

2002

annual report



MURRAY IRRIGATION LIMITED

A.B.N. 23 067 197 933



## MURRAY IRRIGATION LIMITED

*Murray Irrigation Limited is Australia's largest private irrigation company, supplying irrigation water to 1600 family farm businesses covering 2400 irrigation holdings in southern NSW.*

*Food production is the focus of these family farm businesses. A diverse range of products are grown including rice, milk, canola, wheat, tomatoes, potatoes, onions, meat and wool.*

*The annual farm gate production from the region in 2001/2002 was over \$300 million.*

*Irrigated agriculture is the foundation of the social and economic well being of our towns and regional businesses.*

*Consecutive years of low water availability and clear evidence that our business will continue to face competing claims for water has focussed the Company's attention on improving the efficiency of our water supply system. Water savings are now being achieved from investments in radio telemetry and remote operation of the supply*

*system and channel sealing programs.*

*Murray Irrigation Limited is committed to its stewardship of this important and special part of the Murray Darling Basin. The four Murray Land and Water Management Plans - Berriquin, Cadell, Denimein and Wakool - are a major investment by our shareholders and Government in on-ground works to better manage our natural resources and to protect the Murray River. Complementing these plans is extensive monitoring of watertables and water quality in our channel and stormwater escapes.*

*The future will continue to bring challenges for our Company, shareholders and the rural community we live, work and farm in. Murray Irrigation Limited is committed to working constructively with all levels of Government, industry and community organisations to negotiate balanced and fair solutions to the water resource sharing and environmental issues being faced.*



## C O N T E N T S

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*Top: The Mulwala Channel no. 11 between Tocumwal and Finley.*

*Above left: Keith Phillips outside Finley, NSW.*

*Above right: Workmen carrying out maintenance at the Mulwala Offtake.*

# Highlights of 2001/2002

## Water

- An opening allocation of 14% for our shareholders steadily increased to 86% by February 2002.
- No supplementary (off allocation) water was available during the season – the first time since the Company was formed that no supplementary water was diverted.
- A total of 1,239,536 megalitres of water was delivered to Murray Irrigation shareholders during the season. Shareholders carried over a combined total of 8% of the Company's entitlement, with 45 members carrying over the maximum of 41%.
- The SRIDC Water Exchange operated by Murray Irrigation traded more than \$2.8 million worth of water – 69,397 megalitres in 1077 transactions.

## Business

- As a result of the resource available Murray Irrigation posted a profit from irrigation undertakings, before tax, of \$661,000. In accordance with our business plan, \$979,000 was transferred to the Supply Variation Reserve and \$2,966,000 was transferred to the Asset Maintenance and Renewal Fund.
- A quality audit of Murray Irrigation's workplace systems resulted in endorsement of the Company's systems and procedures.
- New Occupational, Health and Safety legislation introduced in September 2001 has led to a renewed focus on workplace safety, including new procedures on all construction sites and training for staff and contractors.

## Environment

- In May 2002 NSW Minister for Fisheries, the Honourable Eddie Obeid, officially launched the new Wakool Inland Saline Aquaculture Research Centre, a joint venture

between the NSW Government and Murray Irrigation, with a guarantee of funding for three years.

- There was a record uptake of Land and Water Management Plan initiatives, with a total of \$3,927,000 worth of incentives for on farm-works paid out. The total value of LWMP works carried out was \$6,139,000, with landholder contributions amounting to \$2,212,000.
- The Murray Land and Water Management Plans won the Australian Water Association's NSW Environmental Merit Award and is now a finalist for the national award, to be announced in 2003.

## Engineering, construction & maintenance

- There were 15 major construction and maintenance contracts carried out in the past year. These totalled more than \$5.8 million, \$2.8 of which was part of the annual asset renewal program. Work included the widening of one major bridge on the Riverina Highway and the replacement of 58 major structures.
- Construction of 8.5km of the Logie Brae Drain, worth \$8 million, has been completed.
- The complete draw down of Lake Mulwala allowed for the \$200,000 refurbishment of the Mulwala offtake, with nine new radial gates installed, new trash racks, and a new safety bulkhead to provide access for emergency repairs.
- The program to mechanise and remotely control regulators throughout the supply system has continued with \$2 million spent on 12 new mechanised gates on major channels.
- Lease arrangements have been finalised with Pacific Hydro for a hydro power plant at 'The Drop' near Berrigan. Construction of the plant began in January 2002.

## Outlook for 2002/2003

- In the coming year Murray Irrigation will continue to investigate all possible avenues to secure access to additional water resources for shareholders in a season shaping up to be one of the worst on record in terms of available allocation and prevailing drought conditions.
- Negotiations will continue to simplify and expand the water trade between NSW and Victoria.
- The Murray Lower Darling 10 Year Water Sharing Plan is expected to be finalised, establishing a compensable water right for existing water users.
- Murray Irrigation and shareholders will contribute to the Murray Darling Basin Commission's review of The Living Murray, and investigations into increased environmental flows to maintain a healthy and productive Murray River system.
- Research identifying the potential impacts on Murray Irrigation shareholders and our communities as a result of further cuts to the water resource available for irrigation will be completed and launched.
- Outstanding taxation issues will be finalised.
- Pacific Hydro will commission its new power generation plant at 'The Drop' near Berrigan, with electricity expected to be sold onto the market immediately.
- Investigations will continue into the viability of a second hydro power plant at other sites along the Murray Irrigation channel system, including the Edward River Escape.
- Construction of the Burraboai Drainage Channel will start, with design work also under way on Booroobanilly Drain – the last of the major surface drains identified in the Murray Land and Water Management Plans.
- Investigations will continue into the potential expansion of the Wakool Tullakool Evaporation Basin Scheme.
- The program to mechanise regulators along the supply system to improve water efficiency and staff safety continues, with 18 structures scheduled for mechanisation in the year ahead.
- Implementation of a program to control erosion and sedimentation along the Mulwala Canal will begin.



*Above: Pacific Hydro's power generation plant at The Drop, near Berrigan, pictured here under construction.*



*Right: Montgomery Watson Harza electrical engineer John Sullivan with Murray Irrigation water distribution supervisor Mick Telford at the hydro plant construction site.*

# Statistical Summary

Figure 1 – Murray Irrigation Limited Operating Revenue 1/8/2001 – 31/7/2002  
*Total revenue = \$35.8M (Last year \$40.4M)*

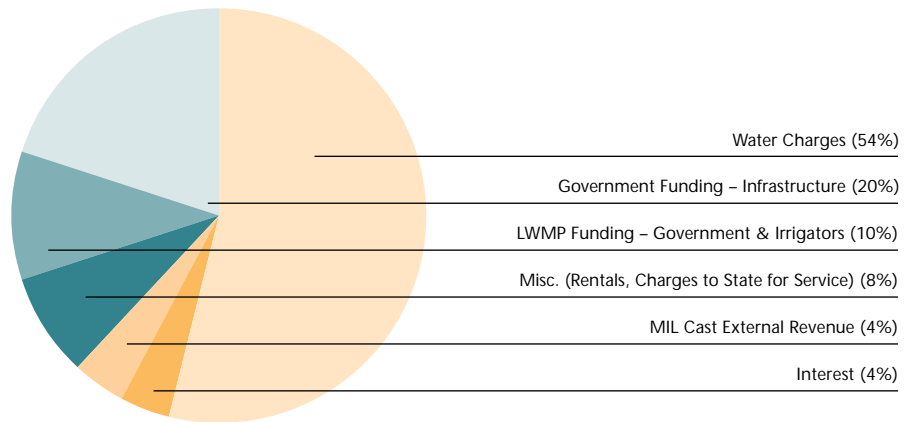


Figure 2 – Income from Irrigators (Supply & LWMP) 1/8/2001 – 31/7/2002  
*Average price per Megalitre delivered = \$15.49 (Last year \$15.07)*

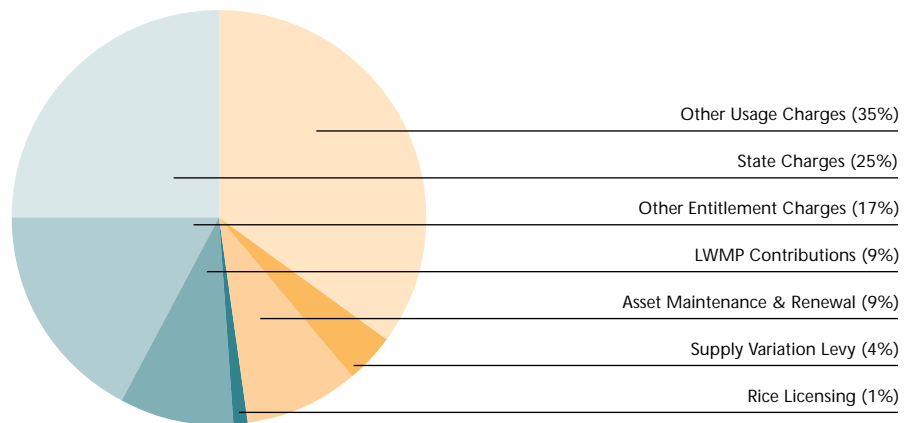
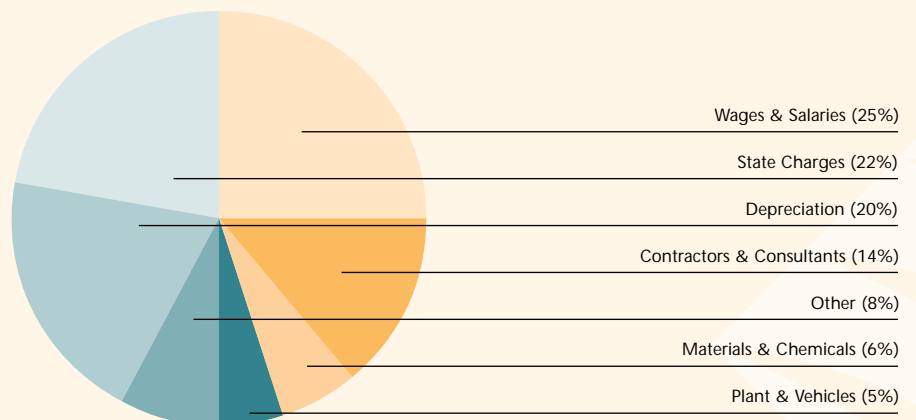


Figure 3 – Murray Irrigation Expenditure 1/8/2001 – 31/7/2002  
*Total Expenditure = \$25.6M (Last year \$24.6M)*



*The above charts exclude Government monies of \$5.6 million (2001, \$4.4 million) refunded to the Company as implementation authority for Land and Water Management Plan incentive rebates.*

Figure 4 – Change in Water Use between Major Land Uses 1992/93 – 2001/02

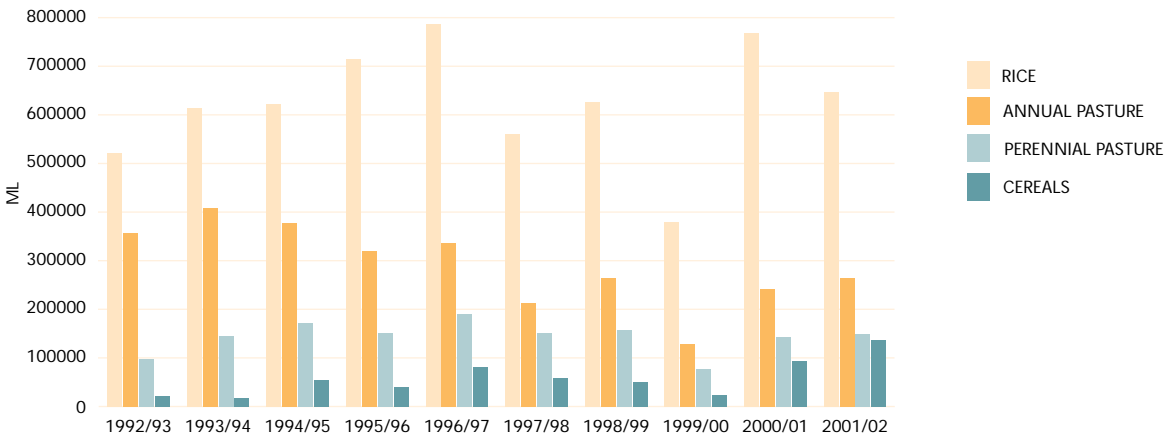


Figure 5 – Crop Water Use 2001/2002

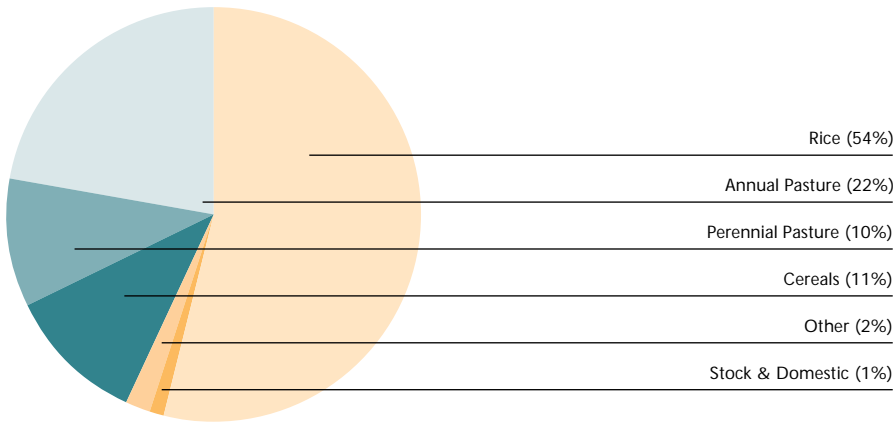
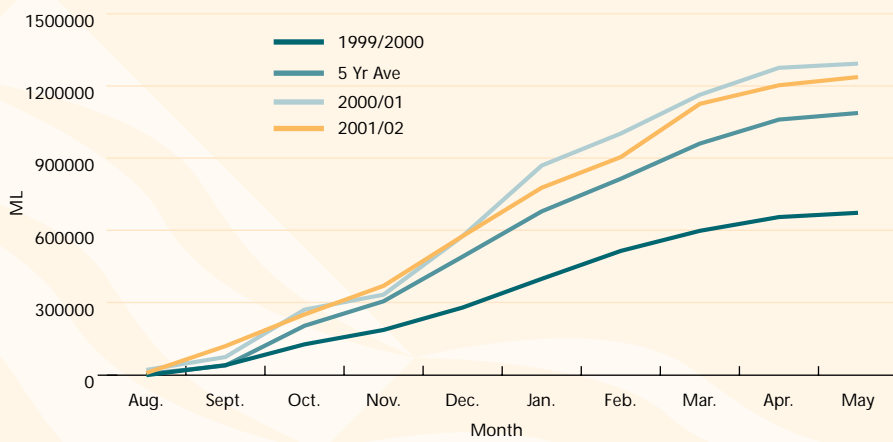


Figure 6 – Murray Irrigation Water Deliveries



# Chairman's Report



Bill Hetherington,  
Chairman.

Despite a very low allocation of 14% at the start of the season rain during spring and summer enabled this to be increased to 86%. This amounted to 1,239,536 megalitres delivered, which is 13% above the five year average and only 60,000 megalitres less than 2000/2001. The dry autumn saw most of the available water used with a carryover of 8% for Murray Irrigation shareholders.

## Finance

Income from water sales was \$19,200,000, which is 3% more than last year. Contributions to reserves have continued in accordance with our business plan. A total of \$979,000 has been transferred to the Supply Variation Reserve and \$2,966,000 has been transferred to the Asset Management Renewal Fund.

ACCUMULATED SPECIAL PURPOSE FUNDS	2002	2001
Supply Variation Reserve	\$3,553,000	\$2,574,000
Asset Management Renewal Fund	\$15,772,000	\$12,806,000

## Taxation

Tax issues continue to be a major concern for the Company. In October 2002 Murray Irrigation and the Commissioner of Taxation (ATO) agreed in principle to a draft Deed of Settlement with regard to the taxation treatment of NSW State Government contributions to the upgrade of infrastructure, from privatisation in 1995, to 2002. As part of the settlement an agreed amount of tax is due and payable. Discussions continue about the future taxation treatment of this expenditure. We are awaiting a reply from the Australian Taxation Office formalising our request on the taxation treatment of the Murray Land and Water Management Plans community drainage expenditure.

## Murray Land and Water Management Plans

There has been a record uptake of LWMP initiatives in the last year, with a total of \$3,927,000 worth of incentives

paid out for on-farm works. The total value of LWMP works carried out in the past year was \$6,139,000, with landholders contributing \$2,212,000 this year. The plans also won a NSW Merit Award from the Australian Water Association.

## Procedures audit

Auditors Johnsons MME have completed an in-depth review of Murray Irrigation contract administration and control procedures for the Board. Johnsons MME have subsequently been engaged to assist Murray Irrigation strengthen the procedures and controls currently in place.

## Water policy issues

The Company has invested resources in representing shareholders' interests through our involvement in many external issues during the past 12 months. These include:

- NSW 10 Year Water Sharing Plan
- Murray Catchment Management Plan
- IPART
- MDBC Living Murray Document
- MDBC Ministerial Environmental Flows for the Murray River
- Murray Wetlands Working Group

We have also been involved in the preparation of two extremely important documents:

- Property Rights (Brett Tucker);
- Farm Impacts from Environmental Flows (Rendell McGuckian).

## MDBC Ministerial Environmental Flows

Murray Irrigation is grateful to Federal and State Government representatives for deferring a decision in this matter until October 2003. Our representatives lobbied for a deferment on the grounds that many of the issues had to be resolved for a proper decision to be made. Discussions have taken place between Murray Irrigation, MDBC and Ministers for the planning and implementation of a process that will give all stakeholders an opportunity to



put their views and establish options yet to be researched. I have personally lobbied that industry must be part of the discussions and have a permanent representation on the MDBC.

### **Irrigation promotion**

Murray Irrigation is very much aware of the need for irrigation promotion in Australia. We have given full support to the Australian National Committee on Irrigation and Drainage (ANCID) to develop this project and have employed a full time journalist. We are also supporting new initiatives such as horticulture through our development unit.

### **Water Irrigation Corporations Liaison**

Murray Irrigation has been instrumental in initiating the annual MDBC Corporations Conference conducted by Don Blackmore. There has been continued liaison with Goulburn Murray Water, Colleambally Irrigation Area (CIA) and Murrumbidgee Irrigation Area (MIA) Corporations. We facilitated a water crisis meeting with MIA and CIA to assist with their supply problems.

### **Outlook**

At the time of writing the Company has entered a period of financial restraint in light of the low water availability and drought conditions. All discretionary expenditure has been reviewed and further staff appointments put on hold. Although the Company has some reserves to assist it through drought conditions, the effect of continued low allocations will exhaust these resources, which were last called upon in 1999/2000 when the allocation reached only 29% at the end of the season. Accordingly, discussions are being held with bankers for overdraft funding.

### **Staff**

I thank and acknowledge the important role of staff in our organisation. A number of new members have joined our Company during the past year and

I am sure they will add expertise to a valued team of people.

### **Directors**

I thank directors for their assistance and support for the past year. Their participation in a number of workshops on specific issues as well as fulfilling their duties and responsibilities at committee and board level have enabled Murray Irrigation to be at the forefront of the water debate. The board continues to strive for security of shareholders' water assets and equitable resource management decisions.

**Bill Hetherington**

*Chairman*

*25th October 2002*



*Above: An Angus steer grazing irrigated clover pasture, part of the region's beef cattle industry.*

*Right: Edward River Escape at Deniliquin.*



# General Manager's Report



*George Warne,  
General Manager.*

## Resource

Demand for water was consistent throughout the season last year, attributable to late finishing rice crops, and to the growing trend of pre-watering ground for cereal crops, with little rain to supplement irrigation. The low opening allocation of only 14%, built quickly during the spring. Although there were no major rainfall events, we finished the season with an allocation available to the farm of 86%, the highest allocation for some years. This was a major achievement for our distribution staff, as it was the first time since the Company privatised that no supplementary flows (previously known as off allocation water) were available. The dry seasonal conditions activated provisions in the Department of Land and Water Conservation's policy to announce allocations of above 100% for the Murray Valley, or above 83% for our shareholders, in dry years.

## Staff changes

We've had some major staff changes in the past year, including a restructure of our senior management and several new senior appointments.

Brett Tucker has been appointed as assistant general manager and his responsibilities extend to all construction, engineering and environmental aspects of the Company's operations. Brett previously worked as a consultant, based in Canberra. He has a strong background in resource management and policy development including a number of major assignments for NSW Irrigators Council and Murray Irrigation Ltd.

Russell Webb, formerly GrainCorp's southern region project engineer, has joined us as works manager. Andrew Lelliott is our services manager, taking over from Paul Hockings who has moved on to a new position in the finance field in Adelaide. Andrew comes to us with extensive management experience,

largely in the electricity industry in regional Victoria. Alex Marshall has been appointed environment manager, taking responsibility for the Company's extensive environmental initiatives.

Peter Keyte has stepped up to manage the precast business, recently renamed MIL Cast, after John Jacob's move to establish his own business in Goondiwindi.

## Saline Aquaculture Venture

In May NSW Minister for Fisheries the Honourable Eddie Obeid officially opened the new Inland Saline Aquaculture Research Centre at Wakool. The centre is a joint venture between Murray Irrigation and the NSW Government. Although we have contributed significantly to the capital works involved in the project, NSW Fisheries and the Department of State and Regional Development have committed more than \$300,000 a year for the next three years to run the research project. The centre is at the Wakool Evaporation Basins, and has involved construction of six 500 square metre ponds. The research is aimed at developing commercial fish production, in saline groundwater. Fish and shellfish species being trialled include black tiger prawns, snapper, silver perch and mullet.

## Salt Harvesting

Negotiations have continued to secure the processing of salt from Stage One of the Wakool Tullakool Evaporation Basins. This follows the successful harvest of 1600 tonnes of salt from Stage Two of the basins last year. Agreement has been reached to stockpile for removal an initial 15,000 tonnes of crystallised salt in Stage One of the basins. The CSIRO minerals group is also investigating cost-effective methods to improve the quality of salt and to develop salt bi-products harvested from the evaporation basins.

## Hydro power

Leases were finalised with Pacific Hydro late last year to allow construction of a hydro power plant at The Drop, near Berrigan. Construction of the multi-million dollar plant began in January and was virtually complete by August. The plant, which will provide enough power to service 1500 households, was expected to be commissioned in November, with electricity generated into the grid immediately. Pacific Hydro is continuing to investigate the hydro power potential of other sites along Murray Irrigation's supply system, including the Edward River Escape. The plant at The Drop will provide a modest but increasing income stream for the Company, and after an initial period we will own 50% of the annual Carbon Credits attributed to this green power source.

## Quality Assurance

Work has continued throughout the past year to maintain and improve our quality assurance program. Auditors have endorsed our quality systems following a review in July. Our new Occupational Health and Safety officer, Brett Hoare, is also responsible for addressing quality control issues throughout the Company, with a strong focus on safety. New state OH&S legislation came into effect in September 2001, requiring the Company, and all Company contractors, to comply with extensive new provisions. These include hazard and risk assessments of all work sites, and the induction of any visitors – staff, landholders, business or members of the public – to ensure they are aware of any potential dangers associated with our maintenance and construction activities.

## Outlook

After a near record water use in August, the outlook for water sales shows a difficult season ahead, given the

continuing dry conditions and record low inflows into the catchments. Low water flows in the system may create some delivery difficulties, and losses will need to be managed carefully. There will be an increased focus on the operation of the supply system to prevent any unnecessary flows wherever possible.

The Company is working with staff to reduce expenditure, and to develop a range of new strategies to help the business through the difficult year ahead.

**George Warne**

*General Manager*

*25th October 2002*



*Above: Barham High School students on a field trip to the Inland Saline Aquaculture Research Centre, near Wakool NSW.*

*Right: Crystallised salt from the Wakool Evaporation Basin is being commercially harvested.*



# Environment Report



*Alex Marshall,  
Environment Manager.*

Since joining the Company in December 2001, I have found a strong commitment to address the environmental effects of Murray Irrigation's operations, as well as the on-farm impact of irrigation. The challenges of salinity, water quality and the pressures that a reduced allocation brings are being well managed. However there is a need to continue to innovate to successfully manage these issues in the future.

The environment section of the business performed well this year, operational compliance was met and implementation of the Murray Land and Water Management Plans achieved record levels. The Company's commitment to environmental outcomes was also exemplified through a number of beyond compliance initiatives.

## **Water Resource Use**

Below average rainfall and above average evaporation during 2001/2002 led to high irrigation demand across most of the region. The variety of crops irrigated in 2001/2002 was similar to previous years. Rice water use declined, matched by an increase in cereal water use.

Water use across our area is regulated through the Company's Total Farm Water Balance Policy and Rice Growing Policy. The overall irrigation intensity last year was 1.73 megalitres per hectare, up from 0.9 megalitres per hectare the previous year. This is slightly higher than average, and was the result of climatic conditions. The total area sown to rice in 2001/2002 was 55,153 hectares and average water use was 12.6 megalitres per hectare, slightly higher than in 2000/2001.

## **Water Quality and Drainage**

The Company drainage system covers 1,112 kilometres and services 32% of our area of operations. The

system is subject to an Environment Protection Licence and Murray Irrigation operates Chemical Contingency and Chemical Control Plans for these drains. In 2001/2002 total flow, salinity, turbidity and total phosphorous levels showed quality improvements from the previous year. There were also improvements in pesticide management, with only one environmental action level being recorded for molinate. Receiving waterways were examined for any potential impacts with no evidence of impact on river water quality detected. ANZECC guidelines for aquatic ecosystems were met.

A highlight for the water quality and drainage section during 2001/02 was NATA accreditation for electrical conductivity (EC), total phosphorous (TP), and turbidity (NTU) testing. NATA accreditation improves the credibility of Murray Irrigation's laboratory, ensuring work is being performed to appropriate standards with a system in place for maintaining that competence. This accreditation assures shareholders and the community that they are receiving the most reliable information possible.

## **Murray Land and Water Management Plan Implementation**

Implementation of the Murray LWMPs began in 1995 with the primary aim of combating rising watertables. Murray Irrigation is the implementation authority for the LWMPs. The Murray LWMP package includes on farm incentives, vegetation initiatives, surface drainage, channel seepage control, education and awareness, research and development and monitoring. This year saw a continuation of the LWMPs with another year of record implementation. Government expenditure on incentives was \$3.9 million with landholders spending \$2.2 million. Landholders also spent another \$46 million on other initiatives.

## Groundwater Management

Groundwater management is a key sustainability issue for the Company and shareholders. Salinity has been identified as a serious threat to agriculture in the region since 1956. In the early 1990s the Department of Land and Water Conservation's research predicted rising watertables would affect 470,000 hectares, or 50% of the region, by the year 2020. In 2001/2002 the area with a high watertable (shallower than two metres) fell to 35,988 hectares (refer Figure 7). Although this level is well below those predicted only a few years ago, the decline has occurred in times of low rainfall. The need to maintain efforts to improve irrigation management and drainage remains a high priority.

## Beyond Compliance

### Regional Vegetation Strategy

A draft regional vegetation strategy has recently been released for comment by the Murray LWMPs. The strategy identifies existing native vegetation in the area and outlines a strategy for improving the health and extent of the region's vegetation resources. In an innovative effort to protect large and significant areas of vegetation, the Murray LWMPs will provide payments raised from a landholder levy to individuals who are willing to manage large areas of native vegetation for environmental outcomes. This is one of the first and largest schemes of its type in Australia, and demonstrates the local community's commitment towards improving the health and condition of native vegetation across the region.

### Wetland Watering Trial

Murray Irrigation, in conjunction with the NSW Murray Wetland Working Group, facilitated a watering trial for wetlands on private property in 2001/2002. The trial on 11 sites focussed on providing water to wetlands that have

been dry for many years as a result of changed land and water use practices. The sites ranged from 5 hectares to 43 hectares and a total of 569 megalitres of environmental allocation was used. The Murray Wetland Working Group reported that this trial has improved the health of all wetlands involved.

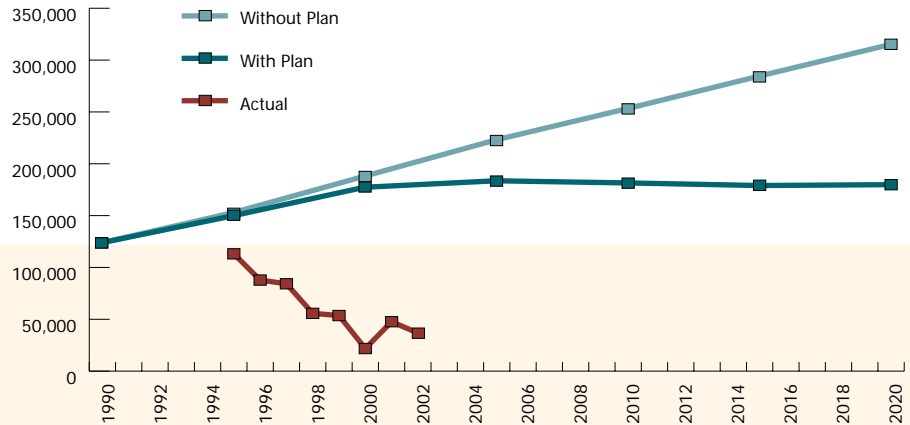
In the year ahead Murray Irrigation will continue to meet the challenge of balancing the provision of cost-effective irrigation water with its commitment to the protection of the environment.

**Alex Marshall**

*Environment Manager*

*25th October 2002*

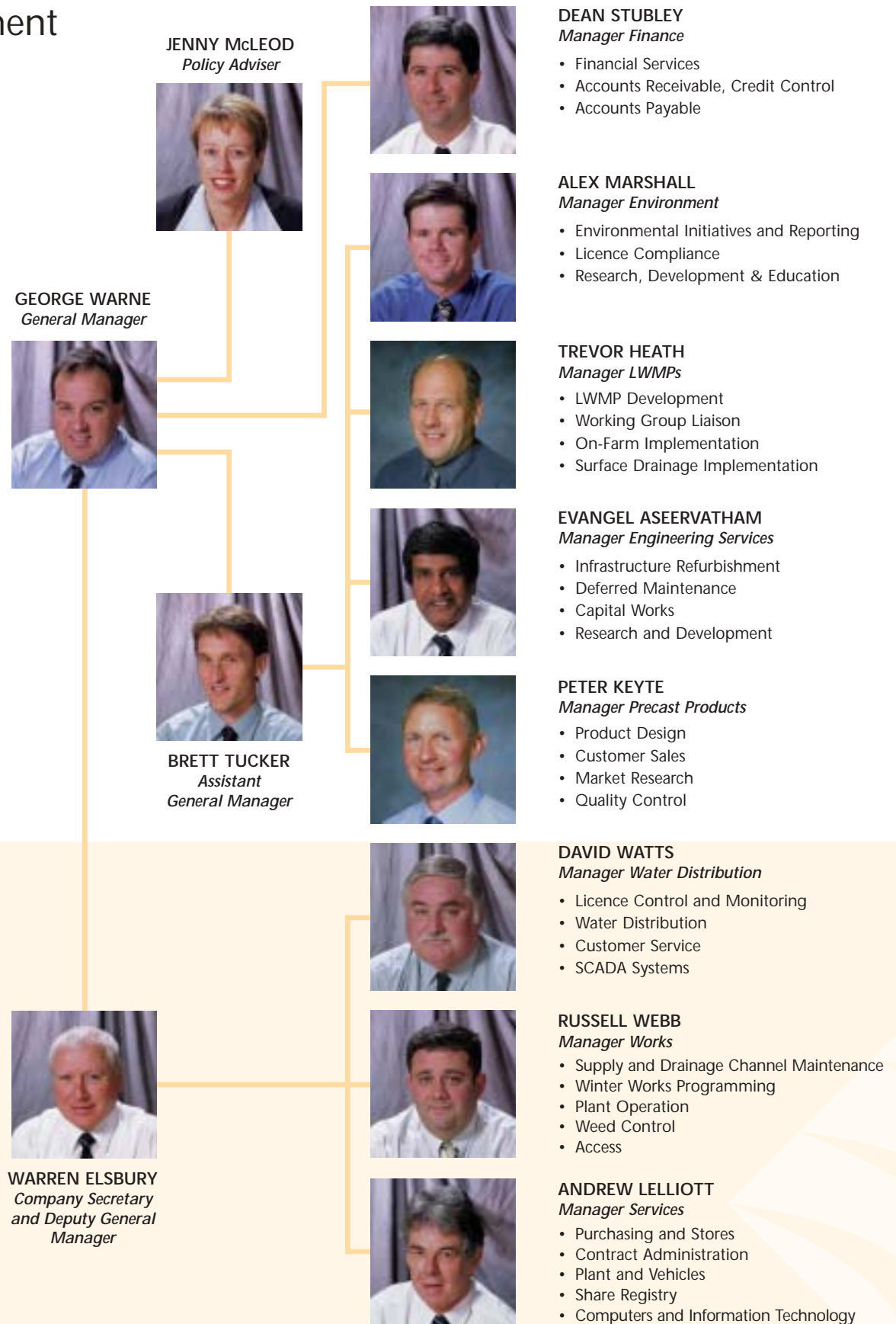
Figure 7 – Projected and Actual Watertable Levels for the LWMP Areas



*Right: Landholder Alan Wragge, at Yaloke, Deniliquin, checks the regeneration of his Old Man Saltbush plantation which is grazed regularly by sheep.*



# Management Structure



## Information on Directors

### MEMBER DIRECTORS

**G.G. BALL** – Age 55. Landholder and



Farmer. Director representing East Berriquin region since November 1995. Member of Murray

Lower Darling Customer Service Committee & Barmah/Millewa Forum. Member of Riverina Institute of TAFE Advisory Council.

**K.S. BAXTER** – Age 50. Landholder



and Farmer. Director representing East Berriquin region since February 1995. Member of Murray

Darling Basin Environmental Flows Project, Hume to Yarrowonga Waterway Management Group, Murray Lower Darling Community Reference Committee. Chairman of MIL Environment Committee.

**S.G. ELLIS, Deputy Chairman** – Age 44.



Landholder and Farmer. Director representing Wakool region since February 1995. Member

of the Murray Ground Water Management Committee.

**M.D. GOUDIE** – Age 61. Landholder



and Farmer. Director representing Deniboota region since February 1995. Past Chairman

of Deniboota Landholders Association.

**W.L. HETHERINGTON, Chairman** –



Age 64. Landholder and Farmer. Director representing West Berriquin region

since February 1995. Executive Officer North Deniliquin - Mundiwa Drainage Scheme. Past Chairman of Australian Poll Dorset Association. Chairman of MIL Remuneration Committee and MIL Resources Committee.

**D.T. LIPHUYZEN** – Age 45. Landholder



and Farmer. Director representing Denimein region since February 1995. Chairman of

Denimein Landholders Association.

Chairman of Denimein Land & Water Management Plan Implementation Committee.

**I.H. MORTON** – Age 65. Landholder



and Farmer. Director representing Wakool region since November 1995. Member of the

Murray Catchment Management Board.

**I.A. GILLETT** – Age 47. Landholder



and Farmer. Director representing East Berriquin since December 2001. Member of Berriquin

Land and Water Management Plan Implementation Committee.

### NON-MEMBER DIRECTORS

**A.F. BATLEY, AM; FCA** – Age 71. Chartered



Accountant. Director since February 1995. Formerly Senior Partner of large

national firm of chartered accountants. Former National Councillor of the Institute of Chartered Accountants. Chairman of Bass Strait Oil Trust, Cairn Energy Asia Limited and Darrell Lea Chocolate Group. Chairman of MIL Audit Committee.

**B.J. IRELAND, FIE (Aust), FASCE** – Age 66.



Civil Engineer. Director since February 1995. Former Managing Director of Snowy Mountains

Engineering Corporation Limited. Forty years in engineering and construction in Australia and overseas. Chairman of MIL Infrastructure Committee.

# Directors' Report

Your Directors present their report together with the accounts of the Company for the financial year to 31 July 2002 and the Auditors' report there on.

## Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:-

G.G. Ball	W.L. Hetherington
A.F. Batley	B. J. Ireland
K.S. Baxter	D.T. Liphuyzen
S.G. Ellis	I. H. Morton
M.D.Goudie	

Denis Tinkler was a director from the beginning of the financial year up to his resignation on 4th October 2001.

I.A. Gillett was a director from 20 December 2001 up to the date of this report.

## Directors' Interests

The relevant interests of the Directors in the share capital of the Company are as follows:

	<i>Direct</i> <i>Shareholding</i>	<i>Indirect</i> <i>Shareholding</i>
<b>MEMBER DIRECTORS</b>		
G.G. Ball	Nil	1,686
K.S. Baxter	Nil	5,111
S.G. Ellis	1,000	Nil
I.A. Gillett	Nil	2,208
M.D. Goudie	809	1,577
W.L. Hetherington	358	737
D.T. Liphuyzen	Nil	810
I.H. Morton	Nil	3,124
<b>NON-MEMBER DIRECTORS</b>		
A.F. Batley	Nil	Nil
B.J. Ireland	Nil	Nil

## Meetings of Directors

The following table sets out the number of meetings of the Directors held during the financial year to 31 July

2002, and the numbers of meetings attended by each Director.

*Number of meetings held: 11*

Number of meetings attended by:

G.G. Ball	11	I.H. Morton	11
K.S. Baxter	9	D.J. Tinkler	2
S.G. Ellis	11	I.A. Gillett	6
M.D. Goudie	10	A.F. Batley	10
W.L. Hetherington	11	B.J. Ireland	9
D.T. Liphuyzen	11		

## Principal Activity

The principal activity of Murray Irrigation Limited during the period consisted of the supply of water to land-holders within an area from the Murray River to Billabong Creek, extending 150 kilometres to the west and 100 kilometres to the east of Deniliquin.

## Results:

The results of the Company for the year were as follows:

	\$'000	
	2002	2001
Revenue from		
Irrigation	24,171	23,297
Employee Benefits	(6,809)	(6,192)
Materials and		
Contracts	(4,798)	(4,441)
Depreciation and		
Amortisation	(5,218)	(5,002)
Bulk Water Supply	(5,525)	(5,168)
Other	(1,160)	(796)
Profit from Irrigation	661	1,698
Other Revenue	11,608	16,177
Taxation Interest	(1,277)	0
Income Tax Expense	(10,830)	0
Net Profit	162	17,875

## Revenue from contributed assets

The Directors are concerned that the accounting treatment of revenue arising



# Directors' Report

from contributed assets referred to in Note 1(c) to the Financial Statements whilst technically complying with the requirements of the accounting standards and section 295 of the Corporations Act 2001 may be misleading. Accordingly the Directors feel obliged to explain that in their view the receipt of the dowry should not be recognised as revenue by way of contributed assets of MIL for the following reasons:

1. The Directors are of the view that the Funding Deed (which does not truly reflect agency) does not set out the common intention of MIL and the State.
2. The Company is in discussions with the State at a senior level with a view to the preparation of an agreement for future funding which reflects the original intentions of the parties.
3. The above is consistent with the Company's practice of not depreciating the value of the contributed assets for income tax purposes, which practice is in accordance with the requirements of the Funding Deed.
4. In October 2002 the Company and the Commissioner of Taxation agreed in principle to a draft Deed of Settlement with regard to the taxation treatment of NSW State Government contributions to the upgrade of infrastructure.

## Dividends

The Company is a non-profit organisation and no operating surplus may be paid or transferred by way of a distribution of profit to the Members.

## Review of Operations

A total of 1,239,536 megalitres of water were supplied for the year to 31 July 2002. This is 149,411 megalitres above the five year average.

## Environmental regulations

Murray Irrigation Limited is subject to New South Wales environmental legislation in relation to water and land use. The Company holds an Environmental Protection Licence issued by the NSW Environment Protection Authority. This Licence requires discharges to waterways to be below specified levels of contaminants. There have been no breaches of the Licence during the financial year to 31st July 2002.

## Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the year, not otherwise disclosed in this report and the accounts.

## Matters Subsequent to the End of the Financial Period

Other than for the effects of the current severe drought, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

## Likely Developments and Expected Results of Operations

The Company's results are influenced by the level of its operating costs and the amounts which are required to be set aside to reserves, and the amounts which

# Directors' Report

are derived by way of income from the sale of water, and other sources. Due to the unpredictability of available resource, Government demands and river management it is difficult to predict results.

However, Directors will endeavour to protect the viability of the business in all circumstances. Further information on likely developments in the Company's operations and the expected results of operations have not been included in this report as, in the opinion of the Directors, this may prejudice the interests of the Company.

## Indemnification and Insurance of Officers

During the financial year the Company paid a premium indemnifying officers of the Company. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

## 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.

## Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding

off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

## Board Committees

As at 31st July 2002, Murray Irrigation Limited had five Board Committees. A number of committee membership changes took place during the year and are denoted by an \*. The following table sets out the number of committee meetings held during the year, and the number of meetings attended by Committee members.

### Environment Committee:

Number of Meetings Held: 4

*Number of meetings attended by:*

*K.S. Baxter (Chairman)	2
*S.G. Ellis	3
M.D. Goudie	4
*D.T. Liphuyzen	1
*G.G. Ball	1
W.L. Hetherington	3

### Infrastructure Committee:

Number of Meetings Held: 4

*Number of meetings attended by:*

B.J. Ireland (Chairman)	4
*I.A. Gillett	2
*D.J. Tinkler	1
I.H. Morton	4
W.L. Hetherington	4

### Audit Committee:

Number of Meetings Held: 2

*Number of meetings attended by:*

A.F. Batley (Chairman)	2
*G.G. Ball	1
*D.L. Liphuyzen	1
*K.S. Baxter	1
*S.G. Ellis	1
W.L. Hetherington	2

**Remuneration Committee:**

Number of Meetings Held:	3
Number of meetings attended by:	
W.L. Hetherington (Chairman)	3
A.F. Batley	2
S.G. Ellis	3

**Resources Committee:**

Number of Meetings Held:	1
Number of meetings attended by:	
W.L. Hetherington (Chairman)	1
S.G. Ellis	1
K.S. Baxter	1

**Auditor**

Johnsons MME continue in office in accordance with section 327 of the Corporations Act 2001.

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

<b>W. L. Hetherington</b>	<b>S.G.Ellis</b>
<i>Chairman</i>	<i>Deputy Chairman</i>
<i>25th October 2002</i>	



*Above: The Edward River, Deniliquin, at sunrise.*

*Right: The prime lamb industry is making a growing contribution to the regions economy.*



# Financial Statements

Murray Irrigation Limited

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 JULY 2002

	<i>Notes</i>	<i>2002</i> \$'000	<i>2001</i> \$'000
<b>Revenue from Irrigation Undertaking</b>	<b>2</b>	<b>24,171</b>	<b>23,297</b>
Employee Benefits		(6,809)	(6,192)
Materials and Contracts		(4,798)	(4,441)
Depreciation and Amortisation Expense		(5,218)	(5,002)
Bulk Water Supply Expense		(5,525)	(5,168)
Other		(1,160)	(796)
<b>Profit from Irrigation Undertaking Before Income Tax</b>		<b>661</b>	<b>1,698</b>
Other Revenue from Ordinary Activities	2	11,608	17,100
Taxation Settlement Interest Expense	4	(1,277)	0
Carrying Value of Investments Disposed		0	(923)
<b>Profit from Ordinary Activities Before Income Tax</b>	<b>3</b>	<b>10,992</b>	<b>17,875</b>
Income Tax Expense Relating to Ordinary Activities	4	(10,830)	0
<b>Net Profit</b>		<b>162</b>	<b>17,875</b>

*The above statement of financial performance should be read in conjunction with the accompanying notes.*

Murray Irrigation Limited

**STATEMENT OF FINANCIAL POSITION**

As at 31 JULY 2002

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	<i>Notes</i>	<i>2002</i> \$'000	<i>2001</i> \$'000
<b>CURRENT ASSETS</b>			
Cash Assets	5	31,241	27,550
Receivables	6	13,979	14,353
Inventories	7	734	923
Other	8	176	235
Other Financial Assets	9	1,062	0
<b>Total Current Assets</b>		<u>47,192</u>	<u>43,061</u>
<b>NON-CURRENT ASSETS</b>			
Other Financial Assets	9	6,150	7,212
Property, Plant and Equipment	10	229,545	220,102
<b>Total Non-Current Assets</b>		<u>235,695</u>	<u>227,314</u>
<b>TOTAL ASSETS</b>		<u>282,887</u>	<u>270,375</u>
<b>CURRENT LIABILITIES</b>			
Payables	11	9,582	9,739
Current Tax Liabilities	12	12,107	0
Provisions	13	938	899
Other	14	314	0
<b>Total Current Liabilities</b>		<u>22,941</u>	<u>10,638</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	15	1,832	1,785
<b>Total Non-Current Liabilities</b>		<u>1,832</u>	<u>1,785</u>
<b>TOTAL LIABILITIES</b>		<u>24,773</u>	<u>12,423</u>
<b>NET ASSETS</b>		<u>258,114</u>	<u>257,952</u>
<b>EQUITY</b>			
Contributed Equity	16	186,452	186,452
Reserves	17(a)	79,003	71,500
Retained Profits (Accumulated Losses)	17(b)	(7,341)	0
<b>TOTAL EQUITY</b>	<b>18</b>	<u>258,114</u>	<u>257,952</u>

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

# Financial Statements

Murray Irrigation Limited  
**STATEMENT OF CASH FLOWS**  
 for the year ended 31 JULY 2002

	<i>Notes</i>	<i>2002</i> \$'000	<i>2001</i> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from Government		15,190	17,066
Water and Other Income		25,940	22,394
Payments to Suppliers and Employees		(36,961)	(35,181)
Receipts from Government for GST		1,615	1,306
		<u>5,784</u>	<u>5,585</u>
Interest on Investments		1,478	1,686
<b>Net Cash Inflow from Operating Activities</b>	<b>25</b>	<u><u>7,262</u></u>	<u><u>7,271</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of Investment Bond		0	770
Payment for Property, Plant and Equipment		(4,845)	(4,039)
Proceeds from Sale of Property, Plant and Equipment		1,274	1,392
<b>Net Cash Used in Investing Activities</b>		<u><u>(3,571)</u></u>	<u><u>(1,877)</u></u>
<b>NET INCREASE IN CASH HELD</b>		<b>3,691</b>	<b>5,394</b>
Add Cash at the beginning of the Financial Year		27,550	22,156
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>5</b>	<u><u><u>31,241</u></u></u>	<u><u><u>27,550</u></u></u>

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

### (a) *Income Tax*

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. Due to the issues disclosed in Note 4 the Company is unable to measure and bring to account all tax assets and liabilities.

### (b) *Acquisition of Assets*

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition.

### (c) *Revenue Recognition*

Revenue is recognised for the major business activities as follows:

#### (i) *Water Sales*

Revenue from the sale of water is recognised when the water is delivered to customers. Fixed water charges, asset levy charges and other fixed charges are recognised on a pro-rata basis throughout the year.

#### (ii) *Recognition of Revenue Arising from Contributed Assets*

The Company was incorporated on 23 February 1995 by the NSW State Government (the State) as a vehicle to privatise the irrigation undertaking known as Murray Irrigation Area and Districts, an arm of the NSW Department of Land and Water Conservation (DLWC). The irrigation infrastructure was transferred from the DLWC to the Company on 23 February 1995. The ownership of the Company was transferred from the State to individual irrigators on 3 March 1995.

The State agreed that as part of the privatisation process it would bear the cost of refurbishing the irrigation infrastructure assets to a value of \$82.5 million (indexed for inflation, balance remaining \$49.9 million (2001, \$54.7 million) in order to make good past deterioration of the infrastructure. The mechanism by which this was effected was a Funding Deed under which the State is to provide the funds to the Company over 15 years as reimbursement for the cost of works carried out in accordance with works programs approved by the State. Assets constructed are contributed to the Company to control and manage.

The Company is also the implementing authority in respect of a number of Land and Water Management Plans. Expenditure on these plans is reimbursed to the Company by the State (including monies sourced from the Natural Heritage Trust), irrigators and Shires. Some of these funds are expended on the construction of drainage assets which are contributed to the Company to control and manage.

The accounts have been prepared so as to recognise the value of contributed assets as income as the cost of the approved works programs is incurred by the Company. This is because the Corporations Act 2001 requires the directors to prepare financial statements that comply with the relevant accounting standards. The effect of Accounting Standard

# Financial Statements 31 July 2002

AASB1004: Revenue is to require the Company to recognise the contributed assets when and only when it is probable that future economic benefits embodied in the asset will eventuate and the asset possesses a cost or other value that can be measured reliably. Under AASB1004, an asset must have the essential ingredient of being under the control of the Company and this happens when the particular work has been completed. The nature of the assets and the fact that the assets cannot be physically detached from the infrastructure already owned by the Company means that the economic substance of the transaction is that the Company gains control of these assets at the time of construction. Therefore they are brought to account as revenue at this time in accordance with the requirements of Australian Accounting Standard AASB1004. The Company does not believe that the terms of the funding deed and the Land and Water Management Plans heads of agreement truly reflect the agency nature of the arrangements as envisaged by the State and the Company. Discussions have been held with the State at a senior level which have resulted in agreement in principle for the preparation of a new agreement for future funding which reflects the original intentions of the parties.

**(d) Inventories**

Raw materials and stores are stated at the lower of weighted average cost and net realisable value.

**(e) Recoverable Amount of Non-Current Assets**

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. Where the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets.

The recoverable amount test does not apply to Murray Irrigation Limited as the service potential of its non-current assets are primarily related to the provision of goods and services rather than the generation of net cash flows.

**(f) Depreciation of property, plant and equipment**

Depreciation has been calculated on a straight line basis to write off the cost of assets over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Water Infrastructure	10 to 100 years
Leased Assets	40 to 100 years
Buildings and Cottages	40 years
Plant & Equipment	8 to 10 years
Office Equipment	3 to 14 years
Motor Vehicles	4 to 5 years

**(g) Leased Non-Current Assets**

Certain assets comprising shire road bridges and culverts, have been leased by the Company from public and local authorities for a period of 99 years. The Company is obliged to maintain these assets during the period of the leases. These assets, in view of the long term nature of the leasing arrangements and the future economic benefits that are likely to eventuate, are included in non-current assets, on the basis of control. (Note 10).



**(h) Non-Current Assets Constructed by the Company**

The cost of non-current assets constructed by the Company includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overhead.

**(i) Maintenance and Repairs**

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

**(j) Employee Entitlements**

*Wages and Salaries and Annual Leave*

Liabilities for wages and salaries and annual leave are recognised and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date including oncosts.

*Long Service Leave*

A liability for long service leave is recognised, and is measured as the present value of the expected future payments including oncosts to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

*Superannuation*

The Company contributes in accordance with the Government Superannuation Levy as a minimum, together with an additional contribution for some employees in line with contractual arrangements. There are no liabilities for superannuation.

*Sick Leave*

Employees are entitled to ten days sick leave per annum on a cumulative basis. No liability is brought to account as the expected future payments are unlikely to exceed the sick leave entitlements accruing in future periods.

**(k) Interest on Water Debtors Accounts**

Interest is charged on water debtors accounts which are overdue and outside of the normal credit arrangements.

**(l) Doubtful Debts**

A provision for doubtful debts is raised against water debtors accounts where the collection of the debt appears to be doubtful and may not be received within the following 12 months.

**(m) Cash**

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(n) Transfers to (from) Reserves**

**(i) Contributed Assets**

Revenue arising from Government Agencies and Landowners in the form of contributed assets, less the amount of any loss on disposal of Water Infrastructure Assets, is transferred to the Contributed Assets Reserve. The purpose of this reserve is to report the Company's equity resulting from Government and landholder asset contributions separately from profits of the Company's irrigation undertaking.

**(ii) Supply Variation**

The purpose of this reserve is to report the amounts set aside to provide the Company with adequate funds to financially withstand periods of extended low volume water supply to Members.

Income arising from the Supply Variation Levy is transferred to the Supply Variation Reserve Fund. Refer Note 5 (ii).

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The 1995 Business Plan provides that if in any year, less than 1.0 million megalitres are sold, the difference between actual sales and 1.0 million megalitres at the water usage price is to be withdrawn from the Supply Variation Reserve and together with the levy for that year be made available for general usage.

(iii) General Reserve

The purpose of this reserve is to report any surplus income arising from the operations of the business. This reserve has been established in order to assist the Company in the event of any unforeseen contingency. The Company is a not for profit entity and in accordance with the articles of the Company is unable to distribute profits to the shareholders.

(o) *Land and Water Management Plans*

As stated in Note 1(c)(ii) the Company is the implementing authority in respect of a number of Land and Water Management Plans. Amounts outstanding from both Government and Irrigators are brought to account as receivables. The net unexpended amount of cash and receivables are held on behalf of the Plans and are therefore brought to account as a liability, Funds Held as Implementing Authority. Refer Note 14.

(p) *Rounding of Amounts*

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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.

## 2. REVENUE

	\$'000	
	2002	2001
<b>Revenue from operating activities</b>		
Income from Water Sales	16,449	15,951
Supply Variation Levy	856	868
Asset Maintenance and Renewal Levy	2,053	1,995
Other Income	2,754	1,918
	<u>22,112</u>	<u>20,732</u>
<b>Revenue from outside the operating activities</b>		
Revenue on sale of property, plant and equipment	1,274	1,394
Interest on funds of Irrigation Undertaking	785	1,171
	<u>2,059</u>	<u>2,565</u>
<b>Revenue from Irrigation Undertaking</b>	<u>24,171</u>	<u>23,297</u>
<b>Other Revenue from Ordinary Activities outside the operating activities</b>		
Interest - Supply Variation,		
Asset Maintenance and Renewal Funds	688	428
Revenue from sale of Investments	0	770
Land and Water Management Plans - Contributed Assets	3,729	8,769
Infrastructure - Contributed Assets	7,191	7,133
	<u>11,608</u>	<u>17,100</u>
<b>Total Revenue</b>	<u><u>35,779</u></u>	<u><u>40,397</u></u>

# Financial Statements 31 July 2002

## 3. PROFIT FROM ORDINARY ACTIVITIES

### (a) Net Gains and Expenses

Profit from ordinary activities before income tax includes the following specific net gains and expenses:

	\$'000	
	2002	2001
<b>Expenses</b>		
Net (gain)/loss on disposal of property plant and equipment	(170)	19
Loss on sale of investments	0	153
Depreciation:		
Buildings	53	53
Plant and Equipment	1,596	1,606
Infrastructure	2,914	2,747
Total Depreciation	<u>4,563</u>	<u>4,406</u>
Amortisation Leased Assets	655	596
Provision for Doubtful Debts	6	(15)
Provision for Employee Entitlements	86	196

### (b) Individually Significant Items

Operating profit before income tax includes the following items:

Taxation Advice	456	345
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## 4. INCOME TAX

There continues to be significant uncertainty in respect to the Company's taxation position.

### Government contributions for Land and Water Management Plans

It is the Company's view that the Land and Water Management Plans do not create any tax liability and as such no provision has been made in the financial statements. However, in the course of the negotiations with the Commissioner on the Company's tax position, the Company lodged in January this year with the Commissioner an application for a Private Binding Ruling on the assessability of LWMP contributions and deductibility of outlays.

To date no ruling has been made.

If a final determination on this issue is adverse, funds which may be determined to be assessable income of the Company received during the period from the date of privatisation to 31 July 2002 are as follows:

	\$'000	
	2002	2001
Funds received from DLWC for Land and Water Management Plan capital works	30,440	25,158
Funds received from DLWC for Land and Water Management Plan landholder incentive scheme	12,596	10,361
Funds received from MIL Irrigator levies for Land and Water Management Plan implementation and administration	10,802	8,693
Total	<u>53,838</u>	<u>44,212</u>

### Government contributions for Infrastructure Assets

In October 2002 the Company and the Commissioner of Taxation of the Commonwealth of Australia ("the Commissioner") agreed in principle to a draft Deed of Settlement in relation to the principles to be applied for tax purposes to the Government contributions under the funding deed for infrastructure assets from privatisation to 31 July 2002.

# Financial Statements 31 July 2002

The draft Deed of Settlement requires the Company to pay the Commissioner \$12.3 million (including \$1.5 million for interest to October 2002). This is based on an estimated tax liability for the period to 31 July 2002 which was calculated using incomplete information and excludes any tax implications of the Land and Water Management Plans referred to above. The Company has provided \$12.1 million in the Accounts in respect of the liability for the period to 31 July 2002, being \$10.8 million for income tax and \$1.3 million for interest to that date.

Due to the complex nature of the settlement, and the fact that substantial work remains to be carried out in relation to the taxation value of assets and their deductibility there is considerable uncertainty at this stage as to the actual liability which can only be resolved after the tax returns (and where appropriate, amended returns) for the past eight years are finalised. The tax position continues to be addressed by the Company, its advisors, the State and the Australian Taxation Office. The circumstances are such that the ultimate tax position of the Company cannot currently be determined with an acceptable degree of reliability, and accordingly only the liability reflecting the draft Deed of Settlement referred to above has been brought to account.

## 5. CURRENT ASSETS - CASH ASSETS

	\$'000	
	2002	2001
Cash at bank and on hand	<u>31,241</u>	<u>27,550</u>
Restrictions are imposed on access to certain of the above funds as follows:		
Cash at bank and on hand - no restriction	13,164	3,766
Retained Balance - Restricted (Note (i) below)	3,348	3,232
Supply Variation Reserve Fund - Restricted (Note (ii) below)	3,553	2,574
Term Deposits - no restriction	2,616	12,384
Asset Maintenance and Renewals Restricted (Note (iii) below)	<u>8,560</u>	<u>5,594</u>
	<u>31,241</u>	<u>27,550</u>

(i) The Retained Balance is funds held for future expenditure in addition to the initial \$82.5 million infrastructure funding. (Note 1(c)(ii)).

(ii) Under Article 16.1(c)(iv) B of the Articles of Association, a fund is to be established to be known as the Supply Variation Reserve Fund to provide the Company with adequate funds to financially withstand periods of extended low volume water supply to Members.

(iii) Under Article 16.1(c)(iv) A of the Articles of Association, a fund is to be established to be known as the Asset Maintenance and Renewal Fund, to cover capital expenditure for refurbishment, replacement and long term maintenance of the Company's water infrastructure assets. The amount set aside is calculated after considering the advice of independent external consulting engineers. The amount so set aside totals \$15,772,000 (2001 \$12,806,000) comprising cash \$8,560,000 (2001 \$5,594,000) and bonds \$7,212,000 (2001 \$7,212,000), (Notes 5 and 9).

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31 July 2002**

**6. CURRENT ASSETS - RECEIVABLES**

	\$'000	
	2002	2001
Water Debtors	5,090	6,341
Less Provision for Doubtful Debts	(121)	(119)
	<u>4,969</u>	<u>6,222</u>
Land and Water Management Plans (Note 27(ii))		
- Due from irrigators	507	594
- Accrued	0	40
	<u>507</u>	<u>634</u>
Government Agencies		
- Asset Maintenance and Renewal	4,846	4,137
- Land and Water Management Plans (Note 27(ii))	2,553	2,479
- Other	298	212
	<u>7,697</u>	<u>6,828</u>
Other Debtors	806	669
	<u>13,979</u>	<u>14,353</u>

**7. CURRENT ASSETS - INVENTORIES**

	\$'000	
	2002	2001
Raw Materials and Stores	<u>734</u>	<u>923</u>

**8. CURRENT ASSETS - OTHER**

	\$'000	
	2002	2001
Prepayments	<u>176</u>	<u>235</u>

**9. OTHER FINANCIAL ASSETS**

Asset Maintenance and Renewal Fund	\$'000	
	2002	2001
Investments - at cost (Note (i) below)		
<b>Current Asset</b>		
Semi-Government Bonds (Note (ii) below)	1,062	0
<b>Non-Current Asset</b>		
Semi-Government Bonds (Note (ii) below)	0	1,062
Commonwealth Indexed Bonds	6,150	6,150
	<u>7,212</u>	<u>7,212</u>

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## Listed Investments - Market Value

	\$'000	
	2002	2001
The aggregate market value of investments listed is:		
Semi-Government Bonds	1,213	1,196
Commonwealth Indexed Bonds	7,121	6,900
	<u>8,334</u>	<u>8,096</u>

- (i) Restrictions are imposed on access to these funds Refer Note 5 (iii)  
(ii) Current Asset matures on 20th August 2002.

## 10. NON-CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

	\$'000	
	2002	2001
Freehold Land - At Cost (Note (i) below)	<u>2,059</u>	<u>2,059</u>
Water Infrastructure - At Cost	181,605	177,826
Less Accumulated Depreciation	18,023	15,137
	<u>163,582</u>	<u>162,689</u>
Construction-in-Progress - At Cost	<u>22,398</u>	<u>15,513</u>
Leased Assets - At Cost (Note 1(g))	36,701	34,998
Less Accumulated Amortisation	3,976	3,330
	<u>32,725</u>	<u>31,668</u>
Buildings and Cottages - At Cost (Note (ii) below)	2,130	2,054
Less Accumulated Depreciation	381	328
	<u>1,749</u>	<u>1,726</u>
Plant and Equipment - At Cost	6,008	5,204
Less Accumulated Depreciation	2,405	2,067
	<u>3,603</u>	<u>3,137</u>
Office Equipment - At Cost	1,315	1,229
Less Accumulated Depreciation	972	847
	<u>343</u>	<u>382</u>
Motor Vehicles - At Cost	4,648	4,381
Less Accumulated Depreciation	1,562	1,453
	<u>3,086</u>	<u>2,928</u>
<b>Total Non-Current Assets</b>	<u><u>229,545</u></u>	<u><u>220,102</u></u>

# Financial Statements 31 July 2002

- (i) Included in the freehold land is land under channels with a carrying value of \$1.582 million. The directors have reviewed the value as at July 2002 and have determined the value is not likely to be materially different from the carrying value. This determination is based on valuations performed by the Valuer General's Department in 1994 and the directors' general knowledge of the movement in land valuations in the region since then. The remaining land with a carrying value of \$477,000 was valued at \$550,000 on 1 March 2000 based on existing use. This valuation was carried out by the State Valuation Office.
- (ii) The most recent valuation of buildings and cottages was carried out by the State Valuation Office based on written down replacement cost. The valuations which were as at 1 March 2000 valued the Company buildings at \$2.4 million.

## Reconciliations

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

\$'000	Carrying amount 1 August 2001	Additions	Disposals	Depreciation	Carrying amount at 31 July 2002
Land	2,059				2,059
Water Infrastructure	162,689	3,912	105	2,914	163,582
Construction in Progress	15,513	6,885			22,398
Leased Assets	31,668	1,736	24	655	32,725
Buildings	1,726	76		53	1,749
Plant & Equipment	3,137	1,233	136	631	3,603
Office Equipment	382	180	1	218	343
Motor Vehicles	2,928	1,746	841	747	3,086
	<u>220,102</u>	<u>15,768</u>	<u>1,107</u>	<u>5,218</u>	<u>229,545</u>

## 11. CURRENT LIABILITIES - PAYABLES

	\$'000	
	2002	2001
Trade Creditors	8,909	8,912
Other Creditors	673	827
	<u>9,582</u>	<u>9,739</u>

## 12. CURRENT LIABILITIES - CURRENT TAX LIABILITIES

	\$'000	
	2002	2001
Provision for Interest on Income Tax	1,277	0
Provision for Income Tax	10,830	0
	<u>12,107</u>	<u>0</u>

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<b>13. CURRENT LIABILITIES - PROVISIONS</b>		<b>\$'000</b>	
	<b>2002</b>	<b>2001</b>	
Employee Entitlements (Note 1(j))	<u>938</u>	<u>899</u>	
<b>14. CURRENT LIABILITIES - OTHER</b>		<b>\$'000</b>	
	<b>2002</b>	<b>2001</b>	
Land & Water Management Plans			
– Funds held as Implementing Authority (Notes 1(o) and 27)	<u>314</u>	<u>0</u>	
<b>15. NON-CURRENT LIABILITIES - PROVISIONS</b>		<b>\$'000</b>	
	<b>2002</b>	<b>2001</b>	
Employee Entitlements (Note 1(j))	<u>1,832</u>	<u>1,785</u>	
<b>16. CONTRIBUTED EQUITY</b>		<b>\$'000</b>	
	<i>Shares 000's</i>		
	<b>2002</b>	<b>2001</b>	<b>2002</b>
			<b>2001</b>
<b>(a) Share Capital</b>			
Ordinary shares	1,447	1,447	<u>186,452</u>
			<u>186,452</u>
<b>17. RESERVES AND RETAINED PROFITS</b>		<b>\$'000</b>	
<b>(a) Reserves:</b>		<b>2002</b>	<b>2001</b>
Contributed Assets		75,450	64,658
Supply Variation		3,553	2,574
General		0	4,268
		<u>79,003</u>	<u>71,500</u>
<b>Movements:</b>			
<b>Contributed Assets - (Note 1(n)(i))</b>			
Balance - 1 August 2001		64,658	49,103
Transfer from Retained Profits		10,792	15,555
Balance - 31 July 2002		<u>75,450</u>	<u>64,658</u>
<b>Supply Variation - (Note 1(n)(ii))</b>			
Balance - 1 August 2001		2,574	1,611
Transfer from Retained Profits		979	963
Balance - 31 July 2002		<u>3,553</u>	<u>2,574</u>
<b>General - (Note 1(n)(iii))</b>			
Balance - 1 August 2001		4,268	2,911
Transfer from Retained Profits (Accumulated Losses)		0	1,357
Transfer (to) Retained Profits (Accumulated Losses)		(4,268)	0
Balance - 31 July 2002		<u>0</u>	<u>4,268</u>



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(b) Retained Profits (Accumulated Losses)	\$'000	
	2002	2001
Balance 1 August 2001	0	0
Net Profit	162	17,875
Transfer to Infrastructure Reserve	(10,792)	(15,555)
Transfer to Supply Variation Reserve	(979)	(963)
Transfer to General Reserve	0	(1,357)
Transfer from General Reserve	4,268	0
<b>Balance 31 July 2002</b>	<b>(7,341)</b>	<b>0</b>

## (c) Nature and Purpose of Reserves

Refer Note 1(n).

## 18. EQUITY

	\$'000	
	2002	2001
Total equity at the beginning of the financial year	257,952	240,077
Total changes in equity recognised in the statement of financial performance	162	17,875
Total equity at the end of the financial year	<b>258,114</b>	<b>257,952</b>

## 19. RELATED PARTIES

### Directors

The names of persons who were Directors of Murray Irrigation Limited at any time during the financial year are as follows:

G.G. Ball; A.F. Batley; K.S. Baxter; S.G. Ellis; I.A. Gillett; M.D. Goudie; W.L. Hetherington; B.J. Ireland; D.T. Liphuyzen; I.H. Morton; D.J. Tinkler.

D.J. Tinkler resigned on 4th October 2001.

I.A. Gillett was appointed on 20th December 2001.

### Remuneration and Retirement Benefits

Information on remuneration of Directors is disclosed in Note 20.

### Loans to Directors

There are no loans to Directors.

### Other Transactions of Directors and Director-Related Entities

During the period the Company sold water for cropping and other activities to Directors or their Director-related entities within a normal relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the Directors or their Director-related entities at arm's length in the same circumstances. The value of these transactions with Directors or their Director-related entities totalled \$286,000 (2001, \$287,000).

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## 20. REMUNERATION OF DIRECTORS

\$'000

2002 2001

Income received, or due and receivable by Directors of the Company:

299	315
-----	-----

The numbers of Company Directors whose total income was within the specified bands were as follows:

\$'000	\$'000	2001	2000
0 - 10	10	1	0
10 - 20	20	1	0
20 - 30	30	6	7
30 - 40	40	2	1
40 - 50	50	0	1
50 - 60	60	1	1

## 21. REMUNERATION OF AUDITORS

\$'000

2002 2001

The amount received, or due and receivable, by the auditors, for auditing the accounts of Murray Irrigation Limited has been

36	36
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Other Services

16	0
----	---

52	36
----	----

## 22. CONTINGENT LIABILITIES

A native title claim lodged by the Yorta Yorta Clan for unspecified rights to water and lands in the Murray Valley was heard by the Federal Court, ruling against the claimants.

The finding of an appeal by the claimants, heard by the full bench of the Federal Court, also ruled against the claimants.

The claimants had an appeal heard by the High Court on 23 and 24 May 2002. The High Court is yet to announce its determination.

Although the claim is vague and undefined it relates to lands and waterways adjoining and within the Company's area of operations. The Directors are accordingly unable to state whether the claim is likely to have any effect on the operations of the Company.

## 23. COMMITMENTS FOR CAPITAL EXPENDITURE

There were no commitments for expenditure at 31 July 2002, apart from the Deferred Maintenance program estimated at \$6.7 million (2001, \$6.3 million), for which full reimbursement will be received through the Water Administration Ministerial Corporation. (Note 1(c)(ii)).

Proposed expenditure under the Land and Water Management Plans estimated at \$5.0 million (2001, \$3.5 million) is currently suspended and will only be committed on the basis that full reimbursement will be received from the Water Administration Ministerial Corporation and MIL Irrigator levies. (Note 1(c)(ii)). Negotiations continue in relation to the issue of funding for these plans.

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## 24. SEGMENT INFORMATION

The Company is involved primarily in the supply and drainage of irrigation water to shareholder customers within the Southern Riverina area of New South Wales.

## 25. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	\$'000	
	2002	2001
Operating Profit Before Income Tax	162	17,875
Add: Irrigators Land and Water Management Plan Levies	354	(1,286)
Non-Cash Operating Expenditure -		
Depreciation and Amortisation	5,218	5,002
Increase (Reduction) in Provision for Doubtful Debts	6	(15)
Net (Gain)/Loss on Disposal of Non-Current Assets	(170)	19
Net Loss on Disposal of Investment	0	153
Increase in Provision for Income Tax	12,107	0
Less: Contributed Assets	(10,920)	(15,902)
Changes in Assets and Liabilities:		
Add: (Increase) Decrease in Current Assets	603	(1,899)
Add: Increase (Decrease) in Operating Liabilities	(98)	3,324
<b>Net Cash Provided by Operating Activities</b>	<b><u>7,262</u></b>	<b><u>7,271</u></b>

## 26. NON-CASH FINANCING AND INVESTING ACTIVITIES

	\$'000	
	2002	2001
Contributed assets from Government	10,920	15,902

## 27. LAND & WATER MANAGEMENT PLANS

i) Details of income and expenditure on the Land & Water Management Plans are as follows:

	\$'000									
	Berriquin		Cadell		Denimein		Wakool		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
<b>Income</b>										
Government Agencies	4237	6007	1466	1573	800	655	1188	1791	7691	10026
Irrigator Contribution	1283	1145	161	166	112	113	468	457	2024	1881
	<u>5520</u>	<u>7152</u>	<u>1627</u>	<u>1739</u>	<u>912</u>	<u>768</u>	<u>1656</u>	<u>2248</u>	<u>9715</u>	<u>11907</u>
<b>Expenditure</b>										
Capital Works	3290	7072	8	12	3	-	428	1685	3729	8769
Expenses Incurred (Farm Rebates, Monitoring, Education & Administration)	2156	1264	1461	1587	862	745	1153	828	5632	4424
	<u>5446</u>	<u>8336</u>	<u>1469</u>	<u>1599</u>	<u>865</u>	<u>745</u>	<u>1581</u>	<u>2513</u>	<u>9361</u>	<u>13193</u>
Net Funds Accumulated/ (Expended)	<u>74</u>	<u>(1184)</u>	<u>158</u>	<u>140</u>	<u>47</u>	<u>23</u>	<u>75</u>	<u>(265)</u>	<u>354</u>	<u>(1286)</u>

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ii) Details of the Land and Water Management Plans Funds Held as Implementing Authority are as follows:

	\$'000									
	Berriquin		Cadell		Denimein		Wakool		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Opening Balance - 1 August 2001 (Note 6,14)	(594)	590	703	563	318	295	(467)	(202)	(40)	1246
Add Net Funds Accumulated/(Expended)	74	(1,184)	158	140	47	23	75	(265)	354	(1286)
Closing Balance - 31 July 2002 (Note 6, 14)	(520)	(594)	861	703	365	318	(392)	(467)	314	(40)
Less:										
Outstanding Irrigator Debtors (Note 6)	322	362	40	51	28	36	117	145	507	594
Outstanding Government Debtors (Note 6)	1036	1508	698	474	336	175	483	322	2553	2479
<b>Total Debtors</b>	<b>1358</b>	<b>1870</b>	<b>738</b>	<b>525</b>	<b>364</b>	<b>211</b>	<b>600</b>	<b>467</b>	<b>3060</b>	<b>3073</b>
<b>Plan Surplus/(Funded by Murray Irrigation Limited)</b>	<b>(1878)</b>	<b>(2464)</b>	<b>123</b>	<b>178</b>	<b>1</b>	<b>107</b>	<b>(992)</b>	<b>(934)</b>	<b>(2746)</b>	<b>(3113)</b>

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**28. FINANCIAL INSTRUMENTS**

**(a) Terms, conditions and accounting policies**

Murray Irrigation Limited's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instrument	Note	Accounting Policies	Terms and Conditions
<b>FINANCIAL ASSETS</b>			
Receivables - Water Debtors	6	Water debtors are carried at nominal amounts due less any provision for doubtful debts.	Water debtors are invoiced by 30th June of each year with payment in full due by 31st July or half due by 31st July and the other half plus interest due 30th November. Interest is calculated at the Westpac indicator rate plus 3%.
- Government Debtors	6	Government debtors are carried at nominal amounts.	Government debtors reimburse Murray Irrigation for expenditure on asset maintenance and renewal, or Land and Water Management Plan contracts. Amounts are due on 30 day terms and are interest free.
Investments - Bonds	9	Investments are stated at cost. Interest is recognised in the Financial Statements when earned.	Investments mature between 2002 and 2010 with interest ranging from 4.00% to 4.42%, however when the indexation of the capital value is included the real interest rate ranges from 7.62% to 8.05% and will vary according to future Consumer Price Index movements.
<b>FINANCIAL LIABILITIES</b>			
Accounts Payable	11	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Murray Irrigation.	Liabilities are normally settled on 28 day terms.

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## (b) Interest Rate Risk

Murray Irrigation Limited's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrecognised at the balance date are as follows:

2002	Fixed interest maturing in:					Total Carrying Amount Balance Sheet	Weighted Average Effective Interest Rate
	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing		
	\$000	\$000	\$000	\$000	\$000	\$000	%
<b>FINANCIAL ASSETS</b>							
Cash	13,169	18,069			3	31,241	4.42%
Receivables - Water Debtors		5,597				5,597	11.25%
Government Agencies					7,697	7,697	N/A
Other					806	806	N/A
Investment Bonds - Government			857	5,293		6,150	4.14%*
Semi-Government		1,062				1,062	4.25%*
	<b>13,169</b>	<b>24,728</b>	<b>857</b>	<b>5,293</b>	<b>8,506</b>	<b>52,553</b>	
<b>FINANCIAL LIABILITIES</b>							
Trade Creditors and Accruals					9,582	9,582	N/A
					<b>9,582</b>	<b>9,582</b>	

\* Refer comments at Note 28(a)

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2001	Fixed interest maturing in:					Non Interest Bearing	Total Carrying Amount Balance Sheet	Weighted Average Effective Interest Rate
	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	\$000			
	\$000	\$000	\$000	\$000	\$000	\$000	%	
<b>FINANCIAL ASSETS</b>								
Cash	3,763	23,784			3	27,550	5.05%	
Receivables - Water Debtors		6,975				6,975	11.75%	
Government Agencies					6,828	6,828	N/A	
Other					669	669	N/A	
Investment Bonds - Government				6,150		6,150	4.14%*	
Semi-Government			1,062			1,062	4.25%*	
	3,763	30,759	1,062	6,150	7,500	49,234		
<b>FINANCIAL LIABILITIES</b>								
Trade Creditors and Accruals					9,739	9,739	N/A	
					9,739	9,739		

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## (c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

	<i>Total Carrying Amount as per Balance Sheet</i>	<i>Aggregate Net Fair Value</i>
<b>Financial Assets</b>		
Cash	31,241	31,241
<b>Receivables -</b>		
Water Debtors	5,597	5,597
<b>Government Agencies</b>	7,697	7,697
<b>Other</b>	806	806
<b>Investment Bonds -</b>		
Government	6,150	7,121
Semi-Government	1,062	1,213
	<u>52,553</u>	<u>53,675</u>
<b>Financial Liabilities</b>		
Trade Creditors and Accruals	<u>9,582</u>	<u>9,582</u>
	<u>9,582</u>	<u>9,582</u>

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

### *Recognised Financial Instruments*

*Cash, cash equivalents and short term investments*

*The carrying amount approximates fair value because of their short term to maturity*

*Trade Receivables & Payables*

*The carrying amount approximates fair value*

*Investment Bonds*

*The fair value is the market value of the bonds at the balance date*

## (d) Credit Risk Exposure

Murray Irrigation Limited's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount or market value of those assets, whichever is the greater.



The Directors declare that the financial statements and notes set out on pages 18 to 38:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the Company's financial position as at 31 July 2002 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, and

- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**W.L. Hetherington**  
*Chairman*  
*Deniliquin*  
*25th October 2002*

**S.G. Ellis**  
*Deputy Chairman*

## Directors' Declaration

# Independent Audit Report

*To The Members of  
Murray Irrigation Limited*

## **Scope**

We have audited the financial report of Murray Irrigation Limited (the Company) for the financial year ended 31 July 2002 as set out on pages 18 to 39. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## **Audit Opinion**

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act 2001; including:
  - (i) giving a true and fair view of the Company's financial position as at 31 July 2002 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

## **Inherent Uncertainty Regarding Taxation**

Without qualification to the opinion expressed above, attention is drawn to the following matters. As disclosed in Note 4 there are significant uncertainties in respect to the Company's taxation liability. The Company has brought to account a provision for taxation of \$12.1 million being an amount currently payable in accordance with a draft Deed of Settlement agreed to in principle in October 2002. However there remain a number of unresolved taxation matters. It is not currently possible to quantify any adjustments that may be required to the Company's taxation liabilities as a result of the remaining unresolved matters, and accordingly no provision for any additional liability that may result has been made in the financial report.

**Johnsons MME**  
*Chartered Accountants*

**Hugh McKenzie-McHarg**  
PARTNER  
*Albury*  
25th October 2002

# Corporate Governance Statement

The Directors of Murray Irrigation Limited aspire to the highest standards of corporate governance.

A description of the Company's main corporate governance practices is set out below.

## The Board of Directors

The Board of Directors takes ultimate responsibility for corporate governance and operates in accordance with the following broad principles:

- the Board shall consist of 10 Directors of whom eight, to be known as "Member Directors", must be Members of the Company, and two Directors who may not be Members of the Company ("Non-member Directors");
- Member Directors must be drawn from the following geographic regions:

East Berriquin	3 Members
West Berriquin	1 Member
Denimein	1 Member
Deniboota	1 Member
Wakool	2 Members

The Member Directors are subject to election by shareholders at annual general meetings, and are elected for a four year term, one-half retiring every second year. Non-member Directors are elected every four years.

The names of the Directors of the Company are set out in the Directors' Report on page 14.

To assist it in fulfilling its responsibilities the Board has established Environment, Infrastructure, Audit, Remuneration and Resources committees. Each of these committees has its own terms of reference, detailing the manner in which the committee is to operate.

## Chairman

The Chairman of the Board is elected by the full Board.

## Independent Professional Advice

Directors have the right in connection with their duties and

responsibilities as Directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

## Environment Committee

The primary objective of the committee is to assist the Board in fulfilling its environmental management responsibilities relating to environmental compliance and the implementation of the Land and Water Management Plans (LWMP) for the Company's area of operation. In addition the committee will:

- oversee and appraise the environmental audits conducted by the Company and external agencies;
- maintain, by scheduling regular meetings, open lines of communication among the Board, external agencies and LWMP committees to exchange views and information;
- serve as an independent and objective party to review the environmental and LWMP information presented by management and regulatory authorities;
- determine the adequacy of the Company's environmental management;
- carry out other tasks of an environmental or LWMP nature referred to it by the Board;
- formally review the administration of environmental and LWMP agreements with Government.

The names of the members of the Environment Committee during the year are set out in the Directors' Report on page 16.

## Infrastructure Committee

The objectives of the committee are to assist the Board in fulfilling its responsibility for the maintenance, refurbishment and renewal of the water supply and drainage infrastructure of the

# Corporate Governance Statement

Company. In particular it will -

- evaluate the adequacy of infrastructure management controls;
- consider and monitor management, refurbishment and renewal strategies;
- ensure the priorities determined by management are consistent with Board policy;
- monitor the relevance of the Company infrastructure policy;
- review all works programs before submission to the Board and Government and assess the performance and cost of their implementation;
- review compliance with the deed for the funding of works with the Government and the Wakool Tullakool Sub Surface Drainage Scheme;
- ensure the adequacy of infrastructure risk management controls;
- investigate and evaluate new technology, particularly automation and mechanisation, remote systems communications, water level and flow control, and sealing technology.

The names of the members of the Infrastructure Committee during the year are set out in the Directors' Report on page 16.

## Audit Committee

The primary objective of the Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Company and other relevant issues.

These objectives also include:

- oversee and appraise the quality of audits conducted by the Company's external auditor;
- maintain by scheduling regular meetings, open lines of communication among the Board and the external auditors to exchange views and information;
- serve as an independent and objective party to review the financial information presented by

management to shareholders and regulatory authorities;

- determine the adequacy of the Company's accounting controls;
- consider investment and cash management strategies proposed by management and monitor performance of those strategies on a regular basis;
- carry out any other tasks of a financial nature referred to it by the Board;
- formally review the administration agreements with the Government.

The committee is also charged with the responsibility of recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit.

The names of the members of the Audit Committee during the year are set out in the Directors' Report on page 16.

## Remuneration Committee

The primary objective of the committee is to assist the Board in fulfilling its responsibilities in relation to the conditions of employment and remuneration of senior management.

These objectives also include:

- recommend to the Board of Directors the annual remuneration, bonuses and other incentives for senior management;
- consider and recommend to the Board any changes in the terms and conditions of employment of senior management;
- review the recommendations of the General Manager as to the annual remuneration, bonuses and other incentives for his immediate subordinates;
- consider any recommendations from the General Manager concerning his immediate subordinates relative to any change in their terms and conditions of employment.

# Corporate Governance Statement

- review the principles proposed to be applied by the General Manager in conjunction with his immediate subordinates, in setting the annual remuneration levels, bonuses and incentives for other staff;
- consider recommendations from the General Manager as to the form of any proposed incentive scheme.

The names of the members of the Remuneration Committee during the year are set out in the Directors' Report on page 17.

## Resources committee

The primary objective of this committee is to assist the Board of Directors in ensuring that appropriate resources are available to the Company to enable it to meet its obligations and plans. Resources include water, materials, plant and equipment, labour and contractor services. The committee is responsible for prioritising all projects competing for resources and recommending to the Board the level of resources required. Whilst other committees are responsible for formulation of policy in their respective areas all policy projects requiring additional resources are prioritised by the Resources Committee.

The names of the members of the Resources Committee during the year are set out in the Directors' Report on Page 17.

All committees report to the full Board after each committee meeting and relevant papers and minutes are provided to all Directors.

## Ethical Standards

The Board has adopted a code of conduct which sets out the ethical standards expected of all Directors. The Code of Conduct provides as follows:

1. A Director must act honestly, in good faith and in the best interests of the Company as a whole.
2. A Director has a duty to use due care and diligence in fulfilling the

functions of office and exercising the powers attached to that office.

3. A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
4. A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
5. A Director must not make improper use of information acquired as a Director.
6. A Director must not take improper advantage of the position of Director.
7. A Director must not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company.
8. A Director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.
9. Confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and it is improper to disclose it, or to allow it to be disclosed, unless that disclosure has been authorised by the Company, or is required by law.
10. A Director should not engage in conduct likely to bring discredit upon the Company.
11. A Director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this code.

The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of integrity and professionalism.

The remuneration of Directors is determined from time to time by the Company in General Meeting.

# Company Directory

## **Board of Directors**

Bill Hetherington, Chairman  
Stewart Ellis, Deputy Chairman  
Kelvin Baxter  
Ian Morton  
Gordon Ball  
Max Goudie  
Daniel Liphuyzen  
Ian Gillett  
Alan Batley, External Director  
Barry Ireland, External Director

## **General Manager**

George Warne

## **Company Secretary**

Warren Elsbury

## **Head Office**

MURRAY IRRIGATION LIMITED  
443 Charlotte Street  
Deniliquin NSW 2710  
Telephone: (03) 5881 9300  
Facsimile: (03) 5881 9334

## **Auditors**

JOHNSONS MME  
520 Swift Street  
Albury NSW 2640

## **Bankers**

NATIONAL AUSTRALIA BANK  
269 Cressy Street  
Deniliquin NSW 2710

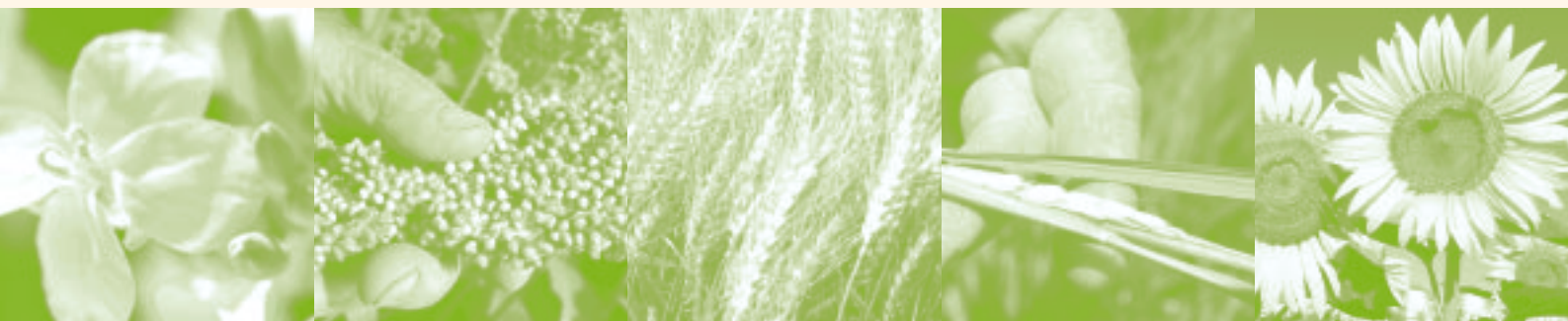
## **Engineering Consultants**

HALLIBURTON KBR  
186 Greenhill Road  
Parkside Adelaide SA 5063

## **Solicitors**

COWLEY HEARNE  
Level 10, 60 Miller Street  
North Sydney NSW 2060  
FRANCIS KELLY & GRANT  
144 End Street  
Deniliquin NSW 2710

*Murray Irrigation Limited is a private irrigation company, formed under the Irrigation Corporations Act (1994), that provides irrigation supply and drainage services for its shareholder irrigators.*



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