

	Year ended 30/06/12 \$	Year ended 30/06/11 \$
Short-term benefits (including payment of leave entitlements on retirement)	1,068,523	1,502,049
Post-employment benefits	109,004	128,239
Total compensation	1,177,527	1,630,288

(c) Equity instrument disclosures for key management personnel

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

Ordinary shares	Year ended 30/06/12	Movement	Year ended 30/06/11
A Class	1,586	0	1,586
B Class	5,311	(200)	5,511
C Class	4	0	4
Total ordinary shares	6,901	(200)	7,101

(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 Delivery and Delivery Entitlement Contracts.

Value of transactions	Year ended 30/06/12 \$'000	Year ended 30/06/11 \$'000
Water supply and drainage services	210	182
Balance at reporting date		
Receivable	68	13

(e) Loans to key management personnel

There are no loans to key management personnel.

Note 24. Contingent liabilities and contingent assets

The consolidated entity is aware of the following contingent liability at reporting date.

Environmental remediation. The consolidated entity has made a provision for environmental remediation costs associated with one site in the 2011/12 financial statements as the directors consider it probable that a liability has materialised and an amount is reasonably estimable.

The provision will be reviewed periodically and adjusted, if necessary, as site assessment and remediation proceeds and additional information becomes available. Estimates of remediation costs can change substantially due to the emergence of additional information on the nature or extent of the contamination, the geological circumstances, the necessity of employing particular methods of remediation, actions by governmental agencies, or other factors.

Having taken expert advice, the provision of \$3,963,967 included in Note 17 represents the directors' best estimate of the likely cost of remediating the one site currently identified as requiring remediation pending Environmental Protection Authority (EPA) approval of the remedial action plan.

Note 25. Commitments for expenditure

	Year ended 30/06/12 \$'000	Year ended 30/06/11 \$'000
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date, but not recognised as liabilities, payable not later than one year	882	661

Note 26. 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 27. Reconciliation of profit for the period to net cash flows from operating activities

	Year ended 30/06/12 \$'000	Year ended 30/06/11 \$'000
Cash flows from operating activities		
Profit for the year	2,784	4,932
Depreciation	5,602	5,911
Taxation	(664)	3,231
Investment revenue recognised in profit or loss	0	0
Fair value adjustment	(244)	(153)
Net (profit) / loss on sale of assets	241	(89)
Net (profit) / loss on sale of land	0	0
Net (profit) / loss on sale of financial assets	(255)	(139)
Net (profit) / loss on sale of intangible assets	(1,262)	0
Movements in working capital	6,202	13,693
Movements in working capital		
(Increase) / decrease in trade debtors	(6,264)	(3,390)
(Increase) / decrease in inventories	239	(275)
(Increase) / decrease in prepayment	29	(88)
(Increase) / decrease in trade creditors and accruals	366	1,407
(Increase) / decrease in provisions	4,375	(132)
(Increase) / decrease in other liabilities	5,304	3,338
(Increase) / decrease in non-current liabilities	520	0
Net cash flow from operating activities	10,771	14,553

Note 28. Transactions between parent and controlled entities

	30/06/12 \$'000	30/06/11 \$'000
Sale of completed works in progress, construction of office from Murrumbidgee Irrigation Limited to Hanwood Estate Property Trust	0	(412)
Cost of land sold to Hanwood Estate Property Trust by Murrumbidgee Irrigation Limited	0	5
Cost of land sold to Murrumbidgee Irrigation Ltd by Hanwood Estate Property Trust	0	3
Rental of office accommodation by Murrumbidgee Irrigation Limited from Hanwood Estate Property Trust	445	396
Water charges to Hanwood Estate Property Trust by Murrumbidgee Irrigation Limited	9	11
Annual maintenance charges of buildings to Hanwood Estate Property Trust by Murrumbidgee Irrigation Limited	38	29
Distribution of operating surplus by Hanwood Estate Property Trust to Murrumbidgee Irrigation Limited	247	224

Note 29. Other liabilities

	Notes	30/06/12 \$'000	30/06/11 \$'000
Retirement benefit obligation	19	19,792	7,902
Re-instatement of Delivery Entitlements		521	0
		20,313	7,902

Directors' declaration

The directors declare that the financial statements and notes set out on pages 33 to 54:

- comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- give a true and fair view of the consolidated entity's financial position as at 30 June 2012 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:

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

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



Gillian Kirkup
Chairman

Hanwood, NSW
13 September 2012

Independent Auditor's Report to the members of Murrumbidgee Irrigation Limited

We have audited the accompanying financial report of Murrumbidgee Irrigation Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 33 to 54.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

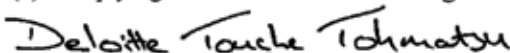
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Murrumbidgee Irrigation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

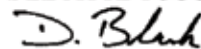
Opinion

In our opinion, the financial report of Murrumbidgee Irrigation Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



David Black

Partner

Chartered Accountants

Parramatta, 13 September 2012

Abbreviations and acronyms

AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ACCC	Australian Competition and Consumer Commission
AGM	Annual General Meeting
AIM	Australian Institute of Management
ANU	Australian National University
ARFD	Asset Refurbishment Funding Deed
ATO	Australian Taxation Office
AWD	Available Water Determinations
BBSW	Barren Box Storage and Wetland
BoM	Bureau of Meteorology
CEWH	Commonwealth Environmental Water Holder
CEO	Chief Executive Officer
CGT	Capital Gains Tax
CPI	Consumer Price Index
DPI	Department of Primary Industries
ET _o	Evapotranspiration
FVTPL	Fair Value Through Profit and Loss
GIS	Geographic Information System
GL	Gigalitre
GS	General Security
GST	Goods and Services Tax
ha	Hectare
HoR	House of Representatives
HS	High Security
IFRS	International Financial Reporting Standards
IHS	Integrated Horticulture Supply
ktCO _{2-e}	Kilotonnes of Carbon Dioxide Equivalents (greenhouse gas emissions)
kL	Kilolitre
LTIFR	Lost Time Injury Frequency Rate
LWMP	Land and Water Management Plan
MAICD	Member, Australian Institute of Company Directors
MCMA	Murrumbidgee Catchment Management Authority
MDB	Murray-Darling Basin
MDBA	Murray-Darling Basin Authority
MI	Murrumbidgee Irrigation
MIA	Murrumbidgee Irrigation Area
MIARA	MIA Renewal Alliance
ML	Megalitre
MLC	Member of the Legislative Council
mm	Millimetres
MP	Member of Parliament
MRQ	Maintenance Request
MVSG	Murrumbidgee Valley Stakeholder Group
NAP	National Action Plan for Salinity and Water Quality
NCP	Network Consultation Paper
NOW	NSW Office of Water
NSP	Network Service Plan
NSW	New South Wales
OEH	Office of Environment and Heritage
OH&S	Occupational Health and Safety
PIIOP	Private Irrigation Infrastructure Operators Program
PRG	Project Reference Group
PUC	Projected Unit Credit
RGA	Ricegrowers' Association of Australia
RIRDC	Rural Industries Research and Development Corporation
Scada	Supervisory control and data acquisition
S&D	Stock and Domestic
SES	State Emergency Service
SEWPaC	Department of Sustainability, Environment, Water, Population and Communities
SMS	Short Messaging Service
TAFE	Technical and Further Education
TJ	Terra Joules
WC&IC	Water Conservation and Irrigation Commission
WCIR	Water Charge Infrastructure Rules
WHS	Work Health Safety
WWSD	Wah Wah Stock and Domestic

Photo credits

Page	Description	Photographer	Page	Description	Photographer
Front Cover	Top left - Brock family, Yanco c.1913	State Water	13	MI Executives	Bryan Salvestro
	Top right - MIA farmer c.1913	State Water	14	1 - Flood, March 2012	MI
	Middle left - Building Main Canal c.1931	State Water		2 - Mirrool Creek flood 2012	MI
	Middle right - Digging Main Canal c.1910	State Water		3 - Flood, March 2012	MI
	Bottom - Channel attendant and horse c.1913	State Water		4 - Flood, March 2012	MI
1	Re-enactment of "Turning on the Water"	Brett Naseby	15	Top - Berembbed Weir 1912	State Water
3	1 - Griffith from Scenic Hill	MI	16	Top - Berembbed Weir 2012	MI
	2 - Wheat crop	MI		Bottom Left - Corbie Hill pump station	Tony Graham
	3 - Cotton crop	Elizabeth Stott		Bottom Left inset - Jason Robertson	Tony Graham
	4 - Olive harvest	MI		Bottom right - BBSW	MI
	5 - Doppler meter service	MI	17	Top - Bacyrus dragline c.1922	State Water
4	1 - Main Canal Griffith	MI	Bottom left - Culvert replacement	MI	
	2 - MI office	MI	Middle right - Culvert replacement	MI	
	3 - Culvert	MI	Bottom right - MIA Flood, March 2012	MI	
	4 - Wheat crop	Elizabeth Stott	18	Top - Longreach excavator	Vince Bucello
	5 - Pipes	MI	19	Top - Butter Factory Leeton, c.1913	State Water
5	1 - Currawang	MI	30	Top - Low loader and excavator	MI
	2 - Cotton	Vince Bucello		Bottom - MI depot, Hanwood	MI
	3 - Weed spraying	Vince Bucello	21	Top - "Snowy White" at future Griffith, c.1912	State Water
	4 - Yenda regulator	Vince Bucello	Bottom - Weeds research	DPI	
6	1 - Crowd at MIA Centenary launch	Brett Naseby	Bottom inset - Sagittaria	MI	
	2 - Aerial, farms in flood	Vince Bucello	22	Top - Michael Keely, EnviroWise planting	MI
	3 - MI Works Office construction	MI	23	Top - Farmer inspecting corn	State Water
	4 - Oranges	MI	Bottom - Ed McDonald and Paul Rossetto	MI	
7	1 - Cherries	Vince Bucello	24	Top - Keith Pickmere	Nicole Martin
	2 - Aerial, Leeton	Vince Bucello	Middle - MIA Centenary launch	Brett Naseby	
	3 - Culvert installation	Vince Bucello	25	Top - WC&IC staff 1912	State Water
	4 - MI, Irrigation Services office	Vince Bucello	Bottom - Frontline Management participants	MI	
8	1 - Crowd at Basin Plan rally	MI	26	Top - MI Staff at Centenary launch	Brett Naseby
	2 - Barren Box flood peak	MI		Middle - Tom Thompson	MI
	4 - Re-enactment of "Turning on the Water"	Brett Naseby		Middle - Allen O'Connell	MI
	5 - Mirrool Creek in flood	MI		Middle - Terry Sivewright	MI
	1 - Farmers at channel	MI	Bottom right - Andrea John	MI	
2 - Marie Bashir at "Turning on the Water"	Brett Naseby	Bottom right - Emily Chilvers	MI		
4 - Barren Box Storage and Wetlands	David Woodside	Bottom right - Larissa Hanlon	MI		
5 - MI construction workers	MI	Bottom right - Sunny Singh	MI		
6 - Centenary photo display	MI	27	1 - Gogeldrie Weir	MI	
Bottom right - Gillian Kirkup	Brett Naseby	2 - Oranges	MI		
10	1 - MI workers	MI	3 - Farmers in vineyard	MI	
	2 - Main Canal regulator	MI	4 - River Redgum	MI	
	3 - Orange orchard	Vince Bucello	5 - Irrigation pipe laying	Vince Bucello	
	4 - Marie Bashir and Raveen Jaduram	Brett Naseby	29	1 - Griffith town water meter installation	MI
	5 - Walnut trees	Vern Howland	2 - Irrigation canal	MI	
	Bottom right - Raveen Jaduram	Bryan Salvestro	3 - Royal Spoonbill, BBSW	David Woodside	
11	1 - Yenda regulator	MI	4 - Bray's Dam	MI	
	2 - Almond trees	MI	32	Top - Building main canal c.1911	State Water
	3 - Murrumbidgee River	Elizabeth Stott		Middle Left - Irrigation offtake c.1912	State Water
	4 - Re-enactment "Turning on the Water"	MI		Middle Right - Dethridge wheel, sheep c.1912	State Water
	Gillian Kirkup	Brett Naseby		Bottom - Building main canal c.1920	State Water
	Bruno Brombal	Bryan Salvestro	Back Cover	Top Left - Cannery, Leeton c.1921	State Water
	Raveen Jaduram	Bryan Salvestro	Top right - Farmhouse c.1913	State Water	
Leith Bouilly	Bryan Salvestro	Middle left - Jondaryan Ave Bridge c.1917	State Water		
12	1 - Rice farmer, Michael Keely	MI	Middle right - Kurrajong Ave Leeton c.1916	State Water	
	2 - Orchard	MI	Bottom - Leeton Butter Factory c.1916	State Water	
	3 - Aerial, wheat	Vince Bucello			
	4 - MI shed meeting	MI			
	Michael Nugent	Bryan Salvestro			
	Andrew Cameron	Bryan Salvestro			
	Markeeta Gibson	Bryan Salvestro			
	Tony Sergi	Bryan Salvestro			

Murrumbidgee Irrigation Limited's 2012 Annual Report is printed on Raleigh Nordset stock - an Elemental Chlorine Free pulp paper which has the Forestry Stewardship Council's Chain of Custody certification.



Company directory

Murrumbidgee Irrigation Limited

Directors	Gillian Kirkup (Chairman) Bruno Brombal (Deputy Chairman) Leith Bouilly Andrew Cameron Markeeta Gibson Raveen Jaduram Michael Nugent Antonio Sergi
Company Secretary	Dorian Radue
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Email	info@mirrigation.com.au
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Bankers	Commonwealth Bank of Australia LEETON NSW 2705
Insurance Brokers	Strathearn Insurance Brokers NORTH SYDNEY NSW 2060
Solicitors	Norton Rose SYDNEY NSW 2000



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