

Annual Report

2011-2012



Northern Volume
Irrigation Renewal Project

NVIRP
waterforgrowth



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Foreword from the Goulburn-Murray Water Chairman

In accordance with the Financial Management Act 1994, we are pleased to attest that the NVIRP Annual Report is compliant with all statutory report requirements. We are pleased to present the Report of Operations for NVIRP for the year ending 30 June 2012.



Llew Vale OAM
Goulburn-Murray Water Chairman

NVIRP Profile

The Northern Victoria Irrigation Renewal Project (NVIRP) was a state-owned entity established under the State Owned Enterprise Act 1992 by an Order in Council dated 20 December 2007.

The objective of NVIRP was to help create a more sustainable long-term future for the northern Victoria irrigation community, through a planned and comprehensive modernisation of the Goulburn Murray Irrigation District.

On 1 July 2012 NVIRP was integrated with Goulburn-Murray Water, with G-MW assuming responsibility for the delivery of the remainder of the NVIRP Stage 1 and Stage 2 project and for achieving the outcomes and milestones specified by Government.

Project Stages

Stage 1 of the project (\$1.004b) is being funded by contributions from the Victorian Government of \$604 million, \$100 million from a portion of the revenue associated with the Commonwealth Water Purchase Agreement and Melbourne Water (\$300 million). This first stage commenced in 2008 and will be completed in 2018.

For Stage 2 of the project (\$1.059b) the Commonwealth Government is providing \$953 million with \$106 million to be contributed from a portion of the revenue associated with the Commonwealth Water Purchase Agreement. Stage 2 of the project will be delivered concurrently with Stage 1 from early 2012 and completed in 2018.

In late 2011 Government directed that the NVIRP Stage 1 Business Case be reviewed, to enable the integrated delivery of Stage 1 and Stage 2, and to support the completion of the Food Bowl Modernisation Project.

The revised Stage 1 Business Case (Addendum) was approved by the Government on 14 May 2012, which resulted in a number of revisions to the project's cash flow and targets. The completion date of the revised Stage 1 program was extended to 2018 to align with the delivery of Stage 2.

Integration Arrangements

The integration of NVIRP and G-MW had its origins in the Victorian Ombudsman's final report on the FoodBowl Modernisation Project tabled in the Victorian Parliament on 23 November 2011. As a consequence of that report the Government informed NVIRP and G-MW of its intention to integrate the two entities with effect from 1 July 2012.

The following represents the key legislative instruments in the integration process:

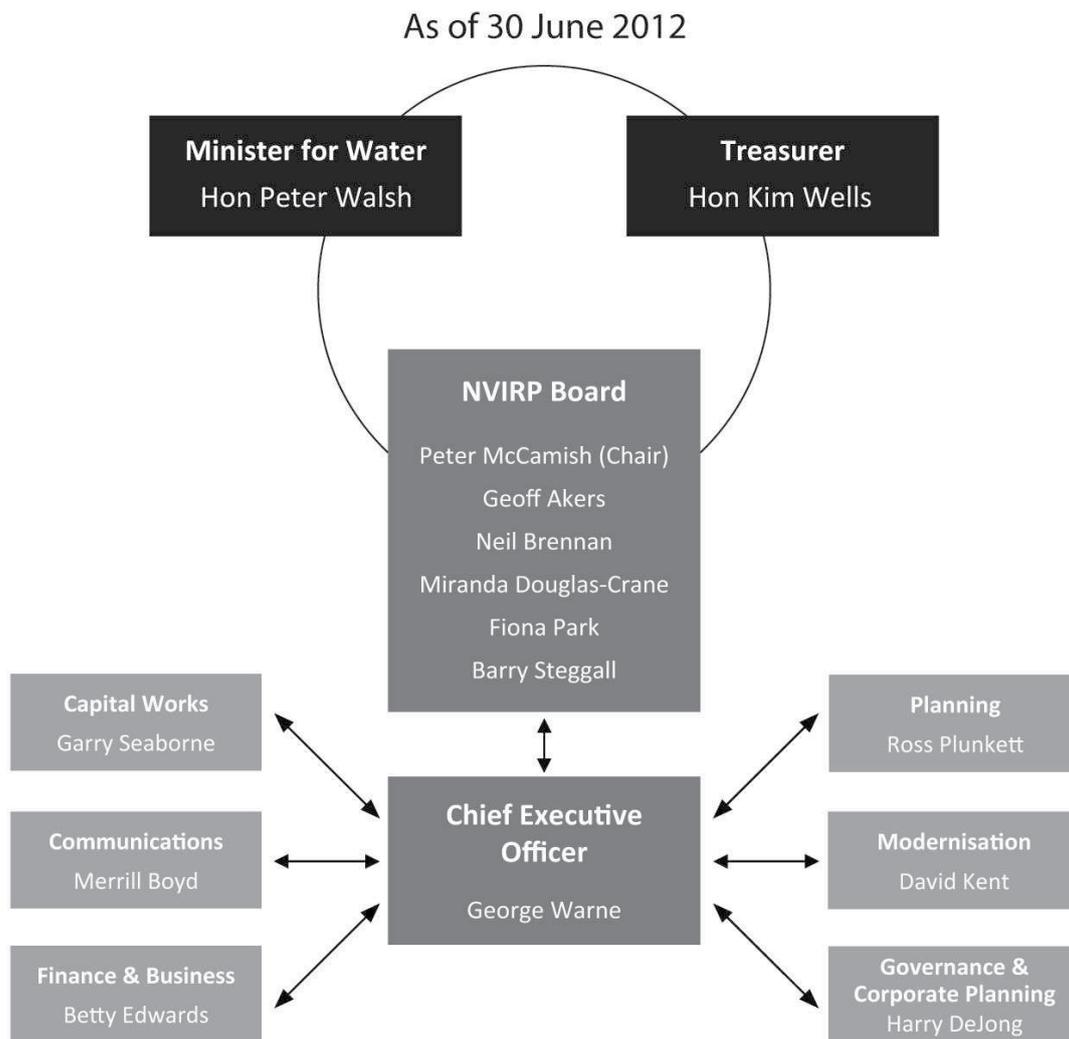
Date	Action
13 June 2012	Government Gazette publishes Orders declaring NVIRP as a reorganising body under the <i>State Owned Enterprises Act 1992</i> and amending its functions to require the facilitation and co-operation with G-MW in the transfer of staff, assets and liabilities to G-MW.
18 June 2012	Government Gazette publishes Orders declaring NVIRP as a "declared authority" for the purposes of the <i>Public Administration Act 2004</i> in facilitating the transfer of staff from NVIRP to G-MW.
25 June 2012	Premier executes section 30 declaration (<i>Public Administration Act 2004</i>) transferring staff from NVIRP to G-MW effective from 1 July 2012.
28 June 2012	Treasurer issues Direction to NVIRP under the <i>State Owned Enterprises Act 1992</i> to transfer all of its assets, liabilities and undertakings to G-MW. Direction requires NVIRP and G-MW to enter into a Deed of Transfer.
29 June 2012	G-MW and NVIRP entered into following with effect from 1 July 2012: <ul style="list-style-type: none"> Deed of Transfer as required by the Treasurer's Direction. The Deed evidenced the legal transfer and vesting of all the rights, assets, liabilities and undertakings from NVIRP into G-MW. Transition Deed which documented the steps taken by G-MW and NVIRP to implement the Treasurers Direction and Deed of Transfer. This included the take up of financials and dealings with third parties (contracts, agreements and other instruments).

The integration of G-MW and NVIRP was achieved with effect from 1 July 2012.

Profile

Organisational Structure

The following chart illustrates NVIRP's organisational and reporting structure as of 30 June 2012:



NVIRP's Board Chair Richard Guy resigned in December 2011. Peter McCamish replaced Richard Guy as the Chair effective from 7 December 2011. NVIRP's CEO Murray Smith resigned in December 2011 and was replaced by George Warne.

Governance

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (NVIRP), was a State Body established under the State Owned Enterprise Act 1992 by an Order in Council (Order) dated 20 December 2007.

The Victorian Minister for Water, in consultation with the Treasurer on appropriate matters, had responsibility for policies related to NVIRP and oversighted the Board.

The Treasurer as shareholder minister was responsible for oversight of the commercial, financial and project risk management and associated conduct of NVIRP.

NVIRP's internal and external governance frameworks were developed to support the delivery of the project. At the internal level the organisation was governed through the Board and its established sub-committees: Audit and Risk, Remuneration, Modernisation and Joint Board Committee.

Responsible Ministers

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (NVIRP), reported to the Victorian Minister for Water, the Hon. Peter Walsh, MLA as the responsible minister for the project and the Victorian Treasurer, the Hon. Kim Wells, as the shareholder minister.

The Board

NVIRP operated as an independently governed entity led by an independent, skills-based Board. The Board was responsible for the strategic planning and management of NVIRP's affairs.

Peter McCamish (Chair from December 2011 onwards)

Peter has significant knowledge of the Goulburn Valley horticultural industry, as he has been part of this industry for 34 years. He is also a Director of S Reid Holdings, a Tasmanian cherry grower and

exporter. Peter is a current Director of Water for Rivers, former Director of SPC Ardmuna Limited and former member of the Shepparton Irrigation Implementation Committee and FoodBowl Modernisation Project Steering Committee.

Geoff Akers

Geoff is experienced in representing farmer interests, as he was formerly Chair of the Victorian Farmers Federation Water Council and Murray Dairy. He is a dairy farmer at Tallygaroopna, milking 600 cows. He has a strong interest in research and development and serves on the board of Dairy Australia. He holds a Bachelor of Applied Science and Advanced Diploma of Agriculture. Geoff was also a member of the FoodBowl Modernisation Project Steering Committee.

Neil Brennan

Neil has extensive Victorian water industry experience, having worked in the industry for 32 years and has held various ministerial appointments on industry committees. For the past 14 years he has been Managing Director of Central Highlands Water Corporation. Neil has also held CEO positions at the Western Water and Macedon Region Water Authorities and is a Non-Executive Director of the Board of the Electricity and Water Ombudsman Scheme Victoria.

Miranda Douglas-Crane B.Com., MBA., FAIM., FAICD

Miranda has held senior executive and board roles in the private and public sectors in the water, transport, health, education and financial services industries. Miranda previously served on the Boards of Intelomatics Pty Ltd and Douta Galla Aged Services and was a member of the Ministerial Council on Rail Freight. Miranda is a Director of Austin Health, the National Occupational Licensing Authority, Special Olympics (Victoria) and a member of the RACV Community Foundation.

Fiona Park

Fiona has strongly developed governance, public and private sector, project and contract management, general management, leadership, communication and negotiating skills. Fiona previously led two Public Private Partnerships (PPP) and also has international experience in the mining and consulting industries. Fiona is the Director, Resource Trade Development at the Northern Territory Department of Resources.

Barry Steggall

Barry is experienced in Victorian government policies as he was formerly State Deputy Leader of the National Party and Member of Parliament for Swan Hill from 1983 to 2002. He specialised in water, environment and food issues during his Parliamentary career. Barry is also a board member of Cooperative Schools Victoria and Victoria's Independent Panel for Sustainable Water Strategies.

Richard Guy OAM (Chair until December 2011)

Richard has significant board leadership experience, having chaired the Bendigo Bank Board for nearly 20 years through a period of rapid growth including conversion to bank status in 1995. He retired from this board in 2006. Richard plays a prominent role in community and charitable organisations and is a government representative on the Council of La Trobe University. Richard also completed his last term as a Director of Unity Mining Limited in 2011. He served as Chairman of directors of NVIRP from 2008 until he resigned in December 2011.

Governance

Board Committees

During the period 1 July 2011 to 30 June 2012 the following Board Committees were operative:

Sub Committee Name	Function
Audit and Risk Committee	The Audit and Risk Committee assisted the Board by reviewing the effectiveness of the management and quality of information and other systems of control within NVIRP; assessing the effectiveness of the internal and external audit; overseeing the appointment of internal auditors and the review of reports from external auditors; reviewing the effectiveness of internal controls and reporting and overseeing the implementation of Treasury Policy. Members included Miranda Douglas-Crane (Chair), Fiona Park, Richard Guy (until December 2011) and Peter McCamish (from December 2011 onwards).
Modernisation Board Sub-committee	The Modernisation Board Sub-committee assisted the Board in fulfilling its responsibilities related to the Connections Program. The purpose of the sub-committee was to ensure compliance with Board policy; that the key objectives of the program were being met; address new and emerging issues; approve projects in excess of \$500,000 and consult with various stakeholders in relation to the Connections Program, in particular Modernisation Consultation Committees. Members included Barry Steggall (Chair), Neil Brennan, Fiona Park and Geoff Akers.
Remuneration Committee	The Remuneration Committee assisted the Board by overseeing the adequacy, reliability and effectiveness of NVIRP's organisational structures, engagement and remuneration of the Chief Executive Officer and the remuneration and related policies for Executive Managers including but not limited to performance bonus appraisal criteria and payments. The committee also ensured that the requirements of the Government Sector Executive Remuneration Panel were observed. Members included Richard Guy (Chair until December 2011), Neil Brennan (from December 2011), Peter McCamish (Chair from December 2011) and Miranda Douglas-Crane.
NVIRP and G-MW Joint Board Co-ordination Committee* (until January 2012)	The NVIRP and Goulburn-Murray Water Board Coordination Committee assisted the respective Boards in facilitating their relationship under the Relationship Agreement entered into between Goulburn-Murray Water and NVIRP in March 2009.
NVIRP and G-MW Joint Board Co-ordination Committee	An Integration Steering Committee was established in December 2011 at the request of the Minister of Water and the Treasurer to investigate and evaluate options for the integration, prepare a report to Government recommending an integration model and transition process and oversight the implementation processes generally.

*The G-MW/NVIRP Integration Steering Committee replaced the functions of the Joint Board Committee in January 2012.

Governance

Board Meetings

Directors attended the following scheduled meetings:

Committees						
Number scheduled/ number attended						
Director Membership	Ordinary Board Meetings Attended	Remuneration	Audit/Risk	Modernisation	Joint NVIRP/ G-MW ² Board Co-ordination	Joint NVIRP/ G-MW Integration Steering Committee ³
Richard Guy ¹	6/7	3/3	4/4			
Peter McCamish	15/15	5/5	3/3		3/3	13/13
Geoff Akers	14/15			11/11	3/3	2/2
Barry Steggall	14/15			11/11		11/13
Miranda Douglas-Crane	15/15	5/5	7/7			
Neil Brennan	15/15	2/2		9/11		
Fiona Park	13/15		6/7	11/11		

1. Richard Guy resigned as Chair and member of the Board in December 2011. Peter McCamish replaced Richard Guy as the Chair effective from 7 December 2011. On 16 December 2011 the following board committee appointments were made: Neil Brennan was appointed to the Remuneration Committee, Peter McCamish was appointed to the Audit and Risk Committee, and Peter McCamish and Barry Steggall were appointed as members of the Integration Steering Committee with Geoff Akers as a substitute member as required.

2. The NVIRP/Goulburn-Murray Water Joint Board Committee did not meet during the period February 2011 to July 2011 due to Goulburn-Murray Water members not being appointed to the Committee during this time. The Committee ceased to operate from 6 January 2012 by mutual consent of both entities.

3. An Integration Steering Committee was established in December 2011 at the request of the Minister of Water and the Treasurer.

Independent Review Panel

An Independent Review Panel (IRP) was established in December 2011 to review landowner decisions made by NVIRP. The panel consists of a Chair and five members nominated by the Minister for Water for a two-year term. The panel will continue to operate for the duration of the project.

The aim of the panel is to provide an independent review process to ensure fair and reasonable outcomes consistent with the project's objectives.

The IRP considers requests for a review where the matter impacting on the landowner arises from a decision made by NVIRP (and G-MW in future) in relation to:

- The undertaking of works (including the installation, upgrading or replacement of assets) or services in relation to the modernisation project and/or
- A proposed incentive, entitlement or benefit in relation to the modernisation project.
- by the Chief Executive Officer and supporting reasons).
- Data on adherence to timelines for resolving review applications.
- Any systemic issues or trends arising from review applications.
- Examples of representative case studies.

NVIRP was obliged to report on the IRP's operations to the NVIRP Board and the Minister for Water on:

- The number and nature of review applications received.
- Outcomes of the appeal process (including the number of IRP recommendations rejected or amended

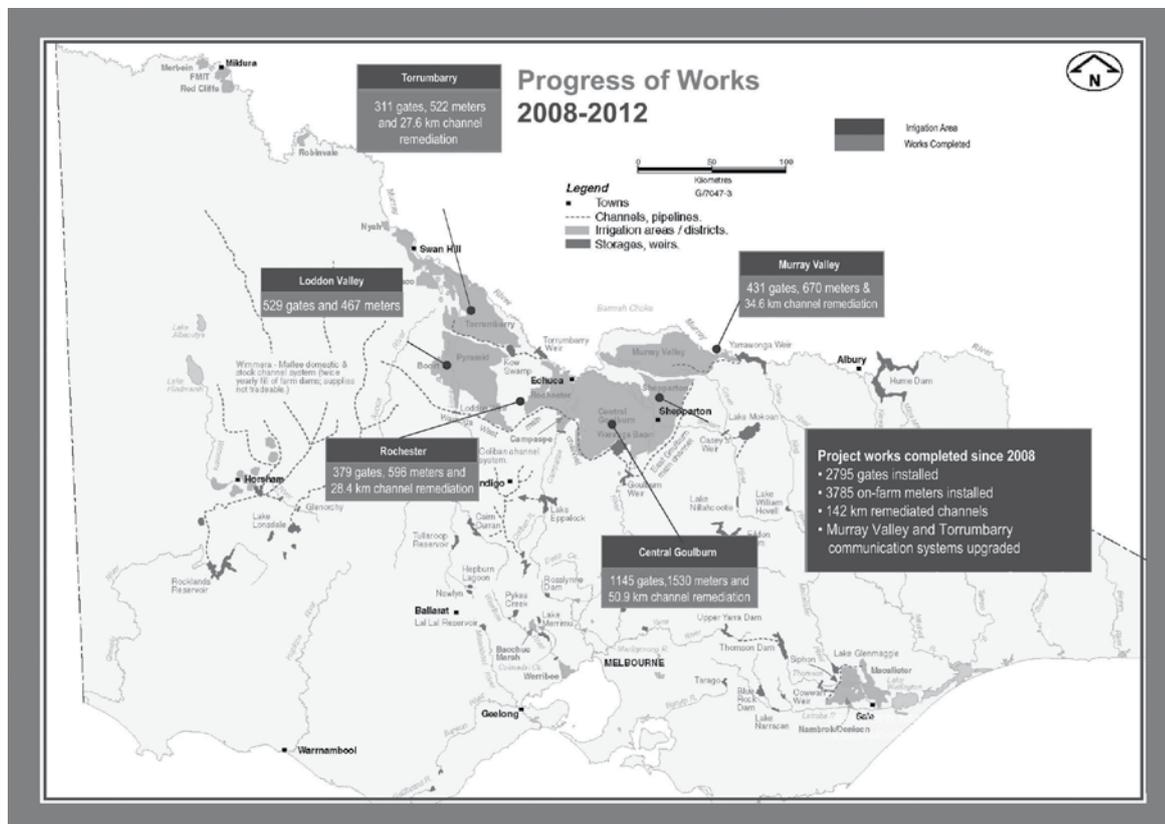
Information on the IRP's operation was also to be reported in the NVIRP Annual Report.

For the reporting period ending 30 June 2012 no appeals were received.

What We Delivered

Project Works completed since 2008

The following diagram provides an overview of NVIRP's performance for the period 2008-2012.



Overview

By the end of the 2012 Winter Works program (including all works completed between 2008-2012) it is anticipated around 142 kilometres of backbone channel will have been remediated and 3,785 new meters will have been installed. To date over 97 per cent of the modernised channel backbone system has been automated with the installation of 2,795 FlumeGates™ and expanded Supervisory Control and Data Acquisition (SCADA) network.

NVIRP as part of the Stage 1 program has consulted with landowners situated on the backbone and over one third of landowners on non-backbone spur channels.

Backbone Modernisation

NVIRP has been upgrading a manually operated channel system to a fully automated irrigation delivery system, which will enable better measurement and management of water flows. This is being achieved through the installation of

automatic regulator gates controlled by a Total Channel Control® (TCC®) system.

NVIRP has been remodelling channel banks, piping sections of channel and lining channels with clay or plastic to minimise water lost to the system. These works are targeted toward seepage and leakage water losses, which account for up to 45 per cent of overall losses when using an open channel system.

What We Delivered

The following table provides a summary of cumulative progress for the reporting period:

Backbone Modernisation¹	Cumulative Progress to 30 June 2011	Cumulative Progress to 30 June 2012
Backbone regulator gates installed ¹	2,713	2,795
Backbone channel remediated (km)	117	142

¹The reported cumulative progress to 30 June 2011 and 2012 includes actual outcomes up to the end of the respective financial year and anticipated outcomes for the respective Winter Works program. The Winter Works programs commence in May and finish in August. The reported outcomes include the Early Works Program.

Meter Installation

Electronic flow meters or Magflow meters are being installed to provide accurate electronic flow rate and volume measurement data to the main Goulburn-Murray Water office via a radio system. These meters provide greater accuracy than Dethridge meter outlets, which are no longer compliant with national metering standards.

Unlike the backbone modernisation program which is generally undertaken during the winter de-commissioning period, meters are installed throughout the year.

The following table provides a summary of cumulative progress for the reporting period:



Backbone Metering¹	Cumulative Progress to 30 June 2011	Cumulative Progress to 30 June 2012
Backbone meters installed	3,055	3,785

¹The reported outcomes include the Early Works Program

What We Delivered

Connecting Landowners to the New System

As part of the Connections Program landowners are connected to the modernised backbone system by consolidating irrigation supply points. By ensuring as many customers as possible are directly connected to the modernised system provides access to improved water delivery services.

Through the Connections Program, landowners are encouraged to upgrade their supply point connections or move supply points from secondary or spur channels to the backbone via a new connection, adopting the solution that best suits their farming operations.

The following three tables describe the progress of the Connections Program against the original Stage 1 Business Case. The figures displayed are largely in line with estimated targets.

Connections Program ¹	Cumulative Progress to 30 June 2011	Cumulative Progress to 30 June 2012
Non-backbone channels agreed to be decommissioned (km)	450	722
Non-backbone channels physically decommissioned (km)	84	200
Non-backbone delivery share relocated to the backbone (ML/day)	1,298	2,032
Backbone service points reduced (number)	980	1,339
Backbone regulator gates removed (number)	253	283
Spur channel service points removed (number)	1,204	1,890

¹All Connections Program figures are based on (a) executed legal agreements and (b) landowner offers accepted but pending execution of legal agreements.

Stage 1 Connections Business Case status	Status as at 30 June 2011	Percentage as at 30 June 2011	Status as at 30 June 2012	Percentage as at 30 June 2012
Under development	232	17%	83	6%
Developed	1,142	83%	1,406	94%
Under consideration or assessment	249	22%	99	7%
Landowner offers accepted pending execution of legal agreements	203	18%	138	10%
Landowner offers accepted and legal agreements executed	481	42%	709	50%
Pending allocation to a SCP ¹			312	22%
Parked (put on hold)	145	13%	95	7%
Rejected or closed	64	6%	53	4%
Total developed business cases	1,142		1,406	

¹Individual business cases with outcomes identified which are pending allocation to a Strategic Connections Project.

What We Delivered

Reducing the Irrigation Footprint

One of NVIRP's objectives has been to streamline the existing public irrigation infrastructure and remove under-utilised assets to minimise recurrent costs of operating and maintaining the modern system. As a result of Stage 1 and Stage 2, the GMID backbone system will be reduced to around 50 per cent of its current length but still service over 90 per cent of irrigation properties.

The following table shows infrastructure to be reduced through agreement with landowners according to the Stage 1 business case targets as of 30 June 2012 (cumulative):

Objective	Program Target ¹	Total Identified ²	Total Agreed ³	Percent of Target Achieved ⁴
Non-backbone channels agreed to be decommissioned (km)	759	1,797	722	95%
Non-backbone delivery share relocated to the backbone (ML/day)	2,258	4,577	2,032	90%
Backbone service points reduced (number)	1,877	1,621	1,339	71%
Backbone regulator gates removed (number)	321	433	283	88%
Spur channel service points removed (number)	2,077	3,603	1,890	91%

¹ Program targets as per Stage 1 revised Business Case approved by Government on 14 May 2012.

² Total identified in active Business Cases, this includes Business Cases pending allocation to a Strategic Connections Project.

³ This includes executed legal agreements and legal agreements pending execution.

⁴ Total agreed as a percentage of the program target.

What We Delivered

Water Recovery

Stage 1 of the project aims to implement water distribution and delivery efficiency improvements to deliver an estimated 225 GL/year (Long Term Cap Equivalent-LTCE) water recovery by 2018. Water recovery will be generated from a reduction of water losses progressively over the term of the project as works are implemented across the irrigation distribution areas. This recovered water is returned as additional bulk water entitlement for use by irrigators, the environment and investors.

Stage 2 of the project is intended to recover an additional estimated 204 GL/year (LTCE) of water by 2018. The water recovered through funding by the Commonwealth Government is retained for environmental use.

The Department of Sustainability and Environment's (DSE) "Technical Manual for the Quantification of Water Savings in Irrigation Water Distribution Systems" provides the framework for measuring and auditing water recovery generated from irrigation modernisation projects across

Victoria. In accordance with this technical manual, the annual water recovery that is generated in a given year from the progressive rollout of the Project works is calculated relative to the water lost in a baseline year (which is subject to customer deliveries occurring in that given year). The reduction in losses in a given year and any water entitlement acquired in carrying out the works are converted into long term average water recovered or Long Term Cap Equivalent (LTCE) savings figures for reporting the water recovered against targets.

Water volumes recovered from the project works are independently audited on an annual basis by the DSE's independent external auditor in accordance with the DSE technical manual. Three audits have been undertaken to date. The following audited annual long term water recovery cumulative volumes have been achieved to date as the works have been progressively installed:

- 2008-09 - 28 GL/year (LTCE)
- 2009-10 - 56 GL/year (LTCE)
- 2010-11 - 109 GL/year (LTCE)

The audited outcome to 2010-11 of 109 GL/year (LTCE) is in advance of the Stage 1 Business Case target of 103 GL/year (LTCE) for the corresponding period.

The cumulative water recovery volume resulting from installed works in 2011-2012 is expected to be in the order of 145 GL/year LTCE to the end of the irrigation season (approx. mid May 2012) and will be independently audited in October 2012. The audited outcomes will be reported in the G-MW 2012-13 annual report.

For the reporting period water recovery had only been realised from Stage 1 works. Stage 2 of the project initiated in early 2012 will generate water recovery volumes in 2012-13.

The table below reports on the audited outcomes towards the overall 225 GL/year LTCE water recovery to be generated from Stage 1 of the Project, showing a breakdown by various work components.

Component of Work	Audited 2008-2009	Audited 2009-2010	Audited 2010-2011
Backbone Automation	25.9	39	48
Backbone Channel Remediation	1.1	2	6
Backbone Meters	1.2	15.5	30
SUB TOTAL Backbone	28.2	56.5	84
Connections Works Meters	0	0	1
Connections Works Channel Decommissioning	0	0	2
Campaspe Distribution Savings			
SUB TOTAL Connections	0	0	3
Recovery from Special Projects On-Farm Irrigation Efficiency Water Recovery			4
Original Stage 1 Business Case Entitlement Acquisitions Budget	0	0	5
Strategic Acquisition eg Campaspe water entitlement	0	0	14
SUB-TOTAL Acquisitions, Special Projects	0	0	23
TOTAL Forecast Water Recovery (cumulative)	28.2	56.5	109

NOTES Truncation of figures to last whole GL may mean some column totals do not sum at last significant figure.

What We Delivered

Environmental Management

NVIRP continued to meet stringent environmental and planning requirements. Key activities and outcomes for the reporting period include:

- Approval of the adjunct works areas of Central Goulburn Channels 1-4 and Shepparton Irrigation Area under the Environment Effects Act 1978.
- A revision of the Construction Environmental Management Framework approved by the Victorian Minister for Planning in consultation with the Victorian Minister for Environment and Climate Change.
- No non-conformances identified in the independent environmental audit of compliance with the Water Change Management Framework.
- No major non-conformances identified in the independent environmental audit of compliance with the Construction Environmental Management Framework.

Mitigation water was delivered for the first time to Round Lake to protect Murray Hardyhead, an endangered small-bodied fish. Mitigation water is a unique water product with the specific purpose of ensuring high environmental values are not harmed by the operational efficiencies gained through irrigation modernisation and is additional to the Project's water recovery target. NVIRP has prepared Environmental Watering Plans to guide the usage of this water, which is set aside and managed according to the environment's needs.

Impacts on Project Performance

- Flooding throughout a large part of the NVIRP works area caused delays affecting the meters program.
- Higher than expected costs associated with the channel remediation and meter program.
- Delay in the approval and commencement of Stage 2 of the project.
- NVIRP experienced several external reviews, investigations and other externally initiated processes which impacted on its resource capacity during the reporting period. This included the investigations by the Ombudsman (February to November 2011) and Privacy Commissioner (September 2011 to February 2012), G-MW/NVIRP integration processes (December 2011 to June 2012) and the substantial review of the Stage 1 Business Case (February to May 2012) with the resulting requirement for a comprehensive connections implementation plan.

Our People

Complying with our employment obligations

The Public Administration Act 2004 specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees. The following principles were observed by NVIRP management and staff:

- Employment decisions are based on merit.
- Employees are treated fairly and reasonably.
- Equal employment opportunity is provided.
- Human rights as set out in the *Charter of Human Rights and Responsibilities Act 2006* are upheld.
- Public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment.

The Code of Conduct for the Victorian Public Sector was issued to all NVIRP employees at their induction, to actively promote and maintain integrity and conduct standards.

Workplace Relations

During 2011-12 NVIRP negotiated a replacement Enterprise Agreement (EBA) which was approved on 15 June 2012 and successfully implemented. This agreement expired on 30 June 2012 with the integration.

Merit and Equity

NVIRP was committed to merit and equity principles when appointing staff. Recruitment processes were designed to ensure fair evaluation based on key selection criteria.

Our employees

During the reporting period, NVIRP's workforce continued to evolve as the organisation's needs moved with project requirements. In the 2010-2011 Annual Report NVIRP reported a workforce of 85. During the period 2011-2012 this number increased to 98.

Employees have been correctly classified in workforce data collections.

Full time equivalents (FTE) staffing trends from 2008-2012:

2008	2009	2010	2011	2012
1	23	48	78.16	87.55



Our People

Employees							
	Total Number (Headcount)	Total FTE	Fixed Term (Headcount)	Executive (Headcount)	Part Time (Headcount)	Secondee (Headcount)	Casual (Headcount)
June 2011	85	78.16	68	6	4	1	6
June 2012	98	87.55	77	6	6	1	8

	June 2011			June 2012		
	Fixed Term		Casual	Fixed Term		Casual
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
Gender						
Male	36	32.16		58	52	
Female	49	46		40	35.55	
Age						
Under 25	4	4		4	4	
25-34	30	28.6		37	34.49	
35-44	15	14.76		20	17.4	
45-54	21	19.8		19	17.66	
55-64	12	9		14	12	
Over 64	3	2		4	2	
Classification						
Grade 1	1	1				
Grade 2	7	6.8		11	5.8	
Grade 3	20	17.76		21	19.65	
Grade 4	21	20.6		25	24.5	
Grade 5	18	18		22	20.6	
Grade 6	11	7		14	12	
Executives	7	7		5	5	
Other						

NOTES All figures reflect active employees in the last full pay period of June of each year and include staff terminated in the period.
 FTE means full time staff equivalent.
 Figures for 2011-2012 exclude those persons on leave without pay or absent on secondment, external contractors/consultants, secondees, temporary staff employed by employment agencies, and a small number of people who are not employees but appointees to a statutory office, as defined in the Public Administration Act 2004.

Our People

Making our workplace safer

NVIRP operated on a zero tolerance for workplace injuries. This encompassed the health and safety of all employees, contractors, visitors and the wider public in relation to all of NVIRP's operations and works including construction, commissioning and decommissioning works conducted by NVIRP.

NVIRP reached just under 1.4 million construction labour hours by 30 June 2012. During the duration of the project four lost time injuries were recorded resulting in 109 hours lost time due to injuries totalling 0.007 per cent of the total hours worked.

The top five performance indicators NVIRP has been monitoring are as follows:

- Close Calls
- First Aid Treatments (FAT)
- Medical Treatment Injuries (MTI)
- Restrictive Work Injuries (RWI)
- Lost Time injuries (LTI)

The following table provides a summary of NVIRP's performance against the top 5 OHS performance indicators for the reporting period 2011-12.

Period	Close calls	FAT	MTI	RWI	LTI
2009-2010	73	4	5	0	1
2010-2011	68	1	5	0	1
2011-2012	109	2	1	1	2

NVIRP's appointed Managing Contractor, Transfield Services Australia, and NVIRP have maintained a strong working partnership to promote health and safety. Transfield Services Australia has a nationally accredited Occupational Health and Safety system and has developed a Health and Safety Management Plan for the NVIRP project. An external review of Transfield's field safety practices has also been conducted.

To ensure continuous improvement of Occupational Health and Safety focus and performance, six independent audits have been conducted on the capital works programs since 2009. As a result, continuous and measurable improvements have been made to the programs.

Project inductions are provided to enhance subcontractor safety. Since 2009, over 3,000 inductions have been undertaken.

Corporate Safety

NVIRP recognised the importance of continuing to maintain and grow a healthy and safe working environment for its employees and the importance of continuously improving health and safety standards in the workplace. Consultation with key stakeholders has continued to provide constructive feedback to continuously improve the safety, health

and welfare of all NVIRP employees, contractors and visitors.

A series of OHS performance indicators were incorporated into performance frameworks for senior management. Those OHS performance indicators included are:

1. Zero Lost Time Injuries (LTIs).
2. Minimise the Number of WorkCover claims.
3. Minimise the Average WorkCover claim cost.
4. Minimise the WorkCover insurance premium cost.
5. Training/Wellbeing initiatives attended.
6. Over 80% of responses and positive reactions to OHS surveys.
7. 100% of area OHS checklists completed as scheduled.
8. 80% of hazards closed out within a set time period.

The NVIRP OH&S committee met nine times between 1 July 2011 and 30 June 2012 and comprised the following representatives:

- One Management Representative.
- Two OHS Officers.
- Five Health and Safety Representatives from the various designated work groups.
- One Representative from the Managing Contractor.

To improve safety of employees including contractors working on the project a number of initiatives were undertaken. These were:

- Formal workplace and ergonomic inspections by departmental Health and Safety Representatives were introduced into each department of the organisation.
- Audits to measure compliance against the Safety System were introduced. Results of audits went back to the senior management of the department that was audited.
- As much of the project work is conducted by contractors, training was conducted for managing the safety of contractors.
- Workplace behaviour training was completed. Training was compulsory for all staff.

Compliance

NVIRP reported to a number of Government entities, which involved independent verification, public reporting and accountability.

Information available

Additional information relevant to Financial Reporting Direction 22C of the FMA 1994 is held at the G-MW Connections office and is available on request, subject to the *Freedom of Information Act 1982*:

- A statement that the declaration of private interests was completed by relevant officers.
- Publications and how these can be obtained.
- Changes in prices, fees, charges, rates and levies charged.
- Major external reviews.
- Major research and development.
- Official overseas travel.
- Major promotional, public relations and marketing activities.
- Assessments and measures undertaken to improve Occupational Health and Safety.
- A general statement on industrial relations.
- Details of time lost through industrial accidents and disputes.
- A list of major committees.

This information is available on written request to the Managing Director, Goulburn-Murray Water, PO Box 165, TATURA VIC 3616.

Building Act 1993

NVIRP did not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the Building Act 1993.

Contract Reporting – greater than \$5 million

NVIRP was required to notify the Minister for Water and the Treasurer if it proposed to enter into a contract which:

- Exceeds \$5 million in total value and
- May outlive the life of the NVIRP SOE, or have ongoing liability implications after the entity is wound up.

During 2011-2012 NVIRP reported on the following contracts:

- Rubicon Corporate Software

Freedom of Information Act 1982

The Freedom of Information Act 1982 allows the public a right of access to documents held by NVIRP. NVIRP maintained a comprehensive website so as to satisfy the information needs of individuals. For the 12 months ending 30 June 2012, NVIRP received no Freedom of Information requests for access to documents.

Applications under the *Freedom of Information Act 1982* should be made in writing including a fee of \$25.10 addressed to Freedom of Information Officer, Goulburn-Murray Water, PO Box 165, TATURA VIC 3616. Further charges may be payable depending on the complexity and nature of the request.

Information Privacy Act 2000

NVIRP is subject to the *Information Privacy Act 2000*. The Victorian Privacy Commissioner, following an investigation in response to a referral from the Ombudsman.

The Privacy Commissioner's final report "Report into an investigation into Goulburn-Murray Rural Water Corporation and the Northern Victorian Irrigation Renewal Project under Part 6 of the *Information Privacy Act 2000*" was tabled by the Attorney General in Parliament in March 2012.

The Privacy Commissioner found a number of breaches of the Information Privacy Act by NVIRP had occurred which it required, through the issuing of a Compliance Notice in February 2012, to be addressed prior to 30 June 2012.

As of 30 June 2012 all actions requested by the Privacy Commissioner in the Compliance Notice have been addressed as verified by the appointed independent consultant.

No privacy related complaints from landowners or other individuals were received directly by NVIRP for the reporting year.

Further information can be obtained by contacting the G-MW Privacy Officer on (03) 5826 3500.

Victorian Industry Participation Policy (VIPP)

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy. During 2011-12, NVIRP entered into seven contracts totalling \$16,448,215 (inclusive of GST) in value to which the Victorian Industry Participation Policy was applied. All contracts are for regional projects.

The commitments by contractors under the VIPP included:

- The seven contracts provided 98 to 100 per cent local content.
- Retention of 425 FTE existing jobs and the creation of 143 FTE new jobs.
- Transfer of irrigation construction skills, safety systems and environmental and cultural awareness training to new and existing contractor staff.

No apprentice positions were created.

The benefits also included increased local employment and a boost to the regional economy.

Compliance

Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* came into effect on 1 January 2002. The Act is designed to protect people disclosing information about serious wrongdoing in the Victorian Public Sector and to provide a framework for the investigation of these matters.

The protected disclosure coordinator for the Department of Sustainability and Environment acted as an agent for NVIRP to receive disclosures under the Act, and applies Department of Sustainability and Environment procedures in managing disclosures. There were no disclosures made directly to NVIRP or referred to the Ombudsman in 2011-2012, nor did NVIRP refuse to investigate any disclosures.

National Competition Policy

NVIRP complied with the requirements and principles agreed under the National Competition Policy and associated Victorian Government policies where applicable to its business.

Ombudsman Act 1973

On 4 February 2011, the Victorian Ombudsman advised NVIRP of his intention to conduct an investigation into the Foodbowl Modernisation Project under section 14 of the *Ombudsman Act 1973*. On 24 November 2011 the Victorian Ombudsman tabled in Parliament his report "Victorian Ombudsman, Foodbowl Modernisation Project and related matters, November 2011" setting out his findings. The Ombudsman made a total of 34 recommendations to be addressed by a range of stakeholders including the Minister for Water, DSE, DTF, G-MW and by implication NVIRP.

NVIRP addressed a number of matters identified in the Ombudsman's findings and recommendations and developed an action plan to deal with these issues which were largely implemented. G-MW will continue this work and address any outstanding matters including those on which advice is still to be provided by DSE as to any impacts stemming from its acceptance of the recommendations.

Pecuniary Interest

Board members and all nominated officers have completed declarations of pecuniary interests. The Board extended the requirement for nominated officers to complete a declaration to include all staff with an expenditure delegation limit of \$20,000 or more.

Risk Management

NVIRP's Corporate Policy in relation to risk management was to ensure that the practice is embedded into and maintained as part of NVIRP's work culture. NVIRP actively managed risk in accordance with its Risk Management Plan which embraces the guidelines provided in AS/NZS 31000:2009 - Risk Management Principles and Guidelines. In addition, the Risk Management Plan incorporated a Risk Appetite Statement which defines NVIRP's tolerance to risk in relation to each of its project related operations.

Risk Attestation

I, Llew Vale certify that NVIRP had risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) and an internal control system was in place that enabled the executive to understand, manage and satisfactorily control risk exposures. G-MW verifies this assurance and that the risk profile of NVIRP has been critically reviewed within the last 12 months.



Llew Vale OAM
Goulburn-Murray Water Chairman
22 August 2012

Financial Report

Financial Summary

Financial Summary 2008 - 2012

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Revenue from Government	88,038	92,609	46,825	14,788	6,494
Other income and revenue	7,789	4,454	10,854	329	23
Total income from transactions	95,827	97,063	57,679	15,117	6,517
Total expenses from transactions	(93,471)	(136,333)	(47,455)	(15,520)	(2,263)
Net result from transactions	2,356	(39,270)	10,224	(403)	4,254
Other economic flows included in net result	(456)	(165)	(280)	-	-
Net result of the period	1,900	(39,435)	9,944	(403)	4,254
Net cash flow from/(used in)operating activities	(6,802)	(71,631)	46,561	7,939	6,652
Total Assets	137,850	157,108	226,085	133,483	6,802
Total Liabilities	20,062	35,990	79,672	25,750	2,548
Net Assets	117,788	121,363	146,413	107,733	4,254
Assets Transferred to G-MW	85,607	102,915	87,740	-	-

NVIRP's first period of operation commenced on 21 December 2007. Data are reported for the five periods of operation.

Funding & Expenditure Summary 2008 – 2012

Funding	Total Project Budget \$M	Expenditure						Total
		2012 \$M	2011 \$M	2010 \$M	2009 \$M	2008 \$M	Early Works \$M	
Operational Expenditure	110.8	10.0	11.9	10.5	12.2	2.3	-	46.9
Project Funding	1,848.8	162.5	228.3	160.9	42.4	-	-	594.2
Funding to NVIRP	1,959.6	172.5	240.2	171.5	54.6	2.3	-	641.1
Early Works Funding ⁽ⁱ⁾	107.3	0.3	0.2	2.4	-	-	103.8	106.7
Total	2,066.9	172.8	240.4	173.9	54.6	2.3	103.8	747.8
External Funding ⁽ⁱⁱ⁾	23.6	6.3	8.9	0.5	-	-	-	15.7

(i) Funding includes \$103.8M for Stage 1 Early Works and \$3.5M for Stage 2 Early Works. Stage 1 Early Works was undertaken by Future Flow. Stage 2 Early Works has been undertaken by NVIRP.

(ii) External funding relates to Stage 1. It is comprised of \$12.4M for the Campaspe Project, \$7.7M for the Reconfiguration Project, \$0.6M for Opex Expenditure and \$2.9M for the ERP implementation. Opex and ERP Expenditure are funded from Interest as approved in the Stage 1 Business Case Revision.

Current year financial review

Overview

- Revenue from government contributions for the year was \$4.6 million lower than 2011, resulting from a \$5.7 million decrease in project funding recognised to match project costs incurred during the year, offset by a \$1.1 million increase in operational funding.
- The comprehensive result for the year was a surplus of \$1.9 million, compared to a deficit for the prior year of \$39.4 million, with the main variance relating to impairment of water entitlements. In 2011, \$55 million in water entitlements were designated to be cancelled as water generated by the project, compared to only \$6.1 million in 2012.
- Net assets decreased by \$3.3 million from 2011, which reflects the following significant movements in assets and liabilities:
 - Construction work in progress represents costs incurred to date that are expected to result in an asset or enhance an asset held by G-MW. The balance of Construction work in progress fell by \$6.8 million in 2012 following capital expenditure of \$79.0 million offset by the transfer of \$85.6 million in completed assets to G-MW.
 - \$10.6 million decrease in cash from \$75.4 million to \$64.8 million resulting from improved cashflow forecasting and estimation of quarterly milestone expenditure to support funding claims.
 - A decrease in receivables of \$6.3 million primarily due to receipt of the initial Stage 2 funding instalment which had been recognised as a receivable in 2011 to the extent that preliminary Stage 2 expenditure had been incurred.
 - An increase in intangibles of \$3.0 million in 2012, recognising expenditure on computer software of \$1.6 million and additional native vegetation offsets of \$1.4m.
 - \$17.5 million decrease in unearned revenue due to the improved matching of expenditure with the inflow of funds under the funding deeds.

Financial Performance and Business Overview

NVIRP was established to plan, design and deliver a project to modernise the irrigation system in the GMID and accordingly it does not generate revenue. The revenue recorded results from government contributions to the project plus any interest earned on the funds received and other contributions, including those from water authorities.

Government operational contributions are recognised as revenue in the period in which they are due and receivable under the funding deed. For 2012 this amount was \$10.6 million (2011: \$9.5million).

Contributions towards the delivery of the project for costs that do not form part of the assets to be transferred to G-MW are recognised as revenue according to the stage of completion of project delivery as at the end of the financial year. The portion of these contributions not recorded as revenue is represented as Unearned Revenue within the liabilities section of the balance sheet.

The comprehensive result for the year was a surplus of \$1.9 million (2011: deficit of \$39.4 million) with the main variance relating to purchase and impairment of water entitlements to be designated as water generated by the project. These represented \$55 million in project costs for 2011 and \$6.2 million in 2012. Initially reflected as 'Other Economic Flows' in 2011, this has been corrected to report purchase and impairment of water entitlements in project costs, reflecting this activity as an integral part of the Connections project.

Also included in the comprehensive result is interest of \$2.4 million earned on cash balances held throughout the year, which is lower than last year (\$3.3 million), reflecting both lower interest rates in 2012 and a lower average balance of funds invested as a result of improved forecasting of funding requirements. Total interest of \$10.3 million has been earned by the project to date.

Other income of \$5.4 million in 2012 is primarily sale of water entitlements held for resale that had been acquired as part of the Connections project.

Other economic flows measure the change in value of assets not resulting from transactions and represent devaluation of land held for resale (2012: \$0.2 million; 2011: \$0.16 million) and impairment of construction work-in-progress (2012: \$0.23 million; 2011: nil).

Financial Position – Balance Sheet

Net assets decreased by \$3.3 million to \$117.8 million mainly from a decrease in total assets of \$19.3 million comprising \$17.0 million decrease in financial assets and \$2.3 million decrease in non-financial assets, offset by a decrease in total liabilities of \$15.9 million.

The decrease in financial assets reflects improved forecasting of funding requirements enabling better matching of revenue against project expenditure incurred. In addition, receipt of initial Stage 2 funding significantly reduced receivables.

The decrease in non-financial assets reflects a combination of a reduced balance for construction work in progress (\$6.8 million), an increase in land held for resale (\$2.8 million) and an increase in intangibles representing purchase and configuration of computer software (\$1.6 million) and acquisition of additional native vegetation offsets (\$0.5 million).

The decrease in liabilities of \$15.9 million results primarily from a of \$17.5 million reduction in unearned revenue as a result of improved forecasting of funding requirements enabling better matching of revenue to project expenditure.

Changes in Equity

The net change to equity of \$3.3 million results from the 2012 comprehensive result of \$1.9 million as well as transactions with the Department of Sustainability and Environment (DSE) comprising funding of \$82.2 million less \$1.8million contributed by the project to Goulburn-Murray Water in relation to the East Loddon Pipeline and transfer of \$85.6 million in assets to Goulburn-Murray Water.

Cashflows

The overall decrease in cash of \$10.6 million during 2012 was significantly less than the decrease of \$68.6 million incurred in 2011. While inflows were lower in 2012 (2012: \$174.9 million; 2011: \$202.8 million) outflows more than offset this (2012: \$185.6 million; 2011: \$271.0 million) and were consistently lower than in 2011 across all activities.

Consultancies

1 July 2011 to 30 June 2012

Consultant	Project	Total Approved NVIRP project fee \$'000	Expenditure 2011-12 \$'000	Future commitments \$'000
Greenspan Technology Pty Ltd	Engineering and Technical Advisor	436	204	232
Hydro Environmental Pty Ltd	Engineering and Technical Advisor	322	255	67
RMCG	Customer Connections Advisor	54	54	-
Strategic Pathways Pty Ltd	Strategic Planning Workshops	15	15	-
Osborne Management Pty Ltd	Technical and design of project delivery model Stage 1 business case review	66	54	12
Intelligent Software Development	Modelling and analysis	27	27	-
Secora Consulting	Business process re-engineering	108	54	54
La Trobe University	Research project	27	27	-
Bluerose Consulting Pty Ltd	Connections options analysis	31	31	-
Aquaterra Consulting Pty	Hydrological Assessment	14	14	-
PSI- Delta Pty Ltd	Engineering and Technical Advisor	150	98	52

Total approved fees and expenditure for 2011-12 excludes GST.

Six consultancies of less than \$10,000 were incurred during the year for a total of \$31,952.

Definition of consultancies

An arrangement where individual or organisation is engaged to:

- i. Provide expert analysis and advice which facilitates decision making
- ii. Perform a specific one off task
- iii. Perform a task involving skills and perspective that would not normally be expected to reside within the entity.

They must meet all three criteria to be classified as consultants.

State Owned Enterprise for Irrigation Modernisation in Northern Victoria – trading as NVIRP (Northern Victoria Irrigation Renewal Project)

FINANCIAL REPORT

2011-12

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Comprehensive operating statement for the year ended 30 June 2012

	<i>Note</i>	2012 \$'000	2011 \$'000
Income from transactions			
Government contributions	2(a)	88,038	92,609
Interest	2(b)	2,437	3,302
Other income	2(c)	5,352	1,152
Total income from transactions		95,827	97,063
Expenses from transactions			
Employee expenses	3(a)	4,235	5,892
Depreciation and amortisation	3(b)	351	295
Project costs	3(c)	83,307	125,423
Other operating expenses	3(d)	5,578	4,723
Total expenses from transactions		93,471	136,333
Net result from transactions (net operating balance)		2,356	(39,270)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4	(456)	(165)
Total other economic flows		(456)	(165)
Net result		1,900	(39,435)
Comprehensive result		1,900	(39,435)

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
Assets			
Financial assets			
Cash and deposits	18(a)	64,773	75,410
Receivables	5	5,819	12,158
Total financial assets		70,592	87,568
Non-financial Assets			
Construction work in progress	6	59,246	66,069
Property, plant and equipment	7	831	1,051
Intangible assets	8	3,010	900
Non-financial assets classified as held-for-sale	9	4,157	1,426
Prepayments		14	94
Total non-financial assets		67,258	69,540
Total assets		137,850	157,108
Liabilities			
Payables	10	14,988	13,548
Provisions	11	763	621
Unearned revenue	12	4,311	21,821
Total liabilities		20,062	35,990
Net assets		117,788	121,118
Equity			
Contributions by owners		141,528	146,758
Accumulated (deficit)/surplus		(23,740)	(25,640)
Net worth		117,788	121,118
Commitments	15		
Contingent liabilities and contingent assets	16		

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2012

	Note	Equity at 1 July 2011	Changes due to		Equity at 30 June 2012
			Total comprehensive result	Transactions with owners in their capacity as owners	
2012		\$'000	\$'000	\$'000	\$'000
Accumulated surplus/(deficit)		(25,640)	1,900	-	(23,740)
Contributions by owners		146,758	-	-	146,758
Cash Received		-	-	80,377	80,377
Transfer of capitalised project costs	6	-	-	(85,607)	(85,607)
		146,758	-	(5,230)	141,528
Total equity at end of financial year		121,118	1,900	(5,230)	117,788

	Note	Equity at 1 July 2010	Changes due to		Equity at 30 June 2011
			Total comprehensive result	Transactions with owners in their capacity as owners	
2011		\$'000	\$'000	\$'000	\$'000
Accumulated surplus/(deficit)		13,795	(39,435)	-	(25,640)
Contributions by owners		132,618	-	-	132,618
Cash received		-	-	117,055	117,055
Return of Capital		-	-	-	-
Transfer of capitalised project costs	6	-	-	(102,915)	(102,915)
		132,618	-	14,140	146,758
Total equity at end of financial year		146,413	(39,435)	14,140	121,118

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

Cash flow statement for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts			
Receipts from Government		73,321	67,679
Goods and Services Tax recovered from the ATO		13,432	14,631
Interest received		2,437	3,302
Other receipts		5,353	173
Total receipts		94,543	85,785
Payments			
Payments to suppliers and employees		(101,338)	(157,409)
Goods and Services Tax paid to the ATO		-	-
Interest and other costs of finance paid		(7)	(7)
Total payments		(101,345)	(157,416)
Net cash flows from/(used in) operating activities	<i>18(b)</i>	(6,802)	(71,631)
Cash flows from investing activities			
Payment for property, plant and equipment		(132)	(289)
Payments for intangible assets		(2,110)	(900)
Land held for resale (net)		(2,953)	(263)
Payments for construction work in progress		(79,017)	(112,562)
Net cash flows from/(used in) investing activities		(84,212)	(114,014)
Cash flows from financing activities			
Net proceeds from capital contributions by State Government		80,377	117,055
Net cash flows from/(used in) financing activities		80,377	117,055
Net increase/ (decrease) in cash and cash equivalents		(10,637)	(68,590)
Cash and cash equivalents at the beginning of the financial year		75,410	144,000
Cash and cash equivalents at the end of the financial year	<i>18(a)</i>	64,773	75,410

The above cash flow statement should be read in conjunction with the accompanying notes.

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Notes to the financial statements

for the year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Reporting entity

The financial report covers the State Owned Enterprise for Irrigation Modernisation in Northern Victoria trading as the Northern Victoria Irrigation Renewal Project (NVIRP), as an individual reporting entity. NVIRP is a State body, established pursuant to an Order in Council made under the State Owned Enterprise Act 1992. Its principal address is:

State Owned Enterprise for Irrigation Modernisation in Northern Victoria
461 Wyndham Street
Shepparton VIC 3630

These annual financial statements were authorised for issue by the Board on 22 August 2012.

From 1 July 2012 NVIRP will be integrated with Goulburn-Murray Rural Water Corporation (G-MW) refer to note 1(e) for details.

(b) Objectives and funding

NVIRP's objectives are to plan, design and deliver the program for modernisation of the irrigation systems throughout the Goulburn Murray Irrigation District (GMID).

Stage 1 of the Program, which was initially expected to be completed during 2013, will cost up to \$1.004 billion. In October 2011, Cabinet directed that the NVIRP Stage 1 Business Case be reviewed to enable the integrated delivery of Stage 1 and Stage 2 of the project and to support the completion of the Food Bowl Modernisation Project agreement with the Commonwealth, with a revised completion date for Stage 1 being 30 June 2018, to align with the completion of Stage 2. Refer to Note 15 for further details.

Stage 2 of the program commenced during the financial year and will cost up to \$1.059 billion.

(c) Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, including Interpretations (AASs). AASs include Australian equivalents to International Financial Reporting Standards.

Where applicable, those paragraphs of the AASs applicable for not-for-profit entities have been applied.

(d) Basis of accounting preparation and measurement

Historical Cost Convention

The financial statements have been prepared on an historical cost basis except for the revaluation of certain non-current assets, if and where applicable. Historical cost is based on the fair values of the consideration given in exchange for assets.

Accrual Basis of Accounting

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Note 1. Summary of significant accounting policies (continued)

Critical Accounting Estimates

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgments. 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. Judgements made by management in the application of the AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

Judgements and assumptions made by management in the application of AASs may have significant effects on the financial statements. Actual results may differ from these estimates relating to:

- unearned revenue (note 1(l))
- construction work in progress (note 1(k))
- contingent liabilities (note 16)

Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented for the year ended 30 June 2011.

Currency

All amounts are presented in Australian dollars, unless otherwise noted.

(e) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between NVIRP and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note 22 provides disclosure about events between the balance date and the date the statements are authorised for issue where the events relate to a condition which arose after the reporting date and which may have a material impact on the results of subsequent reporting periods.

(f) Goods and Services Tax (GST)

Income, 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 balance sheet.

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 flow.

Commitments and contingent assets or liabilities are presented inclusive of the amount of GST receivable or payable.

Note 1. Summary of significant accounting policies (continued)

(g) Income

Income is recognised to the extent that it is probable that the economic benefits will flow to NVIRP and the income can be reliably measured.

Government contributions

Operational Contributions

Government grants and contributions are recognised as operating revenue (unless designated as contributions) on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the comprehensive operating statement as government contributions.

Contract Revenue

Contract revenue represents government contributions towards the Project's expenditure, which will not result in an asset or enhance an asset held by G-MW. Refer also to Note 1(h) – Project costs. NVIRP recognises contract revenue from the State when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to NVIRP. Revenue provided to the project to deliver a modernised irrigation system is recognised based on a percentage of completion basis. The revenue component is disclosed in the comprehensive operating statement within the government contribution category. The portion of contract revenue received in advance which is not recognised as revenue, when applying the percentage of completion basis, is recorded as unearned revenue within Liabilities in the balance sheet.

Interest revenue

Interest revenue is recognised when interest is earned.

(h) Expenses

Employee benefits

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements and superannuation contributions. These are recognised when incurred.

Superannuation – defined benefit plans

The amount recognised in the comprehensive operating statement in relation to defined benefit superannuation plans represents the employer contributions that are paid or payable to these plans during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and actuarial advice.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, recognises on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans. The amount recognised in the comprehensive operating statement in respect of defined benefit superannuation plans represents the accrual of benefits during the reporting period. Note 13 provides further details.

Superannuation – defined contribution plans

The amount recognised in the comprehensive operating statement in respect of defined contribution superannuation plans represents the employer contributions that are paid and payable in respect of employees who are members during the reporting period. Superannuation contributions are made to the plans based on the Superannuation Guarantee legislation.

The amount recognised in the comprehensive operating statement in respect of defined contribution superannuation plans represents the accrual of benefits during the reporting period. Note 13 provides further details.

Note 1. Summary of significant accounting policies (continued)

Depreciation and amortisation

All plant and equipment and other non-physical assets (excluding items under operating leases and assets held-for-sale) that have a limited useful life are depreciated. Depreciation is calculated on a straight-line basis so as to allocate the cost, net of their residual values, over their expected useful lives or the life of the project, whichever is shorter, commencing from the time the asset is held ready for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following are typical estimated useful lives for the different asset classes for both current and prior years:

Plant and equipment	3 – 5 years
Leasehold improvements	3 – 5 years

Project Costs

Project costs represent those costs associated with the delivery of a modernised irrigation system which will not result in an asset or enhance a fixed asset held by G-MW and thus cannot be capitalised as construction work in progress. These costs are expensed as they are incurred. They are generally planning and on-farm modernisation works.

The costs associated with agreements to provide incentives for on-farm works and acquisitions of delivery shares are recognised as an expense at the time the agreement is signed by all parties to the agreement and the agreement becomes irrevocable.

Other operating expenses

Supplies and services generally represent the day-to-day running costs, including maintenance costs, incurred in the normal operations of NVIRP. These items are recognised as an expense in the reporting period in which they are incurred.

(i) Other economic flows

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions and include the impairment of non-financial assets that were acquired by NVIRP during the course of the project.

(j) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents comprise cash on hand and cash at bank and deposits at call which are readily convertible to known amounts of amounts of cash and are subject to insignificant changes in value.

Receivables

Receivables consist predominantly of debtors in relation to accrued investment income and net GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

(k) Non-Financial Assets

Construction work in progress

Costs associated with NVIRP's delivery of a modernised irrigation system which will result in an asset or enhance a fixed asset held by G-MW are recorded as construction work in progress. The balance of construction work in progress represents the costs incurred to date less the value of assets or asset enhancements transferred to G-MW during the period. Direct labour costs are capitalised to the assets.

Note 1. Summary of significant accounting policies (continued)

Plant and equipment

Plant and equipment are measured initially at cost and subsequently revalued, if applicable, at fair value less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is shorter.

Non-financial assets classified as held-for-sale

Non-financial assets classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation. These assets are treated as current and classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as having been met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of the classification.

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to NVIRP.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Water Shares

Water shares are acquired by NVIRP during the course of the project as part of the Connections program. Water shares are accounted for as assets in the reporting period in which they are acquired and an assessment made as to their carrying value based on their expected ultimate disposition. If it is expected that the water shares will ultimately be cancelled rather than sold, then they are treated as a cost of the project.

(I) Liabilities

Payables

Payables represent liabilities for goods and services provided to NVIRP prior to the end of the financial year that are unpaid, and arise when NVIRP becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables are initially recognised at fair value, being the cost of the goods and services.

Unearned Revenue

Funding for the delivery of the project to modernise the irrigation system is received in advance. That portion of the funds, which is not recognised as revenue, when using the percentage of completion methodology (referred to in Note 1(g) above), is recognised as unearned revenue. The balance of unearned revenue represents funds advanced to date less amounts recognised as revenue for the project to date.

Note 1. Summary of significant accounting policies (continued)

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits

- **Current liability - unconditional LSL** is disclosed as a current liability even where NVIRP does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that NVIRP does not expect to settle within 12 months; and
 - nominal value - component that NVIRP expects to settle within 12 months.
- **Non-current liability – conditional LSL** is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

(iii) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, workers compensation and superannuation, are recognised separately from provision for employee benefits.

(m) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value, inclusive of the GST payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(n) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Note 1. Summary of significant accounting policies (continued)**(o) Equity***Contributions by owners*

Additions to net assets which have been designated as contributions by owners are recognised as contributions by owners. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets are treated as distributions to or contributions by owners.

(p) Leases

A lease is a right to use an asset for an agreed period in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating Leases

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

(q) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

(r) Comparatives

Where appropriate, comparative figures have been amended to align with presentation in the current year.

During the 2011 financial year, NVIRP treated water purchases as other economic flows. During 2012, it was decided that water purchases were more appropriately classified as a project cost. The change in comparatives had the effect of increasing project costs by \$54,331,000 and reducing other economic flows by \$54,331,000 in the comprehensive operating statement. The change of prior year comparatives is consistent with the treatment of water share transactions in the 2012 financial year.

(s) New accounting standards and interpretations

As at 30 June 2012, a number of standards and interpretations had been issued that were not mandatory for financial year ending 30 June 2012. NVIRP has not early adopted these standards for this reporting period. Listed below are the standards which may have some applicability to NVIRP and the possible impact on the financial statements.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on NVIRP's financial statements
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2013	Detail of impact is still being assessed.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Not expected to have an impact given the nature of financial instruments held by NVIRP.
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Impact is still being assessed.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	Not expected to have a significant impact as NVIRP will be considered a Tier 1 entity.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential reporting amendments on entity reporting.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1 July 2013	Not expected to have a significant impact as NVIRP will be considered a Tier 1 entity.

<p>AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</p>	<p>These consequential amendments are in relation to the introduction of AASB 9.</p>	<p>1 Jan 2013</p>	<p>No significant impact is expected from these consequential amendments on entity reporting.</p>
<p>AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> [AASB 2009-11 & AASB 2010-7]</p>	<p>The amendments ultimately affect AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.</p>	<p>1 Jan 2013</p>	<p>No significant impact is expected on entity reporting.</p>
<p>AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> [AASB 101 & AASB 1054]</p>	<p>The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.</p>	<p>1 July 2013</p>	<p>Not expected to have a significant impact as NVIRP will be considered a Tier 1 entity.</p>
<p>AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i> [AASB 1049]</p>	<p>This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.</p>	<p>1 July 2012</p>	<p>No impact on departmental or entity reporting.</p>
<p>AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]</p>	<p>This Standard amends AASB 124 <i>Related Party Disclosures</i> by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).</p>	<p>1 July 2013</p>	<p>No significant impact is expected from these consequential amendments on entity reporting.</p>
<p>AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]</p>	<p>This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.</p>	<p>1 Jan 2013</p>	<p>Not expected to have an impact given the nature of financial instruments held by NVIRP.</p>
<p>AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1040]</p>	<p>The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These</p>	<p>1 July 2012</p>	<p>This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently.</p>

1049]	amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.		No other significant impact will be expected.
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i> [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretation arising from the issuance of AASB 119 <i>Employee Benefits</i> .	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 119 <i>Employee Benefits</i> (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1 July 2013	Not expected to have a significant impact as NVIRP will be considered a Tier 1 entity.
2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	This Standard aims to improve the AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 <i>Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements</i> [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 <i>Fair Value Measurement</i> .	1 July 2013	Not expected to have a significant impact as NVIRP will be considered a Tier 1 entity.

Note 2. Income from transactions

	2012 \$'000	2011 \$'000
Income		
(a) Revenue from Government		
Operational contributions	10,599	9,449
Contract revenue	77,437	83,160
Total revenue from Government	88,038	92,609
(b) Interest		
Interest on deposits	2,437	3,302
Total interest	2,437	3,302
(c) Other ⁽ⁱ⁾	5,352	1,152

(i) Other income for 2012 includes sale of water of \$5,328,115. For 2011, \$1,110,000 was received or receivable as project contributions from water authorities.

Note 3. Expenses from transactions

	2012 \$'000	2011 \$'000
Expenses		
(a) Employee benefits:		
Salaries and wages	3,426	5,118
Post employment benefits		
• Defined contribution superannuation plans	499	438
• Defined benefit superannuation expense	47	48
Board Remuneration	263	288
Total employee benefits	4,235	5,892
(b) Depreciation and amortisation		
Depreciation of non-current assets	351	295
Total depreciation and amortisation	351	295
(c) Project costs	83,307	125,423

i.) Project costs include costs associated with acquisition and/or impairment of water shares as part of the Connections program in accordance with the Stage 1 Business Case, the Campaspe Irrigation District Future Management Strategy (Campaspe project) and through the On-farm efficiency program in association with the Goulburn Broken Catchment Management Authority. Water shares are generally acquired for one of two purposes: a) with the intention that they be re-sold in which case an 'asset held for resale' is created or b) to be delivered as water generated by the project in which case the shares are impaired to zero value, pending their cancellation, and effectively written off as a cost of the project. As at 30 June 2012, a small quantity of low reliability water shares are held for expected sale to Central Highlands Water as part of the Campaspe project. A summary of water share transactions included in the comprehensive operating statement is set out in the table below:

	2012 \$'000	2011 \$'000
Water Shares		
Opening balance	172	626
Water shares purchased – project costs	7,137	54,330
Water shares purchased – held for resale	4,249	2,072
Water shares to be cancelled	(6,157)	(54,956)
Water shares sold	(5,308)	(1,900)
Closing Balance	93	172

Note 3. Expenses from transactions (continued)

	2012 \$'000	2011 \$'000
(d) Other operating expenses		
Supplies and services		
Purchase of supplies and consumables	462	547
Purchase of services	4,478	3,602
Total supplies and services	4,940	4,149
Operating lease rental expenses:		
• Minimum Operating lease payments	638	574
Total operating lease rental expenses	638	574
Total other operating expenses	5,578	4,723

Note 4. Other economic flows included in net result

	2012 \$'000	2011 \$'000
Devaluation of Land held-for-sale (refer Note 9)	(222)	(165)
Impairment of Construction Work in Progress	(234)	-
Total gain/(loss) on non-financial assets	(456)	(165)

Note 5. Receivables

	2012 \$'000	2011 \$'000
Current receivables		
Amounts due from Victorian Government	-	4,379
Amounts due from other Government Entities	1,804	1,100
GST input tax credit recoverable	3,427	6,639
Other Receivables	588	40
Total current receivables	5,819	12,158

Nature and extent of risk arising from receivables

Please refer to Note 17(b) for the nature and extent of credit risk arising from receivables.

Note 6. Construction Work in Progress

	2012 \$'000	2011 \$'000
Non - current		
Construction Work in Progress		
Capitalised costs	59,246	66,069
Total Construction Work in Progress	59,246	66,069
Movements in carrying amounts		
Opening balance	66,069	74,226
Project costs capitalised	79,018	94,758
Impairment	(234)	-
Transfer capitalised project costs to G-MW	(85,607)	(102,915)
Closing balance	59,246	66,069

Note 7. Property, plant and equipment

	2012 \$'000	2011 \$'000
Non-current Property, plant and equipment		
Leasehold improvements at fair value	857	836
Accumulated depreciation	(396)	(224)
	461	612
Plant and equipment at fair value	872	761
Accumulated depreciation	(502)	(322)
	370	439
Total	831	1,051

Movements in carrying amounts	<i>Leasehold improvements at cost</i>	<i>Plant and equipment at cost</i>
	\$'000	\$'000
Balance at 1 July 2011	612	439
Additions	21	111
Disposals	-	-
Depreciation	(172)	(180)
Balance at 30 June 2012	461	370
Balance at 1 July 2010	575	481
Additions	173	117
Disposals	-	-
Depreciation	(136)	(159)
Balance at 30 June 2011	612	439

Note 8. Intangible assets

	2012 \$'000	2011 \$'000
Native Vegetation Offsets	1,424	900
Software	1,586	-
Total	3,010	900

Note 8. Intangible assets (continued)

Movements in carrying amounts	Native Vegetation Offsets	Software
	\$'000	\$'000
Balance at 1 July 2011	900	-
Additions	524	1,586
Disposals	-	-
Amortisation and impairment	-	-
Balance at 30 June 2012	1,424	1,586
Balance at 1 July 2010	781	-
Additions	119	-
Disposals	-	-
Amortisation and impairment	-	-
Balance at 30 June 2011	900	-

Note:

Under the Native Vegetation Management: A Framework for Action (2002) (the Framework), NVIRP is required to mitigate the loss of the native vegetation by commensurate gains through the provision of appropriate offsets. The loss of native vegetation, as a consequence of the construction work under the various NVIRP programs creates an obligation which NVIRP must offset and provision for this is made at the time. Satisfaction of this obligation requires NVIRP to purchase Native Vegetation Credits which are recognised as intangible assets. Once the 'offset' has been formally established and registered, NVIRP extinguishes its liability by removing the corresponding intangible asset. The balance of the intangible assets at 30 June 2012 represents the Credits purchased which have not yet been formally offset against the obligations.

Note 9. Non-financial assets classified as held-for-sale

	2012 \$'000	2011 \$'000
Land held- for-sale ⁽ⁱ⁾ – at fair value	4,063	1,254
Water shares held- for- sale ⁽ⁱⁱ⁾ – at fair value	93	172
Closing balance	4,157	1,426

Notes:

- (i) *Land held-for-sale represents purchases of land undertaken by the Rural Finance Corporation of Victoria (RFC) on behalf of NVIRP as part of the on farm works program. RFC is marketing these parcels of land on behalf of NVIRP and it is expected that that will be sold within the next 12 months. RFC has complied with all the necessary obligations in relation to land purchasing and sales by government related entities. An impairment loss of \$222,000 was recognised as at 30 June 2012 (2011:\$ 165,000)*
- (ii) *Water shares held-for-sale at 30 June 2012 represent purchases made directly by NVIRP and which will ultimately be sold to a water corporation (Central Highlands Water). No provision for impairment of carrying value was required at 30 June 2012. These purchases were undertaken as part of the Campaspe Irrigation District Future Management Strategy which requires the project to provide 12,000ML LRW (Low Reliability Water) water savings in exchange for funding provided by the water corporation (Central Highlands Water).*

Note 10. Payables

	2012 \$'000	2011 \$'000
Current payables		
Amounts payable to other government agencies	528	576
Supplies and services and construction work in progress ⁽ⁱ⁾	14,206	12,539
Taxes payable	254	433
Total payables	14,988	13,548

Notes:

(i) The average credit period is 30 days. No interest is charged on payables for the first 30 days from the date of the invoice.

(a) **Maturity analysis of payables**

Please refer to table 17.5 in Note 17 for the ageing analysis of payables

(b) **Nature and extent of risk arising from payables**

Please refer to Note 17 for the nature and extent of risks arising from payables.

Note 11. Provisions

	2012 \$'000	2011 \$'000
Current provision		
Employee benefits ⁽ⁱ⁾		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	506	430
Unconditional and expected to be settled after 12 months	-	-
	506	430
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	97	76
Unconditional and expected to be settled after 12 months	-	-
	97	76
Total current provisions	603	506
Non-current provision⁽ⁱⁱⁱ⁾		
Employee benefits ⁽ⁱ⁾	135	91
Employee benefits on-costs	25	24
Total non-current provisions	160	115
Total provisions	763	621

Employee benefits and related on-costs

	2012 \$'000	2011 \$'000
Current employee benefits		
Annual leave entitlements	303	278
Unconditional long service leave entitlements	203	152
Non-current employee benefits		
Conditional long service leave entitlements	135	91
Total employee benefits	641	521
Current on-costs	97	76
Non-current on-costs	25	24
Total on-costs	122	100
Total employee benefits and related on-costs	763	621

Note:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed for long service leave entitlements are discounted to present values.

Note 12. Unearned Revenue

	2012 \$'000	2011 \$'000
Current		
Unearned revenue	4,311	21,821

Unearned revenue represents the portion of the funding not recognised, directly related to project costs, received to date which has not been recognised as revenue when applying the stage of completion methodology to revenue recognition. The stage of completion methodology used is the percentage completion basis. It is calculated as the ratio of costs for on farm works incurred to date, to total funding available which substantially relates to such on farm works.

Note 13. Superannuation

Employees of NVIRP are entitled to receive superannuation benefits and NVIRP contributes to both nominated defined benefit and defined contribution plans.

The defined benefit plan(s) provide benefits based on years of service and final average salary.

NVIRP does not recognise any defined benefit liability in respect of the plan(s) because NVIRP has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement.

The name and details of the major employee superannuation funds and contributions made by NVIRP are as follows:

Fund	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Defined benefit plans:				
Emergency Services and State Superannuation Fund- revised and new	44	51	3	-
Defined contribution plans:				
VicSuper	187	181	14	1
Vision Super	91	90	6	-
Other	190	146	10	-
Total	512	486	33	1

Note:

The basis for contributions are determined by the various schemes.

Note 14. Leases

Disclosures for lessees – operating leases

Leasing arrangements

Operating leases relate to office accommodation with lease terms between 1 year and 5 years. Options exist for each lease (Welsford Street – four, one year extensions, Wyndham Street- two, two year extensions, Drummond Road – one year extension). NVIRP does not have an option to purchase the leased assets at the expiry of the lease period.

Operating leases also relate to motor vehicles, with varying lease terms not exceeding 3 years. NVIRP does not have an option to purchase the leased assets at the expiry of the lease period.

Note 14. Leases (continued)

	2012 \$'000	2011 \$'000
Non-cancellable operating leases payable		
Not longer than 1 year	722	640
Longer than 1 year and not longer than 5 years	182	580
Longer than 5 years	-	-
	904	1,220

Note 15. Commitments

Under the Victorian Government's 2007 "Our Water Our Future" – The Next Stage of the Government's Water Plan, the State announced \$1,004 million funding (including \$113 million paid directly to G-MW) for Stage 1 of the Northern Victoria Irrigation Renewal Project ("NVIRP") to upgrade the Goulburn-Murray Irrigation District Irrigation System in Northern Victoria. Stage 1 funding of \$1,004 million is to be provided by the State Government, via the Department of Sustainability and Environment (DSE). \$113 million was provided directly to G-MW to complete the early works program, the unspent portion of \$9.6 million was paid to NVIRP in June 2011. The funding and expenditure of the early works program is accounted for separately by G-MW.

Stage 2 of the project commenced in 2012 following agreement between the State Government and the Commonwealth on Stage 2 funding and milestones, with \$1,059 million funding to be provided to NVIRP via DSE over seven years (2011-12 to 2017-18).

NVIRP will receive \$110.8 million operational funding (Stage 1: \$50.8 million; Stage 2: \$60.0 million) to meet its direct operating costs and \$1,848.8 million (Stage 1: \$849.8 million; Stage 2: \$999.0 million) for project works (excluding the net amounts paid directly to G-MW). The funding for the project works will be received as two streams: \$1,071.1 million project funding – output (Stage 1: \$358.1 million; Stage 2: \$713.6 million) as revenue and matched to expenses substantially related to connections in accordance with AASB 111 Construction Contracts; and \$777.1 million project funding – capital (Stage 1: \$491.7 million; Stage 2: \$285.4 million) as capital contributions which will predominantly fund Construction Works in Progress until such time as the works are transferred to G-MW, the owners of the assets. Upon transfer, capital contributions and assets will be reduced by the value of the assets being transferred.

Revenue commitments and the timing of receipt of funding are subject to the conditions within the appropriate funding agreements.

At 30 June 2012 the funding position is as follows:

	Total Committed at start of project \$'000	Received/ Receivable \$'000	Balance \$'000
Operational Funding			
Operational Funding (Stage 1)	50,798	45,110	5,688
Operational Funding (Stage 2)	60,000	2,655	57,345
Total Operational Funding	110,798	47,765	63,033
Project Works Funding			
Project Funding (Stage 1) - Output	358,119	198,363	159,756
Project Funding (Stage 2) – Output	713,578	3,807	709,771
Total Project Works Funding - Output	1,071,697	202,170	869,527
Project Funding (Stage 1) -Capital	491,661	415,367	76,294
Project Funding (Stage 2) - Capital	285,445	2,385	283,060
Total Project Funding - Capital	777,106	417,752	359,354
Total Project Works Funding	1,848,803	619,922	1,228,881
Total Committed directly to NVIRP	1,959,601	667,687	1,291,914

Note 15. Commitments (continued)

	2012 \$'000	2011 \$'000
(a) Commitments for receipt of funding		
(i) Stage 1 Operational Funding Commitments		
Receivable:		
Not longer than one year	5,305	9,335
Longer than one year and not longer than five years	383	5,305
Total operational funding revenue commitments	5,688	14,640
(ii) Stage 2 Operational Funding Commitments		
Receivable:		
Not longer than one year	7,608	-
Longer than one year and not longer than five years	39,737	-
Longer than five years	10,000	-
Total operational funding revenue commitments	57,345	-
(iii) Stage 1 Project Funding Commitments - Output		
Receivable:		
Not longer than one year	32,184	-
Longer than one year and not longer than five years	95,563	-
Longer than five years	32,009	-
Total project funding revenue commitments	159,756	-
(iv) Stage 2 Project Funding Commitments - Output		
Receivable:		
Not longer than one year	11,778	-
Longer than one year and not longer than five years	652,622	-
Longer than five years	45,371	-
Total project funding revenue commitments	709,771	-
(v) Stage 1 Project Funding Commitments -Capital		
Receivable:		
Not longer than one year	50,449	188,628
Longer than one year and not longer than five years	25,845	183,836
Total project funding revenue commitments	76,294	372,464
(vi) Stage 2 Project Funding Commitments - Capital		
Receivable:		
Not longer than one year	7,153	-
Longer than one year and not longer than five years	255,482	-
Longer than five years	20,425	-
Total project funding revenue commitments	283,060	-
Total revenue commitments	1,291,914	387,104

All amounts in the commitments for receipt of revenue note are nominal amounts. No GST is receivable on these amounts.

Note 15. Commitments (continued)

	2012 \$'000	2011 \$'000
(b) Commitments for Expenditure		
(i) Capital expenditure commitments		
<i>Project Works</i>		
Payable:		
Not longer than one year	33,959	45,136
Longer than one year and not longer than five years	-	4,542
Longer than five years	-	-
Total capital expenditure commitments	33,959	49,678
(ii) Other expenditure commitments		
Payable:		
Not longer than one year	30,932	16,508
Longer than one year and not longer than five years	-	118
Longer than five years	-	-
Total other expenditure commitments	30,932	16,626
(iii) Lease commitments		
Non-cancellable operating lease commitments are disclosed in Note 14 to the financial statements		
	785	1,220
Total commitments for expenditure (inclusive of GST)	65,676	67,524
Less GST receivable from the Australian Tax Office	5,448	6,139
Total commitments for expenditure (exclusive of GST)	60,228	61,386

All amounts shown in the commitments for expenditure note are nominal amounts inclusive of GST.

Note 16. Contingent assets and Contingent Liabilities

	2012 \$'000	2011 \$'000
Contingent assets	-	-
Contingent liabilities		
Verbally agreed contracts/agreements with irrigators ⁽ⁱ⁾	68,289	31,198
Campaspe Irrigation District Future Management Strategy ⁽ⁱⁱ⁾	7,848	8,344
Water purchases	4,782	-
Other	1,800	-
	82,719	40,542

(i) All amounts in the contingent assets and liabilities are GST inclusive. The amount disclosed in relation to verbally agreed contracts / agreements with irrigators represents NVIRP's expected liability to landowners/ irrigators as a result of verbal agreements between NVIRP and landowners/ irrigators for incentives to be paid and delivery shares and water shares to be purchased. The extent of the economic outflow is contingent upon the formal execution of the contracts by landowners/ irrigators, NVIRP and G-MW and, in the case of water shares, the final settlement of the transaction.

(ii) The amount disclosed in relation to the Campaspe Irrigation District Future Management Strategy comprises estimated costs to complete the project, including decommissioning, reconnections, pipeline construction, project costs and adjustment packages to landholders. The amount is contingent on 100% landholder participation in the strategy.

Note 17. Financial instruments

(a) Financial risk management objectives and policies

NVIRP's principal financial instruments comprise of:

- cash assets
- receivables (excluding statutory GST recoverable)
- payables (excluding taxes payable)

Details of the significant accounting policies and methods adopted for the recognition and measurement of income and expenses are disclosed in Note 1 to the financial statements for each class of financial asset, financial liability and equity instrument.

The main purpose for holding financial instruments is to prudently manage NVIRP's financial risks within Government policy parameters.

The carrying amount of NVIRP's contractual financial assets and financial liabilities by category are in table 17.1 below:

Table 17.1: Categorisation of financial instruments⁽ⁱⁱⁱ⁾

	2012 \$'000	2011 \$'000
Contractual financial assets		
Cash and cash equivalents	64,773	75,410
Receivables	2,392	5,519
Total contractual financial assets⁽ⁱ⁾	67,165	80,929
Contractual financial liabilities		
Payables	14,734	13,115
Total Financial Liabilities⁽ⁱⁱ⁾	14,734	13,115

Note:

- (i) The amount of receivables disclosed here exclude statutory receivables (i.e. GST input tax credits recoverable)
- (ii) The total amount of financial liabilities disclosed here exclude statutory payables (i.e. Taxes payable)
- (iii) All amounts disclosed are at fair value

Table 17.2: Net holding gain/(loss) on financial instruments by category

	Total interest income/(expense) 2012 \$'000	Total interest income/(expense) 2011 \$'000
Contractual financial assets		
Cash and cash equivalents	2,437	3,302
Receivables	-	-
Total contractual financial assets	2,437	3,302
Contractual financial liabilities		
Payables	-	-
Total contractual financial liabilities	-	-

The net holding gains or losses disclosed above are determined as follows:

- For cash and cash equivalents and receivables, the net gain or loss is the interest revenue.
- For financial liabilities, the net gain or loss is the interest expense.

Note 17. Financial instruments (continued)**(b) Credit risk**

Credit risk arises from the financial assets of NVIRP which comprise cash and cash equivalents, and other receivables. NVIRP's exposure to credit risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to NVIRP. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with NVIRP's financial assets is minimal because the majority of receivables relate to receivables from the State or other government corporations.

Except as otherwise detailed in the following table, the carrying amount of financial assets recorded in the Financial Report, net of any allowances or losses, represents NVIRP's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Note 17. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk arises when NVIRP is unable to meet its financial obligations as they fall due. NVIRP operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

DSE provides the sole source of NVIRP future funds under three funding agreements: Stage 1 - the NVIRP Operational Funding Agreement (operating funds) and the Funding Agreement (capital project funds); Stage 2 – Northern Victoria Irrigation Renewal Project Stage 2: Funding Agreement.

These agreements provide funding, subject to appropriation being made available for the project and NVIRP meeting, to the satisfaction of DSE, a number of obligations including performance milestones and reporting. NVIRP has regular and significant capital and operating payables under contracts and agreements with providers and contractors. As a result of these funding arrangements, NVIRP has a liquidity risk were its funding to be delayed. The risk cannot be quantified and is mitigated through cashflow management.

Note 17. Financial instruments (continued)

The following table discloses the contractual maturity analysis for NVIRP's financial liabilities:

Table 17.5: Maturity analysis of financial liabilities

	Carrying amount	Nominal Amount	Maturity dates ^(a)				
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	\$'000
2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other payables	14,734	14,734	14,734	-	-	-	-
Total	14,734	14,734	14,734	-	-	-	-

	Carrying amount	Nominal Amount	Maturity dates ^(a)				
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	\$'000
2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other payables	13,115	13,115	13,115	-	-	-	-
Total	13,115	13,115	13,115	-	-	-	-

Note:

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

Note 17. Financial instruments (continued)

(d) Market risk

NVIRP's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Interest rate risk

NVIRP has interest bearing assets with its exposure to interest rate risk not considered significant.

Table 17.6: Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying Amount \$'000	Interest rate exposure		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
2012					
Financial assets					
Cash at bank	3.94	64,773	-	64,773	-
Cash on deposit with Treasury Corporation Victoria	3.59	-	-	-	-
Receivables	-	2,392	-	-	2,392
Total financial assets		67,165	-	64,773	2,392
Financial Liabilities					
Other payables	-	14,734	-	-	-
Total financial liabilities		14,734	-	-	-
2011					
Financial assets					
Cash at bank	4.87	39,900	-	39,900	-
Cash on deposit with Treasury Corporation Victoria	4.28	35,510	-	35,510	-
Receivables	-	5,519	-	-	5,519
Total financial assets		80,929	-	75,410	5,519
Financial Liabilities					
Other payables	-	13,115	-	-	-
Total financial liabilities		13,115	-	-	-

(e) Fair value

NVIRP does not have any financial assets or liabilities at 30 June 2012 that are stated other than at fair value.

(f) Sensitivity disclosure analysis and assumptions

The sensitivity analysis below has been determined based on the exposure to the market interest rate risk of the cash and cash equivalent balances at the end of the reporting period.

A movement in market interest rates of 0.5% higher or lower, would cause the 2012 comprehensive result to increase or decrease by \$323,865 (2011: \$377,000) based on average cash balance held during the year.

The sensitivity analysis disclosed is for illustrative purposes only and are not entirely representative of the risk inherent in the cash and cash equivalent balances. The year end exposure does not reflect the exposure during the year due to timing differences between receipts and payments leading to higher cash balances at the end of the reporting period.

Note 18. Cash flow information

(a) Reconciliation of cash and cash equivalents

	2012 \$'000	2011 \$'000
Cash at bank	64,773	39,900
Cash on deposit with Treasury Corporation of Victoria	-	35,510
Balance as per cash flow statement	64,773	75,410

All cash at bank and deposits with TCV are at call.

(b) Reconciliation of net result for the period to net cash flows from operating activities

	2012 \$'000	2011 \$'000
Net result	1,900	(39,435)
Non-cash movements:		
Depreciation and amortisation of non-current assets	351	295
(Revaluation)/Devaluation of land held for re-sale	222	165
Impairment of Construction work in progress	234	-
Movements in assets and liabilities:		
(Increase)/decrease in current receivables	6,339	(8,092)
(Increase)/decrease in other current assets	79	452
(Decrease)/increase in current payables	1,440	(4,667)
(Decrease)/increase in current provisions	97	184
(Decrease)/increase in other current liabilities	(17,509)	(20,551)
(Decrease)/increase in non-current provisions	45	18
Net cash flows from/(used in) operating activities	(6,802)	(71,631)

(c) Non- cash financing and investing activities

Transfer of capitalised costs to G-MW

During the reporting period NVIRP transferred capitalised project costs to G-MW for those capital items which had been installed, replaced or refurbished during the period to date, which G-MW had commenced utilising. The transfer totalled \$85,607,000 (2011: \$102,915,000) and is shown in Note 6. The transfer of these costs is not reflected in the cashflow statement.

Note 19. Responsible persons

The names of persons who were Responsible Persons at any time during the period 1 July 2011 to 30 June 2012 are:

The Hon P Walsh MP	Minister for Water
The Hon K Wells MP	Treasurer for Victoria
Mr Peter McCamish	Chairman (acting 4 December 2011 to 7 March 2012, appointed 7 March 2012) Board Member (1 July 2011 to 4 December 2012)
Mr Richard Guy OAM	Chairman (1 July 2011 to 4 December 2011)
Mr Geoffrey Akers	Board Member
Mr Neil Brennan	Board Member
Mrs Miranda Douglas-Crane	Board Member
Ms Fiona Park	Board Member
Mr Barry Steggall	Board Member
Mr George Warne	Chief Executive Officer (Accountable Officer) appointed 9 January 2012 to 30 June 2012
Mr Murray Smith	Chief Executive Officer (Accountable Officer) 1 July 2011 to 27 January 2012

Remuneration of Responsible Persons

The numbers of Responsible Persons are shown below in their relevant income bands (excluding the Responsible Minister):

Remuneration Band	2012	2011
\$0 to \$9,999	1	1
\$40,000 to \$49,999	5	5
\$70,000 to \$79,999	1	-
\$100,000 to \$109,999	-	1
\$150,000 to \$159,999	1	-
\$220,000 to \$229,999	1	-
\$360,000 to \$369,999	-	1
	9	8

In calculating the disclosures above, income includes base salary and superannuation.

Total remuneration (including superannuation) received or due and receivable to the Responsible Persons from the reporting entity amounted to \$666,295 (2011:\$685,126). The Ministers' remuneration is disclosed in the Financial Statements of the Department of Premier and Cabinet.

Transactions with Responsible Persons

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to disclose.

Note 20. Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

A number of executives received bonus payments during the year ended 30 June 2012. The employment contracts allow for an annual bonus payment based on pre determined key result areas.

Income Band	Total Remuneration		Base Remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$0 to 9 999	-	-	1	1
\$20 000 - 29 999	1	1	-	-
\$110 000 - 119 999	-	1	-	1
\$130 000 - 139 999	-	-	1	-
\$140 000 - 149 999	-	-	-	1
\$160 000 - 169 999	-	1	-	-
\$180 000 - 189 999	-	-	-	1
\$190 000 - 199 999	-	-	-	1
\$200 000 - 209 999	-	-	2	-
\$210 000 - 219 999	-	1	-	-
\$220 000 - 229 999	2	1	-	-
\$240 000 - 249 999	1	-	-	-
Total numbers	4	5	4	5
Total annualised employee equivalent (AEE)^{i.)}	4	5	4	5
Total amount (\$'000)	720	747	552	646

i.) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Note 21. Remuneration of auditors

	2012 \$'000	2011 \$'000
Victorian Auditor-General's Office		
Audit or review of the financial report		
Paid	30	15
Payable	13	22
	43	37

Note 22. Subsequent events

Integration of NVIRP & Goulburn Murray Water (G-MW)

NVIRP was established in 2007 to plan, design and deliver the food bowl modernisation project. This project has a budget of \$2,063 million.

The Victorian Government decided during 2011-12 to integrate the operations of NVIRP into Goulburn-Murray Water (G-MW). Upon integration G-MW would have responsibility for the foodbowl modernisation project. To facilitate this integration the Victorian Government:

- declared NVIRP a reorganising body under the provisions of the *State Owned Enterprises Act 1992*
- transferred the property, assets and liabilities of NVIRP to G-MW on 1 July 2012
- transferred the employees of NVIRP to G-MW under the *Public Administration Act 2004* on 1 July 2012

These transfers by the Victorian Government resulted in G-MW obtaining control of NVIRP's operations on 1 July 2012. Therefore the financial statements are signed by the Chairman of the G-MW Board and the G-MW Managing Director as G-MW controls the operations of NVIRP at the date of signing. Although the Board of G-MW did not control the operations of NVIRP during 2011-12, the management of NVIRP had in place controls and an assurance process upon which the Board of G-MW has relied.

NVIRP has prepared the financial statements using a going concern assumption. All of NVIRP's assets and liabilities transferred to G-MW as at 1 July 2012. Refer to the balance sheet for a full listing of assets and liabilities transferring to G-MW. It is management's intention that these will be either realised or settled by G-MW in accordance with normal operations.

Note 23. Glossary of Terms

Backbone

Larger capacity water supply channels (carriers and trunks) that will form the nucleus of a modernised and automated water supply system to efficiently transport large volumes of water direct to customer service points.

Capital Contributions

Additions to net assets which have been designated as contributions by owners.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Connections

Public or private, piped or open channels, that allows individual properties, or a cluster of properties, to receive water from the Backbone (i.e. to be connected to the Backbone).

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to NVIRP; or

Note 23. Glossary of Terms continued

(d) a contract that will or may be settled in NVIRP's own equity instruments and is:

- a non-derivative for which NVIRP is or may be obliged to receive a variable number of NVIRP's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of NVIRP's own equity instruments.

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Interest revenue

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

On farm works

Works to be carried out on a landowner's property downstream of a service point (i.e. downstream of meter).

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Reconfiguration Program Transfer Agreement

The agreement between DSE, G-MW and NVIRP to allocate funds for the reconfiguration of irrigation infrastructure and generation of water recovery and savings between G-MW and NVIRP.

Statutory Certification

The attached financial statements for the State Owned Enterprise for Irrigation Modernisation in Northern Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2012 and the financial position of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria at 30 June 2012.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 22 August 2012.

Llew Vale
Chair
Goulburn-Murray Rural Water Corporation



22 August 2012

Gavin Hanlon
Managing Director
Goulburn-Murray Rural Water Corporation



22 August 2012

John Calleja
Chief Financial Officer
Goulburn-Murray Rural Water Corporation



22 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Board Members of the Goulburn-Murray Rural Water Corporation, as successor of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Goulburn-Murray Rural Water Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members 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

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 audit procedures selected depend on 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, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria for the year ended 30 June 2012 included both in the State Owned Enterprise for Irrigation Modernisation in Northern Victoria's annual report and on the Goulburn-Murray Rural Water Corporation website. The Board Members of the Goulburn-Murray Rural Water Corporation are responsible for the integrity of the Goulburn-Murray Rural Water Corporation's website. I have not been engaged to report on the integrity of the Goulburn-Murray Rural Water Corporation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
23 August 2012

T. D. H.
For
D D R Pearson
Auditor-General



The Treasurer of Victoria

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Mr Peter McCamish
Chair NVIRP
PO BOX 1665
SHEPPARTON VIC 3632

Dear Mr McCamish

DIRECTION FOR TRANSFER OF ASSETS, LIABILITIES AND UNDERTAKINGS TO G-MW

In accordance with the direction under s9(1) of the *State Owned Enterprises Act 1992* attached to this letter, I have directed you to transfer all of NVIRP's assets, liabilities and undertakings to G-MW. As you would be aware, this results from the Government decision on 30 April 2012 to integrate the Northern Victoria Irrigation Renewal Project (NVIRP) into the operations of the Goulburn- Murray Rural Water Corporation (G-MW) and to wind up the State Owned Enterprise.

In addition, please be advised that the transfer of assets, liabilities and undertakings of this integration shall be effected through a direct adjustment to your contributed capital.

I take this opportunity to thank you and the Board of NVIRP for your contributions to the Project to date and I look forward to your continued contribution to the G-MW Board.

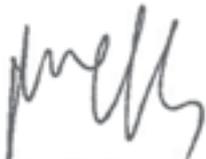
Yours sincerely,

28/6/12

KIM WELLS MP
Treasurer

STATE OWNED ENTERPRISES ACT 1992**DIRECTION TO THE STATE OWNED ENTERPRISE FOR IRRIGATION
MODERNISATION IN NORTHERN VICTORIA**

I, Kim Wells, Treasurer, under section 9(1) of the **State Owned Enterprises Act 1992**, after consultation with the relevant Minister, the Minister for Water, **DIRECT** the State Owned Enterprise for Irrigation Modernisation in Northern Victoria, a reorganising body, to transfer all of its assets, liabilities and undertakings to Goulburn-Murray Rural Water Corporation, a statutory corporation established under the **Water Act 1989**, on 1 July 2012 or, if an instrument under the **Public Administration Act 2004** transferring staff from the State Owned Enterprise for Irrigation Modernisation in Northern Victoria to Goulburn-Murray Rural Water Corporation comes into effect on a date later than 1 July 2012, on that later date by means of a Deed in the form attached executed by both entities.

**Kim Wells****Treasurer**

Dated: 28/6/12

DEED

Date: 2012

Parties: State Owned Enterprise for Irrigation Modernisation in Northern Victoria ("NVIRP") of 461 Wyndham Street Shepparton in the State of Victoria
Goulburn-Murray Rural Water Corporation of 40 Casey Street, Tatura in the State of Victoria

Introductory provisions

- A. The Governor in Council by Order dated 18 December 2007 established NVIRP under section 14 of the *State Owned Enterprises Act 1992*.
- B. Goulburn-Murray Rural Water Corporation is a statutory corporation constituted by Ministerial order under the provisions of the *Water Act 1989*.
- C. The Lieutenant Governor in Council by Order dated 13 June 2012—
 - (a) declared NVIRP to be a reorganising body under section 7 of the *State Owned Enterprises Act 1992*; and
 - (b) made one of the functions of NVIRP for it, in cooperation with Goulburn-Murray Rural Water Corporation, to facilitate and assist in the transfer of all of its property, liabilities, staff and activities to Goulburn-Murray Rural Water Corporation by 30 June 2012 or as soon as possible thereafter consistent with the priorities of the Victorian Government.
- D. The Treasurer in the exercise of the powers in section 9(1) of the *State Owned Enterprises Act 1992* has directed NVIRP to transfer all its assets, liabilities and undertakings to Goulburn-Murray Rural Water Corporation with effect from 1 July 2012 (or, if any instrument transferring staff from NVIRP to Goulburn-Murray Rural Water Corporation under the *Public Administration Act 2004* has effect on a date later than 1 July 2012, then with effect from that later date) in such a manner that all the assets, liabilities and undertaking of NVIRP are transferred to Goulburn-Murray Rural Water Corporation on and from that date in accordance with this deed:

Operative provisions

1. With effect on and from 1 July 2012 (or, if any instrument transferring staff from NVIRP to Goulburn-Murray Rural Water Corporation under the *Public Administration Act 2004* has effect on a date later than 1 July 2012, then with effect from that later date):
 - (a) NVIRP transfers to the Goulburn-Murray Rural Water Corporation all its assets, liabilities and undertakings;
 - (b) all the rights, assets, liabilities and undertakings of NVIRP are vested in Goulburn-Murray Rural Water Corporation;

- (c) any debts, liabilities and obligations arising now or in the future as a result of the transfer in paragraph (a) are debts, liabilities and obligations of Goulburn-Murray Rural Water Corporation; and
- (d) Goulburn-Murray Rural Water Corporation is substituted as a party in any arrangement or contract transferred to or vested in Goulburn-Murray Rural Water Corporation by this deed to which NVIRP was a party.

EXECUTED as a Deed.

The common seal of **State Owned Enterprise for Irrigation Modernisation in Northern Victoria** trading as **Northern Victoria Irrigation Renewal Project** is fixed to this document in the presence of:

sign here ► *GW Akers*
 Signature of Director

print name GEOFF AKERS



sign here ► *[Signature]*
 Signature of Director

print name Petr. N. McCamish

The common seal of the **Goulburn-Murray Rural Water Corporation** was hereto affixed in the presence of:

sign here ► *[Signature]* Usual Address
 Signature of Director

print name Llew Vale



sign here ► *[Signature]* Usual Address
 Signature of Director

print name Gavin Hanlon
 MANAGING DIRECTOR
 40 Casey Street Tatura 351f.

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G-MW Connections Project
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