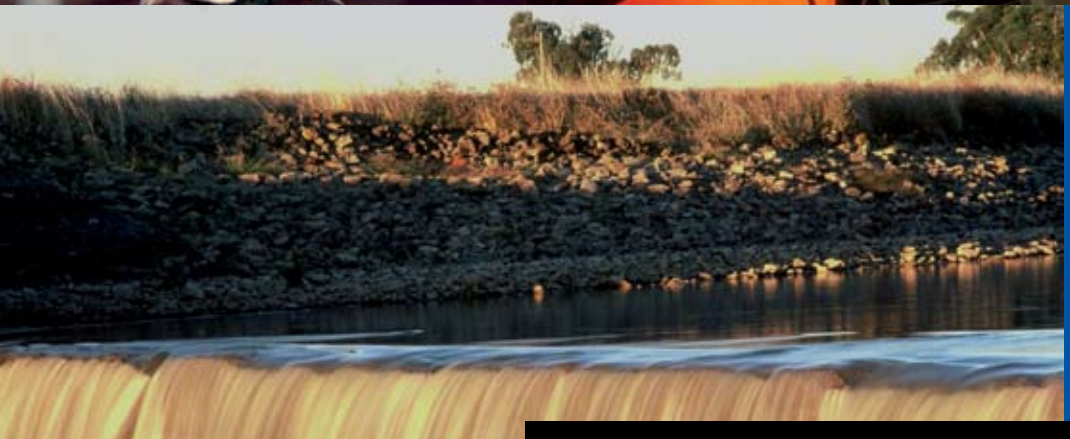
GOULBURN-MURRAY WATER



GOULBURN-MURRAY WATER

ANNUAL REPORT 2005/06

OUR MISSION

To deliver sustainable water services that meet customer and stakeholder needs and support regional economic growth, while balancing social, economic and environmental considerations.

OUR VALUES

Human safety, the environment and customer service are our highest priorities

Sustainability is our commitment to future generations

Cooperation based on the involvement of people is the key to progress

Openness builds trust, knowledge and understanding

Integrity, respect and pride are valued characteristics of our people

Continual improvement is essential and underpins our future

Contents

Report from the Chairperson

This Board is now in the last year of its three-year appointment and it is timely to use this report as a reflection on where we have come from and where further work is needed.

In the first year we concentrated on pricing, introducing the Regulatory Asset Base approach and the internal productivity review aimed at reducing our costs to the lowest responsible level while maintaining our delivery capacity in the system.

During this last year our new Chief Executive, Russell Cooper, has been active, pursuing Board goals of cost reduction and introducing the new Advanced Maintenance Program as well as attending a large number of Water Services Committee meetings. He has thus gained a greater understanding of our diverse business as well as met many irrigators. This wide customer contact has been well received by our stakeholders.

The Board has placed a lot of emphasis on successful project management and, consequently, work is progressing on Total Channel Control in association with Rubicon where major advancements in accuracy of water flow and metering have been demanded. In the long term this will move all our system into the age of automated delivery our farmers expect. Other projects, such as the Waranga Western Channel upgrade, the Tungamah Pipeline and the Pyramid Creek Salt Interception scheme (which won the prestigious National Salinity prize and diverts 22,000 tonnes of salt from the Murray each year), are either finished or nearing completion.

The new Water Storage Amenity Unit and our revised approach to leasing and maintenance of recreation and public use assets have won great support from local government and local communities. Essentially, our policy is to offer longer leases and security in return for more investment by business owners to enhance the appearance and customer satisfaction of the many parks and buildings on dam foreshores. Together with private industry, we were pleased to support the Eildon boat ramp in conjunction with the highly successful Eildon Dam upgrade, which was opened by Victorian Premier Steve Bracks in October 2005. The boat ramp leaves a lasting legacy to boat users throughout Victoria, well positioned beside a principal dam. Both structures will now serve all Victorians well into this century.

Issues in other areas such as Eppalock and Nagambie's Chinaman's Bridge Caravan Park have been addressed with long-term planning and we are excited by the prospect of a new, privately funded caravan park at Nagambie by the end of 2006.

Throughout this time we have had great success improving our relationships within our region at local shire level and with our customers, as well as our partners in the Department of Sustainability and Environment, and State and Federal Governments, catchment management authorities and peak industry bodies such as the VFF.

The entire community is vitally interested in irrigation and water reform. We are concentrating on assisting our customers understand the various changing rules associated with this reform while ensuring the media reports the excellent work of our farmers as they increase water use efficiency. Our new information caravan, 'Water Wheels', now informs both our customers and the public of these changes.

We accept our responsibilities to support regional development and will use the reconfiguration plans already piloted in the Pyramid-Boort irrigation area as a model in all irrigation districts to allow a clear vision to emerge in each community about the future of water use and associated land zoning and channel maintenance. Communities will be encouraged to engage at every level with these reconfiguration plans across our entire system.

Our customers face many challenges. This year we had our first period of regulation by the Essential Services Commission and we will need to ensure that we adapt our pricing process to obtain the most benefit from this new policing body. Water reform and regulation will increase and the community is expecting even greater care for the environment than we currently achieve. Commodity prices continue to be affected by events outside our control. Climate change has moved to the centre of our customer and Board considerations.

The Board sees itself as both a practical reflection of customer concerns as told to us by our active Water Services Committees and a conduit to bring the best investment and government assistance to help our customers achieve profits. We will continue to work on all these fronts for the next year.

Don Cummins
CHAIRPERSON

Report from the Chief Executive

This report covers my first year as Chief Executive and marks another challenging but exciting year for Goulburn-Murray Water. Throughout this period I have spent considerable time working closely with the Board, our customers and our stakeholders to ensure that we understand the needs of customers and communities, and continually seek to improve our efficiency while responsibly managing a resource that is under increasing pressure. I am pleased with the working relationships we have developed and believe we are well placed for managing the challenges ahead of us.

The continuation of drought conditions has created both difficulties and significant hardships across our rural irrigator customer base. In the case of the Campaspe Irrigation District, we have responded to the concerns of irrigators with financial adjustment arrangements to ease their burden.

Water savings has become a focal point within Goulburn-Murray Water and there has been much attention directed towards Total Channel Control (TCC) as the panacea for producing water savings that can be returned to the environment. The equipment supplied has caused disappointment and challenges for many in the Central Goulburn area. Issues to do with quality control of TCC equipment have been progressed with Goulburn-Murray Water providing strong leadership with the expectations sought. We now have renewed confidence that TCC will play a significant role in future water savings projects, but concurrent projects, including the lining of channels and the replacement of channels with dedicated pipelines, are also being advanced.

The resource shift of rural water to urban water became a reality when solutions for Bendigo's water needs became a major issue during the year. With funding for a Coliban pipeline from Waranga Western Channel to Eppalock now locked in, the challenge in 2006/07 will be to finalise the agreed terms of this water transfer between all the parties involved.

Despite low allocations in the Campaspe system, which has created significant financial challenges for our Campaspe customers, the return of sales allocation in the Murray system contributed to an improved overall financial result. Combined with a capital contribution towards the closure of the Cobram town channel, this helped to return a net profit of $5.9 million for Goulburn-Murray Water for the year.

The transition from a renewals annuity pricing basis to a regulated asset base, coupled with the first Water Plan for review by the Essential Services Commission (ESC), created a significant resource load on the organisation. The challenge for future price reviews by the ESC will be to strive for the required level of balance between consultation with the regulator whilst ensuring the valuable work of Water Services Committees in developing the price/service trade-offs is not diminished.

The completion of the $52.5 million Eildon dam wall upgrade project was a highlight of the year, with the project completed $4.5 million under budget and earlier than expected.

The Tungamah water savings project, which involves the replacement of earthen channels with pipes and pumps, is well underway at the close of the year. This $20 million project is also expected to be completed well ahead of time and under budget and it forms a vital plank in the Mokoan Return to Wetlands project.

My vision for the future is to lead Goulburn-Murray Water into a regime of 'Continuous Improvement' in all things we do and being ever mindful of the important role entrusted to us as managers of nearly 70% of Victoria's water resources. Bringing about cost effective water savings strategies will form a vital link in this Continuous Improvement culture whilst pressing for ever further reductions in lost time injuries of all employees and contractors.

Russell Cooper
CHIEF EXECUTIVE

Our Performance at a glance - 2005/06

	Governance	Economic Sustainability	
Objective	The Board aims to continuously improve its governance practices and strive to achieve high levels of transparency, trust and stewardship.	We will actively pursue new and improved ways to operate our business to achieve the most cost effective total water system management whilst meeting all our (statutory financial and customer) obligations.	We will contribute to Government water reforms, developing and adapting the appropriate assets, technology and systems that meet the future needs of our customers and communities and enable regional growth.
Highlights	The Board developed a whole-of-business risk management framework. The Board undertook a review of its performance in accordance with the Minister's guidelines, conducted with an external facilitator.	We undertook an independent review of our cost base, which confirmed our ambitious productivity plan targets are achievable. We reformed our tariffs to better reflect services provided and address community concerns about permanent water trade. As part of this reform, the introduction of interim delivery shares will assist entitlement unbundling in July 2007.	We completed the $52.5m project to upgrade Eildon dam, which was opened by Premier. We introduced an Advanced Maintenance Program (AMP) to extend the life of our assets and provide a smoother water price path. We began work on the Tungamah pipeline, which will achieve 4,800 megalitres in water savings each year.

Results	**Performance Indicators**	**Results**	**Performance Indicators**	**Results**	**Performance Indicators**	**Results**
	Develop a whole-of-business risk management framework	Achieved	Operating debt less than 90% of water right revenue	Achieved	No unplanned service failures greater than 24 hours	Not achieved *(see page 26)*
	Undertake a Board performance review provide a report to the Minister for Water	Achieved	Fixed revenue base is greater than 85% of total recurrent cost	Achieved	Capability of storage to hold capacity 99% of time (excluding Lake Mokoan)	Achieved
					50% of emergency management plans reviewed and tested every year	Achieved
					Abandon assets with combined replacement value of $2m	Achieved
					Reduce reactive maintenance expenditure by 5% compared to 2004/05	Not Achieved (reduced by 4%)
Challenges for the future	We will implement the whole-of-business risk management framework developed in 2005/06. We will review the Board's committee functions and memberships.		We will deliver the lowest possible sustainable price path through a regulatory asset base (RAB) approach to pricing, careful and effective asset management through the Advanced Maintenance Program, and ongoing productivity improvements.		We will continue to seek water savings through efficient assets, including pipe systems, channel automation and other efficient technologies. We will need to develop adaptable systems to adjust to the changing demands for water delivery services.	
	More on page 9		More on page 13		More on page 20	

Social Sustainability						Environmental Sustainability	
We will provide a range of responsive and innovative services with a price and delivery mix that balances existing and emerging customer needs.		We will provide a safe, healthy and satisfying place for our people to work, because it is through a competent, committed and adaptable workforce that our long term security and success is assured in a rapidly changing world.		We will develop productive, empathetic and enduring relationships with all interested parties to achieve the best balance of economic, environmental and social outcomes.		We will be conscious that what we do has a significant and lasting effect on the environment and seek to reduce this impact, contributing to enhanced environmental outcomes.	
We completed stage 1 of the Pyramid-Boort Future Management Strategy, a blueprint for an efficient, viable irrigation industry that will provide customer benefits and save water. We developed a Water Storage Amenity unit and reached agreement to redevelop Chinaman's Bridge Caravan Park.		Goulburn-Murray Water officially achieved SafetyMAP accreditation for our occupational health and safety management. We launched a corporate health program, providing health tests for hundreds of our employees.		We invested $909,000 in research and development. We continued to work with our partner organisations to deliver water reform initiatives. Our annual Charity Golf and Bowls Day raised over $12,000 for local charities and community groups.		All systems except the Campaspe received a final allocation of at least 100%. We launched a program to develop a new ISO14001 Environmental Management System (EMS). We commissioned stage 2 of the Pyramid Creek Salt Interception Scheme, which will divert 22,000 tonnes of salt from the River Murray.	
Performance Indicators	**Results**	**Performance Indicators**	**Results**	**Performance Indicators**	**Results**	**Performance Indicators**	**Results**
Compliance with agreed standards for water supply	Achieved in 5 areas. (Pyramid-Boort not achieved: 79% vs 80% target - *see page 26*)	At least 75% of respondents satisfied with G-MW as an employer	Achieved	Relationships with customers, industry partners and government strengthened	Achieved	Actual river flows greater than or equal to specified min. flows 100% of the time	Not Achieved (99% in Campaspe system; 99.9% in Broken)
Accounts issued in accordance with agreed billing schedules with no more than 1% error rate	Achieved	Less than 8 lost time injuries per million hours worked; less than 4 days lost per injury	Achieved Not Achieved *(see page 33)*			Water use compliant with seasonally adjusted Murray Darling Basin cap	Achieved for 2004/05
At least 80% of respondents satisfied with our services	Achieved	Personal leave reduced by 5% from last year	Not Achieved (leave reduced by 3.3%)			100% compliance with G-MW environmental targets	Not Achieved (75% of targets met - *see page 51*)
						Losses in delivery systems compliant with BE provisions	Achieved
We will continue our focus on implementing the Government's water reforms to unbundle water entitlements. We will continue to identify and respond to the changing demands for water delivery services.		We aim to achieve 500,000 person hours worked without a lost time injury. We will introduce a graduate development program and supervisor training to improve staff capability.		We will continue to work closely with stakeholders as we unbundle water entitlements. We will implement outcomes of a review of Water Services Committee future directions.		Achieve ISO14001 accreditation for our EMS. We will continue to identify and realise water savings through innovative projects and develop a strong organisational focus through our Watertight 2020 campaign.	
More on page 25		More on page 32		More on page 35		More on page 39	

Goulburn-Murray Water: Profile

Trading as Goulburn-Murray Water, the Goulburn-Murray Rural Water Authority was constituted by Ministerial Order under the provisions of the Water Act 1989, effective from 1 July 1994 and is responsible to the Minister for Water, The Honourable John Thwaites, MP. Our objectives are detailed on pages 4 and 5 of this report.

Goulburn-Murray Water manages water-related services in a region of 68,000 square kilometres, bordered by the Great Dividing Range in the south and the River Murray in the north, and stretching from Corryong in the east downriver to Nyah. Goulburn-Murray Water also operates salinity mitigation works on the Murray downstream of Nyah, manages Mildura Weir, delivers bulk water to supply points outside its region and is the Victorian Constructing Authority for the Murray-Darling Basin Commission.

Three Key Goulburn-Murray Water Divisions

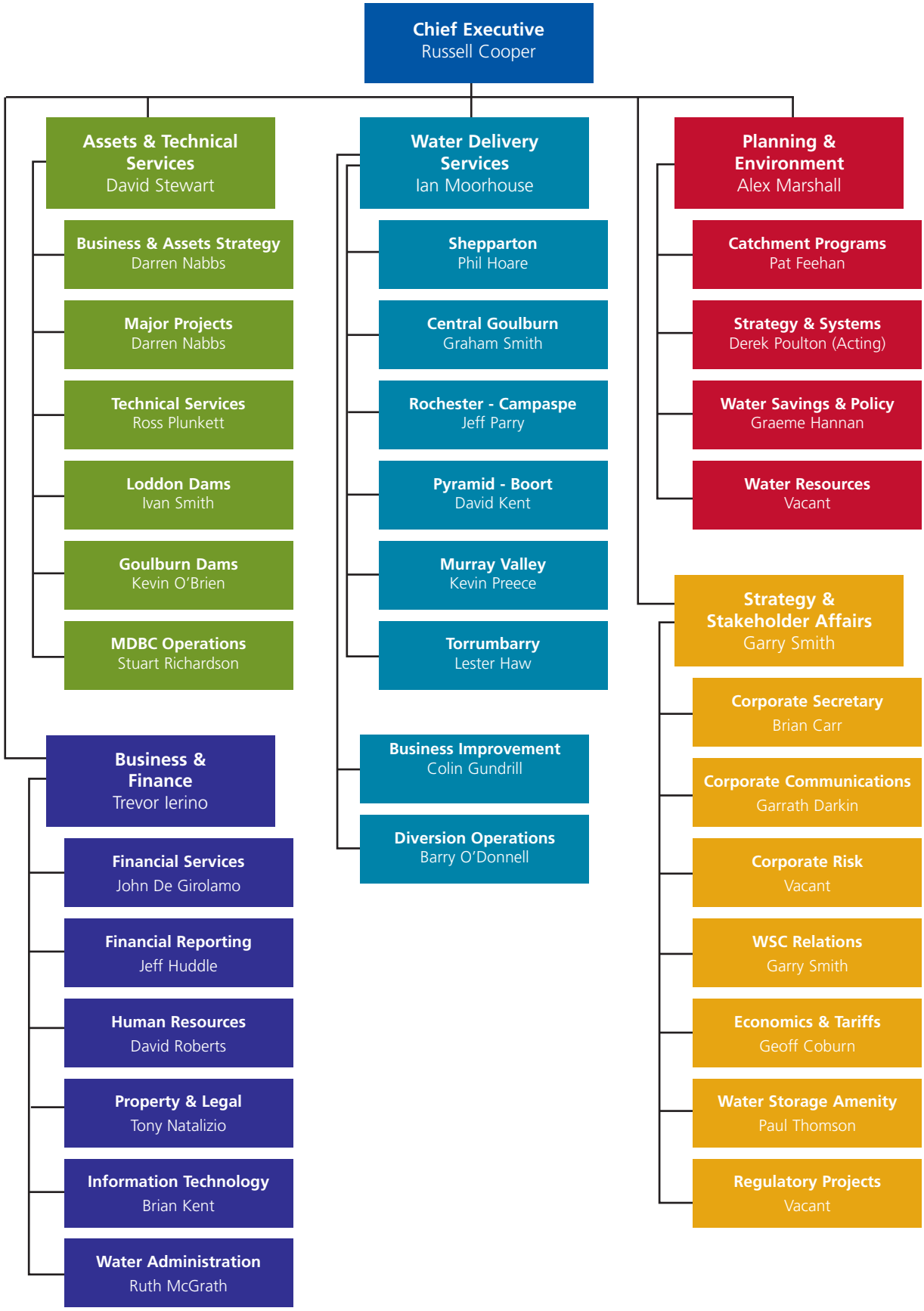
Assets and Technical Services manages Goulburn-Murray Water's assets to agreed service levels and required safety standards. The group plans our asset works programs, including maintenance and capital works and operates our large dams. These activities include the delivery of bulk water entitlements and supply to other rural and urban water authorities, the environment and private hydro-electricity customers. The group also manages recreation and other public activities on and around our major water storages.

Water Delivery Services manages the delivery of water to customers on over 14,000 serviced properties in constituted irrigation, water and waterway management districts and six management areas (Shepparton, Central Goulburn, Rochester-Campaspe, Pyramid-Boort, Murray Valley and Torrumbarry). These services include gravity and pumped water supply, surface and sub-surface drainage and flood protection. The group also operates regulated and unregulated surface water and groundwater diversion services to customers on over 12,000 serviced properties in Goulburn-Murray Water's area.

Planning and Environment is responsible for water systems and water resource management, water savings and environmental management. The group provides a range of environmental services that are purchased mainly by governments through programs coordinated by catchment management authorities. Our environmental services include salinity management, surface and sub-surface drainage support, water quality and land management planning, and salt interception management.

The three business divisions are each the responsibility of a separate organisational group and are supported by others who provide a range of services, including: the corporate secretariat; corporate strategy, planning, coordination and communications; water storage amenity; business and water market development; financial management; information technology; water administration; and property, legal and human resources.

Organisational Structure



As at 30 June 2006

Governance

The Board aims to continuously improve its governance practices and strive to achieve high levels of transparency, trust and stewardship.

Governance

From left: (back) John Pettigrew, Don Cummins, Des Powell and Peter Fitzgerald. (front) Jean Sutherland, Craig Crook and John Brooke OAM.

BOARD OF DIRECTORS

Don Cummins, Chairperson
B.Ec, B.Ed, Dip Tchng, P.G.Dip Asian Studies, GAICD

Chairperson of Goulburn-Murray Water since 1 July 2004.

Don is a member of the Goulburn Broken Catchment Management Authority and of the Murray Darling Basin Commission Community Advisory Committee. He is Deputy Chair of the Mt Buller-Stirling Resort Management Board. Don is a former Mayor of Delatite and Mansfield Shire Councils and a former teacher. He owns a cattle-grazing property at Nillahcootie.

John Pettigrew, Deputy Chairperson
GAICD

Director of Goulburn-Murray Water since 1 July 2001.
Deputy Chairperson since 1 July 2004.

John is a Director of Paton Smythe Pty Limited, Horticulturalists. He is also a member of the Goulburn Broken Catchment Management Authority, the former Chair of the Shepparton Water Services Committee and a former Director of SPC Ltd. John has extensive experience as a company director and in community participation in natural resource management planning and implementation.

John Brooke OAM, Director
lB.Com, B.Ed, FCPA, CA

Director of Goulburn-Murray Water since 1 July 2004.

John Brooke is an irrigation farmer near Pyramid Hill. He is a member of the North Central Catchment Management Authority and has extensive experience in local government, water resource management, business management and natural resource management.

Craig Cook, Director
B.Ec

Director of Goulburn-Murray Water since 1 July 2004.

Craig is a management consultant to business and government. He is the Deputy Chairman of Burson-Marsteller, a Director of Australian Cricket Bat Willow Plantation Management Services Limited and a Director of Rural Finance Corporation. Craig operates a beef cattle property and vineyard at Tallarook.

Jean Sutherland, Director
Cert Bus.Studs, CPA, GAICD

Director of Goulburn-Murray Water since 1 July 2001.

Jean is a member of the North Central Catchment Management Authority. Jean is a graduate of the Loddon Murray 2000 Plus Leadership program and has extensive accounting experience, particularly in rural business enterprises.

Peter Fitzgerald, Director
Advanced Dip. Ag., GAICD

Director of Goulburn-Murray Water since 1 July 2004.

Peter served on Goulburn-Murray Water's customer committees for over 10 years, with three years as Chairman of the Central Goulburn Water Services Committee. He is a former Councillor for the United Dairy Farmers of Victoria and a graduate of the Australian Rural Leadership Program. Peter runs a dairy and beef operation at Tongala and Kotupna.

Des Powell, Director
Director of Goulburn-Murray Water since 1 July 2004.

Des has held a range of senior executive management roles in the private and public sectors in Australia and Asia. He operates his own consultancy business for industries such as transport, logistics, forestry and water. Des is a Commissioner and Deputy Chair of the National Transport Commission, Deputy Chair of the Port of Melbourne Corporation and Chairman of the National Marine Safety Committee.

BOARD COMMITTEES FULFIL THREE SPECIFIC ROLES:

Financial and Management Audit Committee

Oversees the internal and external audit program and risk management program, reviews annual financial statements and associated checklists, and monitors and advises the Board on financial, management and accounting responsibilities.

Membership: John Brooke (Committee Chairperson), Craig Cook (independent member), Des Powell (independent member)

Remuneration Committee

Oversees executive remuneration policy and monitors executive remuneration. The committee also advises the Board on executive remuneration responsibilities, including individual remuneration packages for senior executives.

Membership: Jean Sutherland (Committee Chairperson), Don Cummins, Peter Fitzgerald

Safety and Environment Committee

Oversees environmental and occupational health and safety policy development, monitors performance and compliance with requirements and advises the Board on environmental and occupational health and safety responsibilities.

Membership: John Pettigrew (Committee Chairperson), Peter Fitzgerald, Jean Sutherland

Governance

OUR GOVERNANCE PRACTICES

In 2005/06, as part of its commitment to continuous improvement, the Board improved its governance in a number of ways:

- A focus on risk management with the further development of Goulburn-Murray Water's whole-of-business risk management framework, based on AS/NZS 4360: 2004 and compliant with the requirements of the Statement of Obligations. The framework is designed to allow the consistent comparison of significant risks across a range of programs.

- An external facilitator conducted the annual review of Board performance for the first time. A report of the review was submitted to the Minister for Water in June 2006 and improvement measures identified through the review process are now being addressed.

- Continuation of Board committees. The Board has three committees (Financial and Management Audit; Remuneration; Safety and Environment) that make efficient use of Directors' time and support the Board in discharging its duties.

- Customer and community involvement in Goulburn-Murray Water's deliberations. Goulburn-Murray Water continued to foster relationships with Water Services Committees and Reference Committees. A new committee, the Barr Creek–Tutchewop Reference Committee, was established to provide advice on options for the future management of the Barr Creek–Tutchewop scheme. The Reference Committee was wound up in May 2006 once it had fulfilled its purpose. The Broken System Reliability Reference Committee, established by the Board in November 2004 to provide advice on matters relating to the decommissioning of Lake Mokoan, fulfilled its purpose and was wound up in January 2006. The advice, scrutiny and perspective provided by these Reference Committees is most appreciated by Goulburn-Murray Water.

- Adhering to a range of governance principles. The legislation governing Goulburn-Murray Water activities is the *Water Act* 1989. However, the Board voluntarily follows the applicable governance principles of the *Corporations Act* 2001, the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations and the *Public Administration Act* 2004.

- Additional training. A further Director completed the Australian Institute of Company Directors course; four Directors have now undertaken the course.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board Meetings		Financial and Management Audit Committee		Remuneration Committee		Safety and Environment Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Don Cummins	10	10	—	—	3	3	—	—
John Pettigrew	10	9	—	—	—	—	4	4
John Brooke	10	10	6	6	—	—	—	—
Craig Cook	10	8	6	5	—	—	—	—
Peter Fitzgerald	10	10	—	—	3	3	4	4
Des Powell	10	9	6	5	—	—	—	—
Jean Sutherland	10	10	—	—	3	3	4	2

Economic Sustainability

We will actively pursue new and improved ways to operate our business to achieve the most cost effective total water system management whilst meeting all our (statutory financial and customer) obligations.

Economic Sustainability

TRADING RESULT

Goulburn-Murray Water recorded a $5.9 million profit for the year, based on its current pricing policy of renewals annuity based accounting.

During the year, the storage levels on the Murray system improved enough to enable its first sales allocation for three years, 44% above water right. The Goulburn system remained at water right only and, unfortunately, the rainfall failed again in the Campaspe system, resulting in an allocation of only 31% of water right.

Overall revenue increased by $9.3 million due mainly to $4 million in contributions from Government and other external clients. This included a capital contribution towards the closure of the Cobram town channel. Increased allocations in the Murray system contributed to an increase in direct customer charges of $3.4 million.

Expenses overall increased by $4 million, mainly due to the early commencement of the Advanced Maintenance Program, which is a key component of the new pricing strategy.

TRADING RESULT AS PER AUSTRALIAN ACCOUNTING STANDARDS

Our current pricing policy requires the collection and setting aside of adequate funding to maintain the condition of the required infrastructure, mainly storages, channels and drains, using the renewals annuity approach.

The financial statements are prepared in accordance with Australian Accounting Standards, which require that asset consumption be measured using conventional depreciation charges based on replacement costs and expected asset lives.

This approach means that in an average year Goulburn-Murray Water maintains commercial viability whilst showing a loss in the financial statements.

The operating result shown in the attached financial statements, prepared in accordance with Australian Accounting Standards, is reconciled with the current pricing policy based renewals profit of $5.9 million in the table below.

	2005/06 $'000	2004/05 $'000
Profit/(Loss) for the year in financial statements, prepared in accordance with Australian Accounting Standards	(4,215)	(11,410)
Add back depreciation	30,516	30,806
Deduct renewals annuity[1,2]	(20,412)	(17,959)
Profit (loss) for the year after renewals annuity	5,889	1,437

Footnotes:

1. Adjusted for items expensed as per Australian Accounting Standards but funded from annuities

2. The following key assumptions have been used in determining the renewals annuity charge:
   - annuity period: Storages - 100 years, Bulk carriers - 100 years, Distribution assets - 20-50 years
   - interest rate 4.0% (real)
   - future inflation not required as real interest rate is assumed
   - assets include storages, bulk carriers and distribution assets

Economic Sustainability

	2005/06 $'000	2004/05 $'000	2003/04 $'000	2002/03 $'000	2001/02 $'000
Revenue					
Charges for water	82,905	79,497	74,002	63,801	61,340
Other revenue	36,983	31,098	41,305	32,285	43,645
Total	**119,888**	**110,595**	**115,307**	**96,086**	**104,985**
Expense					
Operations	54,375	55,797	54,366	56,382	51,432
Maintenance	24,075	19,999	18,130	17,613	17,695
Depreciation	30,516	30,806	26,991	28,486	31,954
Other expenses	15,137	15,403	13,734	15,212	11,430
Total	**124,103**	**122,005**	**113,221**	**117,693**	**112,511**
Profit/(loss)	**(4,215)**	**(11,410)**	**2,086**	**(21,607)**	**(7,526)**
Current assets	44,698	55,488	41,538	22,680	49,398
Non-current assets	1,905,679	1,882,528	1,858,940	1,695,945	1,736,559
Current liabilities	41,202	43,193	28,165	27,322	24,681
Non-current liabilities	14,809	15,288	23,751	8,717	33,377

The financial statements, prepared in accordance with Australian Accounting Standards, indicate an operating loss of $4.2 million in 2005/06.

A comparison of trading results for the last five years, based on financial statements prepared in accordance with Australian Accounting Standards, is shown above.

Ensuring sustainable pricing

The 2004/05 pricing review conducted by Frontier Economics recommended significant changes to pricing policy, which were adopted by the Board. Key changes were the adoption of a Regulatory Asset Base (RAB) approach to pricing for infrastructure refurbishment and replacement instead of a renewals annuity approach. This change has been adopted and will commence from 2006/07 to deliver more stable and predictable pricing paths in the long run.

Significant aspects of the changed approach are the introduction of advanced maintenance programs in all areas, and the acceptance of higher levels of borrowings as asset programs are financed in arrears rather than partly in advance as under the renewals approach.
During 2005/06 we commissioned an independent review of our cost base by consultants MWH. Part of that review included an examination of the existing five-year productivity plan. The productivity plan and further changes resulting from the cost review provide a sound basis for cost control into the future, thus also enhancing the target of ensuring sustainable pricing.

Planning for future capital works

During 2005/06 Goulburn-Murray Water implemented improved planning systems to assist with an increasing works program. There are significant requirements to improve major dams in line with modern standards, and works to refurbish channels and structures will increase significantly in the future. There is also a substantial increase in works, to be funded by governments, as part of the national and state water savings initiatives.

Major works are planned under the Advanced Maintenance Program initiative. Designed to increase the expected lives of vital channels and structures, these works are estimated to delay extensive capital works by up to 20 years.

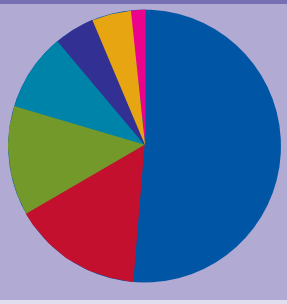
Future capital programs will be overseen by a newly created Major Investments Projects Committee. Its function is to improve consistency of planning, estimating and project delivery performance through providing an additional peer review of all major programs.

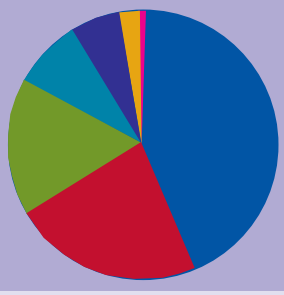
Economic regulation

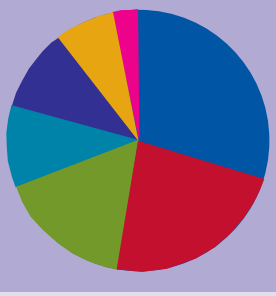
The Essential Services Commission, as the economic regulator of the Victorian water sector, is required to approve pricing arrangements for rural water businesses from 1 July 2006. In 2005/06 Goulburn-Murray Water developed and submitted its Water Plan service and pricing proposal to the Essential Services Commission for the two-year regulatory period 2006/07-2007/08. After consultation with customers and other stakeholders, the Essential Services Commission endorsed Goulburn-Murray Water's service proposal and set prices for the 2006/07 year.

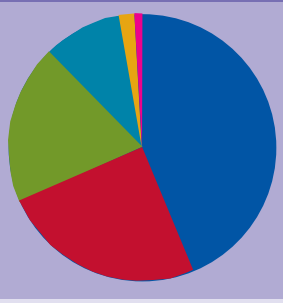
Economic Sustainability

FINANCIAL RESULTS

Revenue by source			$'000
	Rates - water & drainage	51.5%	61,811
	Other external clients	15.3%	18,318
	Consumption Charges	12.9%	15,442
	Victorian Government service fee	9.1%	10,892
	Sale of bulk water	4.7%	5,652
	Other revenue	4.8%	5,770
	Interest and Sale of fixed Assets	1.7%	2,003
		100.0%	**119,888**

Total expenditure by resource			$'000
	Contracts and private plant hire	43.5%	78,334
	Labour and related costs	22.5%	40,668
	Depreciation	16.9%	30,516
	Other	8.3%	15,040
	Materials	6.0%	10,829
	Electricity and fuel	2.2%	3,900
	Finance charges	0.6%	1,138
		100.0%	**180,426**

Capital expenditure by type			$'000
	Asset refurbishment	29.8%	16,779
	Dam improvement works	22.7%	12,779
	New pipelines	16.7%	9,434
	Total Channel Control	10.1%	5,689
	Strategic measurement	10.1%	5679
	Other capital	7.5%	4,246
	New drainage works	3.1%	1,719
		100.0%	**56,324**

Operating expenditure by activity			$'000
	Operations	43.8%	54,374
	Depreciation of fixed assets	24.6%	30,516
	Maintenance	19.4%	24,075
	Management and administration	9.3%	11,554
	Written down value of disposed assets	2.0%	2,445
	Finance charges	0.9%	1,138
		100.0%	**124,102**

Case Study

PRODUCTIVITY REVIEW

Goulburn-Murray Water aims to reduce its costs by $7 million a year following the completion this year of an independent review of its cost base and the opportunities for making savings.

Consultants MWH concluded that Goulburn-Murray Water's plans to reduce operating costs by 12% over five years is a challenging, but realistic and achievable, target.

Reductions in daily operating costs will help offset increasing costs associated with maintaining and replacing Goulburn-Murray Water's ageing infrastructure.

After consulting staff and customer representatives, ideas and comments were assessed for their potential to achieve cost reductions. MWH also reviewed data on similar rural water supply organisations across Australia and on best practice in a range of other industries.

The consultants found:

- Goulburn-Murray Water's cost performance compares very favourably to similar suppliers;
- Goulburn-Murray Water is not "overly inefficient or fat", as appears to be a common misconception among customers;
- Goulburn-Murray Water Board and management have a proactive approach to the management of costs, with a sound awareness and commitment to driving costs down; and
- the cost reduction proposals in Goulburn-Murray Water's five-year productivity plan are constructive and innovative.

The areas where action was recommended included changes to organisational structure to improve staff productivity, improvements in asset management and planning, and introduction of the latest developments in materials procurement and vehicle fleet management.

To meet cost reduction targets, during 2005/06 Goulburn-Murray Water undertook initiatives including bringing all technical staff together to form a new Assets and Technical Services Group, and centralising materials purchasing and vehicle fleet management. These two actions have led to cost reductions, better service delivery and improved staff productivity.

Goulburn-Murray Water is committed to the ongoing work required to make cost efficient and effective use of resources to benefit our communities.

Case Study

Economic Sustainability

REFORMED TARIFFS TO BETTER REFLECT SERVICES

Goulburn-Murray Water customers will pay charges that better reflect the services they receive under our new tariff structure, which is the result of two major government reforms.

We have worked hard to communicate the changes, with information packs sent to 13,000 customers, 32 public meetings held, numerous meetings held with individual customers, and 'Water Wheels', the travelling information caravan, visiting more than 50 locations in the last year. This work means reforms are better understood and widely supported by our customers and partners.

By increasing the amount of water that can be transferred out of Areas as part of the National Water Initiative, the reforms allow for expanded intra- and inter-state water trade. Where possible, the existing regulatory approach to managing the impacts of trade will be replaced by a market-based approach that may include access fees for distribution systems. Trade is expected to expand from 1 July 2006.

The Victorian Government also intends to unbundle rural water entitlements into their constituent components: a water share (both high and lower reliability water shares), a delivery share and a water use licence. In addition to tariff changes, the unbundling process will create water titles that are separate from titles to land.

Unbundling was originally scheduled for 1 July 2006, with public consultation taking place in 2004 and 2005. In October 2005, the Minister for Water announced that unbundling in northern Victoria would be deferred until 1 July 2007. He encouraged relevant water authorities to continue with tariff reform, particularly in relation to the recovery of distribution system costs from 1 July 2006 in anticipation of the two significant reforms outlined above.

At the time of the Minister's announcement, Goulburn-Murray Water's tariff reform proposals were well advanced. Changes had been developed in consultation with Water Services Committees and endorsed at a series of public meetings. Accordingly, the Board of Goulburn-Murray Water resolved to proceed with changes to its delivery tariff from 1 July 2006.

The main change to the delivery tariff will take place on 1 July 2006 from when the Infrastructure Access Fee will be based on interim delivery share rather than water entitlement. Interim delivery share is a landowner's explicit entitlement to access the distribution system. This change is being made for several reasons. It:

- is consistent with the National Water Initiative proposals in relation to access fees;
- anticipates unbundling by creating an interim delivery share that will directly convert to an unbundled delivery share;
- enables a robust basis for recovery of the fixed costs for upkeep of distribution systems after a water entitlement is separated from land; and
- addresses the stranded assets issue, creating a fairer system where landowners with access to the distribution system contribute to its cost, meaning lower prices for all customers.

The introduction of a Casual Infrastructure Use Fee will mean landowners who exceed their annual delivery allowance can continue to have water delivered. The Casual Infrastructure Use Fee will contribute to both fixed and variable distribution system costs, with the result that all customers who benefit from using the system will pay a similar amount for this service.

Case Study

Working with customers: Water Wheels on the road.

"WATER WHEELS" HELPS EXPLAIN NEW WATER TARIFFS

Goulburn-Murray Water's gravity irrigation customers are the first in Victoria to experience changes created by the State Government's rural water reform.

The State Government's 'unbundling' process will split water rights into three components: a water share, a delivery share and a licence. Goulburn-Murray Water introduced the tariff changes and interim delivery shares to its customers from 1 July 2006.

To help explain the changes directly to customers, Goulburn-Murray Water hit the road with "Water Wheels", a specially designed information caravan, to meet as many individuals and communities as possible.

"Water Wheels" is fitted out with all the information customers need to make sure they are prepared for the effects of rural water reform.

The caravan travels to customers in their own communities, setting up anywhere from the local store, main street or car park to regional field days. Local Water Services Committees and staff helped pinpoint locations where "Water Wheels" would be easy to find. Information postcards were mailed to customers, alerting them to the location of the caravan.

Trained staff used computer models, printed information and calculation sheets to help customers understand the new structure. In a comfortable and private environment, staff worked one-on-one with irrigators to help them understand how the changes might affect their business.

Since April 2006, "Water Wheels" has visited more than 50 localities to give Goulburn-Murray Water customers the opportunity to talk to staff in person about their individual circumstances and plan their water future.

Case Study

Economic Sustainability

We will contribute to Government water reforms, developing and adapting the appropriate assets, technology and systems that meet the future needs of our customers and communities and enable regional growth

ADVANCED MAINTENANCE PROGRAM (AMP)

This year Goulburn-Murray Water introduced a strategic asset management initiative that aims to extend the useful life of Goulburn-Murray Water assets. The initiative, referred to as the Advanced Maintenance Program is based on implementing a number of proven rehabilitation techniques that will extend the life of the asset and ultimately reduce the total cost of maintaining and replacing the asset over its full life. Well-maintained assets also perform more efficiently and reduce water loss.

The range of rehabilitation techniques currently being used includes:

- rock armouring inside channel bank batters;
- reinstating eroded bank material from the bed of the channel onto the inside channel bank batter;
- repairing concrete channel structures; and
- beaching channel structures.

This year, we undertook trials of all these techniques, reviewing construction methods and costs. Over the next year, Goulburn-Murray Water will finish implementating the AMP, supported by a mix of in-house resources and external contractors.

The primary benefit of the program is that through responsible asset management, asset replacement expenditure is deferred and the peaks are smoothed, providing for a smoother water price path for water users.

IMPROVED AND SECURE DAMS FOR FUTURE GENERATIONS

In the largest project ever undertaken by Goulburn-Murray Water, substantial work was carried out to upgrade Eildon Dam, which was officially opened on 2 October 2005. More than 1,000 local residents attended the opening by the Premier of Victoria, The Honourable Steve Bracks.

The dam improvement project was designed and constructed by the Eildon Alliance, comprising Goulburn-Murray Water, John Holland, Hazell Bros and GHD, in an innovative alliance between public and private organisations.

Eildon Dam is a critical piece of infrastructure and, thanks to the upgrade, will continue to play its important role in supplying water to northern Victoria for many years to come.

This year also saw the continuation of our design and performance review of other Goulburn-Murray Water dams. Using a small team of in-house technical specialists and national and international engineering experts, we compared our dams against modern standards. After including our findings in a comprehensive risk assessment, the team developed a program of dam upgrades that targets the areas of highest priority first and ensures resources are allocated in the most efficient manner.

In addition to the successful completion of works at Eildon, a design safety review of Tullaroop Dam prompted planned works to strengthen the dam wall. A dedicated in-house team, supplemented by engineering consultants and contractors, successfully managed the project. The works were completed well ahead of time, leading to significant cost savings.

Case Study

EILDON DAM CELEBRATION

The Premier, Steve Bracks, and the Minister for Water, John Thwaites, officially opened the Eildon Dam Improvement Project on 2 October 2005.

Showcasing the $52.5 million project undertaken by Goulburn-Murray Water's Eildon Alliance to upgrade the dam, the official opening and family day celebrated the success of a milestone project in Victoria's water history.

Eildon Dam, operated and maintained by Goulburn-Murray Water, is the largest State-owned dam in Victoria. It can hold 3,390,000 megalitres (3.39 billion litres) – more than six times the volume of Sydney Harbour.

The water supplied from Eildon is the lifeblood of the Goulburn Valley, supporting more than $1.4 billion in agricultural production and a regional economy of $8 billion per annum.

The stored water is also used to produce hydroelectricity and provides urban water supply for communities and industry throughout the valley. Eildon is also an important recreational resource, underpinning a local tourism industry and providing pleasure for many Victorians.

The Eildon Dam Improvement Project is one of six dam risk reduction projects undertaken by Goulburn-Murray Water to date. Works at Eildon included spillway strengthening and reconstruction of the upper 10 metres of embankment, which was then raised by 5.5 metres to ensure safety for the dam and communities during extreme floods.

The project was undertaken using a new project delivery method known as an 'alliance'. Goulburn-Murray Water formed a partnership – the Eildon Alliance – with private sector organisations selected for their technical skills and ability to work closely and cooperatively with Goulburn-Murray Water.

The partners shared in any cost savings and in any cost overrun. The partnership allowed the efficiencies and systems of the private sector to be merged with Goulburn-Murray Water's dam safety and consultation experience.

The cost of the project was shared between Goulburn-Murray Water and the Victorian Government, who contributed $26 million through *Our Water, Our Future,* the Victorian Water Trust, the Regional Infrastructure Development Fund and past provisions.

The Eildon Alliance was judged an outstanding success by all involved. The project was delivered more than $4.5 million under budget and more than two months ahead of schedule, with not one day lost due to injury on the site. Local government and communities commended the Alliance for the excellent performance of the project and its community involvement.

The project also received a High Commendation at the 2005 Victorian Engineering Excellence Awards.

An impressive boat ramp was constructed at the dam as part of the works, an enduring legacy of enjoyment for local communities and visitors that enhances Eildon's reputation as Victoria's premier boating destination.

Over 2,000 people attended the project completion ceremony hosted by Goulburn-Murray Water and the Eildon Alliance. The dam wall and parklands were open to the public for the first time since the project began in April 2004 and many took the opportunity to enjoy the beautiful views across the water and gardens.

Economic Sustainability

NEW KERANG OFFICE MARKS CONFIDENCE IN TORRUMBARRY

Victorian Treasurer and Minister for Innovation, State and Regional Development John Brumby officially opened the new Kerang office on Tuesday, 20 September 2005, marking a new era for Kerang employees who have worked in various temporary and portable buildings for over 18 years.

The new office cost $4 million and accommodates 45 staff from Water Delivery Services, Assets and Technical Services, and Planning and Environment groups. The 'green' office features state-of-the-art systems to minimise maintenance and reduce energy costs and is landscaped with native plants to minimise water use.

TATURA PRECAST FACTORY SAVINGS

Goulburn-Murray Water's precast concrete factory was closed this year after more than 50 years of operation. For decades the Tatura factory met our needs, but significant investment was needed to ensure safe, cost-effective production, which could not be justified when compared to the significant savings to be made by outsourcing. Precast concrete is now supplied under contract from a local manufacturer.

DELIVERING WATER WITH MAXIMUM EFFICIENCY

This year, Goulburn-Murray Water's range of projects to ensure the efficiency of our distribution network of channels, pipelines and drains included:

The Waranga Western Channel Capacity Upgrade Project

Jointly funded by the Victorian Government, Goulburn-Murray Water, the Loddon Shire and private developers, the project was completed below its budget of $7.2 million at a cost of $6.1 million.

The Tungamah Pipeline Project

Victorian Government support was secured for the Tungamah domestic and stock scheme. The project will save water by converting open channels and farm dams to pipelines and tanks. During the year, the detailed design was completed and the construction commenced.

(Left to right) G-MW Chairperson Don Cummins, former Chair of Casey's Weir and Major Creek Rural Water Authority Colin Campbell, Reference Committee Chairman Ron Kellock and Tungamah Water Services Committee Chairman Rod Squires at the Tungamah Commencement Ceremony.

Relocation of Murray Valley No 1 Channel from Cobram Central

For community safety and enhanced public amenity, agreement was reached to remove the Channel from the centre of Cobram. Jointly funded by the Government, Moira Shire, Cobram Hospital and Goulburn-Murray Water, the project is substantially complete with only minor works remaining. Works included construction of a 65 megalitre per day pump station on the River Murray downstream of Cobram and a 1,300-metre long rising main that links the new supply point back to the MV No. 1 Channel. The project will be fully completed under the approved budget of $2.7 million and decommissioning of the existing works in the town of Cobram will follow in 2006/07.

The Normanville Domestic and Stock Pipeline Scheme

The Normanville pipeline, a Premier's Business Sustainability Awards finalist, has now been operating with a high level of customer satisfaction for over a year.

Cohuna Weir Replacement

Replacement of the 80-year-old Cohuna Weir was completed this year, with the existing deteriorated timber assembly exchanged for a modern, automated structure that enables critical regulation of flows in the Torrumbarry system.

Following funding contributed by the Gannawarra Shire Council, the No. 3 channel offtake was relocated to allow for expanded car parking and recreational areas. The success of the project was widely acclaimed in the community of Cohuna.

Muckatah Depression Drain

The Muckatah Depression Drain is part of the Shepparton Irrigation Region Surface Water Management Strategy administered by the Goulburn Broken Catchment Management Authority. The project was awarded an Engineering Excellence Award in 1999 and a Banksia Environmental Award in 2000.

Commencing with a feasibility study in 1992 and subject to a lengthy mediation process in 1996, Stage 1 of the project began in 1999 and included construction of a series of deep sumps for customer reuse, vegetated flood ways and the creation of wetlands to enhance the quality of water flowing into the Broken Creek. Construction was substantially completed this year, with minor works remaining on the No. 8 spur drain.

The project comprises 63 kilometres of primary drain with an overall catchment of 60,000 hectares, providing drainage services to 400 customers.

Murray Valley Drain 11, Stage 1A

This year, approval was given to proceed in 2006/07 with detailed designs for MV Drain 11, Stage 1A. The first stage involves construction of a 160 megalitre per day pumping station that outfalls to the Broken Creek and approximately 1.5 kilometres of primary drain at an estimated cost of $2.4 million.

The total project, declared a 'Controlled Action' under the Environment Protection and Biodiversity Conservation Act in 2000, will consist of 35 kilometres of primary drain constructed in four stages at an estimated cost of $10 million.

Loddon Weir Rehabilitation

The original Loddon Weir was constructed in 1928 to allow water to flow from the Waranga Western Channel across the Loddon River and further into the west. This year, rehabilitation work at the structure replaced eight gates and refurbished 18 gates at an estimated cost of $650,000. Actuators were fitted and site automations were included to mitigate risks associated with manual operation of the structure during flood.

Living Murray Initiative

As part of the Living Murray initiative, construction of a new regulator on Gunbower Island has almost been completed, and refurbishments have been made on three existing regulators. These works will be completed under the approved budget of $1.4 million.

The regulators will be used to flood permanent wetlands along the northern edge of the forest.

The Little Gunbower regulator is the first new Victorian structure to be built under the Living Murray initiative.

Economic Sustainability

ASSETS AND TECHNICAL SERVICES GROUP REDEVELOPMENT

Goulburn–Murray Water announced a changed organisation structure in 2005 that established a new group: Assets and Technical Services (ATS).

Effective from the end of January 2006, ATS amalgamated skills and experience from the Bulk Water Services Group and District Technical Services.

Consolidated asset management and engineering functions make the technical expertise previously confined to the District Technical Services and Bulk Water Services Groups accessible organisation-wide.

ATS has four key functions:

Business and Assets Strategy

ATS plans and manages all assets and is the focus for budget and business planning, improved asset and project management, and dam safety systems.

Major Projects

ATS delivers specialist projects including Total Channel Control, Strategic Measurement Project, Advanced Maintenance Program, Tungamah Pipeline, construction activities and dam improvement works.

Dams Operations

ATS manages, operates and maintains all Goulburn-Murray Water-managed storages, including all day-to-day land and water, and water storage functions.

Technical Services

ATS provides a single focus for the planning, design and execution of asset management for irrigation, drainage, dams and Goulburn-Murray Water buildings and facilities.

ATS has 173 people in 17 work locations caring for over 76,000 assets worth over $3.6 billion. Their key objective is managing assets to meet required service levels in the most cost-effective manner.

PROTECTING THE SECURITY OF OUR ASSETS

Goulburn-Murray Water's assets are the foundation of our business, and protecting them is a crucial part of our job. Security threats to critical infrastructure have been rigorously assessed and security control measures implemented consistent with state and national strategies. A program of detailed vulnerability assessments and security audits is underway to ensure continual improvement of these measures.

Goulburn-Murray Water is represented on the Water Services Infrastructure Assurance Advisory Group. This is a national forum where water supply asset owners share information about security threats and controls measures, and develop risk-based ways to protect assets and business continuity.

Further, Goulburn-Murray Water convened a combined-agency dam safety emergency exercise in 2005/06 at Lake Buffalo and Lake William Hovell. This exercise involved a cross-section of regional police, emergency services, the Department of Sustainability and Environment and Goulburn-Murray Water personnel, who responded to and learned from various scenarios including security incidents, earthquake and extreme flood.

Social Sustainability

We will provide a range of responsive and innovative services with a price and delivery mix that balances existing and emerging customer needs.

Social Sustainability

CONTINUOUSLY IMPROVING CUSTOMER SERVICE

Goulburn-Murray Water provides services to a wide range of customers across northern Victoria. The diversity of their needs and our commitment to quality customer service means we strive continuously to improve. The following table details our range of customers.

Service	Serviced Properties
Gravity Irrigation and Drainage	13,499
Pumped Irrigation and Drainage	416
Domestic and Stock	961
Surface Water Diversions	11,123
Groundwater Diversions	3,009
Flood Protection	118
Other customers	
Urban Water Authorities	4
Urban/Rural Water Authorities	2
Rural Water Authorities	1
Hydroelectric Companies	2
Lessees and Licensees	852
Houseboat Licensees	706
TOTAL	**30,963**

USING FEEDBACK TO IMPROVE CUSTOMER SERVICE

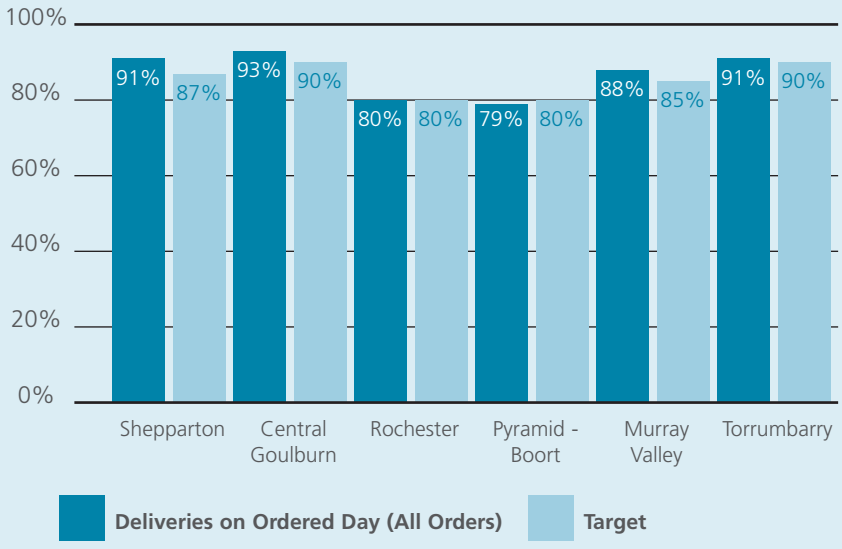
In past years, we have surveyed our customers directly to assess their satisfaction with Goulburn-Murray Water's services. This year we participated in a national survey of gravity irrigation customers conducted by the Australian National Committee on Irrigation and Drainage. The survey calculated the level of overall customer satisfaction based on individual responses to a range of questions on aspects of irrigation water supplies.

Overall, 89% of respondents rated our water supply service as satisfactory or better, while only 11% said they were dissatisfied or extremely dissatisfied. The survey results will be used to identify areas in which we can continually improve our customer services.

IMPROVING OUR RESPONSE TO CUSTOMER COMPLAINTS

In 2005/06, 36 complaints were registered in our Complaints Management System, which was developed last year and further improved this year. Customer service officers across our region record and monitor complaints using a work flow system. The system develops reports, monitors complaints and ensures that we respond quickly and effectively. The number of new complaints is reported to the Board each month.

Goulburn-Murray Water Order Delivery Performance 2005/06



MEETING OUR DELIVERY PERFORMANCE TARGETS

All areas expect the Pyramid-Boort Area met their delivery performance targets. In Pyramid-Boort, good spring conditions coupled with significant temporary trading resulted in high demand for water in autumn. Due to these high demands, rationing of supplies occurred for 9 weeks.

This year there were 33 unplanned service failures greater than 24 hours. Twenty-five of these were caused by malfunctions of automated channel structures in the Central Goulburn area, five were due to power issues at pump stations, two were the result of emergency maintenance on channels and pipelines and one was a channel operational error. Steps have been taken to improve this level of performance as a priority for next season.

PROVIDING EASIER WAYS TO TRADE WATER

Goulburn-Murray Water has helped develop the water trading market and is committed to providing new and convenient services to customers.

Using Watermove's new 'easyTrade' system, irrigators can now buy and sell water over the phone without filling out the usual forms. Potential traders can simply call Watermove staff, who prepare all the paperwork. All the trader needs to do is sign the form to go into the next available exchange.

Watermove offers a comprehensive and secure online trading facility. But for those who prefer not to trade over the internet, 'easyTrade' offers a convenient alternative without compromising security or transparency.

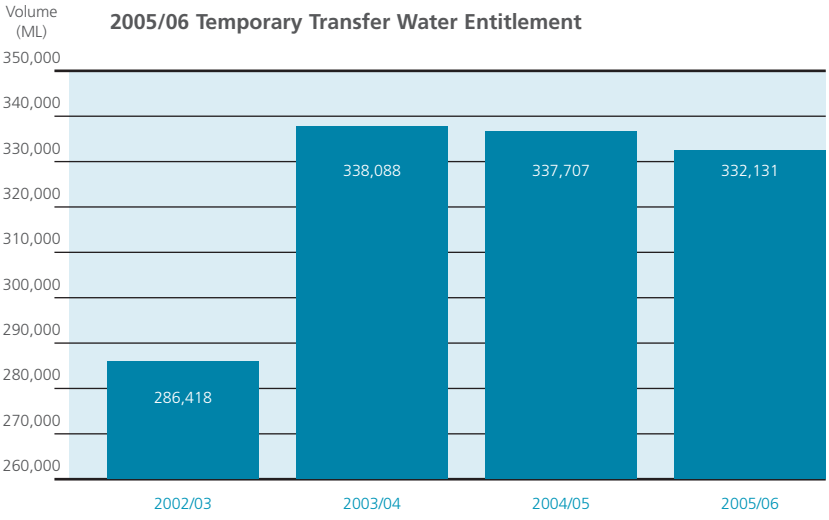
WATER TRADING TRENDS

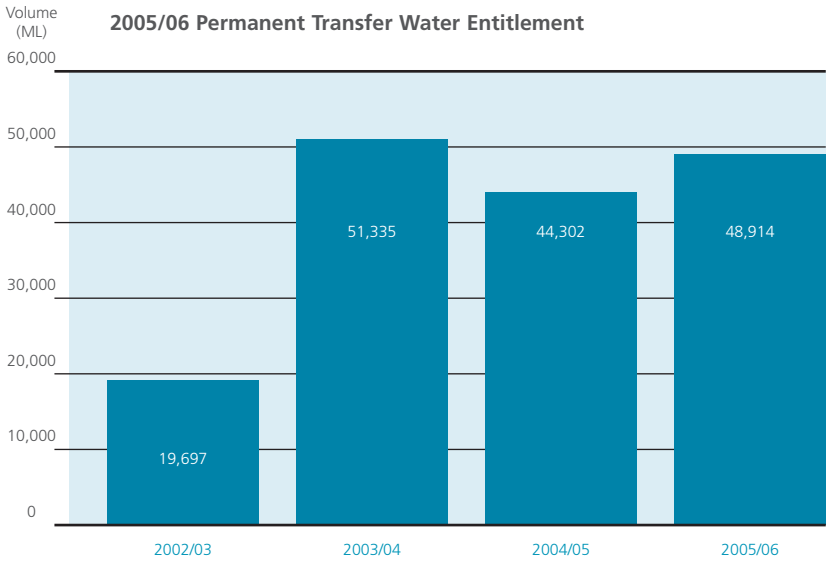
Water trading continues in a maturing market tested over the past year with good spring but difficult autumn conditions. The market has provided customers with information, choice and flexibility while coping with difficult on-farm conditions.

Season report

The water trading market had a slow start in the irrigation season, with good spring conditions offering early allocations and the prospect of sales across the Murray trading zones. As the season progressed into summer, and conditions tightened with above-average temperatures, activity in the market increased. This activity also increased with the opening of trade from the Murray to the Goulburn systems.

Conditions in autumn remained dry, increasing demand for water in March and early April. The market peaked in mid-April, and then fell away towards the end of the irrigation season following some much needed rain.



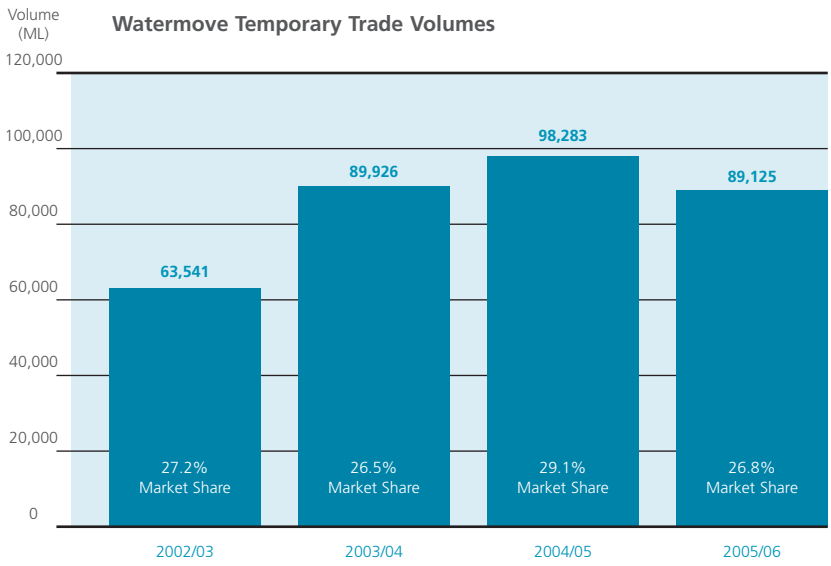


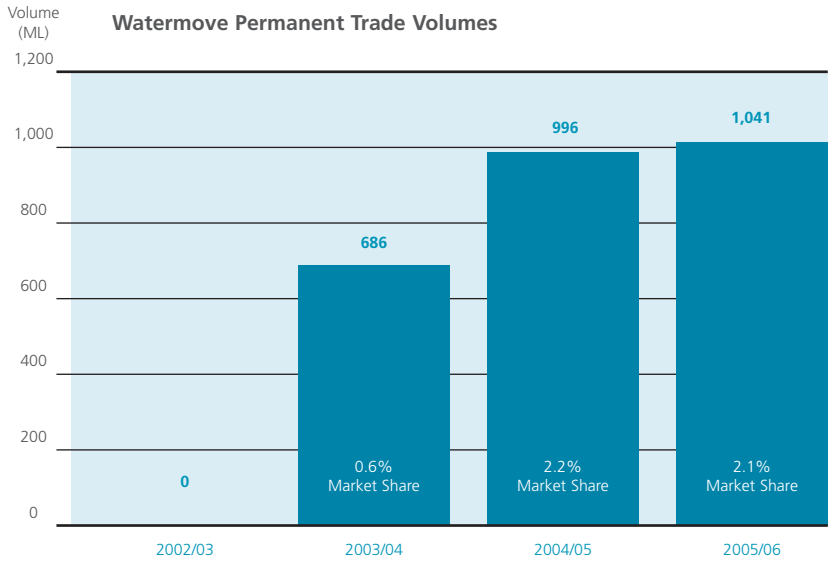
Social Sustainability

DEVELOPING OPEN AND VIABLE WATER MARKETS - WATERMOVE

Goulburn-Murray Water is committed to developing an open and viable trading market that ensures water can move to higher value uses. The Watermove exchange, operated by Goulburn-Murray Water, continues to set a benchmark for the water market by publishing an informed water price, valuable trade data and offering competitive and transparent fees.

Over the past year, Watermove has continued to operate in competitive water trading markets across Victoria and southern NSW.





FREE TRANSLATION SERVICE

Goulburn-Murray Water provides a free translation service to cater for the rich diversity of our customer base. The service can provide translations in over 100 languages and works via a three-way phone conversation between the customer, a translator and a Goulburn-Murray Water customer service representative.

WORKING WITH OUR WATER SERVICES COMMITTEES (WSCs)

Goulburn-Murray Water continually strives to lead the industry in community consultation and stakeholder engagement. Our Chief Executive attended many WSC meetings this year, which enabled the open communication and understanding of the needs of the community and the needs of the business.

Also, as part of our commitment to provide opportunities to share knowledge and experience between customer committees, Directors and senior management, our annual workshop was held at Bendigo in June 2006. Themed *Future Services, Water Savings & Reconfiguration*, 70 WSC members attended to discuss issues including pricing and water reform. Guest speakers included the Minister for Water, John Thwaites, and representatives from the Essential Services Commission, National Water Commission, Murray-Darling Basin Commission and the Department of Sustainability and Environment. Speakers gave their perspectives on water reform direction and priorities for northern Victoria.

Customer communication is a key part of our business and we recognise that customer participation in business planning and decision-making is essential if we are to meet the changing needs of rural and regional communities.

Goulburn-Murray Water has 12 WSCs and 10 Catchment Committees, which represent customers in irrigation areas, surface and groundwater diversions, flood protection and water districts. In all, over 100 WSC members represent customers on these committees - approximately one WSC representative for every 250 customers.

As part of their involvement in major business decisions, customer committees developed business plans for each of their areas, influenced Goulburn-Murray Water's Water Plan before it was submitted to the Essential Services Commission for a pricing determination, contributed to the way in which we charge for water (tariff reform), and implemented key White Paper reforms.

Goulburn-Murray Water greatly appreciates the skill, scrutiny and time that Water Services Committee members provide in giving advice from both a customer and community perspective.

HELPING CUSTOMERS IN HARDSHIP

In response to the very poor seasonal outlook for the Campaspe system, Goulburn-Murray Water introduced a financial assistance for Campaspe customers.

After consultation with the Rochester-Campaspe Water Services Committee and following discussion with the Minister for Water and the VFF, we established the Campaspe Rebate Fund. This fund saw the interest-free period extended by 6.5 months to 30 June 2006 and included a rebate of $9.45 per megalitre of water entitlement. The rebate resulted in some $200,000 returned to customers.

We also returned the components of the tariff to 2004/05 prices and reduced the interest rate on overdue amounts from 12.25% to 9% per annum.

Goulburn-Murray Water has a hardship policy, which includes alternative payment arrangements for customers experiencing difficulty in making payments.

Water Services Commitee Chairmen with Don Cummins at the Water Services Committee workshop

Water Services Committee	No. of Members	Meetings Held	Average Attendance
Shepparton	8	9	88%
Central Goulburn	9	11	74%
Rochester-Campaspe	10	13	87%
Pyramid-Boort	9	11	84%
Murray Valley	8	12	90%
Torrumbarry	9	12	60%
Loddon Waterworks	8	2	81%
Tungamah	7	8	87%
Loch Garry	5	1	60%
Regional Groundwater	14	6	49%
Murray System (Diversions)	12	6	67%
Goulburn System (Diversions)	8	6	96%
TOTAL	**107**	**97**	**77%**

Social Sustainability

WATER STORAGES: SUPPLY, RECREATION, TOURISM AND ECONOMIC DEVELOPMENT

Goulburn-Murray Water balances its important water storage and delivery roles with tourism and economic development. In August 2005 we appointed a Manager of Water Storage Amenity to bring increased focus to water storage recreation use and to develop plans that deliver recreation services that meet community needs over time.

This year, much work has been done to develop a deeper awareness of recreation needs at storages, and meetings with many stakeholders have been held to further our understanding of opportunities and challenges. This information is important for the development of plans for sustainable management of water storages.

Our commitment to key water storage amenity included:

- developing an appropriate insurance policy for 'Events on Storages';
- facilitating two large developments at Nagambie: Jayco's redevelopment of the Chinaman's Bridge Caravan Park, and a new development adjoining the lake and township;
- identifying potential tourism-related development sites at various storages;
- identifying new houseboat opportunities;
- developing Expression of Interest process for a potential tourism opportunity at Lake Eildon; and
- working on an environmental risk management plan for recreational and commercial use of each Goulburn-Murray Water storage.

From left: Shire of Strathbogie Chief Executive Kevin Hannagan, Jayco Leisure Parks Pty Ltd Director Gerard Ryan and G-MW Chief Executive Russell Cooper signing Heads of Agreements for redevelopment of Chinaman's Bridge Caravan Park.

WORKING WITH BULK WATER AND RECREATION CUSTOMERS

Stakeholder forums are a key aspect of the relationship Goulburn-Murray Water shares with its customers and communities. The forums provide valuable opportunities to share ideas and listen to community issues, concerns and expectations that inform the way we act and manage in our broader water storage role.

Goulburn-Murray Water works closely with other water authorities, hydroelectric power companies, recreational and tourism customers and representatives from communities around our storages.

This year, we regularly convened and participated in stakeholder and community reference groups, including community-based panels at Mansfield, Murrindindi Shire, Lake Eildon, Lake Nagambie, Lake Eppalock, Lake Mulwala and Lake Hume.

In addition, Goulburn-Murray Water held two sets of public meetings at Goughs Bay and Eildon to inform and discuss with stakeholders progress on a number of initiatives, including the Water Storage Amenity business, water quality risk reduction plans, Eildon Alliance dam improvement works, and work on club leases.

The Eildon Alliance's consultative approach to their work also set a very high standard for community engagement and has provided Goulburn-Murray Water with a great opportunity to continue this relationship with the communities around Lake Eildon.

CAIRN CURRAN 50TH ANNIVERSARY – COMMUNITY CELEBRATION

Since it was officially opened in April 1956, Cairn Curran Reservoir has been an important water storage for the people of north central Victoria.

On 28 May 2006, Goulburn-Murray Water and the Baringhup community celebrated the achievements of the many workers who constructed the dam and those who helped make it an such an important community resource and focus over the last 50 years.

Engineers, construction workers and their families were invited to return to Baringhup to join in the celebration and view the display of memorabilia depicting the construction process and life on the job. As part of the official celebration, a plaque was unveiled at the dam site before the public was invited to the Baringhup Hall, where displays and presentations were made over afternoon tea.

Community members also had the opportunity to inspect the dam and learn about its construction and its method of operation today.

The celebration was a great opportunity for Goulburn-Murray Water staff and the wider community to meet those who worked on the dam and exchange views and information. A large crowd attended the celebration, including the reservoir's many sporting and leisure users and water supply customers.

MANAGING COMMUNITY AND ENVIRONMENTAL INTERESTS AT OUR LAKES ON THE MURRAY

This year saw the Lake Mulwala Land and On-Water Management Plan, the reference point for managing activities on and around the lake, further implemented.

Goulburn-Murray Water manages water supply, environmental, recreational and tourism needs at Lake Mulwala on behalf of the Murray-Darling Basin Commission.

The plan seeks to maximise benefits for community, visitors and the natural environment. It sets a strong foundation for future management at Lake Mulwala and enjoys strong community support.

A similar plan is being developed for Lake Hume; several important studies have been undertaken, including a cultural heritage assessment, water quality data review, socio-economic study and grazing impact assessment. These studies form the basis of the Hume plan.

Importantly, this year we worked closely with Aboriginal Affairs Victoria, Bangerang Cultural Centre Co-operative, Mungabareena Aboriginal Corporation and the Dhudhuroa Traditional Owners Group in managing the cultural heritage of Bethanga Bay.

50th Anniversary Cairn Curran Celebration

Social Sustainability

We will provide a safe, healthy and satisfying place for our people to work, because it is through a competent, committed and adaptable workforce that our long term security and success is assured in a rapidly changing world.

CREATING A BETTER WORKPLACE

At 30 June 2006 we had 614.6 full-time equivalent employees*, compared to 604 at the same time last year. The actual number of employees was 632 compared to 624 last year. Our numbers increased as we undertook more work with our own staff, rather than contractors, to fulfil the requirements of various government-funded projects.

During the year we conducted a staff survey, which showed that 79% of employees were satisfied with their employment conditions at Goulburn-Murray Water. The survey indicated that employees were most positive about the application of safe work procedures, cooperation and water management.

	Total Employees	% Men	% Women
2005/06	**632**	**84**	**16**
2004/05	624	84.3	15.7
2003/04	601	86	14
2002/03	603	87	13
2001/02	610	88	12
2000/01	598	90	10

**Full-time equivalent number accounts for part-time employees as a fraction of full-time hours workable. For example, two people each working 2.5 days per week would equal one full-time equivalent employee.*

PROVIDING TRAINING FOR OUR WORKFORCE

We maintained our status as a Registered Training Organisation, meeting all responsibilities and audit requirements of the Office of Training and Further Education. Extensive vocational training was provided to ensure our employees meet national competency standards and can meet the needs and expectations of our customers and communities. We also play a major role in training advisory bodies, nationally through the Water Industry Education and Training Association of Australia, and the review of National Water Industry Training Package and in Victoria through the Victorian Water Enterprise Training Advisory Board.

A total of 2,065 individual days' training were conducted at our Training Centre during the year, compared with 2,177 in the previous year. A further 754 training days were delivered at client venues. In addition, Training Services Unit staff assessed 127 Goulburn-Murray Water and 114 other staff as part of water industry operational employees undertaking on-the-job training units. In association with the University of Ballarat, our Training Services Unit completed the largest water industry training program in Australia by providing training and assessment for the combined water authorities of Gippsland. This involved 170 operational staff.

GRADUATE DEVELOPMENT PROGRAM

In addition to the days of training we provided, we established a graduate development program as part of our commitment to making Goulburn-Murray Water an employer of choice. The program was launched at an informal gathering of Goulburn-Murray Water graduates and other stakeholders at Tatura on 9 June 2006.

A broad framework for the program has been put together and details of how it will work in providing the right balance of technical development and broader learning are currently being developed.

MAKING OUR WORKPLACE SAFER

Goulburn-Murray Water reaffirmed its commitment to workplace safety with a review of our Occupational Health and Safety Policy and associated procedures. Our work ensured we maintained our SafetyMAP accreditation following a rigorous surveillance audit. SafetyMAP is a recognised occupational health and safety audit tool provided by the Victorian Work Cover Authority to measure an organisation's health and safety performance. The Board continued to support safety initiatives and maintained a Safety and Environment Committee.

We were very pleased to reduce our number of lost time injuries, which emphasises the trend to improved safety. However, the average lost time for each injury increased significantly as a result of three major injuries and as a result of time taken to obtain medical attention in small rural communities.

In the coming year our attention will focus on consolidating procedures and ensuring a consistent application of procedures across the organisation's geographical spread.

	Lost Time Injury Frequency Rate (lost time injuries per million hours worked)	**Average Lost Time Rate** (average number of days lost per lost time injury)
2005/06	**7.8**	**30.2**
2004/05	17.4	10.8
2003/04	14.5	10.1
2002/03	19.3	15.9
2001/02	18.1	20.2
2000/01	26.9	10.3

MAJOR OCCUPATIONAL HEALTH AND SAFETY ACHIEVEMENTS

The year was highlighted by two major initiatives: a corporate health program and the development of an electronic communication system for OHS material and procedures.

The Corporate Health Program involved 342 employees undertaking a series of health tests, such as blood pressure and height-to-weight ratio, which gave all a better understanding of their individual condition and needs. It even prompted several employees to seek medical attention, which may have averted more serious problems. Further, 380 employees participated in skin cancer screening tests.

The OHS Communication Project is an electronic solution that enables us to maintain up-to-date material, risk assessments and procedures in all locations, especially those remote from our Tatura office.

OHS key indicators	**2005/06**	**2004/05**
Number of health and safety employee representative committees	14	14
Number of meetings of Occupational Health and Safety Committees held during the year	112	147
Number of lost time injuries for the year	8	17
Number of days lost to injuries incurred during the year	242	182
Lost Time Injury Frequency Rate (lost time injuries per million hours worked)	7.8	17.4
Average Lost Time Rate (average number of days lost per lost time injury)	30.2	10.8

Social Sustainability

NEW SAFETY RECORD FOR ASSETS AND TECHNICAL SERVICES

This year, our Assets and Technical Services Group celebrated a significant milestone after achieving an unblemished safety record for the entire year. The group, comprising 180 people plus contractors across 17 work sites, recorded 575,000 working hours without a Lost Time Injury.

PROMOTING THE ROLE OF WOMEN IN OUR ORGANISATION

The Women's Professional Development Network, established in 2003 to improve the role and value of females at Goulburn-Murray Water, continued to promote the experiences and achievements of our female employees.

Forums held by a variety of external presenters during the year focused on work/life balance, women's health issues, and time, stress and change management. The forums continued to draw great numbers, with an average attendance rate of 75% of women. Feedback indicates that the events have been of great interest and benefit to those who attended.

A new organising committee has been established to help more women to develop professionally and personally and give new scope to upcoming forums.

USING TECHNOLOGY TO IMPROVE THE WAY WE WORK

Goulburn-Murray Water undertook a number of information technology projects this year. Our projects were delivered according to the Information Technology Strategic Plan and in response to changed internal management requirements and external demands.

The projects aim to improve productivity and customer service, seek to improve OHS and environmental management results and improve access to a wide range of information resources. This year we undertook the following:

- improved data communications facilities for offices remote from Tatura
- introduced latest version of the Asset Management System (AssetLife) on a high availability database system, resulting in significantly improved performance
- further developed business continuity facilities to improve our capability to operate in the event of a range of disasters
- installed new information technology infrastructure at several offices to improve reliability and general performance across all locations
- further improved the customer care and billing system to allow for increased functionality and ability to meet customer need
- implemented a financial reporting system to improve the consistency, frequency and timeliness of internal expenditure reporting
- introduced a credit card cost tracking and reporting system to improve accountability and to streamline business processes
- introduced a corporate-wide OHS information system
- commenced work on several key projects: Financial Management System review, Asset Maintenance System integration with Asset Management System, Geographic Information Systems, Irrigation Planning, Customer Care and Billing, Environmental Management Information System, and Business Management System/Intranet.

We will develop productive, empathetic and enduring relationships with all interested parties to achieve the best balance of economic, environmental and social outcomes.

BUILDING COOPERATIVE RELATIONSHIPS

In order to deliver our services and meet the needs of our customers and local communities across our operating area, it is essential that we work in partnership with a large number of different organisations.

Some of the key organisations with which we have worked to develop cooperative partnerships over the past year include:

Catchment Management Authorities (CMAs)

Goulburn-Murray Water works closely with the North East, Goulburn-Broken, North Central and Mallee CMAs to align our water management activities with their respective Regional Catchment Management Strategies. In addition, we deliver a number of programs on behalf of CMAs relating to water quality, salinity management and drainage in the Goulburn-Broken and North Central areas.

This year, Goulburn-Murray Water and the North Central and Goulburn Broken CMAs developed a joint bid for National Water Initiative funding to support improved water management on farms in our region.

Department of Sustainability and Environment (DSE)

Goulburn-Murray Water employees have been involved extensively in developing and implementing major reforms flowing from the Government's white paper *Our Water, Our Future*. This required a strong partnership with DSE Water Sector Groups covering irrigation entitlement reforms and water savings projects. We have also worked closely with regional units, particularly in relation to the Mokoan Return to Wetlands project.

Department of Primary Industries (DPI)

DPI and Goulburn-Murray Water employees this year pooled their expertise in a range of areas, including delivery of CMA programs and communicating tariff changes to support *Our Water, Our Future* reforms.

Murray-Darling Basin Commission (MDBC)

We have a strong relationship with the MDBC, both in our role as the Victorian Constructing Authority for the Commission and in contributing a Victorian view to a number of MDBC coordination and planning forums. This includes the River Murray Water Committee, the Commission's Water Liaison Committee and the Water Audit Working Group.

Water industry organisations

Goulburn-Murray Water is an active member of a number of industry organisations to whom we offer our knowledge and expertise and from whom we learn. These organisations include the Australian National Committee on Irrigation and Drainage (ANCID), the Australian National Committee on Large Dams (ANCOLD) and the peak body for Victorian water authorities, the Victorian Water Industry Association (VicWater).

In addition, we have worked extensively with local government, irrigation industry groups, recreational groups, other rural and regional water authorities and various government agencies.

Social Sustainability

WORKING WITH OUR CATCHMENT PARTNERS TO CONTROL ARROWHEAD

Arrowhead is a noxious aquatic weed spreading through the irrigation system and posing an environmental threat to natural waterways. To raise the profile of the Arrowhead problem across the Murray-Darling Basin, we developed the Arrowhead Strategic Plan for implementation by key stakeholders along the River Murray.

PROVIDING TECHNICAL LEADERSHIP IN MANAGING DAMS

Goulburn-Murray Water continued to support and provide leadership in technical aspects of dams management through our involvement with ANCOLD and the International Commission on Large Dams (ICOLD). We also participated in the VicWater Working Group, the Institution of Engineers Australia and the Victorian State Critical Infrastructure Review Committee.

Our involvement in these and other technical and professional organisations brings about opportunities to exchange knowledge and experience with other dam owners through technical papers, conference presentations and the development of national and international guidelines and standards in dam engineering.

PROVIDING WATER EDUCATION THROUGH NATIONAL WATER WEEK

Goulburn-Murray Water was proud to sponsor National Water Week in the Goulburn Broken catchment again this year. Coordinated with our catchment partner organisations, the week-long series of events educated and raised community awareness of the value of our water resources. In 2005/06, the events involved more than 2,000 participants.

The Water Week Awards Night, held for the first time this year, was designed to celebrate innovative and efficient water use and environmental initiatives in our community. Goulburn-Murray Water's Best Practice Irrigation Management on Farm Award winner was Ray Sellwood. His permanent sub-surface drip irrigation system can save 50-80% of water used on crops. Ross Nicoll was runner-up for his fully automated irrigation system.

Other National Water Week events included guided river and wetland walks, boat cruises, school pantomime performances, film nights, art competitions, photography and short story competitions and a canoe tour of Lake Nagambie.

MURRAY VALLEY TRAIL SPONSORSHIP

This year, Goulburn-Murray Water was pleased to provide sponsorship for the Tocumwal-Echuca section of the Murray Valley Trail. The Tocumwal-Echuca section is part of a larger trail that will eventually connect and stretch along the entire river. The trail is an initiative of the Murray Darling Association that links and promotes a series of tracks, trails and roads along the New South Wales and Victorian sides of the River Murray. When completed, the Murray Valley Trail will become a tourist attraction that enables community education about environmental and water management issues.

PLAYING A ROLE IN INTERNATIONAL DAIRY WEEK

Australia's world-famous dairy expo, International Dairy Week, was held in Tatura in January. Goulburn-Murray Water and its water exchange, Watermove, supported this significant event.

Given the recent drought and government water reforms, the rural water industry in Victoria is enduring a period of significant adjustment. International Dairy Week provided an important means of communicating new developments to water users.

A raft of Goulburn-Murray Water specialists attended the expo with important information on rural water matters, including unbundling of water entitlements, tariff reform, channel automation technology, water trading opportunities and online trading.

PROVIDING SUPPORT FOR LOCAL AND OVERSEAS COMMUNITIES

Helping overseas communities through WaterAid

As Australia's largest rural water authority, Goulburn-Murray Water understands the essential need for water in all communities and all lives. This year we became a member of leading water charity WaterAid to help establish and maintain safe water supplies for remote overseas communities.

A Goulburn-Murray Water fundraising committee has now been established to organise activities to help WaterAid fund sustainable water projects such as providing toilets in schools in remote communities in Papua New Guinea, Timor-Leste, Nepal and India.

By 2015 WaterAid aims to reduce by half the number of people in the world without access to safe water. Currently, one in five people around the world lack basic sanitation and 1.1 billion people do not have access to safe drinking water.

WaterAid's programs are community based and provide the means for developing safe water supplies. They also teach communities the skills needed to ensure future supplies, encouraging groups to take ownership of and responsibility for the pumps and wells, which contributes to sustained benefits for the community as a whole.

25 YEARS 1981-2006
WaterAid
Australia

Supporting safety messages for young people in our region

Goulburn-Murray Water sponsored the Victoria Police Blue Light Kidsmart Handbook, which is delivered to thousands of grade 6 students across northern Victoria. The handbook promotes various Blue Light activities across the region and, importantly, is a reference for information on issues such as drugs, alcohol, sex, bullying and family relationships.

Charity Golf and Bowls Day

Goulburn-Murray Water employees again contributed a considerable amount of time and effort to organising our annual golf and bowls day to raise money for various charities. The highly successful event, held at Hill Top Golf and Country Club at Tatura, raised over $12,000. This takes the total funds raised by Goulburn-Murray Water to more than $250,000. The funds were distributed to 10 charities and community groups which in turn support disadvantaged children, kindergarten projects, Australia Day projects in Goulburn-Murray Water's region, and larger projects of the Reach Foundation and WaterAid Australia.

Goulburn-Murray Water's David Roberts presents some of the proceeds of the Charity Golf and Bowls Day to Tatura Children's Centre

Social Sustainability

PLANNING FOR A SUSTAINABLE FUTURE THROUGH RESEARCH AND DEVELOPMENT

This year Goulburn-Murray Water allocated $909,000 to programs that focus on research and development in the irrigation sector. This included $250,000 to the Cooperative Research Centre for Irrigation Futures and $260,000 to the eWater Cooperative Research Centre. Our membership of these national programs means we benefit from projects addressing policy, planning, sustainability, technology and practice across the irrigation industry. One eWater product with direct application for use by Goulburn-Murray Water is the decision support tool for river operations.
Locally, we continue to investigate water supply sustainability issues, including:

- minimising chemical use in controlling the aquatic weed Arrowhead
- improved methods for monitoring pesticide residue in channels
- flow metering devices with enhanced performance or cost advantages, and
- improved water quality management practices for storages.

Complementing Goulburn-Murray Water's own supply studies, we participated in a Melbourne University project to develop systems that capture and process field data, information that enables cost-effective improvements in on-farm irrigation. The Regional Economic Benefits from Smarter Irrigation project collects data from border-check irrigated pasture sites and micro-irrigated perennial horticulture sites spread from Corop to Dookie.

We also work together with government departments to ensure the continued success of the Irrigation Futures of the Goulburn Broken Catchment project. The project's objective is to produce the vision for the future of irrigation in our region and has presented catchment scenarios that will be linked into the developing area infrastructure plans prepared by Goulburn-Murray Water.

Environmental Sustainability

We will be conscious that what we do has a significant and lasting effect on the environment and seek to reduce this impact, contributing to enhanced environmental outcomes.

Environmental Sustainability

DELIVERING WATER TO WHERE IT'S NEEDED IN OUR REGION

Goulburn-Murray Water works to ensure water is delivered when and where it is needed.

This year, the irrigation season began with varied water levels in our storages. By mid-August 2005, storage levels on the Murray, Broken and Bullarook Creek systems had recovered sufficiently from drought lows to enable an allocation of 100% or more. At the same time, allocations for the Goulburn, Loddon and Campaspe systems were 21%, 9% and 0% respectively.

The first allocation for the Campaspe system was 2%, announced on 15 September. Before this date the Minister for Water had made limited supplies available in accordance with the qualification of rights declaration.

The Loddon and Campaspe systems storage situation showed little improvement until the spring, which was modest. As Campaspe water resources improved over time, the allocation increased accordingly, and by 1 December 2005 it had reached 31%. No further increases were made after this date.

Nillahcootie on the Broken system and Buffalo and William Hovell on the Ovens system were the only storages to fill to capacity. Waranga Basin filled to 96.3% of capacity in mid-November 2005.

The normal start to the 2004/05 irrigation season was deferred because of suitably wet conditions and as a strategy to minimise distribution losses.

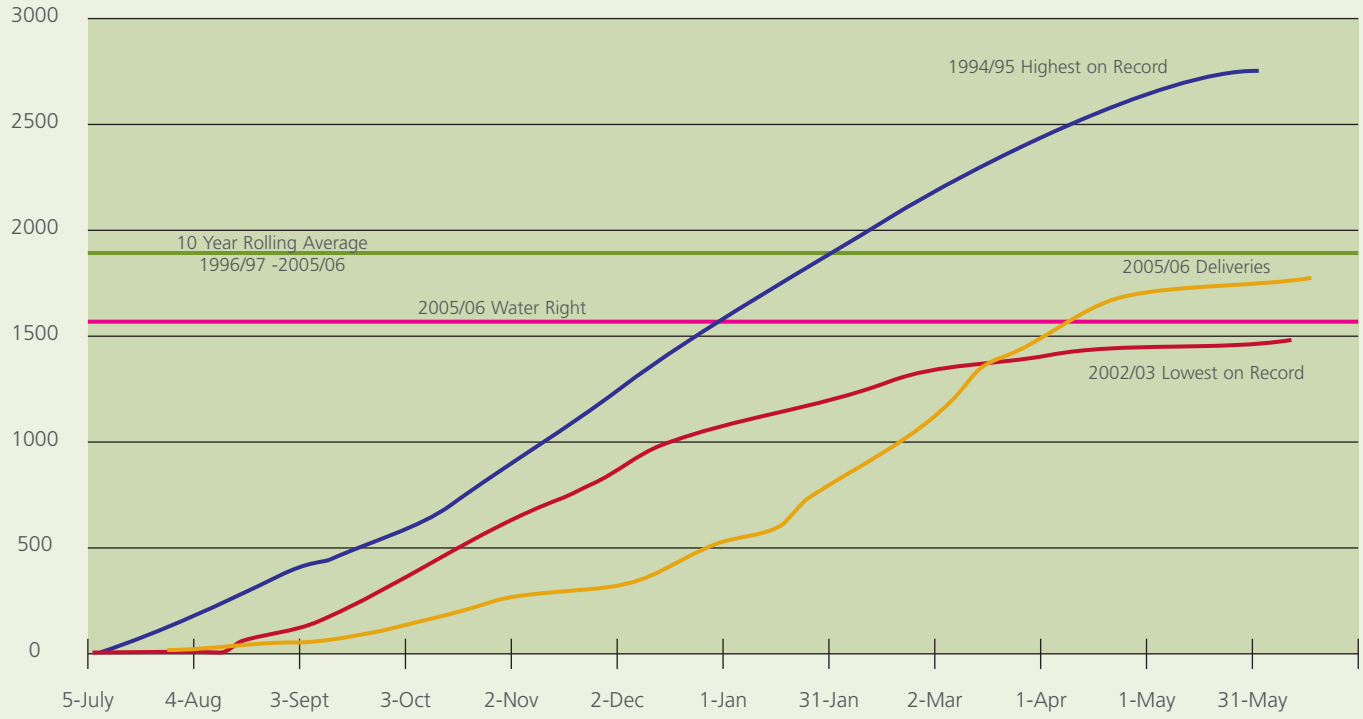
A volume of water was held in reserve at Lake Eppalock at the end of the 2005/06 season to ensure enough water is available to meet essential needs in 2006/07 should drought conditions continue.

The carryover volumes in all storages at the end of the season, with the exception of Dartmouth and Waranga Basin, were less than at the same time in 2005.

The graph below shows water deliveries in 2005/06 compared to the highest and lowest on record, and the 10-year rolling average from 1996/97. Further details are provided in Appendix B.

Supplies were rationed for extended periods in autumn in the Pyramid-Boort Irrigation Area, west of the Loddon River. Rationing was necessary because no supplement was available from the Loddon system.

In accordance with the provisions of the Goulburn Bulk Entitlement, Goulburn-Murray Water supplied only a relatively small volume of water to Grampians Wimmera-Mallee Water during the year.



RESPONSIBLE MANAGEMENT IN A PROLONGED DROUGHT

The severe drought on the Goulburn and Loddon systems continued into its eighth consecutive year without any 'sales' water being allocated. Goulburn-Murray Water would only make a sales allocation if Water Right was reasonably assured in the following year.

In 2005/06, Goulburn-Murray Water announced a final Goulburn system allocation of 100% of Water Right, as it has for every year since 1997/98, with the exception of 2002/03 when the allocation reached only 57%.

While the Loddon system eventually reached 100% of Licensed Volume, the maximum allocation for the Campaspe system was only 31% of Water Right and followed a year when the maximum allocation was 39%. There has been no sales allocation on the Campaspe system since 2001/02.

Conditions on the Broken River and Bullarook Creek systems allowed us to announce maximum allocations of 170% and 190% respectively.

The final allocation for the Murray system was 144% of Water Right, the highest since 2001/02 when 100% sales was available.

As in recent years, we continued to keep our customers and other stakeholders informed of steps being taken to maximise water availability and minimise losses, and to provide regular updates on seasonal allocations. Throughout the season we continued our practice of distributing regular newsletters and outlook charts to provide important information. Goulburn-Murray Water continues to engage government agencies and other stakeholders to explore better means of managing systems with low water availability.

The Campaspe system again proved a major challenge, with a severely limited volume of water in Lake Eppalock. Campaspe Weir was operated again below full capacity, with restricted diversion on the lower Campaspe River, reduced channel outfalls and reduced Goulburn water used to supply flow downstream of the Campaspe Siphon. These measures ensured we could provide the maximum allocation possible to our customers.

We reserved a small volume of water in Lake Eppalock as a contingency measure to provide at least a limited supply to meet essential needs should dry conditions continue into 2006/07.

CLARIFYING AND SPECIFYING WATER ENTITLEMENTS

In order to share water resources fairly, the Minister for Water issued Goulburn-Murray Water's Bulk Entitlements for the Loddon basins in November 2005.

Work on the Bullarook Creek Bulk Entitlement continued, with an environmental flow study and system modelling undertaken. The modelling is now considered to adequately represent system movements in the Bullarook Creek system. Claims for water for the environment, for Goulburn-Murray Water (on behalf of its customers) and for Central Highlands Water (on behalf of its customers) are likely to exceed the resources available and some future compromises will be necessary.

Environmental Sustainability

MANAGEMENT OF GROUNDWATER RESOURCES AND UNREGULATED STREAMS

Demands for water from aquifers and unregulated catchments remain strong in northern Victoria. Our communities' need for sustainable water resource management means we must carefully assess the available resource when making groundwater allocations, when assigning rosters to streams and when assessing applications for new licences or applications for transfer.

Goulburn-Murray water has worked with the State Government to introduce a sustainable diversion limits process for managing applications for new farm dams. Sustainable diversion limits have been set for most sub-catchments across the state. We are working to develop management tools that effectively manage groundwater stream interaction in upper catchment areas. We have also provided significant technical support to the Catchment Management Authorities in their investigations of environmental water requirements for the King Parrot Creek, Seven Creeks and the Upper Ovens River.

Goulburn-Murray Water plans to introduce groundwater trading rules that provide groundwater users with the same flexibility to manage access to water on an annual basis as is available to surface water users. We have implemented temporary trading rules for groundwater in the Mid-Loddon area in consultation with its groundwater users.

In 2005/06 we made significant progress in facilitating the development of a new Groundwater Management Plan for the Katunga Water Supply Protection Area, which is likely to be put in place in 2006/07. We also continued implementation of the existing Katunga, Campaspe Deep Lead and Spring Hill Groundwater Management Plans.

Technical data was compiled for other aquifers, including the Mid-Goulburn, Campaspe Plains north east of Bendigo and parts of the Upper Loddon catchment. This work is the foundation for developing future local groundwater management rules for these aquifers.

MEETING THE CHALLENGE OF MANAGING STREAM FLOWS IN DROUGHT CONDITIONS

Many of the unregulated streams in the Goulburn-Murray region experienced drought conditions this year, which stimulated the introduction of rostering, restrictions and bans while flows continued to recede. These actions were necessary and ensured equity for water users and the environment.

The catchments of the Campaspe, Coliban and Loddon Rivers were very dry with little or no natural flow for much of the year. Streams in the north east of the state fared much better.

River Murray Water exercised its right to transfer water from Lake Eildon to the River Murray from the Goulburn Inter Valley Trade Account. This resulted in high, sustained flows in the Goulburn River during the summer and autumn. Some of this water was also used for a small environmental flow for the lower Campaspe River and for improved health of Broken Creek.

The use of water from the Goulburn Inter Valley Trade Account was necessary to control the drawdown of Lake Victoria. This process helped to avoid higher releases from Lake Hume, which would have caused unseasonal flooding of the Barmah-Millewa Forest.

While the higher flows in the Goulburn River were not viewed as environmentally beneficial at the time, recreational anglers did enjoy the best fishing conditions for many years.

Surplus water in the Ovens storages was used to supplement the River Murray resulting in a credit in Lake Hume. Apart from providing higher in-stream flows in the latter part of the year, the extra water helped reduce bank-slumping in Hume Dam to the Yarrawonga reach of the Murray in May 2006.

Tullaroop, Hepburns and Mokoan storages experienced high to very high concentrations of blue-green algae over the course of the year. Black water was also reported on the Broken Creek and Loddon River, downstream of Loddon Weir.

The black water episode on the Loddon River in February 2006 followed a freshening flow initiated by the North Central Catchment Management Authority under the provisions on the Loddon Bulk Entitlement.

Goulburn-Murray Water holds a memorandum of understanding with the Department of Sustainability and Environment to develop the streamflow management plans listed in the Our Water Our Future White Paper, 2004. The Yea River, King Parrot Creek, Upper Ovens River, Kiewa River and Seven Creeks are all listed streams.

Saving Water Feature

Saving Water

Goulburn-Murray Water's role in water savings

Drought conditions in northern Victoria for most of the last decade have highlighted the critical need for efficient water systems. Victorian Bulk Water Entitlements ensure a balance between water for environmental needs and for productive use. Under these agreements, Goulburn-Murray Water has made a concerted effort to reduce water system losses and maximise the amount of water available for irrigation and other purposes.

Recent years have seen intensified focus by State and Federal Governments on increased water volume for environmental flow in the Snowy and River Murray systems. Through the Snowy Initiative, the Governments of NSW and Victoria have agreed to return 212 gigalitres to the Snowy River and 70 gigalitres to the River Murray by 2012. In the Living Murray Initiative, 500 gigalitres will be returned to the river by 2009. In order to meet these commitments to the Murray and Snowy Rivers, Victoria is required to make water savings of about 320 gigalitres by 2009.

The Victorian Government's *Our Water, Our Future* reforms set out how these water saving targets will be met, including investment in water system improvements. As Goulburn-Murray Water manages about 70% of Victoria's total water use, it is likely that most of the investment will occur in our water systems. This provides a unique opportunity for Goulburn-Murray Water and its customers to develop effective and efficient irrigation systems for the future of our northern Victorian communities.

As part of a 'sales package', the Government has committed to converting 80% of water previously used by Goulburn-Murray Water customers as 'sales' to a lower reliability entitlement. This will see water savings of 120 gigalitres made available for environmental use. A further 25 gigalitres will be saved through $56 million of investments in reconfiguring irrigation systems over three years. In addition, the Government has allocated funds for a suite of water savings initiatives to improve the water efficiency of water systems and increase water volumes allocated to the environment.

In 2005/06 Goulburn-Murray Water implemented a number of projects to improve system efficiency and water savings. These projects included reviews and close management of our water delivery systems and construction schemes, several of which are detailed following.

Saving Water

EFFICIENT OPERATIONS

Loss management

In the 2005/06 irrigation season a total of 662.8 gigalitres of water were 'lost' from the distribution systems. In that same year, a total of 1,762 gigalitres was delivered, giving an overall distribution system efficiency of 72.7%.

Due to the complexities of the irrigation network, variability of seasonal conditions and the tolerances in measurements (both through the system and onto the farm), trends in water losses are difficult to compare and understand. The Distribution System Loss Management project, begun in 2002/03, is leading to increased understanding of water losses and improvements to system efficiency. A project team is overseeing the work and a loss management forum is undertaking the operational tasks, with losses monitored against weekly targets.

A wide range of initiatives have been implemented to reduce water losses. Water loss targets have been developed for each of our six irrigation areas, and new projects to better understand loss behaviour and reduce the volumes lost from the system are now in place. Water losses are broken down and monitored at component levels: outfalls, leakage, seepage, evaporation, system fill, theft, unmetered domestic and stock, meter inaccuracy and unallocated losses.

In 2005/06, our loss management initiatives included: breaking water loss targets down into a fixed and variable component, and including a 6% improvement factor for 2005/06 in the variable component; a program to check meter outlet clearances and operating conditions to improve measurement accuracy, development of real-time measurement programs for strategic measurement points into, within and out of irrigation areas; and field operator and customer awareness programs.

Accounting for water use through metering and farm dam registrations

Goulburn-Murray Water continues to improve compliance management procedures that ensure equitable access to water for all users.

As part of the *Our Water, Our Future* reforms, we are implementing a program to meter groundwater and unregulated surface water diversion. Also, in an effort to reduce labour costs incurred when reading meters mid-season, Goulburn-Murray Water has undertaken a trial program in the Kiewa River allowing customers to lodge their own meter readings. The results of this trial are expected to be complete before the 2006/07 season.

This year, we also completed site visits to over 7,000 farm dams and issued farm dam registration licences on 3,300 properties. The registration process was required under legislative changes introduced in 2002. A small percentage of large dams required operating licences that set out higher safety standards and surveillance requirements to protect public safety. Goulburn-Murray Water will now focus its attention on ensuring that all farm dams used for irrigation or commercial purposes are licensed.

Compliance management

The extended drought sequence has required us to increase our focus on compliance management to maintain water use within entitlement and to ensure the available water is shared equitably, including water for the environment. We increased staff resources in the catchments to monitor streams and aquifers in an effort to ensure long-term sustainable use from the water sources. Metering programs are now in place to improve accounting for water use, and the further implementation of stream and groundwater plans will outline future sharing arrangements.

PLANNING FOR THE FUTURE

Mokoan - Return to Wetland

A key component of Goulburn-Murray Water's commitment to the Government's *Our Water, Our Future* reforms is returning Lake Mokoan to wetland. Water savings from the project totalling 44,000 megalitres per year will lead to improvements in the health of the Broken, Goulburn, Murray and Snowy Rivers.

The State Government has promised that reliability of supply to Broken system water users will be maintained throughout this process. This will mean significant reconfiguration of the Broken system and will present opportunities for major water efficiency improvements.

The mid-Murray storage system, including Lakes Boga, Charm and Kangaroo, means up to 19,000 of the 44,000 megalitres of Mokoan savings can be substituted as environmental flows for the Snowy River. It will also result in more effective delivery of peak irrigation demand to the Sunraysia region.

Goulburn-Murray Water is responsible for investigating projects to implement supply reliability measures, and for decommissioning redundant assets at Mokoan. We also play a key role in developing the future land use strategy for the Mokoan site.

Pyramid-Boort Future Management Strategy

The second stage of Goulburn-Murray Water's Pyramid-Boort Future Management Strategy (FMS) is underway following the successful completion of Stage 1 in 2005.

The strategy was initiated because of changing on-farm circumstances occurring in the Pyramid-Boort Irrigation Area in northern Victoria. Customer numbers in Pyramid-Boort have reduced by 150, or 18%, in the last 10 years, and more than 28% of water originally tied to land and related supply infrastructure is now used on other properties.

Since April 2005 Goulburn-Murray Water, with support from the State Government, has been developing a detailed blueprint for a viable irrigation industry in the area. A package of initiatives is now being fine-tuned.

Many parts of the irrigation system are approaching the end of their useful life. Old and inefficient parts of the system are balanced by a declining number of customers who rely on those systems. In Stage 2 of the strategy we are developing plans that will deliver the same amount of water to customers using up to 25% fewer assets than the existing system. The savings to be made from this exercise is in the order of $50 million.

Importantly, the reconfiguration can save up to 3,500 megalitres of water through reductions in seepage and evaporation.

The future of the Pyramid-Boort Irrigation Area depends on an irrigation system that is affordable for users, offers a range of services, attracts new investment and allows for changing demand. A key part of the strategy is to modernise the core assets in the system to provide a reliable service for irrigation farmers now and into the future. Automation of the channel system is a key component of the strategy.

In changing times, these positive activities will ultimately benefit our customers and create new opportunities in the Pyramid-Boort area.

PYRAMID-BOORT
FUTURE MANAGEMENT STRATEGY
'building an irrigation future together'

Saving Water

Saving Water

MODERNISING OUR STRUCTURES

Using channel automation technology to improve service and identify water saving potential

Exciting new ways of managing water delivery systems and identifying potential water savings come with technology that automates control of irrigation channels. Goulburn-Murray Water is at the forefront of using this technology and recently completed the latest stage of a channel automation program in the Central Goulburn area.

Over $18 million of works were undertaken between May and August 2005, including installation of 454 new channel regulating gates from Murchison to Mooroopna. We set ourselves the challenge of completing the works while channel water levels were drawn down for winter.

The technology involves a series of interconnected channel regulating structures that are operated via a central computer to deliver irrigation water more efficiently. The whole system is remote controlled and powered by solar energy. When water is required at a certain location, the computer determines how it is to be delivered and sends messages to the channel regulating structures. The structures respond automatically, opening and closing to deliver the right amount of water at the right time.

This year the performance of the system was tested; initial problems with response times affected performance, and higher than expected demand affected delivery times. Good performance from mid-January greatly improved operational efficiency and Goulburn-Murray Water will continue to fine tune the system to ensure future consistency.

For customers, the technology has several benefits: it provides more consistent water delivery levels, requires shorter notice when ordering water and provides a more consistent and efficient supply of water across the system. It also allows us to identify which sections of channels might be 'losing' water, meaning we can focus our maintenance to reduce the losses and provide extra water savings.

Water savings from the Tungamah Pipeline Project

After several years of planning, construction of Goulburn-Murray Water's $20.4 million pipeline project at Tungamah officially commenced in February 2006.

A new pipeline will replace the 65,000-hectare Tungamah district's existing outdated and inefficient open channel domestic and stock system, which fills on-farm dams once a year.

The new pressurised pipeline will provide an efficient, year-round water supply service to 450 customers, providing more convenience, security and certainty for the future.
Upon completion, the pipeline will save an impressive 4,800 megalitres

Installing channel automation technology in the Central Goulburn area

each year, which will help the Government's commitment to environmental flows in the Murray and Snowy Rivers. Other environmental benefits include the demolition of obstructive weirs on natural waterways, improving the habitat for native fish.

The project will include 360 kilometres of pipelines, a pumping station and a 140-megalitre earthen storage basin. The water will be drawn from the East Goulburn Main Channel.

Mitchell Australasia, which successfully completed similar projects for Goulburn-Murray Water at Normanville and Woorinen, will construct the project. Work on the Tungamah Pipeline is scheduled to be completed by November 2006, with operation to be phased in over the 2006/07 summer.

The existing channel system will be decommissioned when the pipeline is complete, meaning not only significant improvements in water retention, but increased land availability and improved farm access.

Strategic measurement - Goulburn system

Aimed at metering and automating important structures in our Goulburn system irrigation areas, this project will enable us to better understand irrigation distribution system behaviour, to improve management of the system and to plan for future water recovery programs.

The project involves:

- identifying strategic off-take and outfall structures where measurement is required;
- determining the type of measurement devices to be installed;
- installing new/upgraded metering and control structures; and
- developing plans to minimise losses and improve system management.

The project's objectives are to:

- establish accurate measurement that will bring confidence and rigour to decisions to invest in channel automation and other system improvements;
- provide accurate channel flow measurement at key locations in the delivery system and improve service delivery and system operational efficiency;
- enable us to identify potential water savings and enable the measurement of savings to ensure real and sustainable benefits; and
- reduce channel outfalls.

The Victorian Water Trust and Water for Rivers are funding the project, as it will improve water use efficiency and form a sound foundation to reduce channel outfalls, improve customer service and increase the operational efficiency of the channel distribution system.

As a result of this project, Goulburn-Murray Water will be able to determine the water efficiency of sub-systems accurately and to identify the source and location of major system losses. Loss minimisation plans would then be developed to target future water savings in a structured and sustainable way.

Environmental Sustainability

OUR WATER, OUR FUTURE

The Victorian Government's *Our Water, Our Future* water reforms included a range of initiatives directly relevant to Goulburn-Murray Water. This year we undertook extensive work in partnership with the Department of Sustainability and Environment, the Department of Primary Industries and catchment management authorities aimed at delivering against these initiatives. The major areas of activity are summarised in the following table:

***Our Water, Our Future* Actions**	
Introduce Statewide Management Rules for unregulated streams	Goulburn-Murray Water employee participation in the management rule development working group continued in 2005/06. Increased staff numbers enhanced focus on compliance and monitoring in unregulated systems, in line with the objectives of Phase 1 of the Statewide Management Rules. Further planned funding will enable Phase 2 development and implementation in 2006/07.
Regional Sustainable Water Strategy	Goulburn-Murray Water supported planning for the development of the Northern Sustainable Water Strategy through membership of the Northern Water Forum and a working group comprising DSE/CMA/Authority employees. However, development of the detailed strategy was not commenced pending completion of the Central Region Sustainable Water Strategy.
Metering of all significant use for stream and groundwater diversions	Implementation of this three-year project began in 2005/06. The metering process is managed in two parts and makes licensees directly responsible for installing meters. Agreement with customers was reached on the basis for cost-sharing for the program, which will result in much improved water accounting and ability to manage water in our catchment.
Sales Package	During the year, we developed and negotiated a detailed Memorandum of Understanding with the Department of Sustainability and Environment regarding the agreed $86 million transition funding package and associated programs.
Reconfiguration of irrigation systems	We provided leadership in developing proposals to enable reconfiguration of irrigation systems and consulted widely with our customers on these proposals. The Board endorsed a project framework to guide reconfiguration planning across the organisation. A future management strategy is underway in Pyramid-Boort.
Recreation and water storages	The new Water Storage Amenity business unit was established to bring increased focus to recreational use on and around water storages and to deliver sustainable recreation services that meet community needs. A detailed business plan was prepared, which sets directions for this business unit for the next five years. Several projects have been undertaken, including completed agreements for redevelopment at Chinaman's Bridge Caravan Park.
Total Channel Control Project (Water savings)	This $18m government-funded project to automate a major channel system and make substantial water savings was continued during the year. New automatic regulators were put into service leading into the 2005/06 irrigation season.
Establishment of statewide entitlement register	Goulburn-Murray Water provided significant input into the user specifications and the detailed design of the new statewide entitlement register. We established a project team to develop processes and prepare data and systems for implementing new registers.

Environmental Sustainability

Our Water, Our Future Actions

Decommission Lake Mokoan (Water savings)	*Mokoan - Return to Wetlands* Conceptual designs were developed for a range of alternative supply options for existing Lake Mokoan diverters. Concepts and cost estimates were completed for investigating pipelines, flow control and monitoring systems, small on/off stream storages and other measures to protect the supply reliability of the Broken system. Development of the future land use strategy, which incorporates a major wetland area, commenced with significant community consultation. Development of a package to remove redundant storage assets is underway, and planning began for the operation of the storage before final drawdown. Hydrology studies were undertaken to confirm the impact of decommissioning on future stream flows. Environmental assessments commenced in support of the EPBC submission for the project.
Mid-Murray Storage Project	Investigations into providing a bulk water storage system, reintroducing Lake Boga as an active supply storage were completed. This system, in conjunction with the Mokoan - Return to Wetlands project, will contribute an annual return of 19,000 megalitres to the Snowy River.
Tungamah Pipeline Project	Works on the Tungamah pipeline are scheduled for completion by November 2006, with operation of the new supply system to be phased in over the 2006/07 summer. Decommissioning of the channel system will occur after this time. The Tungamah Pipeline Project will see domestic and stock water piped to around 450 individual landowners over the 65,000-hectare Tungamah Water District.
Unbundling of water entitlements	*Delivery Shares* Goulburn-Murray Water leads development of proposals for implementing delivery shares. While the date for unbundling of water entitlements was amended to 1 July 2007, we have proceeded with introducing new tariffs based on interim delivery shares. These tariff arrangements will apply from 1 July 2006 and provide a basis for recovering the fixed cost of distribution infrastructure and managing future access to services separately from the amount of water entitlements held. *Water Use Licences* We have contributed extensively to the development of proposals for water use licences. Proposals for day-one conversion standards for gravity irrigation have been reviewed and tested for applicability and further data-gathering is being undertaken to support the conversion process.

ENVIRONMENTAL MANAGEMENT AND PERFORMANCE

Goulburn-Murray Water's new ISO14001 Environmental Management System (EMS) was launched in May 2006. This will meet our Statement of Obligation when external certification is completed in December 2006.

The EMS includes the framework and tools to be used by Goulburn-Murray Water employees to manage environmental risks and obligations, integrating these into daily practice. The EMS also supports Goulburn-Murray Water's Environment Policy Statement, which sets our goals for environmental improvement.

Attributes of the new system include:

- a clear framework for identifying and managing significant environmental risks that complements existing programs. To date, such programs have included improved sewage management facilities at Lakes Eildon and Eppalock and a review of pesticide and heavy metal residues in Goulburn-Murray Water channels
- environmental sustainability indicators that measure Goulburn-Murray Water's environmental improvement against objectives and its operational characteristics with significant environmental impact
- several user-friendly features: simplified documentation; an intranet site; a network of environmental representatives; regular reporting and communications; and a dedicated EMS Unit to assist groups with implementation and provide a human interface.

In 2005/06, Goulburn-Murray Water established 16 targets for improving environmental performance. Twelve targets, mostly related to measuring and managing environmental risks, were met. The other four were partially met, and relate to actions to identify and clarify government stakeholder expectations and to establish frameworks for effectively measuring Goulburn-Murray Water's contribution to catchment management. Progress has been made, but further work is required to gain agreement from all parties involved.

ENVIRONMENTAL RISK MANAGEMENT OVERVIEW

The new EMS has established a process for identifying and prioritising its environment risks. It asks the questions:

How does Goulburn-Murray Water impact on the environment?	Goulburn-Murray Water's environmental aspects and impacts have been identified and collated in a central risk register. Due to the nature of the business, which includes a large network or open channels, drains and storages, the review took into account both activities undertaken by Goulburn-Murray Water and other parties for which it controls, regulates or influences. **Total aspects identified: 280**
Which environmental impacts are significant?	Criteria are set for significant environmental aspects, including all extreme and high risk scored aspects in the central register. **Total significant aspects: 113 of 280** (based on inherent risk score) Aspects relate to water quality and quantity, flora, fauna and cultural heritage and natural resource management across a number of activities, including: • Catchment activities (non-Goulburn-Murray Water) in close proximity to Goulburn-Murray Water assets • General Goulburn-Murray Water activities • Water storage, delivery and diversion • Drainage • Salt interception
How can Goulburn-Murray Water improve its environmental performance?	A process of managing the risks has been established, which includes identifying risk management options and implementing risk management plans where action is required.

Environmental Sustainability

MANAGING ENVIRONMENTAL INCIDENTS

Goulburn-Murray Water has an established process for responding to environmental incidents and emergencies. It includes administration of the Corporate Environmental Emergency Control Organisation, an alternative management structure activated when an environmental emergency is declared. Goulburn-Murray Water trains staff and maintains a membership that adequately represents our region. In 2005/06 we trained members both in practical and desktop scenarios.

This year, 119 environmental incidents were reported to Goulburn-Murray Water. These incidents included fish deaths, sewage spills, dead stock in waterways and road accidents where vehicles came to rest in channels. Incidents were reported to Goulburn-Murray Water either via internal employees or external parties.

Of the 119 reported incidents, only 9 were attributable to Goulburn-Murray Water. The high number of incidents caused externally is explained by our large network of open channels, drains and storages and their proximity to a range of land use activities.

All incidents reported are logged, communicated to relevant authorities or external parties, monitored and reviewed, with corrective action taken where appropriate.

WORKING WITH STAKEHOLDERS TO PROTECT WATER QUALITY

Regional Catchment Management Strategies

Goulburn-Murray Water assisted the North East, Goulburn Broken and North Central Catchment Management Authorities in reviewing and implementing regional catchment strategies. These programs aim to reduce the amount of salt and nutrients in water flowing into the River Murray and to improve our regional waterways. Together, we worked on wetland management, environmental flows, sub-surface drainage and surface drainage management programs.

Victorian River Health Strategy

Goulburn-Murray Water supported the Victorian Water Quality Monitoring Network by participating in regional surface water monitoring partnerships in the north east and north west of Victoria. Water quality monitoring improved our understanding of our waterways; we are now better able to protect river health in our region.

We worked with Catchment Management Authorities to develop and implement river health strategies and waterway management programs. We implemented agreed flow regimes for the lower reaches of Broken Creek and Campaspe River and undertook water quality monitoring to demonstrate that the environmental values of the waterways were protected.

Working with remote communities

Goulburn-Murray Water also provided significant input to several working groups established in some of the smaller remote communities to address water quality issues.

Greenhouse gas

Goulburn-Murray Water participated in the Victorian Water Industry Working Group on Sustainable Energy Use. The working group provides leadership on greenhouse gas reduction efforts and works towards setting realistic greenhouse gas reduction targets for a benchmarked water industry.

Our current net CO2-equivalent emissions are estimated to be 15,290 tonnes (based on Australian Greenhouse Office AGO Factors and Workbook).

Safe drinking water risk management plans

Risk management plans for safe drinking water are required under the *Safe Drinking Water Act* 2003. They identify and assess potential risks to drinking water supplies and provide measures to address them. All of our plans are now in place and are integrated with other regional management plans. This means a consistent and encompassing approach to protecting water quality in our catchments.

Office water consumption

Office water consumption at our main offices for the year was 5,003 kilolitres, an average of 22.14 kilolitres per full-time equivalent employee. Consumption at other locations, workshops and depots is not included.

IMPROVING OUR UNDERSTANDING OF STORAGE ACTIVITIES THAT AFFECT WATER QUALITY

The Major Storages Water Quality Study project neared completion this year. The project aimed to review risks to water quality and develop a framework for managing activities on and around water storages to control these risks in the future. Project findings were presented and prepared along with management recommendations.

Catchment models, based on a Cooperative Research Centre for Catchment Hydrology's model, are being updated. Monitoring of the data captured at Lake Eildon and Tullaroop Reservoir continues to inform our understanding of in-lake processes.

LAND USE PLANNING

Goulburn-Murray Water continued to work with local government to review and improve the strategic land use planning framework. Collectively, we applied current best management practices to achieve consistent and sustainable land use planning outcomes in our region.

Protecting catchment biodiversity

Goulburn-Murray Water continued to work under the Biodiversity Strategy adopted in 2002, which aims to:

- Value the breadth of services provided by ecosystems managed by Goulburn-Murray Water
- Identify mechanisms for efficiently conserving key biodiversity assets on Goulburn-Murray Water-managed land by focusing on the management of threats to biodiversity
- Identify priorities for conservation and restoration of biodiversity on and in our assets
- Encourage, undertake and facilitate identified priority tasks to protect and enhance biodiversity within Goulburn-Murray Water assets

The strategy includes actions to be implemented over time and provides a mechanism for implementing the Victorian Biodiversity Strategy.

Goulburn-Murray Water worked with Catchment Management Authorities and other stakeholders to prioritise risks and identify activities that will enhance biodiversity in and around our water storages. This year, our foreshore management programs included fencing and revegetation, pest plant and animal management and erosion control works. We worked to improve community awareness of best management practices for agricultural and industrial activities in the catchment of our storages.

Goulburn-Murray Water also worked with Catchment Management Authorities to identify fishway locations and effective operating methods. We improved our understanding of the ecological processes, including real-time water quality and flow monitoring on the lower Broken Creek. The information gathered guides us in providing effective environmental passing flows.

A drought response environmental management plan for the Campaspe system was developed in conjunction with regional stakeholders. The plan was designed to ensure that we protect aquatic values while meeting our obligation to supply water to our customers.

IMPROVING RECREATIONAL FACILITIES AT LAKE EPPALOCK TO PROTECT THE ENVIRONMENT

Goulburn-Murray Water manages a large network of sewerage and other associated works around Lake Eppalock that supports the local recreation industry. This year we continued to invest in bringing the assets, many of which date back to the 1960s, up to industry best practice standards, improving service levels and protecting the environment. We have now invested over $800,000 on this work.

Environmental Sustainability

DELIVERING SALINITY BENEFITS FOR CATCHMENTS

Pyramid Creek Salt Interception Scheme

In 2005/06, Goulburn-Murray Water completed and commissioned Stage 2 of the $13 million Murray-Darling Basin Commission (MDBC) salt interception scheme along Pyramid Creek near Kerang.

The Pyramid Creek Salt Interception Scheme, the first of its kind to incorporate commercial harvesting of salt from plastic-lined evaporation ponds, will deliver significant benefits to regional and broader River Murray water users. The scheme, involving up to 36,000 tonnes of salt harvested from 250 hectares and diverting 22,000 tonnes away from the river, has benefits assessed at more than $1.4 million per annum.

Goulburn-Murray Water Chairperson Don Cummins and MDBC Chief Executive Dr Wendy Craik opened the scheme in April 2006, heralding a significant milestone in the MDBC's Basin Salinity Management Strategy.

On 1 June 2006 the scheme was awarded the prestigious Engineers' Australia National Salinity Prize for new technology and other practical outcomes tackling salinity.
The prize was presented by the Governor-General, Major General Michael Jeffery, at a ceremony at Parliament House in Canberra.

Barr Creek Salt Interception Scheme

The Murray-Darling Basin Commission's Barr Creek Drainage Diversion Scheme continued to deliver significant benefits to River Murray water users by diverting saline drainage flows in Barr Creek to the Tutchewop Lakes disposal complex. The scheme's continuing improvement was underpinned by diverting approximately 98% of the flow and salt load required under current operating rules.

Sunraysia Salt Interception Program

Investigations are well underway for the redesign and refurbishment of the ageing and under-performing Mildura-Merbein Interception scheme. We are also investigating high salinity zones adjacent to the Red Cliffs reach of the River Murray. The development of the Regional Disposal Strategy underpins likely future investment in salt interception in the region.
The strategy development, undertaken collaboratively with the NSW Department of Natural Resources, seeks to provide economically and environmentally sustainable options for salt disposal well into the future.

Gavin Privett, Pyramid Salt, with Peter Egglestone of Goulburn-Murray Water, inspecting the Pyramid Creek salt harvest.

SUPPORT TO CATCHMENT MANAGEMENT AUTHORITIES

Goulburn-Murray Water provides planning and support services to catchment management authorities to develop Regional Catchment Strategies. Support provided includes the development of Land and Water Management Plans, the investigation and construction of public and private groundwater pumps, drains and wetland management investigations.

Providing drainage for sustainable irrigation

The Surface Water Management Program is progressing well. This year, Goulburn-Murray Water completed Muckatah Drain 3 and Stage 3 of the Muckatah Depression Drain.

Overall, we constructed 17 kilometres of drains that service over 7,900 hectares of land. Primary drainage systems completed by Goulburn-Murray Water now directly service 19,000 kilometres and indirectly service 74,000 hectares of the Shepparton irrigation region.

Goulburn-Murray Water also obtained planning approvals for Murray Valley Drain 11 and Mosquito Drain. Works on Mosquito Drain were completed in 2005/06 and works on the Murray Valley Drain 11 are expected to begin early in 2006/07.

This year, we began implementing the Memorandum of Understanding for Irrigation Drainage and Water Quality signed last year, developing management plans for the Stanhope Depression Drain and a 'decision support system' trial at Broken Creek based upon ecological risk assessment principles. This system will be used in 2006/07 to set targets for irrigation drainage water quality and management action in the North Central and Goulburn Broken CMA regions.

The Benwell Primary Surface Water Management System in the North Central CMA region is the highest priority for on-ground drainage works. We developed several cost-sharing options that assisted the CMA with community consultation to gauge community interest prior to investing in the drainage system.

LENDING A HAND ON NATIONAL TREE DAY

Earlier this year, a team of Goulburn-Murray Water employees rolled up their sleeves to help with a tree-planting exercise at Lake Nagambie - all in aid of National Tree Day on 31 July 2005. A local landholder rounded up family and friends to plant trees and shrubs in an area adjacent to the property, which is leased from Goulburn-Murray Water.

Goulburn-Murray Water also works with other landholders in the area to establish similar plantings. The new plantings form part of a wider project to revegetate the land surrounding Lake Nagambie in support of improvements to water quality and biodiversity in and around the water storage.

Goulburn-Murray Water employees lending a hand on National Tree Day.

General Information

CONSULTANCIES

Consultants were engaged by Goulburn-Murray Water during 2005/06 to assist with:

- The provision of expert analysis and advice to facilitate decision making
- Specific one-off tasks or set of tasks
- The provision of skills not currently available within the organisation

Consultants engaged at a total contract cost of $100,000 or more:

Consultant: RMCG
Project: Future management strategy to facilitate the restructure of irrigation in the Pyramid-Boort area
Contract Total: $327,000 reported in 2004/05
Commitment paid 2005/06: $236,000
Remaining Commitment: Nil

Consultant: MWH Australia
Project: Review of Goulburn-Murray Water cost base
Contract Total: $106,000
Remaining Commitment: Nil

Consultants engaged at a contract cost of less than $100,000 numbered three and were paid $92,250 in total.

MERIT, EQUITY AND PRIVACY

The State Government's merit and equity principles provide the foundation for our recruitment processes, position advertising and employee selection. During the year 64 internal and 87 external applicants filled 151 positions in the organisation (of the total of 170 positions advertised). In addition, Goulburn-Murray Water employed five engineering and science vacation students.

All employee grievances and complaints were handled internally.

Goulburn-Murray Water also provided employee training on the *Information Privacy Act* 2000. Additional steps were taken to improve procedures to ensure that all transactions and record-keeping complies with the Act.

INDUSTRIAL RELATIONS

The Central Consultative Committee, comprising management and employee representatives, met five times during the year to discuss workplace/industrial issues. While two issues were resolved by conciliation with the assistance of the Australian Industrial Relations Commission, there were no work bans or other similar action and no time was lost to industrial action.

AUDITORS

Internal: AFS
External: Victorian Auditor-General

BUILDING ACT

Goulburn-Murray Water observes statutory requirements set down by the *Building Act* 1993 and the accompanying Building Regulations 1994.

Capital projects over $5 million - Treasury approval

Project	Project Cost	DTF Evaluation	Project Approved	Progress at 30 June 2006
Eildon dam safety upgrade	$48m	•	•	Completed
Total Channel Control (CG 1234)	$23m	•	•	Approximately 90% complete
Tungamah Pipeline	$20m	•	•	Approximately 60% complete
Strategic Measurement Project - Goulburn system	$16m	•	•	Approximately 25% complete

General Information

FREEDOM OF INFORMATION

Goulburn-Murray Water received five applications under the *Freedom of Information Act* 1982. In each of the five cases, some of the requested documents contained information affecting personal privacy and access to these particular documents was refused.

Applications for access to information under the *Freedom of Information Act* 1982 should be made in writing, addressed to:

The Corporate Secretary
Goulburn-Murray Water
40 Casey Street
Tatura Vic 3616

Under section 17 of the *Freedom of Information Act* 1982 a request for access to information must be accompanied by an application fee (which may be waived or reduced if payment of the fee would cause hardship to the applicant). As of July 2006 the application fee is $21.50

NATIONAL COMPETITION POLICY

We comply with Victorian Government policies and timeframes for National Competition Policy, including competitive neutrality, as requirements are developed.

INFORMATION AVAILABLE

The accountable officer will, on request, provide information listed under FRD 22 Statement of Availability of Other Information in the *Financial Management Act* 1994.

VALUE OF COMMUNITY SERVICE OBLIGATIONS

During 2005/06 we granted $69,156.15 in pensioner concessions. This compared to $52,720.95 in the previous year.

ENERGY & WATER OMBUDSMAN (VICTORIA) LIMITED

We are a member of the Energy & Water Ombudsman (Victoria) Limited scheme, which provides an independent third-party conciliation for customers of electricity, gas and water services in Victoria.

In 2005/06 the Ombudsman referred 33 matters to Goulburn-Murray Water. Of these, 19 were enquiries, 13 were Level 1 complaints, and 1 was a Level 2 complaint. There were no Level 3 complaints attributed to Goulburn-Murray Water.

WHISTLEBLOWERS PROTECTION ACT

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 (DSE) acts as an agent for Goulburn-Murray Water to receive disclosures under the Act, and applies DSE procedures in managing disclosures.

Disclosures of improper conduct by Goulburn-Murray Water or its employees may be made to:

Deidre Egan
Protected Disclosure Coordinator
Department of Sustainability and Environment
PO Box 500, East Melbourne Vic 3002
Telephone: 03 9637 8575
Facsimile: 03 9637 8129
Email: Deidre.Egan@dse.vic.gov.au

The Ombudsman Victoria
Level 3 (South Tower)
459 Collins St
Melbourne Vic 3000
Telephone: 03 9613 6222
Toll free: 1800 806 314

Corporate Directory

40 Casey Street Tatura, Victoria 3616
PO Box 165 Tatura Victoria 3616
DX: 32951
Telephone: (03) 5833 5500
Facsimile: (03) 5833 5501
Email: reception@g-mwater.com.au
Website: www.g-mwater.com.au

DAMS OPERATIONS

Goulburn Unit
Kevin O'Brien
Manager Goulburn Dams
Lake Eildon
High Street, Eildon 3713

Murray Unit
Stuart Richardson
Manager MDBC Operations
Hume Dam
Private Bag 2, Wodonga 3691

Loddon Unit
Ivan Smith
Manager Loddon Dams
Cairn Curran Reservoir
Maldon 3463

WATER DELIVERY OPERATIONS

Shepparton Centre
Manager - Phillip Hoare
21 Wheeler Street, Shepparton 3630

Central Goulburn Centre
Manager - Graham Smith
33 Casey Street, Tatura 3616

Rochester-Campaspe Centre
Manager - Jeff Parry
49 High Street, Rochester 3561

Pyramid-Boort Centre
Manager - David Kent
4 Barber Street, Pyramid Hill 3575

Murray Valley Centre
Manager - Kevin Preece
Dillon Street, Cobram 3644

Torrumbarry Centre
Manager - Lester Haw
Koondrook Road, Kerang 3579

Newlyn Centre
Midland Highway
Newlyn North 3364

Wangaratta Centre
'Tara Court', Ford Street
Wangaratta 3677

Financial Statements

	Notes	2005/06 $'000	2004/05 $'000
Revenue from ordinary activities			
Operating activities			
Rates - water and drainage	3	61,811	59,201
Consumptive charges	4	15,442	14,650
Sale of bulk water	5	5,652	5,646
Victorian Government service fees	6	10,892	8,836
Other external clients	7	18,318	16,412
Interest from customers		431	394
Other revenue		1,821	2,042
Non-operating activities			
Interest on investments		1,572	452
Other revenue		3,949	2,962
Total revenue		119,888	110,595
Expenses from ordinary activities			
Operations	8	54,375	55,797
Maintenance	9	24,075	19,999
Management and administration		11,554	10,172
Finance charges		1,138	1,191
Loss on sale of fixed assets		80	61
Written down value of assets abandoned	12	2,365	3,594
Depreciation of non-current assets	18	30,516	30,806
Payment to consolidated fund	13	-	385
Total expenses		124,103	122,005
Net loss from ordinary activities		(4,215)	(11,410)

The accompanying notes form part of these financial statements.

	Notes	2005/06 $'000	2004/05 $'000
Current assets			
Cash at bank	15	3,963	33,059
Investments	15	22,000	-
Receivables	16	17,939	21,324
Inventories	17	796	1,105
Total Current Assets		44,698	55,488
Non-Current assets			
Property, plant and equipment	18	56,944	57,347
Infrastructure	18	1,848,735	1,825,181
Total Non-Current Assets		1,905,679	1,882,528
Total assets		1,950,377	1,938,016
Current liabilities			
Payables	19	28,500	30,788
Provision for employee entitlements	22	12,261	11,991
Borrowings	20	441	414
Total current liabilities		41,202	43,193
Non-Current liabilities			
Provision for employee entitlements	22	1,053	1,091
Borrowings	20	13,756	14,197
Total non-current liabilities		14,809	15,288
Total liabilities		56,011	58,481
Net assets		1,894,366	1,879,535
Equity			
Contributed capital	21(b)	1,695,643	1,676,597
Asset revaluation reserve	21(a)	10,376	10,376
Accumulated deficit	21(c)	188,347	192,562
Total equity		1,894,366	1,879,535

The accompanying notes form part of these financial statements.

	Notes	2005/06 $'000	2004/05 $'000
Capital contributions	21(b)	19,046	42,383
Net result for the period	21(c)	(4,215)	(11,410)
Total changes in Equity		14,831	30,973

	Notes	2005/06 $'000	2004/05 $'000
Cash flows from operating activities			
Receipts from customers		82,745	74,109
Receipts from other external clients		29,491	25,472
Receipts from Government		10,892	8,836
Goods and services tax collected		2,902	2,408
Refund of goods and services tax		8,258	5,357
Payments to suppliers and employees		(91,751)	(79,353)
Interest and other costs of finance paid		(1,138)	(1,191)
Payment to consolidated fund		-	(385)
Goods and services tax paid		(11,015)	(8,734)
Net cash from operating activities	24	30,384	26,519
Cash flows from investing activities			
Payment for construction of infrastructure assets, and purchase of property, plant and equipment		(56,325)	(58,215)
Proceeds from sale of property, plant and equipment		213	166
Net cash used in investing activities		(56,112)	(58,049)
Cash flows from financing activities			
Capital contributions Victorian Government		19,046	41,673
Net increase/(decrease) in borrowings		(414)	(389)
Net cash flows from financing activities		18,632	41,284
Net increase/(decrease) in cash held		(7,096)	9,754
Cash held at the beginning of the year		33,059	23,305
Cash held at the end of the year	15	25,963	33,059

The accompanying notes form part of these financial statements.

1. Significant accounting policies

1.1 Basis of Accounting

The financial report is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose report complies with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issue Group Interpretations and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions.

This financial report has been prepared on an accrual and going concern basis, and in accordance with the historical cost convention, except for certain assets which, as noted, have been periodically revalued.

Accounting Policies
Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

Rounding
All amounts shown in the financial statements are expressed to the nearest thousand dollars.

Classification between current and non-current
In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. With the exception of long service leave liabilities [refer note 22] the asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Authority's operational cycle.

These financial statements, until 30 June 2005, had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from A-IFRS. Reconciliations and descriptions of the effect of transition from previous AGAAP to A-IFRSs on the entity's equity and its net income are in note 34.

These financial statements are the first financial statements to be prepared in accordance with A-IFRSs. AASB1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Reporting on wholesale and retail business
These statements include separate reporting of the results and position of G-MW; a wholesale bulk water business and a retail water distribution business (which includes all activities which are not within wholesale). This method of reporting is in accordance with the requirements of the Ministerial Directions under Section 51 of the Financial Management Act 1994. [refer note 28]

1.2 Revenue recognition

Revenue is brought to account when services have been provided or when a rate is levied or determined. Consumptive charges for water delivered are made progressively through the year, with the final billing scheduled in June after all meters have been read.

The value of goods and services provided free of charge is recognised as revenue when the Authority gains control of them.

Any fees paid by developers or contributions for on farm works are recognised as revenue when received or receivable. All capital contributions other than from the Victorian Government are treated as revenue when received.

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the operating statement as government contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributed Capital.

In accounting for the sale of non-current assets, the written down value of the assets disposed is matched with the gross proceeds from sales and included as profit or loss on sale on non-current assets.

1.3 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts and short and long term borrowings, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. [refer note 20]

1.4 Investments

Investments are brought to account at cost with interest revenue recognised in the operating statement when it is earned. All investments expected to be disposed of within 12 months of balance date are classified as current assets and all others are classified as non-current assets. [refer note 15, 33]

1.5 Inventories

Inventories are valued at the lower of cost and net realisable value and consist of materials and supplies for asset construction, systems operation and general maintenance. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost basis. [refer note 17]

1.6 Receivables

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Authority may not be able to collect all amounts due according to the original terms. The amount of the provision is recognised in the operating statement.

If payments are not made by the due date, debtors must agree to a payment schedule which will clear the debt before the next irrigation season. Supply is withheld if debtors default. There were no bad debts this financial year. [refer note 16, 33]

1.7 Payables

These amounts represent liabilities for goods and services provided to the Authority prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. [refer note 19, 33]

1.8 Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. [refer note 22]

Annual leave and unconditional vested long service leave representing 10 or more years service is:

(a) disclosed in accordance with AASB 101, as a current liability even though G-MW does not expect to settle most of the liability within 12 months, as it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months;

(b) measured at:
nominal value under AASB 119 where a component of this current liability is expected to fall due within 12 months after the end of the period; and
present value under AASB 119 where G-MW does not expect to settle a component of the current liability within 12 months.

Long service leave representing less than 10 years service is:

(a) disclosed in accordance with AASB 101 as a non-current liability; and

(b) measured at present value under AASB 119 as G-MW does not expect to settle this non-current liability within 12 months.

Superannuation

The amount charged to the operating statement in respect of superannuation represents the contributions made by the Authority to the superannuation plan in respect to the current services of current entity staff. Superannuation contributions are made to the plans based on the relevant rules of each plan. G-MW has no unfunded superannuation liabilities. [refer note 23]

Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Performance payments
Performance payments for the Authority's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate of the amounts accrued under the term of the contracts to balance date.

1.9 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits associated with the ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are recognised as an expense in the year in which they are incurred as this reflects the pattern of benefits derived by the Authority. [refer note 26]

G-MW has no finance leases.

1.10 Recognition and Measurement of Assets

Acquisition
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where assets are constructed by the Authority, the cost at which they are recorded includes an appropriate share of fixed and variable overheads.

Assets acquired at no cost or for nominal consideration by the Authority are recognised at fair value at the date of acquisition.

Property, plant and equipment represent non-current assets comprising land, buildings, water and drainage infrastructure, plant, equipment and motor vehicles, used by the Authority in its operations. Items with a cost or value in excess of $2,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. [refer note 17]

Repairs and maintenance
Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Leasehold improvements
Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements within the 40 Casey Street Tatura office building are amortised over the remaining lease period.

Non-Current Physical Assets
Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable, willing parties, in an arm's length transaction. Plant, equipment and vehicles are measured at cost.

In accordance with FRD 103 Non-Current Physical Assets, water infrastructure assets are to be measured at cost less any accumulated depreciation and any accumulated impairment losses. Such assets may comprise substructures or underlying systems held to facilitate the harvesting, storage and transfer of water to meet customer needs. They also include infrastructure assets that underlie drainage systems.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the operating statement. When revalued assets are sold, it is the Authority's policy to transfer the amounts included in other reserves in respect of those assets to accumulated funds.

All non-current assets must be tested for impairment on an annual basis. Such assets are tested to ascertain whether the carrying amounts exceed their recoverable amounts.

Impairment of Assets
Assets are assessed annually for indicators of impairment, except for
- inventories;
- financial instrument assets;

Revaluations
Assets other than those that are carried at cost are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every three to four years for land and buildings. Revaluation increments or decrements arise from differences between an asset's depreciated cost or deemed cost and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

An impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

Depreciation and Amortisation of Non-current Assets
Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Major depreciation periods used are listed below and are consistent with the prior year, unless otherwise stated:

Class of Assets	Estimated Life (years)
Buildings	40
Plant, equipment, furniture and fittings	2 to 10
Infrastructure - channels and structures	40 to 120
Infrastructure - drains and dams	Up to 200

1.11 Cash and cash equivalents

Cash at bank and on hand includes petty cash on hand, G-MW's bank balance and deposits at immediate or 24 hour call with financial institutions. Bank overdraft would be shown within interest bearing liabilities on the balance sheet. [refer notes15, 24, 33]

For the purposes of the statement of cash flows, cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to insignificant risk of changes in value, and bank overdrafts.

1.12 Taxation

Income tax
From the 2002/03 financial year the Authority has been subject to the National Tax Equivalence Regime (NTER). The NTER is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

G-MW expects to be in a tax loss position and therefore not pay income tax for the forseeable future. [refer note 32]

Goods and services tax
Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis - i.e. inclusive of GST. The GST component of cashflows arising from investing and financing activities which is recoverable or payable to the taxation authority is classified as operating cash flows.

1.13 Financial Instruments

The Authority has no hedging instruments or financing or investing instruments which would require particular disclosures under the applicable standards. The Authority has no derivative financial instruments.

1.14 Borrowings

Borrowings are carried at their principal amount, and any difference between this amount and calculated fair value is disclosed in note 20. They are unsecured, and G-MW intends to repay them over the full 20 year term.

Borrowings are classified as current liabilities unless G-MW has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.15 Fair Value Estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair value. Borrowings are at a fixed interest rate and intended to be held until maturity, and investments are short term bank bills and promissory notes with financial institutions. It is also assumed that in both these cases nominal value will also approximate fair value.

1.16 Web Site Costs
Costs in relation to web sites controlled by the Authority are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefits. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits, which vary from three to five years.

2 Financial risk management

The Authority's activities expose it to financial risks, as follows:
(a) Market risk
There is a risk of a revenue shortfall caused by lower consumptive charges during prolonged drought. G-MW has sought to reduce this risk by tariff changes which reduce the reliance on consumptive charges.
(b) Liquidity risk
A change to pricing policy whereby the Authority will no longer include a renewal annuity to fund future capital works, but will fund them by borrowing, will increase this risk. As borrowings increase there is a risk that the credit rating will change adversely leading to a higher interest rate. Future capital programs and funding requirements will be structured to minimise this risk wherever possible.

		2005/06 $'000	2004/05 $'000
3	**Revenue - Rates water and drainage**		
	Irrigation and drainage - gravity	53,488	51,611
	Irrigation and drainage - pumped	2,026	2,087
	Domestic and stock	634	613
	Diversions direct from streams and groundwater	5,663	4,890
	Total	61,811	59,201
4	**Revenue - Consumptive Charges**		
	Irrigation and drainage - gravity	14,896	14,185
	Irrigation and drainage - pumped	453	421
	Domestic and stock	30	37
	Diversions direct from streams and groundwater	63	7
	Total	15,442	14,650
5	**Revenue - Sale of bulk water**		
	Total bulk water sales [refer note 28]	22,728	23,383
	Less Bulk water sales to G-MW retail business [refer note 8]	(17,076)	(17,737)
	Bulk water sales to other organisations	5,652	5,646
6	**Revenue - Victorian Government funding**		
	The salinity program, the national landcare program, the water savings program and some other works are performed under an agreement with the Victorian Government. Costs reimbursed by the Victorian Government, and amounts paid for works not yet completed, are included as Victorian Government service fees in the Operating Statement. The cost of provision of this service is included in operating expenses.	10,892	8,836
7	**Revenue - Other external clients**		
	Murray-Darling Basin Commission	12,818	12,348
	Other external clients	5,500	4,064
	Total	18,318	16,412

G-MW is the Victorian construction authority for the Murray-Darling Basin Commission and completes contracted works on a cost recovery basis. The associated expense is reported in note 8 below.

		2005/06 $'000		2004/05 $'000	
		Bulk Water	Total Expense	Bulk Water	Total Expense
8	**Expenses - Operations**				
	Irrigation and drainage - gravity	15,310	35,326	16,002	35,111
	Irrigation and drainage - pumped	253	772	236	761
	Domestic and stock	52	257	42	414
	Diversions direct from streams and groundwater	1,460	3,390	1,457	3,702
	Government services contract	-	4,597	-	4,854
	Headworks	-	15,158	-	16,892
	Murray-Darling Basin Commission	-	11,950	-	11,800
	Sub-total	17,075	71,450	17,737	73,534
	Deduct bulk water		(17,075)		(17,737)
	Total		54,375		55,797

The bulk water charge is an internal charge levied on retail services by the wholesale business. [refer note 5] This charge is not included as an operating expense in the Statement of Financial Performance, but is included as an operating expense in reporting the Wholesale and Retail Operations at note 28.

		2005/06 $'000	2004/05 $'000
9	**Maintenance**		
	Irrigation and drainage - gravity	17,071	14,189
	Irrigation and drainage - pumped	466	458
	Domestic and stock	117	148
	Diversions direct from streams and groundwater	1,056	623
	Headworks	4,706	4,249
	Corporate	659	332
		24,075	19,999
10	**Employee entitlements**		
	Direct salaries	36,807	34,135
	Leave entitlements	6,819	6,394
	Superannuation	2,443	2,238
	Payroll tax	2,039	1,816
	Total	48,108	44,583
	Included within this amount is the cost of labour directly attributable to capital projects and therefore capitalised.	4,447	4,315
11	**Audit Fees**		
	External audit - Auditor General	83	83
	Internal audit - AFS	42	23
12	**Written down value of assets abandoned**		
	Each year G-MW negotiates with customers to rationalise parts of the irrigation infrastructure where changed circumstances permit the realignment of channels and structures. Where this proves cost effective there will be subsequent abandonment of some assets.	2,365	3,594
13	**Payment to consolidated fund**		
	The obligation to make this payment ceased after 2004/05 as set out in the Government strategic paper "Our Water Our Future".	-	385
14	**Expense - Insurance**		
	G-MW arranged its major insurance covers for 2005/06 for storages, properties and liability in a consortium of rural water authorities comprising Southern Rural Water, Grampians Wimmera Mallee Water and G-MW. G-MW also purchased insurances for specific construction projects, Directors and Officers Liability, Professional Indemnity and Marine Hull. G-MW retains a broker to handle its insurances and to advise on insurance matters as and when required.	1,941	2,197
15	**Cash and cash equivalents**		
	Cash at bank	3,963	33,059
	Investments	22,000	-
	Cash held at the end of the year as per Statement of Cash Flows	25,963	33,059
	Investments are bank bills and promissory notes with financial institutions. Investments are cash equivalents for the Statement of Cash Flows. [refer notes 24,33]		

16 Receivables [refer notes 1.6, 33]

	2005/06 $'000	2004/05 $'000
Trade debtors	17,863	21,231
Less provision for doubtful debts	(100)	(100)
Prepayments	176	193
Total	17,939	21,324

17 Inventories [refer note 1.5]

Stores and consumables at cost	796	847
Finished goods - Tatura Precast Factory	-	258
Total	796	1,105

The Tatura Precast Factory closed during 2005/06.

18 Non-current assets

	Wholesale		Retail		Total	
	2005/06 $'000	2004/05 $'000	2005/06 $'000	2004/05 $'000	2005/06 $'000	2004/05 $'000
Land	34,085	34,052	3,038	3,138	37,123	37,190
Buildings	10,442	10,304	17,012	16,495	27,454	26,799
Less: Accumulated depreciation	6,670	6,418	7,064	6,726	13,734	13,144
	3,772	3,886	9,948	9,769	13,720	13,655
Plant, equipment furniture and fittings	2,974	3,629	23,669	23,810	26,643	27,439
Less: Accumulated depreciation	1,430	1,812	19,112	19,125	20,542	20,937
	1,544	1,817	4,557	4,685	6,101	6,502
Sub-total	39,401	39,755	17,543	17,592	56,944	57,347
Infrastructure	1,117,164	1,102,296	1,851,659	1,816,902	2,968,823	2,919,198
Less: Accumulated depreciation	290,236	280,280	829,852	813,737	1,120,088	1,094,017
	826,928	822,016	1,021,807	1,003,165	1,848,735	1,825,181
Total	866,329	861,771	1,039,350	1,020,757	1,905,679	1,882,528

Land and buildings are subject to cyclical revaluation, and were last revalued in 2003/04. All other assets are carried at cost.

Reconciliations

The reconciliation of movement in the written down value of each class of non-current asset is set out below.

2005/06	Opening WDV $'000	Additions $'000	Transfers $'000	Disposals $'000	Revaluation Increment $'000	Depreciation $'000	Closing WDV $'000
Land	37,190	33	-	(100)	-	-	37,123
Buildings	13,655	654	-	-	-	(589)	13,720
Plant, equipment, furniture and fittings	6,502	1,796	-	(193)	-	(2,005)	6,101
Infrastructure	1,825,181	53,842	-	(2,365)	-	(27,922)	1,848,735
Total	1,882,528	56,325	-	(2,658)	-	(30,516)	1,905,679

2004/05	Opening WDV $'000	Additions $'000	Transfers $'000	Disposals $'000	Revaluation Increment $'000	Depreciation $'000	Closing WDV $'000
Land	37,190	-	-	-	-	-	37,190
Buildings	10,561	3,688	-	(15)	-	(579)	13,655
Plant, equipment, furniture and fittings	7,516	1,345	-	(212)	-	(2,147)	6,502
Infrastructure	1,803,673	53,182	-	(3,594)	-	(28,080)	1,825,181
Total	1,858,940	58,215	-	(3,821)	-	(30,806)	1,882,528

		2005/06 $'000	2004/05 $'000
19	**Payables** [refer note 1.7, 33]		
	Trade creditors and accruals	27,081	29,228
	Payroll related accruals	1,419	1,560
	Total	28,500	30,788
20	**Borrowings** [refer note 1.14, 33]		
	Current	441	414
	Non-current	13,756	14,197
	Loan from Treasury Corporation Victoria maturing in 2024 with repayments of principal and interest fixed at 6.34% per annum.	14,197	14,611
	Fair Value		
	The carrying amount and fair value of borrowings at balance date are:		
	Carrying amount	14,197	14,611
	Fair value	14,284	14,611
21	**Equity and movements in equity**		
	(a) Reserves		
	Asset revaluation reserve		
	Balance 30 June	10,376	10,376
	The portion of the asset revaluation reserve accumulated from revaluation of infrastructure was transferred to accumulated surplus/(deficit) at 1 July 2004 in accordance with the requirements of AIFRS. [refer note 34] The remaining balance relates to revaluation of land and buildings.		
	(b) Contributed capital		
	Balance 1 July	1,676,597	1,634,214
	Salinity program capital contributions	2,046	1,633
	Other capital contributions	17,000	40,750
	Balance 30 June	1,695,643	1,676,597
	The treatment of capital contributions is as agreed with the Department of Sustainability and Environment and in accordance with Interpretation 1038, Contributions by Owners to Wholly Owned Public Sector Entities. Other capital contributions includes $3m for the Tungamah pipeline, $9m for total channel control technology and $5m for the Eildon works.		
	(c) Accumulated deficit		
	Accumulated deficit at the beginning of the year [refer note 34]	192,562	203,972
	Net result for the year	(4,215)	(11,410)
	Accumulated deficit at the end of the year	188,347	192,562
	Reconciliation of equity		
	Total equity at the beginning of the year	1,879,535	1,848,562
	Total changes in equity recognised in the statement of financial performance	(4,215)	(11,410)
	Salinity program capital contributions [refer note 21(b)]	2,046	1,633
	Other capital contributions [refer note 21(b)]	17,000	40,750
	Total equity at the end of the year	1,894,366	1,879,535

22 Provision for employee entitlements [refer note 1.8]	2005/06 $'000	2004/05 $'000
Current		
Long service leave	9,077	8,973
Annual leave	3,184	3,018
Total Current	12,261	11,991
Non-current		
Long service leave	1,053	1,091
Total	13,314	13,082
Current employee entitlements		
Long service leave entitlements representing 10 years or more continuous service and all annual leave		
- Short term employee benefits that fall due within 12 months of the end of the period measured at nominal value	4,175	4,146
- Other long term leave entitlements that do not fall due within 12 months of the end of the period measured at present value	8,086	7,845
	12,261	11,991

23 Superannuation [refer note 1.8]

G-MW contributes in respect of its employees, to the superannuation schemes of the Boards and Authorities listed below. Contribution details are:

	Employee Numbers	Contribution Rate %		
State Employee Retirement Benefits Board (defined benefits scheme)	13	12.80	72	74
State Superannuation Board, Revised Scheme (defined benefits scheme)	34	17.00	359	419
State Superannuation Board, New Scheme (defined benefits scheme)	212	9.50	1,056	1,061
Vision Super (defined benefits scheme)	8	9.25	78	84
Vision Super Saver (accumulation fund)	358	9.00	1439	1,224
Other minor schemes	16	9.00	14	18
Total Contributions to all Funds			3,018	2,880

At 30 June 2006 the total of outstanding superannuation contributions was $375,000 (2005 $289,858), which forms part of creditors and accrued expenses.

State Superannuation Schemes

At the time the Authority was created in 1994 the Government agreed to assume responsibility for any unfunded liabilities of these funds arising prior to 1992. Since that date contribution rates have risen to avoid any further liabilities arising. G-MW has no responsibility for any unfunded liabilities of this fund.

Vision Super Saver - Accumulation Fund

This fund receives contributions based on a percentage of salary (currently 9%), and no further liabilities can accrue to G-MW.

Vision Super - Defined Benefit Fund

The Victorian Department of Treasury and Finance recognises any unfunded liability for this scheme in its financial statements and has directed that government agencies treat this fund as if it were a defined contribution fund.

		2005/06 $'000	2004/05 $'000
24	**Reconciliation of net result from ordinary activities to net cash flows from operating activities**		
	Net loss for the year	(4,215)	(11,410)
	Add non cash flow items in net loss		
	Depreciation	30,516	30,806
	Loss on sale of fixed assets	80	61
	Written down value of assets abandoned	2,365	3,594
	Change in assets and liabilities		
	(Increase)/decrease in inventories	309	(339)
	(Increase)/decrease in debtors and prepayments	3,385	(3,147)
	Increase/(decrease) in creditors and accrued expenses	(2,288)	6,721
	Increase/(decrease) in provision for employee entitlements	232	233
	Net cash flows from/(used in) operating activities	30,384	26,519
25	**Capital commitments**		
	Eildon dam enhancement works	-	11,000
	Total channel control technology	1,047	4,570
	Strategic measurement project	9,346	-
	Tungamah pipeline	3,605	-
	Other capital expenditure outstanding at 30 June	1,303	1,288
	Total	15,301	16,858
	This represents commitments outstanding on contracts for capital works.		
	These commitments all fall due within one year.		
26	**Leases** [refer note 1.9]		
	Operating lease rental charges for vehicles, buildings and equipment	4,851	4,976
	Operating lease commitments at 30 June:		
	Not later than 1 year	3,500	3,559
	Later than 1 year and not later than 5 years	5,547	5,697
	Later than 5 years	2,334	2,952
	Total	11,381	12,208
	Finance lease commitments as at 30 June:		
	G-MW has no finance leases.		
27	**Contingent liability**		
	Legal actions have been instituted against G-MW as a result of damages claims. Whilst G-MW has denied any liability, for annual report purposes it recognises that contingent liabilities exist.	328	2,069

28 Wholesale and retail operations

[refer note 1.1]	Wholesale		Retail	
	2005/06	2004/05	2005/06	2004/05
	$'000	$'000	$'000	$'000
Bulk water sales - urban [refer note 5]	2,234	2,306	-	-
Bulk water sales - rural [refer note 5]	20,493	21,077	-	-
Retail service charges	-	-	61,812	59,201
Retail usage charges	-	-	15,442	14,650
Other revenue	15,441	14,623	21,755	16,642
Total revenue	**38,168**	**38,006**	**99,009**	**90,493**
Operating expenditure	(27,108)	(28,693)	(44,342)	(44,842)
Maintenance	(4,342)	(4,109)	(19,734)	(15,891)
Depreciation	(10,462)	(10,217)	(20,054)	(20,588)
Other expenditure	(3,379)	(2,694)	(11,971)	(12,875)
Total expenditure	**(45,291)**	**(45,713)**	**(96,101)**	**(94,196)**
Profit/(Loss)	**(7,123)**	**(7,707)**	**2,908**	**(3,703)**
Investments	-	-	22,000	-
Non-current assets [refer note 18]	866,329	861,771	1,039,350	1,020,757
Capital expenditure - renewal/replacement	2,279	2,024	26,188	14,288
Capital expenditure - enhancement	13,238	26,236	14,620	15,667
Borrowings	-	-	(14,197)	(14,611)
Equity contribution [refer note 21(b)]	6,000	18,000	13,046	24,383

Included in bulk water sales is the amount levied on the retail business by the wholesale business. This amount is included in the revenue of the wholesale business and the expenses of the retail business (refer notes 5 and 8). These amounts are eliminated in the Operating Statement.

29 Transactions with other Victorian Government controlled entities

	2005/06 $'000	2004/05 $'000
Transactions between entities within the Sustainability and Environment Portfolio		
Revenues and capital contributions	29,938	51,219
Expenses	13,175	11,613
Transactions with other entities controlled by the Victorian Government		
Expenses	3,702	3,724

30 Post Balance Day Events

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Authority, the results of the operations, or the state of affairs of the Authority in future financial years.

31 Responsible persons

The names of persons who were responsible persons for the financial year are:

Ministers

The Hon. John Thwaites MP, Minister for Water

Directors of the G-MW Board

Donald Matthew Cummins (Chair)
John Maurice Pettigrew (Deputy Chair)
John David Brooke
Craig Kenneth Cook
Peter Maurice Fitzgerald
Desmond Powell
Vicki Jean Sutherland

The total directors' remuneration was $251,137 (2004/05 $506,457). Payments were made to individual directors within the following bands:

	Number of Directors	
Remuneration Band	2005/06	2004/05
$10,000 to $19,999	-	1
$30,000 to $39,999	6	6
$60,000 to $69,999	1	1
$240,000 to $249,999	-	1

The chief executive (commenced 19 July 2005) is not also a Director. The previous chief executive was a Director.

The total remuneration to non-director executive officers receiving more than $100,000 was $1,321,354 (2004/05 $1,140,109).

Payments exceeding $100,000 were made to non-director executive officers within the following bands:

	Number of Executive Officers	
Remuneration Band	2005/06	2004/05
$120,000 to $129,999	2	2
$130,000 to $139,999	1	1
$140,000 to $149,999	1	3
$150,000 to $159,999	-	1
$160,000 to $169,999	1	-
$170,000 to $179,999	1	1
$180,000 to $189,999	1	-
$250,000 to $259,999	1	-

Previously information disclosed in this note has included non-executive officers. The 2004/05 comparatives have been amended to be consistent with the 2005/06 executive officer information.

Transactions with directors:

There were no amounts paid by the Authority in connection with the retirement of responsible persons of the Authority during the financial year.

There were no loans in existence by the Authority to responsible persons or related parties at the date of this report.

Irrigation services were provided to directors and director-related entities at arms length and on normal customer terms and conditions. There were no other transactions with Directors.

32 Income Tax [refer note 1.12]

G-MW will not pay income tax for 2005/06. Projections show that the likelihood of G-MW making consistent profits at a level likely to offset the large tax losses which will accumulate is unlikely. Accordingly tax losses are not disclosed in the Operating Statement and Balance Sheet.

Prima facie Tax Calculations	2005/06 $'000	2004/05 $'000
Profit/(loss) from ordinary activities	(4,215)	(11,309)
Prima facie tax calculated at 30%	(1,265)	(3,393)
Tax effect of permanent differences		
Non-deductible depreciation	177	174
R & D concessional expenditure	(169)	(212)
	-	-
Prima facie income tax expense	**(1,257)**	**(3,431)**
Income tax expense comprises:		
Deferred income tax provision	25,352	25,592
Future income tax benefit	(26,609)	(29,023)
	(1,257)	**(3,431)**
Tax loss write offs		
Deferred income tax provision - Timing differences offset by losses	(25,352)	(25,592)
Future income tax benefit - Offset against Timing differences	25,352	25,592
Future income tax benefit - Losses not to be booked	1,257	3,431
Income tax expense disclosed in financial statements	-	-
Accumulated position since the Authority became a taxable entity (1/7/2001).		
Deferred income tax provision - timing differences offset by tax losses	(131,983)	(106,630)
Future income tax benefit - offset against timing differences	131,983	106,630
Total	-	-

The timing differences in the Deferred income tax provision have been offset by losses in the Future income tax benefit as these will reverse in the same period.

The benefit of the tax losses has not been brought to account as realisation is not virtually certain. This benefit would only be obtained if:

(i) the Authority derived future assessable income of a nature sufficient to enable the benefits from deductions of losses and reversal of timing differences to be realised.

(ii) no changes in tax legislation or rulings adversely affect the Authority.

33 Interest rate risk

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

Financial instrument	Notes	Floating interest rate	Fixed interest maturing			Non-interest bearing	Total
			In 1 year or less	1 to 5 years	Over 5 years		
2006		$'000	$'000	$'000	$'000	$'000	$'000
(i) Financial assets							
Cash	15	3,963	-	-	-	-	3,963
Receivables - debtors	16	4,396	-	-	-	13,543	17,939
Investments	15	22,000	-	-	-	-	22,000
		30,359	-	-	-	13,543	43,902
Weighted average interest rate		6.5%					
(ii) Financial liabilities							
Payables	19					28,500	28,500
Borrowings	20	-	441	2,065	11,691	-	14,197
		-	441	2,065	11,691	28,500	42,697
Interest rate			6.3%	6.3%	6.3%	-	
Net financial assets/(liabilities)		30,359	(441)	(2,065)	(11,691)	(14,957)	1,205

Financial instrument	Notes	Floating interest rate	Fixed interest maturing			Non-interest bearing	Total
			In 1 year or less	1 to 5 years	Over 5 years		
2005		$'000	$'000	$'000	$'000	$'000	$'000
(i) Financial assets							
Cash	15	33,059	-	-	-	-	33,059
Receivables - debtors	16	6,344	-	-	-	14,980	21,324
Investments		-	-	-	-	-	-
		39,403	-	-	-	14,980	54,383
Weighted average interest rate		6.5%					
(ii) Financial liabilities							
Payables	19					30,788	30,788
Borrowings	20	-	414	1,940	12,257	-	14,611
		-	414	1,940	12,257	30,788	45,399
Interest rate					6.3%		
Net financial assets/(liabilities)		39,403	(414)	(1,940)	(12,257)	(15,808)	8,984

Credit risk exposures

G-MW's maximum exposure to credit risk at balance date for each class of recognised financial assets is the carrying amount of those assets as disclosed in the statement of financial position.

Concentrations of credit risk

G-MW's debtors are concentrated in the farming sector, predominantly dairy, grazing, cropping and horticulture. Levels of debt are managed closely, with interest charged at a rate above general overdraft rates and supply withheld if scheduled payments are not made. The Water Act 1989 fixes debt as a charge on the property and gives G-MW the ability to sell a property to recover debt. The Act also gives G-MW first call on the proceeds of a sale. There are a large number of debtors and G-MW is not materially exposed to any individual debtor.

34 Explanation of transition to Australian equivalents to IFRSs

Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
EQUITY				
Revaluation Reserve		328,780	(318,404)	10,376
Accumulated Surplus/(deficit)		(114,432)	318,404	203,972

No other balance sheet items are affected.

(a) At the end of the last reporting period under previous AGAAP: 30 June 2005

EQUITY				
Revaluation Reserve		328,780	(318,404)	10,376
Accumulated Surplus/(deficit)		(125,842)	318,404	192,562

No other balance sheet items are affected.

Reconciliation of operating statement for the year ended 30 June 2005

There are no differences between the operating statement presented under Australian equivalents to IFRSs and the operating statement presented under previous AGAAP.

Reconciliation of cash flow statement for the year ended 30 June 2005

There are no differences between the cash flow statement presented under Australian equivalents to IFRSs and the cash flow statement presented under previous AGAAP.

CERTIFICATION

We certify that the financial statements of the Goulburn-Murray Rural Water Authority have been prepared in accordance with the Financial Management Act 1994, applicable Australian Accounting Standards and other mandatory professional requirements.

In our opinion the operating statement, balance sheet, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements present fairly the financial transactions during the financial year 2005/06 and the financial position of the Goulburn-Murray Rural Water Authority as at 30 June 2006.

At the date of signing the financial statements we are not aware of any circumstances that would render any particulars included in the statements to be misleading or inaccurate.

Chairperson

Chief Executive

Chief Financial Officer

23 August 2006

AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Goulburn-Murray Rural Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2006 relates to the financial report of Goulburn-Murray Rural Water Authority included on its web site. The Board of the Goulburn-Murray Rural Water Authority is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2006 of Goulburn-Murray Rural Water Authority consists of operating statement, balance sheet, statement of changes in equity, statement of cash flows, notes to and forming part of the financial report, and the supporting certification.

Members' Responsibility

The Members of the Board of Goulburn-Murray Rural Water Authority are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

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AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act* 1994, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

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

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. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act* 1994, the financial position of Goulburn-Murray Rural Water Authority as at 30 June 2006 and its financial performance and cash flows for the year then ended.

MELBOURNE
24 August 2006

JW CAMERON
Auditor-General

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Appendices

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APPENDIX A1:
BULK ENTITLEMENT (EILDON - GOULBURN WEIR) REPORTING

This appendix is included in the Goulburn-Murray Water 2005/2006 Annual Report in compliance with the requirements of Clause 17.3 of the *Bulk Entitlement (Eildon - Goulburn Weir) Conversion Order 1995* , which obliges the Authority to report on certain matters as specified in Clause 17.1 of the same Order. The period of Reporting is 1 July 2005 to 30 June 2006

BE Clause	Item		Report	Notes
17.1(d)	Goulburn Weir offtake channels			See note 1
		Cattanach Canal	425,234 ML	
		Stuart Murray Canal	722,935 ML	See note 2
		East Goulburn Main	218,023 ML	See note 3
	Total Goulburn Weir offtake diversion		**1,366,192 ML**	
17.1(e)(i)	Diversion by primary entitlement holders licensed under Section 51(1)(a) of the *Water Act 1989*		53,134 ML	
17.1(e)(ii)	Diversion by other Authorities		23,258 ML	
17.1(g)	Storage contents			
		Lake Eildon	748,297 ML	Vol 30/6/06
		Goulburn Weir	22,530 ML	Vol 30/6/06
		Waranga Basin	134,426 ML	Vol 30/6/06
		Greens Lake	12,319 ML	Vol 30/6/06
17.1(h)	Target filling releases		None	
17.1(i)	Credits		None	
17.1(j), (k)	Net Temporary and Permanent Transfers of entitlement to areas not covered by the Bulk Entitlement.		None	
17.1(l)	Goulburn Weir releases for supplement or environmental purposes		102,920 ML	
17.1(m)&(n)	Alterations/Transfers of primary entitlements		Permanent: - 18,566ML Temporary: + 56,736ML	See Appendices C1 & C5
17.1(o)	Supply to primary entitlements		1,055,666 ML	
17.1(p)	Amendments to this BE		Yes	See note 4
17.1(q)	New BE granted		None	
17.1(r)	Environmental Management and Metering programs		Programs submitted and implemented	
17.1(s)	BE compliance failures		None	
17.1(t)	BE compliance difficulties		None	

Notes

1. Volumes were obtained from hydrographic data collected by Thiess Services.
2. Volume passed by outlet and meter testing back to Goulburn River is deducted from the flow diverted to the Stuart Murray Canal (SI No 405704).
3. Calculated by subtracting the return to Broken Creek from the total East Goulburn Main channel offtake.
4. Amendment to Bulk Entitlement (Eildon-Goulburn Weir) Conversion Future Amendment Order 2006, Victorian Government Gazette No G25, 22 June 2006. Amendments made to Schedule 3 relating to the implementation of the Wimmera-Mallee pipeline, including water delivery arrangements, supplies to Little Lake Boort and environmental water requirements. Schedule 4 (restriction rules) and Clause 4 (definitions) also amended.

APPENDIX A2:
BULK ENTITLEMENT (EILDON - GOULBURN WEIR) REPORTING DIVERSIONS BY OTHER AUTHORITIES WITH BULK ENTITLEMENTS

Authority	Town	BE Volume (ML)	Diversion (ML)
Goulburn Valley Water	Alexandra	916	450
	Bonnie Doon	112	92
	Eildon	480	155
	Mooroopna	500	162
	Murchison	350	205
	Nagambie	825	552
	Seymour	5,340	1,693
	Shepparton	18,320	12,892
	Colbinabbin (channel supply)	89	33
	Corop (channel supply)	44	12
	Dookie (channel supply)	160	106
	Girgarre (channel supply)	100	46
	Katandra West (channel supply)	64	42
	Kyabram & Merrigum (channel supply)	2,000	1,407
	Rushworth (channel supply)	530	371
	Stanhope (channel supply)	200	93
	Tatura (channel supply)	2,600	2,165
	Tongala (channel supply)	1,404	1,009
	Total	**34,034**	**21,484**
Coliban Water	Boort (channel supply)	425	234
	Pyramid Hill (channel supply)	300	230
	Lockington (channel supply)	130	68
	Mitiamo (channel supply)	60	53
	Dingee (channel supply)	50	5
	Rochester (channel supply)	1,400	1,202
	Macorna (channel supply)	40	10
	Mysia (channel supply)	15	6
	Total	**2,420**	**1,808**
TOTAL ALL AUTHORITIES		**36,454**	**23,292**

APPENDIX A3:
BULK ENTITLEMENT (RIVER MURRAY - GOULBURN-MURRAY WATER) REPORTING

This appendix is included in the Goulburn-Murray Water 2005/2006 Annual Report in compliance with the requirements of Clause 22.3 of the *Bulk Entitlement (River Murray - Goulburn Murray Water) Conversion Order 1999* , which obliges the Authority to report on certain matters as specified in Clause 22.1 of the same Order. The period of Reporting is 1 July 2005 to 30 June 2006

BE Clause	Item		Report	Notes
22.1(b)	***Offtake points:***			
	Yarrawonga Main Channel		406,470 ML	
	Torrumbarry diversions:			
	National Channel		715,081 ML	
	Ashwins pump		299 ML	
	Pental Island pumps		2,060 ML	
	Swan Hill No 9 channel off-take from Little Murray (FPW Open)		5,487 ML	See Note 2
	Swan Hill pumps		19,737 ML	
	Nyah pumps		6,882 ML	
	Woorinen pumps		10,637 ML	
	Private diversion points		53,916 ML	
	Total offtake diversion		**1,220,569 ML**	
22.1(c)	New offtake points		None	
22.1(d)	***Return points***			
	Broken Creek		12,156 ML	
	Yarrawonga Main Channel outfall		9,014 ML	
	Torrumbarry returns:			
	Koondrook spillway		31,600 ML	
	Loddon River at Kerang Weir		43,311 ML	
	Sheepwash Creek Weir		None	
	Little Murray Weir (FPW Closed)		5,487 ML	See Note 1
	6/7 channel outfall (FPW Open)		2,786 ML	See Note 1
	Lake Boga outfall channel		None	
	Barr Creek at Capel's Crossing		13,155 ML	
	Total irrigation returns		**117,509 ML**	
22.1(e)	**G-MW supplies to other Authorities**	**BE Volume**	**Diversion**	
	Coliban Water			
	Cohuna	677 ML	828 ML	See Note 2
	Gunbower	131 ML	91 ML	
	Leitchville	422 ML	481 ML	See Note 2
	Lower Murray Water			
	Kerang	1,700 ML	542 ML	
	Murrabit	58 ML	34 ML	
	Goulburn Valley Water			
	Katamatite	84 ML	63 ML	
	Nathalia	652 ML	466 ML	
	Numurkah/Wunghnu	1,206 ML	1,119 ML	
	Picola	44 ML	25 ML	
	NRE environmental allocation	27,600 ML	27,600 ML	
	Total supplies to other authorities		**29,847 ML**	
22.1(f)	Supply to primary entitlements		855,654 ML	
22.1(g)	Metering program		Developed and implemented, yet to be submitted	
22.1(h),(i)	Alterations/Transfers of primary entitlements		Permanent: -9,392 ML Temporary: 20,492 ML	See Appendices C1 & C5
22.1(j)	Amendment to this BE		None	
22.1(k)	New BE granted to G-MW		None	
22.1(l)	BE compliance failures		None	
22.1(m)	BE compliance difficulties		None	

Notes

1. Counted as a diversion only when Fish Point Weir is open/closed as indicated.

2. Townships of Cohuna and Leitchville are supplied under the River Murray Bulk Entitlement (6,285ML for year). Although the individual townships exceed their own entitlement, the total for the Murray Bulk Entitlement is not exceeded.

APPENDIX A4:
BULK ENTITLEMENT (CAMPASPE SYSTEM - GOULBURN-MURRAY WATER) REPORTING

This appendix is included in the Goulburn-Murray Water 2005/2006 Annual Report in compliance with the requirements of Clause 18.3 of the *Bulk Entitlement (Campaspe System - Goulburn-Murray Water) Conversion Order 2000* , which obliges the Authority to report on certain matters as specified in Clause 18.1 of the same Order. The period of Reporting is 1 July 2005 to 30 June 2006

BE Clause	Item	Report		Notes
18.1(e)	G-MW share of Lake Eppalock annual inflow		24,003 ML	
18.1(f)	G-MW share of annual amounts of water taken from the system waterway		11,486 ML	
18.1(g)	G-MW share of annual evaporation losses		3,659 ML	
18.1(h)	Internal spills from or to G-MW's share of storage		None	
18.1(i)	Minimum passing flow	**Required**	**Actual**	
	Campaspe River d/s Lake Eppalock	1,858 ML	22,819 ML	
	Campaspe River d/s Campaspe Siphon	4,960 ML	8,458 ML	
18.1(j)	Credits granted		None	
19.1(k), (l)	Net Temporary and Permanent Transfers of entitlement to areas not covered by the Bulk Entitlement.		None	
18.1(m)	Seasonal allocations in any month		15 September - 2% 3 October - 6% 17 October - 10% 1 November - 27% 15 November - 30% 1 December to season end - 31%	
18.1(n) & (o)	Alterations/Transfers of primary entitlements		Permanent: - 806ML Temporary: +1219ML	See Appendices C1 & C5
18.1(p)	Annual volume supply to primary entitlements		11,407 ML	
18.1(q)	Amendments to this BE		Yes	See Note 1
18.1(r)	New BE granted		None	
18.1(s)	Environmental Management and Metering programs		In progress	
18.1(t)	BE compliance failures		Yes	See Note 2
18.1(u)	BE compliance difficulties		Yes	See Note 3
18.1(v)	Interruptions to minimum passing flows		Yes	See Note 4

Notes

1. Amendment Gazetted 20 October 2005 (G042): Amendment to modify passing flow requirements during ongoing drought conditions - Amendments made to clauses 4 & 11, and schedule 4.
2. Compliance failures:
   14-day average flow compliance failure at Campaspe Siphon for 12 consecutive days in August 2005 based on Thiess data. However, the operational data showed full compliance during the period.
3. Unpredictable travel time during low flow period made calculation of daily minimum flow requirement difficult
4. Release from Lake Eppalock was suspended for 7 days in June 2006 due to inspection of the storage outlet. Arrangements have been made with North Central Catchment Management Authority to release the amount suspended at a later date.

APPENDIX A5:
BULK ENTITLEMENT (CAMPASPE SYSTEM - GOULBURN-MURRAY WATER) REPORTING DIVERSIONS BY OTHER AUTHORITIES WITH BULK ENTITLEMENTS

Authority	Town	BE Volume	Diversion	Notes
Coliban Water	Axedale/Goornong	107ML	118ML	See Note 1
	Part Rochester	134ML	0ML	See Note 2
TOTAL		241ML	118ML	

Notes

1. Axedale and Goornong have a combined maximum annual entitlement volume of 215ML. The entitlement was reduced by 50% to 107 ML based on Qualification of Right. Diversion by Coliban Water exceeded its allocated entitlement.
2. All of the Rochester usage for the year was supplied via the Waranga Western Channel on the Goulburn system.

APPENDIX A6:
BULK ENTITLEMENT (BROKEN SYSTEM - GOULBURN-MURRAY WATER) REPORTING

This appendix is included in the Goulburn-Murray Water 2005/2006 Annual Report in compliance with the requirements of Clause 20.3 of the *Bulk Entitlement (Broken System - Goulburn-Murray Water) Conversion Order 2004* , which obliges the Authority to report on certain matters as specified in Clause 20.1 of the same Order. The period of Reporting is 1 July 2005 to 30 June 2006

BE Clause	Item		Report		Notes
20.1(e)	Annual amounts of water taken from the system waterway			45,800 ML	See Note 1
20.1(f)	Annual evaporation losses from Storages		**Nillahcootie**	**Mokoan**	
			2,123 ML	48,373 ML	
20.1(g)	Minimum passing flow		**Required**	**Actual**	
		Broken River at Moorngag	4,827 ML	68,291 ML	
		Broken River d/s Broken Weir	6,813 ML	28,692 ML	
		Hollands Creek d/s Diversion Weir	2,953 ML	4,719 ML	
		Broken River at Gowangardie Weir	9,065 ML	110,922 ML	
20.1(h)	Credits granted			None	
20.1(i), (j)	Net Temporary and Permanent Transfers of entitlement to areas not covered by the Bulk Entitlement.			None	
20.1(k) & (l)	Transfers/Alterations to primary entitlements			Permanent: 0 ML Temporary: 0 ML	See Appendices C1 & C5
20.1(m)	Annual volume supply to primary entitlements			21,250 ML	
20.1(n)	Amendments to this BE			None	
20.1(o)	New BE granted			None	
20.1(p)	Environmental Management and Metering programs			In progress	
20.1(q)	BE compliance failures			Minor	See Note 2
20.1(r)	BE compliance difficulties			None	
20.1(s)	Interruptions to minimum passing flows			None	

Notes

Bulk Entitlement (Broken System - Goulburn Murray Water) Conversion Order 2004 - fully effective during the 2005/2006 season. This is the first year of reporting on the new BE.

1. Includes supplementary supplies to Lower Goulburn
2. Compliance failures:

   Daily flow compliance failure for 1 day downstream of Broken Weir in January 2006.

APPENDIX A7:
BULK ENTITLEMENT (OVENS SYSTEM - GOULBURN-MURRAY WATER) REPORTING

This appendix is included in the Goulburn-Murray Water 2005/2006 Annual Report in compliance with the requirements of Clause 19.3 of the *Bulk Entitlement (Ovens System - Goulburn-Murray Water) Conversion Order 2004* , which obliges the Authority to report on certain matters as specified in Clause 19.1 of the same Order. The period of Reporting is 1 July 2005 to 30 June 2006

BE Clause	Item	Report		Notes
19.1(e)	Annual amounts of water taken from the system waterway		15,581 ML	
19.1(f)	Annual evaporation losses from Lake Buffalo and Lake William Hovell		1,573 ML	
19.1(g)	Minimum passing flow (ML) - compliance points:	**Required**	**Actual**	
	Ovens River at Wangaratta	37,290 ML	1,427,336 ML	
	Buffalo River downstream of Lake Buffalo	17,973 ML	379,194 ML	
	King River at Docker Road & Hurdle Ck at Bobbinawarrah	9,089 ML	346,334 ML	
	King River at Cheshunt	8,830 ML	218,352 ML	
	Ovens River at Rocky Point	32,578 ML	1,005,034 ML	
	Ovens River at Peechelba	29,680 ML	1,482,654 ML	
19.1(h)	Credits granted		None	
19.1(i), (j)	Net Temporary and Permanent Transfers of entitlement to areas not covered by the Bulk Entitlement.		None	
19.1(k)&(l)	Alterations/Transfers of primary entitlements		Permanent: 0 ML Temporary: 11 ML	See Appendices C1 & C5
19.1(m)	Annual volume supply to primary entitlements		15,581 ML	
19.1(n)	Amendments to this BE		None	
19.1(o)	New BE granted		None	
19.1(p)	Environmental Management and Metering		In progress	
19.1(q)	BE compliance failures		None	
19.1(r)	BE compliance difficulties		None	
19.1(s)	Interruptions to minimum passing flows		None	

Notes

Bulk Entitlement (Ovens System - Goulburn Murray Water) Conversion Order 2004 - fully effective during the 2005/2006 season. This is the first year of reporting on the new BE.

APPENDIX B:
IRRIGATION DELIVERIES FOR SEASON 2005/06

IRRIGATION DELIVERIES FOR SEASON 2005/2006

Area / District	Total Permanent Entitlements Allocated (incl Irrigation Areas, Private Diversions) * ML	Gross Supply at Offtakes (excluding Volumes Passed to Other Areas) ML	Deliveries in Area / District					Diversions from Rivers, Streams, Lakes and Main Channels		Total Usage ML
			Under Water Right & Domestic & Stock Allowance ML	Under Sales of Water *** ML	Total Delivered in Area or District ML	Delivered outside Area or District ** ML	Total Delivered by Area or District ML	Usage Under Entitlement & Domestic & Stock Allowance ML	Sales Usage ML	
# Shepparton	171,605	213,647	155,964	371	156,335	161	156,495			156,495
# Central Goulburn	365,779	534,830	382,947	767	383,714	4,738	388,452			388,452
# Rochester	178,103	297,747	205,031	296	205,327	1,610	206,938			206,938
# Pyramid-Boort	211,754	292,922	231,580	3,663	235,243	538	235,781			235,781
Campaspe District	19,053	7,608	7,919	27	7,946	0	7,946			7,946
River Diversions (includes tributaries)										
- Broken River	36,529	22,285						18,695	3,591	22,285
- Goulburn River	92,151	52,956						52,954	2	52,956
- Campaspe River	26,915	4,934						4,585	349	4,934
- Loddon River	54,574	36,659						34,985	1,674	36,659
Goulburn System Total	**1,156,463**	**1,463,587**	**983,442**	**5,123**	**988,565**	**7,047**	**995,612**	**111,219**	**5,615**	**1,112,446**
# Murray Valley	257,917	419,318	260,491	46,677	307,168	1,659	308,827			308,827
# Torrumbarry	320,765	672,048	355,964	86,088	442,051	16,684	458,736			458,736
# Woorinen	11,448	10,637	8,793	942	9,735	0	9,735			9,735
Torrumbarry System Total	***332,212***	***682,685***	***364,756***	***87,030***	***451,786***	***16,684***	***468,470***			***468,470***
Tresco	7,936	6,825	6,621	108	6,729	0	6,729			6,729
Nyah	10,580	6,882	6,409	1	6,410	0	6,410			6,410
River Diversions (includes tributaries)										
- Murray River (above Hume)	5,878	3,635						3,635	0	3,635
- Murray River (Hume to Nyah)	89,599	55,402						52,934	2,468	55,402
- Mitta Mitta River	22,080	12,943						12,399	544	12,943
- Kiewa River	18,454	10,818						10,748	70	10,818
- Ovens River	55,637	20,433						20,084	349	20,433
Murray System Total	**800,293**	**1,218,939**	**638,278**	**133,816**	**772,094**	**18,343**	**790,437**	**99,799**	**3,431**	**893,667**
Goulburn-Murray Water Total	**1,956,756**	**2,682,526**	**1,621,719**	**138,939**	**1,760,659**	**25,391**	**1,786,049**	**211,018**	**9,046**	**2,006,113**
# GMID Total	***1,517,370***	***2,441,147***	***1,600,770***	***138,804***	***1,739,573***	***25,391***	***1,764,964***			
GMID % WR			*105.5%*	*9.1%*	*114.6%*	*1.7%*	*116.3%*			
G-MW Total excluding Diversions	***1,554,939***	***2,462,462***								

* Permanent entitlements allocated as at 30 June 2005 (excludes Temporary TWE, D&S Allowance and other allocations). River diversions figures include regulated and unregulated volumes.

** Supplies outside Area/District include deliveries to Urban systems & DSE.

*** Sales volumes include water delivered as Other Allocation (excluding deliveries to Urban systems & DSE).

APPENDIX C1:
TABLE 1 PERMANENT TRANSFERS OF WATER RIGHTS AND DIVERSION LICENCES PROCESSED BY THE AUTHORITY DURING YEAR ENDED 30 JUNE 2006 - SUMMARY

District/area or waterway	Total transfers from other districts / areas and waterways within Goulburn-Murray Rural Water Authority		Internal transfers within district / area or waterway		Total transfers to other districts / areas and waterways within Goulburn-Murray Rural Water Authority		Total transfers from districts / areas and waterways of other water authorities		Total transfers to districts / areas and waterways of other water authorities		Net increase / decrease for district/
	ML	No	ML	No	ML	No			ML	No	
Shepparton	568	14	405	14	525	14			3,460	42	-3,417
Central Goulburn	294	5	4,792	97	429	15			7,081	55	-7,216
Rochester	241	11	256	4	116	6			3,665	32	-3,540
Pyramid-Boort	75	6	5,166	26	85	2			4,279	16	-4,289
Broken River			128	5							0
Goulburn River	132	6	125	12	22	3			214	3	-104
Loddon River			254	5	4	2					-4
Goulburn System Total	**1,310**	**42**	**11,126**	**163**	**1,181**	**42**			**18,699**	**148**	**-18,570**
Murray Valley	398	4	1,676	37	376	5			1,197	11	-1,175
Kerang/Cohuna	216	13	3,425	42	95	3			5,507	28	-5,386
Swan Hill	115	7	392	6	66	5			1,262	6	-1,213
Tresco					20	3			136	3	-156
Nyah	30	2	46	2	43	6			64	3	-77
Woorinen			65	3	19	2			330	3	-349
Upper Murray	100	1	2	1							100
Mitta Mitta River			5	1					190	2	-190
Kiewa River			150	2							0
Ovens River			153	12							0
Murray River	22	3	184	1	441	7			527	5	-946
Murray System Total	**881**	**30**	**6,098**	**107**	**1,060**	**31**			**9,213**	**61**	**-9,392**
Campaspe District			329	3	332	7			56	1	-388
Campaspe River	382	8	20	1					800	1	-418
Campaspe System Total	**382**	**8**	**349**	**4**	**332**	**7**			**856**	**2**	**-806**
TOTAL	**2,573**	**80**	**17,573**	**274**	**2,573**	**80**	**0**	**0**	**28,768**	**211**	**-28,768**

APPENDIX C2: TABLE 1.1
PERMANENT TRANSFERS OF WATER RIGHTS AND DIVERSION LICENCES PROCESSED BY THE AUTHORITY DURING YEAR ENDED 30 JUNE 2006
TRANSFERS FROM AND TO DISTRICTS / AREAS AND WATERWAYS WITHIN THE GOULBURN-MURRAY WATER RURAL AUTHORITY

FROM	Shepparton		Central Goulburn		Rochester		Pyramid-Boort		Broken River		Goulburn River		Loddon River		Murray Valley		Kerang/ Cohuna		Swan Hill	
TO	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No
Shepparton	405	14	231	2	159	7	4	1			23	2			100	1				
Central Goulburn	230	7	4,792	97	52	2	67	3			5	1					75	2		
Rochester	22	2	5	1	256	4					39	2								
Pyramid-Boort			49	1			5,166	26									36	1		
Broken River									128	5										
Goulburn River	11	2									125	12					11	1		
Loddon River							4	2					254	5						
Murray Valley	282	2	9	1	20	1					65	1			1,676	37				
Kerang/Cohuna																	3,425	42	70	2
Swan Hill																	66	5	392	6
Tresco																	10	1	5	1
Nyah					10	1											18	3	5	1
Woorinen																			15	1
Upper Murray																				
Mitta Mitta River																				
Kiewa River																				
Ovens River																				
Murray River	23	1													298	3			20	2
Campaspe District																				
Campaspe River																				
	973	28	5,086	102	497	15	5,241	32	128	5	257	18	254	5	2,074	41	3,641	55	507	13

FROM	Nyah		Woorinen		Upper Murray		Mitta Mitta River		Kiewa River		Ovens River		Murray River		Campaspe District		Campaspe River		Total	
TO	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No
Shepparton													8	1					930	28
Central Goulburn																			5,221	112
Rochester																	50	1	372	10
Pyramid-Boort																			5,251	28
Broken River																			128	5
Goulburn River																			147	15
Loddon River																			258	7
Murray Valley																			2,052	42
Kerang/Cohuna	25	1																	3,520	45
Swan Hill																			458	11
Tresco	5	1																	20	3
Nyah	46	2											10	1					89	8
Woorinen			65	3									4	1					84	5
Upper Murray					2	1													2	1
Mitta Mitta River							5	1											5	1
Kiewa River									150	2									150	2
Ovens River											153	12							153	12
Murray River					100	1							184	1					625	8
Campaspe District															329	3	332	7	661	10
Campaspe River																	20	1	20	1
	76	4	65	3	102	2	5	1	150	2	153	12	206	4	329	3	402	9	20,146	354

APPENDIX C3: TABLE 1.2
PERMANENT TRANSFERS OF WATER RIGHTS AND DIVERSION LICENCES PROCESSED BY THE AUTHORITY DURING YEAR ENDED 30 JUNE 2006
TRANSFERS FROM DISTRICTS / AREAS AND WATERWAYS OF OTHER WATER AUTHORITIES

No transfers from Districts/Areas and Waterways of other authorities.

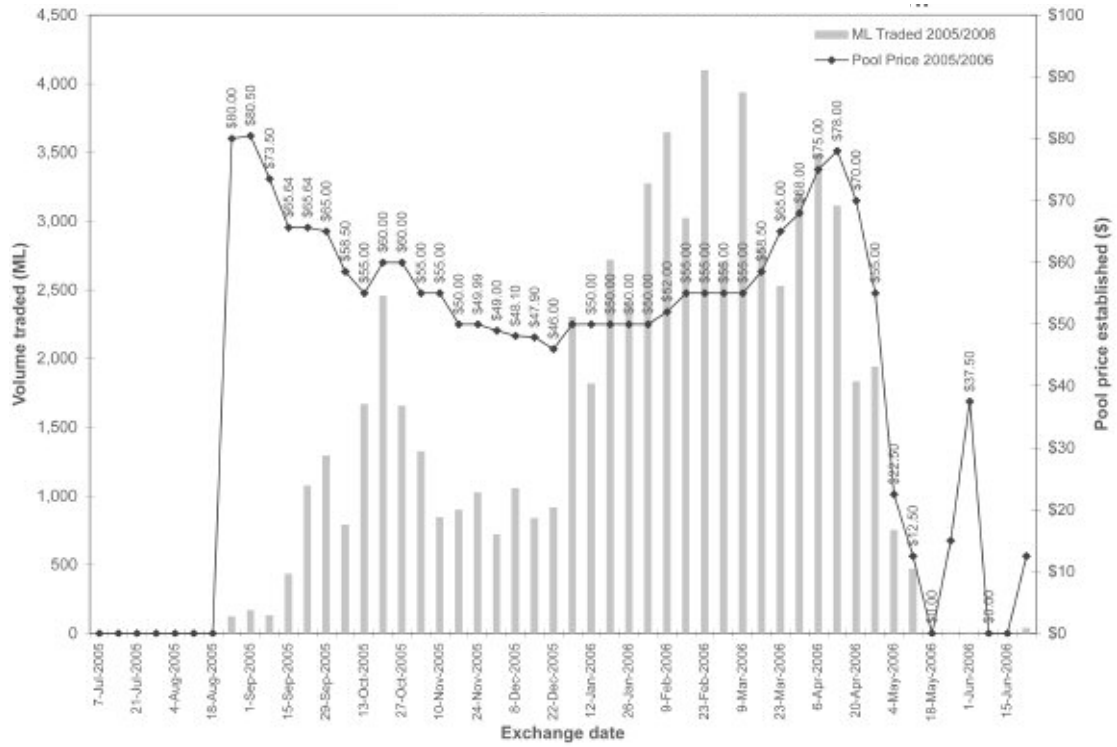
APPENDIX C4: TABLE 1.3
PERMANENT TRANSFERS OF WATER RIGHTS AND DIVERSION LICENCES PROCESSED BY THE AUTHORITY DURING YEAR ENDED 30 JUNE 2006
TRANSFERS TO DISTRICTS / AREAS AND WATERWAYS OF OTHER WATER AUTHORITIES

	Lower Murray Water		Lower Murray URWA - Merbien		Coliban Water		Goulburn Valley Water		North East Water		South Australia		Total	
FROM	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No	ML	No
Shepparton	3,366	39	89	2					5	1			3,460	42
Central Goulburn	6,381	53	700	2									7,081	55
Rochester	3,640	31	25	1									3,665	32
Pyramid-Boort	4,279	16											4,279	16
Goulburn River	214	3											214	3
Murray Valley	929	8					174	1	94	2			1,197	11
Kerang/Cohuna	5,507	28											5,507	28
Swan Hill	1,262	6											1,262	6
Tresco	136	3											136	3
Nyah	64	3											64	3
Woorinen	330	3											330	3
Mitta Mitta River									190	2			190	2
Murray River	258	3							2	1	267	1	527	5
Campaspe District					56	1							56	1
Campaspe River					800	1							800	1
	26,366	196	814	5	856	2	174	1	291	6	267	1	28,768	211

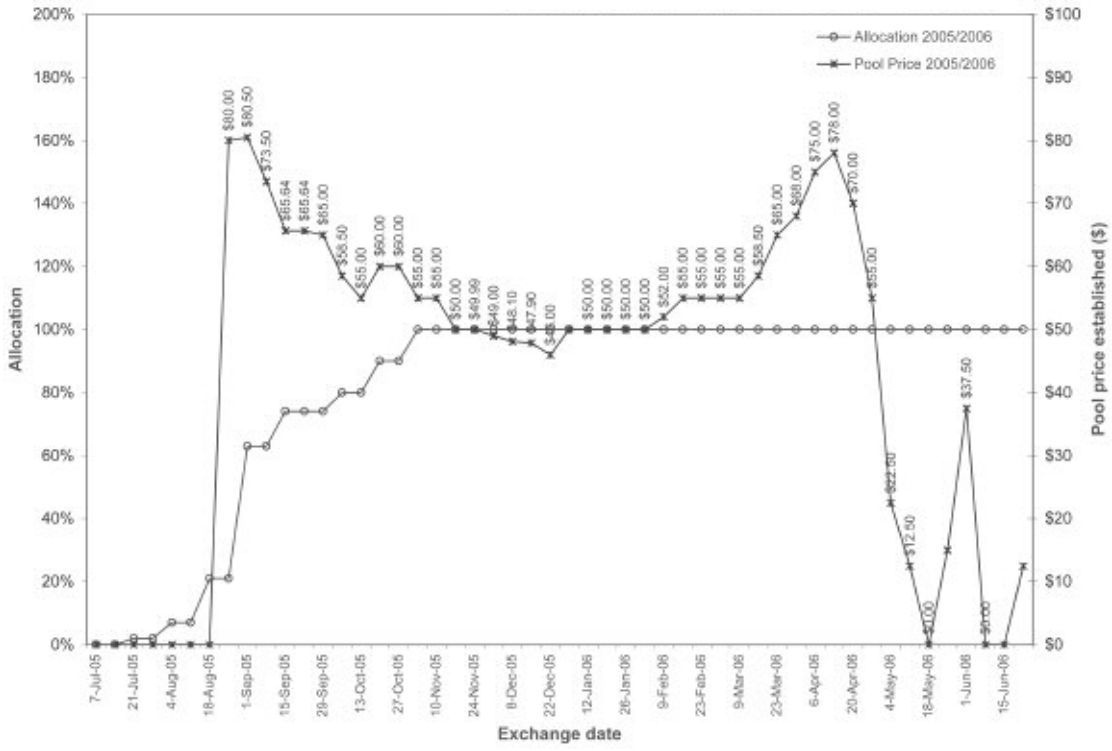
APPENDIX C5: TABLE 2
TEMPORARY TRANSFERS OF WATER RIGHTS AND DIVERSION LICENCES PROCESSED BY THE AUTHORITY DURING YEAR ENDED 30 JUNE 2006 - SUMMARY

District/Area/Waterway or Aquifer	Buyer			Sellers			Net Increases for District/Area or Waterway	
	No	Water Right (ML)	Sales (ML)	No	Water Right (ML)	Sales (ML)	Water Right (ML)	Sales (ML)
Shepparton	684	25,054	457	930	33,376	0	-8,322	457
Central Goulburn	1,764	80,574	344	1,455	54,404	4	26,170	340
Rochester	931	52,716	398	538	24,415	15	28,301	383
Pyramid-Boort	703	47,614	721	506	28,778	0	18,836	721
Normanville				1	338	0	-338	0
Broken River	15	1,120	10	15	1,120	10	0	0
Goulburn River	79	5,765	0	336	15,915	0	-10,150	0
Loddon River	53	2,022	105	120	5,269	0	-3,246	105
Bullarook Creek	6	67	0	6	67	0	0	0
Goulburn System Totals	**4,235**	**214,931**	**2,036**	**3,907**	**163,681**	**29**	**51,250**	**2,007**
Murray Valley	551	26,011	4,504	485	19,743	5,233	6,268	-729
Kerang/Cohuna	905	49,495	5,807	429	18,290	5,089	31,205	718
Swan Hill	215	6,654	1,757	355	9,008	3,559	-2,354	-1,802
Tresco	37	710	121	44	942	0	-232	121
Nyah	18	260	0	93	2,022	0	-1,762	0
Woorinen	22	491	73	88	1,628	721	-1,137	-648
Upper Murray	2	65	0	2	65	0	0	0
Mitta Mitta River	3	230	0	19	1,546	0	-1,316	0
Kiewa River	12	640	0	12	640	0	0	0
Ovens River	59	1,872	0	59	1,861	0	11	0
Murray River	86	5,066	695	219	13,138	474	-8,072	221
Murray System Total	**1,910**	**91,493**	**12,957**	**1,805**	**68,882**	**15,075**	**22,611**	**-2,119**
Campaspe District	97	3,079	10	51	1,186	0	1,893	10
Campaspe River	31	595	0	47	1,279	0	-684	0
Campaspe System Total	**128**	**3,674**	**10**	**98**	**2,465**	**0**	**1,209**	**10**
Murmungee Groundwater	1	3	0	1	3	0	0	0
Katunga Groundwater	6	533	0	3	533	0	0	0
Spring Hill Groundwater	7	218	0	7	218	0	0	0
Mid Loddon Groundwater	7	828	0	7	828	0	0	0
Campaspe Groundwater	18	1,551	0	18	1,550	0	1	0
Groundwater Total	**39**	**3,133**	**0**	**36**	**3,133**	**0**	**0**	**0**
Goulburn-Murray Water Total	**6,312**	**313,231**	**15,003**	**5,846**	**238,161**	**15,105**	**75,070**	**-102**
Lower Murray Water	10	685	94	259	22,095	0	-21,411	94
FMIT				68	3,176	0	-3,176	0
Coliban Water	2	362	0	2	340	0	23	0
Goulburn Valley Water	2	194	0	65	9,797	0	-9,603	0
North East Water	1	15	0	2	493	0	-478	0
South Australia	1	50	0	70	9,019	0	-8,969	0
New South Wales	12	2,252	246	267	33,709	238	-31,457	8
Other Authorites Total	**28**	**3,558**	**340**	**733**	**78,629**	**238**	**-75,071**	**102**
Total Transfers	**6,340**	**316,789**	**15,343**	**6,579**	**316,789**	**15,343**	**0**	**0**

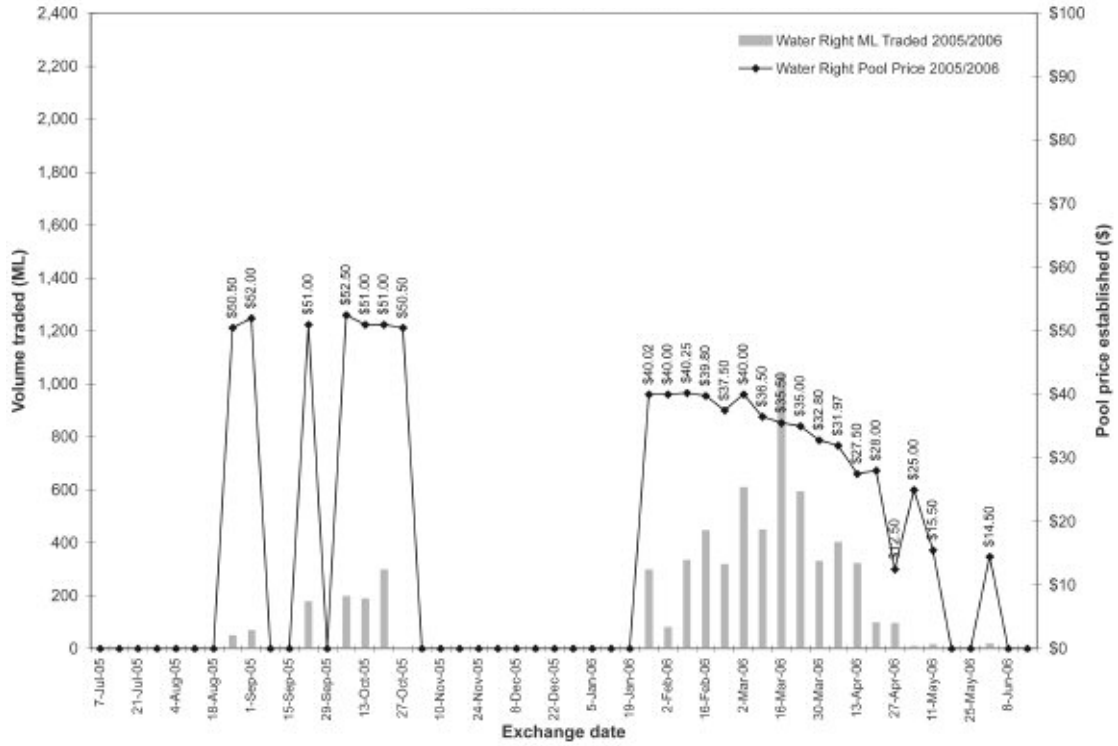
APPENDIX D1: WATERMOVE
POOL PRICE ESTABLISHED AND ML TRADED
TEMPORARY ZONE 1A AND 1B - GREATER GOULBURN



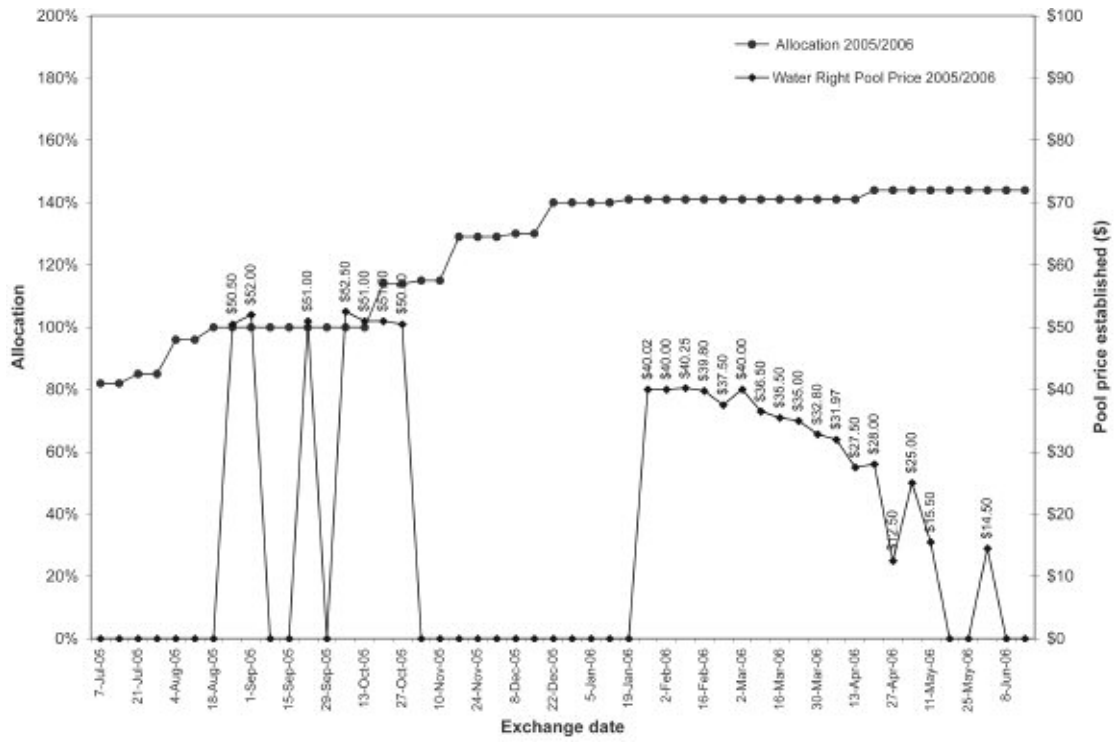
APPENDIX D2: WATERMOVE
POOL PRICE ESTABLISHED AND ALLOCATION
TEMPORARY ZONE 1A AND 1B - GREATER GOULBURN



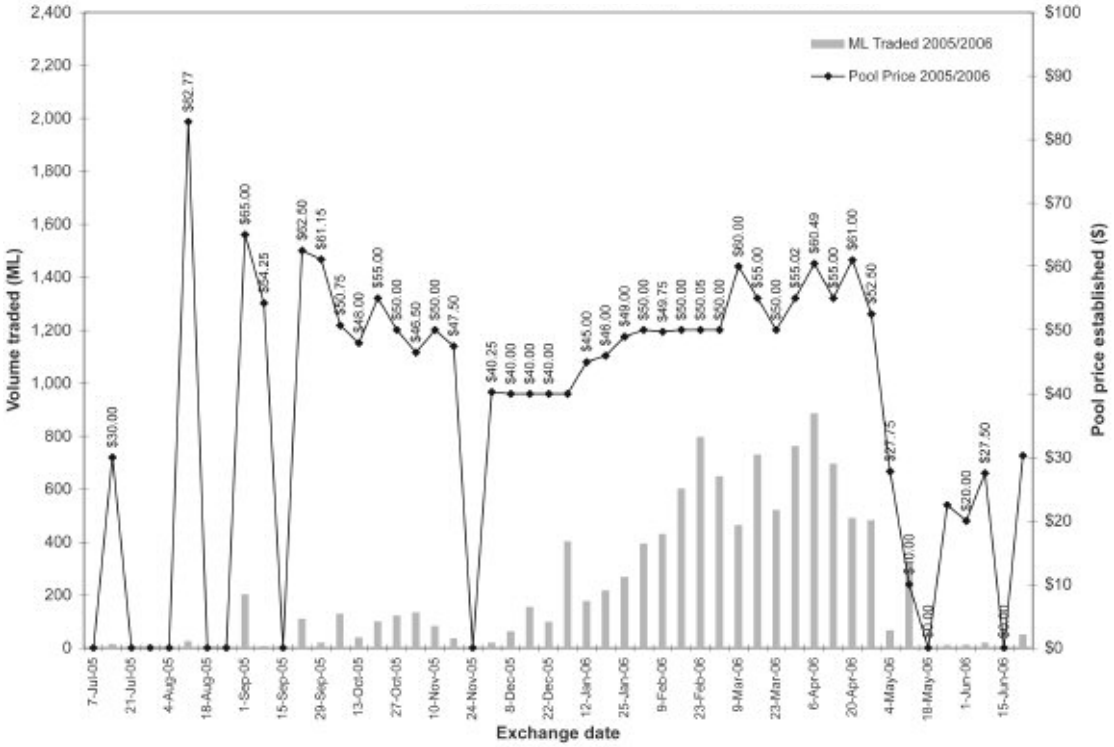
APPENDIX D3: WATERMOVE
POOL PRICE ESTABLISHED AND ML TRADED
TEMPORARY ZONE 6 - HUME TO BARMAH



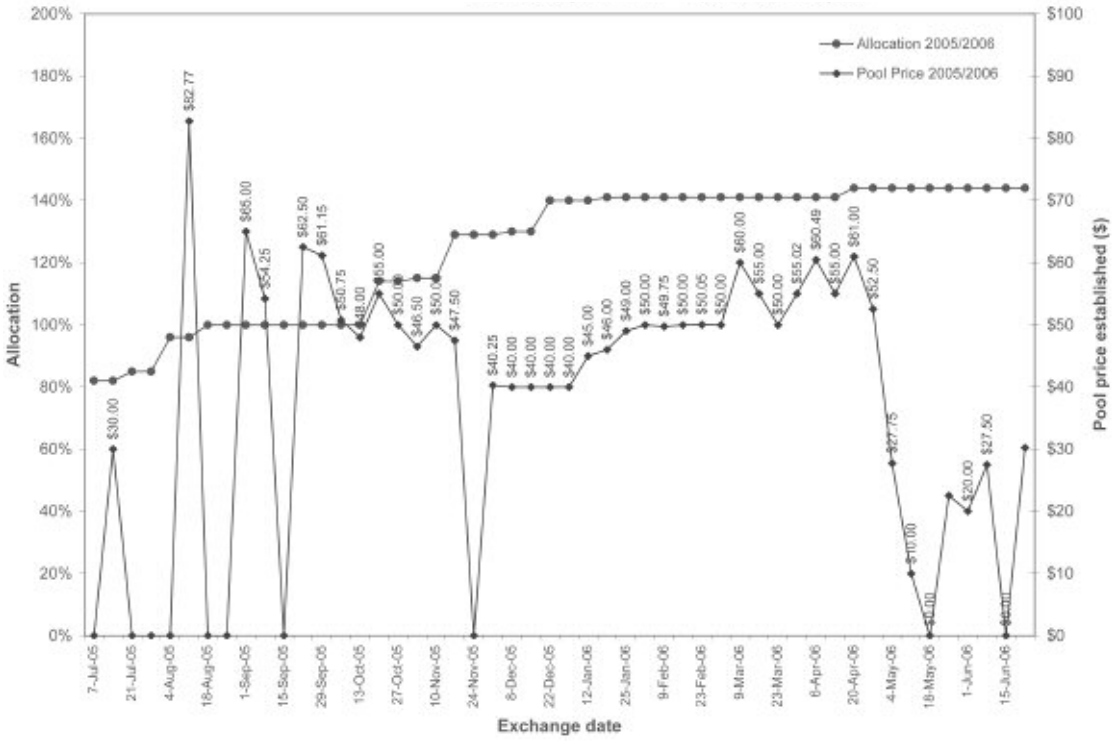
APPENDIX D4: WATERMOVE
POOL PRICE ESTABLISHED AND ALLOCATION
TEMPORARY ZONE 6 - HUME TO BARMAH



APPENDIX D5: WATERMOVE
POOL PRICE ESTABLISHED AND ML TRADED
TEMPORARY ZONE 7 - BARMAH TO NYAH



APPENDIX D6: WATERMOVE
POOL PRICE ESTABLISHED AND ALLOCATION
TEMPORARY ZONE 7 - BARMAH TO NYAH



Zone No	Zone Description	Total Volume Traded (ML)	Highest Price	Weighted Average Price	Lowest Price
1A	Greater Goulburn	328	$1,100.00	$1,045.09	$975.00
1C	Pyramid – Boort	10	$1,050.00	$1,050.00	$1,050.00
1E	Central Goulburn	263	$1,050.00	$985.99	$950.00
6	Hume to Barmah	260	$1,200.00	$1,084.19	$1,000.00
7	Barmah to Nyah	75	$1,200.00	$1,123.96	$1,000.50
7A	Torrumbarry	5	$1,255.00	$1,255.00	$1,255.00
9A	Ovens	2	$875.00	$875.00	$875.00
110	Goulburn Unregulated	4	$850.00	$825.00	$800.00
Total Volume Traded (ML)		**957**			

APPENDIX E:
PRIVATE DIVERSIONS FROM WATERWAYS AS AT 30 JUNE 2006

Regulated

	Irrigation			Domestic and Stock		Other		Totals	
Basin	No. of Licences	Volume	Area	No. of Licences	Volume	No. of Licences	Volume	Total Licences	Total Volume
Upper Murray (401)	61	13,853.5	1,671.7	44.0	112.0	13.0	37.0	118.0	14,002.5
Kiewa (402)	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ovens (403)	368	25,030.3	5,240.4	153.0	747.6	23.0	724.6	544.0	26,502.5
Broken (404)	186	25,365.2	4,456.3	128.0	570.0	23.0	387.4	337.0	26,322.6
Goulburn (405)	356	42,407.3	7,852.9	718.0	2,879.8	60.0	1,299.5	1,134.0	46,586.6
Campaspe (406)	156	17,540.7	2,856.0	143.0	308.0	56.0	438.8	355.0	18,287.5
Loddon (407)	244	21,612.5	5,836.2	244.0	530.0	25.0	321.7	513.0	22,464.2
Central Murray (409)	348	52,520.6	9,425.5	636.0	2,408.1	56.0	2,204.7	1,040.0	57,133.4
Mallee (414)	85	13,990.5	4,882.9	82.0	226.4	10.0	66.0	177.0	14,282.9
Total	1,804	212,320.6	42,221.9	2,148.0	7,781.9	266.0	5,479.7	4,218.0	225,582.2

Unregulated

	Irrigation			Domestic and Stock		Other		Totals	
Basin	No. of Licences	Volume	Area	No. of Licences	Volume	No. of Licences	Volume	Total Licences	Total Volume
Upper Murray (401)	283	12,418.1	3,027.4	333.0	762.0	97.0	1,048.0	713.0	14,228.1
Kiewa (402)	360	15,499.0	2,832.2	270.0	619.0	67.0	2,376.8	697.0	18,494.8
Ovens (403)	708	23,254.0	5,517.2	507.0	1,132.0	55.0	427.6	1,270.0	24,813.6
Broken (404)	462	9,668.1	16,187.6	176.0	362.0	28.0	174.0	666.0	10,204.1
Goulburn (405)	1,167	34,947.2	24,759.7	1,125.0	2,412.0	118.0	2,302.0	2,410.0	39,661.2
Campaspe (406)	400	7,804.2	4,766.4	122.0	270.0	26.0	628.3	548.0	8,702.5
Loddon (407)	811	28,487.7	11,957.2	194.0	434.0	79.0	1,583.0	1,084.0	30,504.7
Central Murray (409)	488	13,343.7	27,868.7	118.0	242.0	24.0	495.3	630.0	14,081.0
Mallee (414)	5	178.0	582.0	0.0	0.0	2.0	2.0	7.0	180.0
Total	4,684	145,600.0	97,498.4	2,845.0	6,233.0	496.0	9,037.0	8,025.0	160,870.0

* Farm Dams Inclusive
* Does not include non consumptive licenses
* Wakiti Irrigators Co-op (827029) Licence volume 5229 megalitres has been removed from this report to avoid duplication
* Licence numbers compiled by purpose only. Not by service ID. Service IDs often have multiple purposes

APPENDIX F:
GROUNDWATER EXTRACTIONS AS AT 30 JUNE 2006

Groundwater Management Areas	Irrigation			Other		Total
	Licences*	Authorised Volume	Authorised Area	Licences*	Authorised Volume	Authorised Volume
Alexandra	9	1,705.0	312.3	11	125.0	1,830.0
Barnawartha	1	120.0	20.0	11	479.0	599.0
Campaspe Deep Lead	54	31,863.4	5,875.0	55	114.0	31,977.4
Campaspe Deep Lead 4	39	13,255.4	2,347.5	40	85.0	13,340.4
Campaspe Deep Lead 5	7	983.0	176.0	4	290.0	1,273.0
Goorambat	6	1,517.0	309.7	7	134.0	1,651.0
Katunga	93	37,268.5	6,707.4	157	1,990.0	39,258.5
Katunga 5	38	19,799.7	3,352.5	51	1,011.7	20,811.4
Kialla 1	5	1,416.6	276.5	3	107.0	1,523.6
Mid Goulburn	44	10,466.2	2,135.4	34	211.0	10,677.2
King Lake	40	1,663.3	493.6	48	350.9	2,014.2
Mid Loddon	87	33,511.4	6,173.5	68	809.1	34,320.5
Mullindolingong 1	4	135.7	25.0	15	168.0	303.7
Mullindolingong 2	15	1,084.2	198.9	26	150.0	1,234.2
Murmungee	163	11,628.3	2,486.6	109	657.8	12,286.1
Shepparton	1,036	200,144.0	49,189.4	990	24,082.1	224,226.1
Southern Campaspe Plains 2	12	2,990.0	1,167.1	12	334.0	3,324.0
Southern Campaspe Plains 1	3	3,660.0	620.0	0	0.0	3,660.0
Spring Hill	53	4,552.1	1,481.6	26	401.0	4,953.1
Upper Loddon	93	12,080.4	3,350.2	77	1,392.2	13,472.6
Non-GMA	516	29,391.8	8,136.9	707	9,559.6	38,951.4
Totals	**2,318**	**419,236.0**	**94,835.1**	**2,451**	**42,451.4**	**461,687.4**

*Licence numbers compiled by purpose only. Not by Service ID. Service IDs often have multiple purposes.

Disclosure Index

The 2005/06 Annual Report of the Goulburn-Murray Rural Water Authority is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

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DISTRICT SERVICES
IRRIGATION AREAS
Shepparton
Central Goulburn
Rochester-Campaspe
Pyramid-Boort
Murray Valley
Torrumbarry
WATER DISTRICTS
Tungamah
East Loddon
West Loddon
Normanville
FLOOD PROTECTION DISTRICT
Loch Garry
MAJOR STORAGES
Goulburn System
Lake Nillahcootie
Lake Mokoan
Lake Eildon
Goulburn Weir
Waranga Basin
Lake Eppalock
Cairn Curran Reservoir
Newlyn Reservoir
Hepburns Lagoon
Tullaroop Reservoir
Laanecoorie Reservoir
Murray System
Dartmouth Dam*
Hume Dam*✣
Yarrawonga Weir*
Torrumbarry Weir*
Mildura Weir*
Lake Buffalo
Lake William Hovell
* Murray-Darling Basin Commission assets
✣ Managed by NSW Constructing Authority
MILDURA WEIR
Woorinen Irrigation District
Swan Hill
Nyah Irrigation District
Tresco Irrigation District
Kerang
Cohuna
Macorna Channel
TORRUMBARRY WEIR
KOW SWAMP
National Channel
Pyramid Hill
Boort
Waranga
Western
River Murray
Cobram
Yarrawonga Main Channel
YARRAWONGA WEIR
Broken
Nathalia
Tongala
Rochester
Stanhope
TATURA
Shepparton
East Goulburn Main Channel
Stuart Murray Canal
WARANGA BASIN
Cattanach Canal
GOULBURN WEIR
Campaspe Irrigation District
Bendigo
Loddon
LAANECOORIE RESERVOIR
CAIRN CURRAN RESERVOIR
TULLAROOP RESERVOIR
HEPBURNS LAGOON
NEWLYN RESERVOIR
LAKE EPPALOCK
Campaspe
Seymour
Goulburn River
LAKE EILDON
LAKE NILLAHCOOTIE
LAKE WILLIAM HOVELL
LAKE MOKOAN
Wangaratta
Ovens
King River
LAKE BUFFALO
Wodonga
HUME DAM
Kiewa River
Corryong
Mitta Mitta River
DARTMOUTH DAM
Great Dividing Range
VICTORIA
Goulburn-Murray Water region
Boundary
Channel/Canal/Area
OFFICES:
B Bulk Water Operations
Area Management
D Diversions Operations
Other Work Centre
SCALE OF KILOMETRES
0 50 100 150
N

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