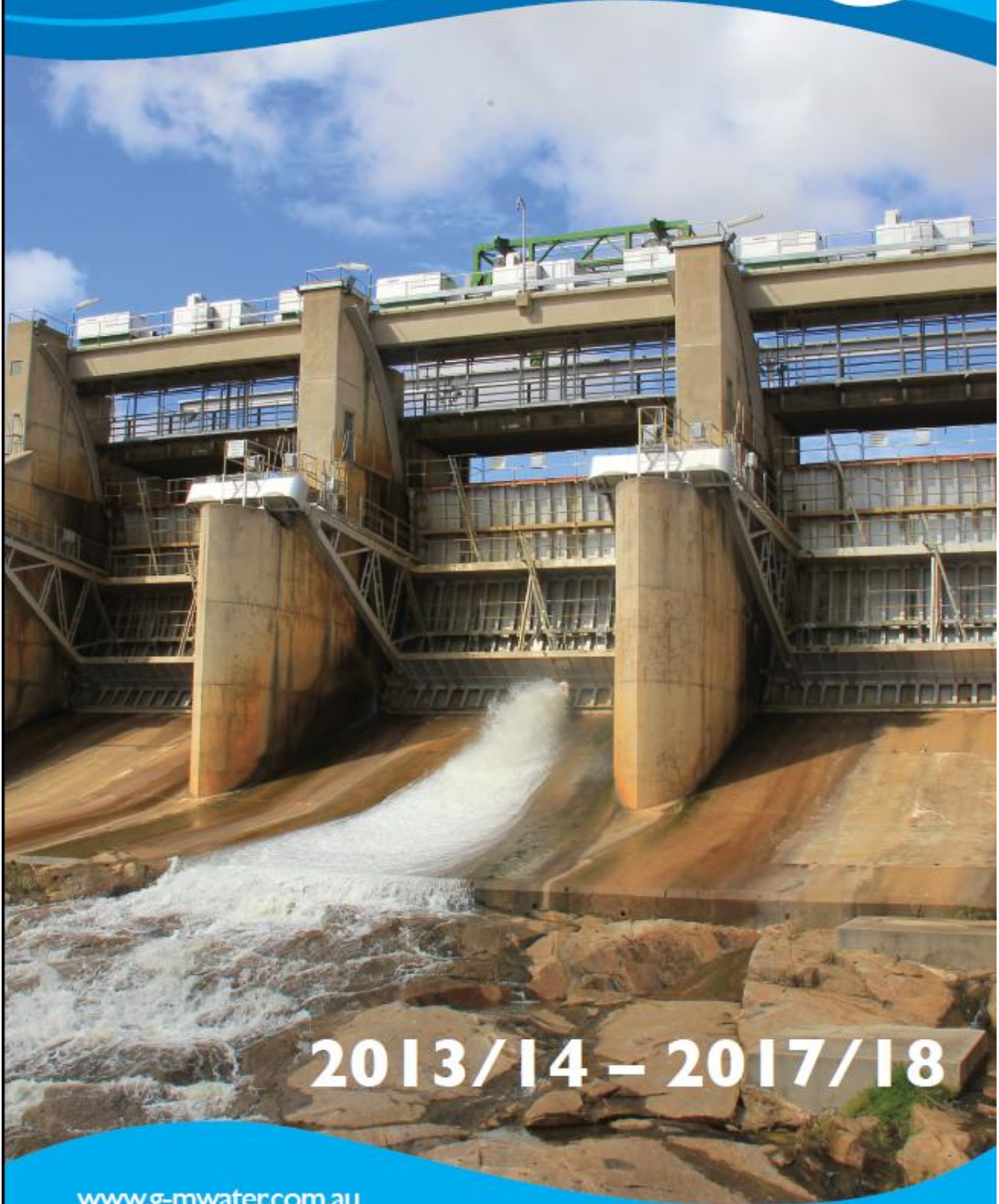


Goulburn-Murray Water Corporate Plan



2013/14 – 2017/18

www.g-mwater.com.au

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DRAFT CORPORATE PLAN

CHAIRMAN AND MD FOREWORD

Over the past five years, Goulburn-Murray Water's Corporate Plans have detailed the challenges that the organisation has faced in responding to significant and fundamental change. These changes have included a crippling drought, structural adjustments, drastic fluctuations in commodity prices and more recently the removal of 30% of water from the Goulburn-Murray Irrigation District since 2007.

During 2013, Goulburn-Murray Water, in partnership with its Water Services Committees, developed a five year Blueprint; a Blueprint which responds to this change and sets out a plan to transform the organisation, its systems and its infrastructure to ensure future long term sustainability and viability of irrigated agriculture in Northern Victoria.

The Blueprint represents a turning point for GMW. It embraces challenges as opportunities and questions every facet of GMW's business model. The Blueprint articulates GMW's determination to become more a customer centric organisation; implement a simplified tariff system and deliver a \$2 billion investment in the infrastructure of the GMID, an investment that will deliver a modernised, efficient water delivery system with substantially improved levels of service.

GMW anticipates that the 2013/14 year will continue to be a time of transformation for GMW as it removes \$20 million from the operations of the business over the next five years. Within the Blueprint, GMW acknowledges that this saving is one of the most significant contributions that the organisation can make to price stability.

GMW has already started working on key elements of the Blueprint, recently announcing the start of the efficiency measures, releasing the first draft of the Tariff Strategy; and implementing a new process for the roll out of the Connections Project.

This Corporate Plan 2013/14-2017/18 will ensure that the organisation has clear direction from which to drive actions within the Blueprint over the long, medium and short term. The actions identified in this document will form the basis of our Operational Plan and Budget for each year and in turn be periodically reviewed to ensure it remains focused on the vision outlined in the Blueprint.

As always GMW's Water Services Committees have been valuable partners both in the development of the Blueprint and a number of supplementary working groups on issues such as drainage, environmental and diverters tariffs. Water Services Committees continue to be important operational and strategic partners. Their advice to the Board and the Managing Director continues to be highly sought after. Into the future, GMW will be seeking the support and advice of Water Services Committees in reviewing and informing the capital expenditure program. We see this as a key development in oversight of our capital investment.

Over the coming year, GMW will continue to build a lean, efficient organisation, delivering customer focused outcomes. No doubt there will be additional challenges and opportunities, each of which will be assessed and responded to on balance and with the interests of the customer our first and foremost concern.

Llew Vale
Chairman
Goulburn-Murray Water

Gavin Hanlon
Managing Director
Goulburn Murray Water

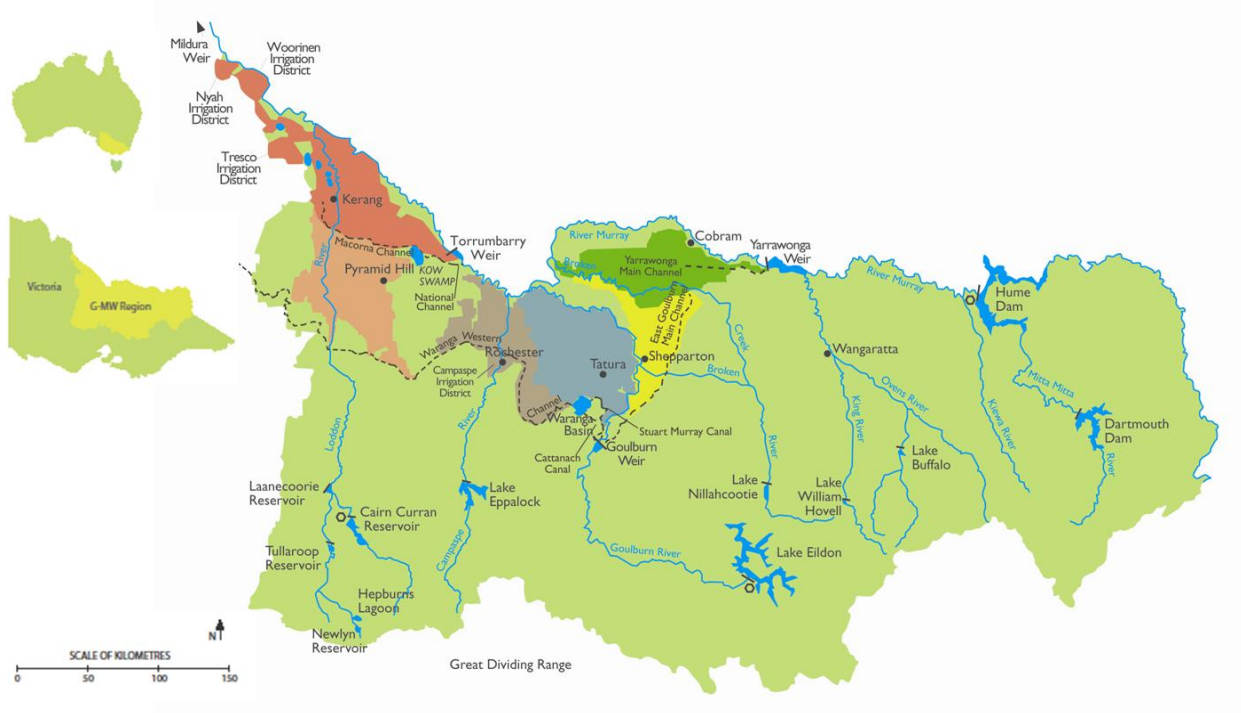
INTRODUCTION

Goulburn-Murray Water's Corporate Plan has been developed in accordance with the requirement of section 247 of the *Water Act 1989* (the Act). The Corporate Plan must include a statement of corporate intent in accordance with Section 248 of the Act and a business plan and financial statements containing the information that the Minister requires including:

- The business objectives of the water corporation.
- Main business undertakings of the water corporation.
- Nature and scope of the activities to be undertaken.
- Performance targets and other measures by which performance may be judged in relation to business objectives.
- The kind of information to be provided to the Minister by the water corporation during the course of those financial years; and
- Any other matters that may be agreed on by the Minister and water corporation.

This Corporate Plan should be considered in conjunction with GMW's Water Plan 3 and the recently announced GMW Blueprint.

GMW OPERATING REGION



GMW has over 30,000 customers. Its area of service covers more than 68,000 square kilometers – around the same size as Tasmania and is Australia’s largest rural water corporation GMW manages around 70% of Victoria’s stored water resources, around 50% of Victoria’s underground water supplies and Australia’s largest irrigation delivery network.

GMW manages 16 water storages that can hold around 9 million ML of water and manages more than 100,000 hectares of public land at its storages. It is Victoria’s largest inland boating authority responsible for managing boating and recreational activities across most of GMW’s storages.

OUR BUSINESS

GMW Profile

Goulburn-Murray Rural Water Corporation (Trading and Goulburn-Murray Water) is a statutory Corporation constituted by Ministerial order under the provisions of the Water Act 1989.

Goulburn-Murray Water (GMW) is accountable to the Minister for Water and in addition to its responsibilities under the Act, GMW is also the appointed Resource Manager for Northern Victoria water systems.

GMW has functions and powers under the Act to provide, manage and operate an irrigation district (Section 221), a water district (Section 163) and a waterway management district (Section 189).

OUR KEY RESPONSIBILITIES:

- Managing the delivery of water to its irrigation and water districts and maintaining the infrastructure for these districts.
- Implementing Government's regulations and policy for groundwater and surface water resource management in accordance with delegated powers.
- Delivery of GMW's Connections Project.
- Harvesting, storing and managing water in its reservoirs and dams.

In addition, GMW also:

- Manage water-related services in a region of 68,000 square kilometers, bordered by the Great Dividing Range in the south and the River Murray in the north and from Corryong in the east downriver in Nyah. (insert map).
- Manages delivery and drainage in six irrigation areas, constituting 50% of customers, 75% of water share and 75% of all deliveries.
- Services over 30,000 customers through surface water, groundwater, unregulated rivers and streams.
- Harvests and stores water for urban water corporations and environment entitlement holders.
- Facilitates hydroelectricity generation.
- Provides for recreational water use, including houseboats and its storages.
- Delivers approximately 2,400,000 ML each to urban water authorities, the environment, rural and irrigation users.
- Manages 16 dams with 9 million ML of storage (70% of Victoria's water storage capacity).
- Operates salinity mitigation work on the Murray downstream of Nyah, delivers bulk water to supply points outside its region and is the Victorian Constructing Authority for the Murray-Darling Basin Authority.

- Is the Minister’s delegate for a range of functions including water share and allocation trading, water use licensing, works licensing and take and use licensing from unregulated streams and groundwater.
- Is a partner in the Victorian Water Register, using it to manage more than \$4 billion of water entitlements and trade.

Our key stakeholders are our customers, the Commonwealth, the Victorian Government, Water Service Committees and our local communities.

OUR CUSTOMERS

Goulburn-Murray Water is an organisation committed to working with and partnering with its customers. GMW’s customer base is very diverse. It encompasses customers with large agricultural interests, bulk water customers who purchase water for urban consumption through to small one acre stock and domestic customers.

	<i>Customer Numbers</i>
Gravity Irrigation (channels) and Drainage	14,369
< = 0.02 Delivery Share Held	4,040
<= 0.03 Delivery Share Held	313
< = 0.04 Delivery Share Held	213
Pumped Irrigation Systems	689
Groundwater	7,559
Domestic and Stock	1,255
Regulated Surface Water Diversions	3,665
Unregulated Surface Water Diversions	7,467
Flood Protection – Loch Garry	120
Non-water Users	1,028
Other Customers	
Urban and Rural Water Corporations	6
Hydroelectric Power Companies	2
Agricultural, Tourism & Recreational Lessees and Licencees	786
Houseboat Licencees	723
Plantation Operators	1
TOTAL	37,701

OUR FUNCTIONS AND SERVICES

GMW undertakes a number of key functions in its own right as a water corporation established under the Water Act 1989:

- Irrigation districts (water delivery, drainage, salinity mitigation).
- Water districts (water supply).
- Waterway management (flood protection).

GMW is also a referral authority under the Planning and Environment Act 1987.

Additionally, GMW undertakes a range of functions as a delegate or appointee (mostly of the Minister of Water):

- Delegate of the Minister of Water under the Water Act 1989 – licensing activities (unregulated streams, groundwater, works on waterways, water use), approval of water share and allocation applications.
- Appointment by the Minister of Water under the Water Act 1989 – storage manager and resource manager for all declared water systems in Northern Victoria.
- Appointment by the Minister of Water under the Murray-Darling Basin Act 1993 – Victoria’s relevant water authority (constructing authority) for the MDBA.
- Appointment by the Water Register under the Water Act 1989 – recording of certain water share dealings.

GMW also undertakes the following activities:

- Electricity generation at storages (long term commercial contracts).
- Amenity services at storages (houseboats, land leases, public access).
- Boating authority for lakes and waterways under GMW management.
- Water savings delivery to government.
- Natural resource management service provision to Catchment Management Authorities.

OUR MAJOR STAKEHOLDERS

Minister for Water

Department of Environment and Primary Industries

GMW reported to the Minister for Water via the Department of Sustainability and Environment (DSE) and more recently through the Department of Environment and Primary Industries (DEPI).

The Office of Water, within DEPI, oversees the management of the Victorian Water Industry. GMW maintains strong links to DEPI to assist with the framing and implementation of government water policies.

GMW also works closely with DEPI and the Victorian Water Register to facilitate the ongoing development and operation of water trading and markets in Northern Victoria.

In relation to the Connections Project, DEPI's role includes monitoring:

- the financial and project performance;
- managing policy and legislation issues as they arise; and
- coordination of Ministerial responses to project scope or other changes;
- managing the relationship with the Commonwealth government in relation to their investment in the Connections Project.

Treasurer

Department of Treasury and Finance

The Department of Treasury and Finance (DTF) performs a shareholder advisory function and is primarily responsible for the financial oversight of GMW. Specifically DTF monitors the financial performance, debt funding and financial governance of GMW.

The Treasurer has an ongoing role in monitoring project progress of the Connections Project due to its categorization as a 'High Value High Risk' project under the Government's revised reporting arrangements for major projects.

DTF is also involved in monitoring the performance and related financial expenditure of the Connections Project by providing an ongoing due diligence role in regard to commercial and project/financial risks through DTF's Gateway High Value High Risk process.

Customer Committees

Customer Committees such as Water Services Committees and Regional Committees are GMW's primary source of customer advice and feedback. Committee representatives are appointed to provide advice and informed discussion in areas such as operations, pricing, service standards and asset

management. Committees meet regularly and are comprised of customers/customer representatives chosen through a community nomination procedure and appointed by the GMW Board.

Commonwealth

The Commonwealth has agreed to fund Stage 2 of the Connections Project under the Water Management Partnerships Agreement. The Commonwealth funding contribution is \$953 million as set out in the Stage 2 Project Schedule. In return, the Commonwealth will receive 50 per cent of the project generated water or 102 GL lost to channel evaporation.

Catchment Management Authorities

Victoria is divided into catchment regions with a Catchment Management Authority (CMA) established for each. CMA's are responsible for coordinating catchment management activities in their region and GMW has strong links to the North East, Goulburn Broken and North Central CMAs on water quality, river health and natural resource management programs. As well, there are operational interactions on delivery of environmental entitlements and catchment programs under the management of DSE and the CMAs.

Murray-Darling Basin Authority

The Murray-Darling Basin Authority (MDBA) is responsible for the integrated management of the Murray-Darling Basin and reports to the Federal Minister for Water. GMW is the Victorian Constructing Authority for the MDBA which is a significant regional role. This role involves management responsibility for the operation and maintenance of MDBA storages and salt interception works across Northern Victoria and the construction of new major environmental works under 'The Living Murray' program. GMW also has an advisory role on the Water Liaison Working Group of the MDBA on water accounting, operational and water management matters.

Local Government

GMW has developed strong partnerships with local government authorities through collaborative initiatives and working partnerships. GMW participates in local government forums and provides updates on a number of regional issues which may impact or potentially impact local government areas.

RISK MANAGEMENT

Risk management at GMW is focused on the identification and management of threats and opportunities that impact operational and customer service functions. GMW recognises that the effective application of risk management enables us to seize new opportunities and meet challenges to successfully achieve our Fundamental Commitments, protect and improve service delivery and enhance our reputation.

Over the period of this Corporate Plan the focus on high quality risk management remains a priority at all levels of GMW. Key objectives include:

- Identifying and managing Strategic and Operational Risks that could impact on the achievement of our Fundamental Commitments and Strategic Outcomes.
- Continuing to develop the level of risk capability across GMW through more education, communication and awareness of risk issues.
- Initiating risk aligned key performance management indicators that reflect the maturity of our risk aware culture.
- Continuing to ensure that risk management is integrated into all strategic planning and decision making processes across GMW.

In 2012/13 GMW revised its risk management framework and developed a new Strategic and Operational Risk Register that reflects threats and opportunities in relation to the delivery of its Fundamental Commitments.

The following table outlines these key strategic risks and their corresponding mitigation controls. Progress against the achievement of controls will be monitored over the period of this plan.

Strategic Risks	What are we doing? – Key Planned Controls
Failure to maintain financial sustainability in the short and long term	Enhance and improve GnMW financial structure and financial systems; Finalisation of GMWs financial reporting framework; Implementation of budgeting and forecasting tools in our finance system. Development and implementation of environmental water service standards;
Failure to build a high performing and engaged organisation	Establishment of Individual work plans for all GMW employees; Implementation of a Learning and Development framework; Regular reporting of achievements and progress against Fundamental Commitments.

Strategic Risks	What are we doing? – Key Planned Controls
Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes	<p>Engagement with MDBA and partner governments to establish and confirm future cost sharing, funding arrangements, governance arrangements, budgets for rivers and storages;</p> <p>Redesign our customer satisfaction survey;</p> <p>Redesign and streamline customer facing business processes;</p> <p>Develop self service functions for customer information.</p>
Failure to maintain a safe and secure workplace, with the resilience to properly respond to and recover from emergency events	<p>Implementation of Disaster recovery plans for all Tier 1 and 2 information management systems;</p> <p>Development of risk culture program;</p> <p>Development of an OHS culture program;</p> <p>Companywide awareness and education of incident response and recovery framework.</p>
Failure to deliver G-MW Blueprint for change and the Connections Project (refer Note 1)	<p>Development of a detailed implementation plan for the proposed tariffs including measures for reporting progress;</p> <p>Undertake community consultation and awareness on Part7A Compulsory Consultation;</p> <p>External Audits to confirm Water Savings from Connections Project;</p>
Failure to provide services and undertake activities so that adverse impacts on the environment and water quality are responsibly managed	<p>5 yr review of mitigation programs for irrigation induced groundwater impacts;</p> <p>Wildlife safety review to be undertaken and recommendations considered under Connections roll out;</p> <p>Review and update of existing environmental risk register to align with Corporate Risk framework;</p>
Failure to deliver services to customers	<p>Development of strategies for the establishment of water resource plans;</p> <p>Contract re-negotiation with key 3rd party suppliers to establish renewed service guarantees;</p> <p>Redesign and streamline customer facing business processes;</p> <p>Implementation of Disaster recovery plans for all Tier 1 and 2 information management systems;</p>

Note 1: The strategic risks and risk management activities for the Connections Project have now been fully integrated into GMWs risk management framework. A more detailed risk management framework underpins the Connections Project at an operational level.

OUR BUSINESS

Goulburn-Murray Rural Water Corporation trading as Goulburn-Murray Water (GMW) is a statutory Corporation constituted by Ministerial order under the Water Act 1989. GMW has functions and powers to store, manage and deliver water across most of Northern Victoria.

GMW is the Victorian Resource Manager appointed by the Minister for Water with responsibility for making the seasonal determination for all Victorian Murray entitlement holders. In this role GMW works closely with the Murray-Darling Basin Authority.

GMW operates as a delegate for the Minister for a range of functions including water share and allocation trading, water-use licensing, works licensing, and take-and-use licensing from unregulated streams and groundwater.

GMW's prices are regulated by the Essential Services Commission on behalf of the Australia Consumer and Competition Commission. It further plays an important role in the implementation of the National Water Initiative.

GMW's business functions include:

RETAIL

GMW's Retail and Operations Business is delivering initiatives to improve business efficiency within the retail business to meet the needs of our customers and stakeholders; and to reflect the changing nature of the water delivery system. Retail and Operations provides a centralised customer service model for water delivery services including billing and entitlement management.

Local regional customer service centres focus on managing diversion services, pumped irrigation districts, piped domestic and stock systems and gravity irrigation areas. The centralised model has improved business efficiencies and provided customers with a central contact point for all water services.

WHOLESALE CATCHMENT SERVICES

GMW's Catchment Services is a wholesale business which is accountable for the storage and delivery of water to wholesale customers. The business unit is also accountable for activities that cover the entire business, such as groundwater investigations and environmental management and implements a range of Government regulations and policies in relation to these responsibilities. It is also required to manage a range of activities not directly related to irrigated agriculture including water activities such as house boats, recreation and tourism activities, jetties and boat ramps.

CIVIC CONSTRUCTION AND CIVIL MANAGEMENT

This business provides construction services to the wholesale and retail business and for the Connections Project. It also delivers fee-for-service projects for the Murray Darling Basin Authority.

CONNECTIONS PROJECT

The Connections Project has responsibility for the delivery of the \$2 billion Connections Project – involving the modernisation of the Goulburn Murray Irrigation District (GMID) and the implementation of a range of water saving/water efficiency projects. The Connections Project will deliver a modernised, highly efficient automated water delivery system for customers in the GMID. It is a significant and fundamental reshaping of the way in which water is used for irrigated agriculture in Northern Victoria. Through the Connections Project, GMW will contribute to Victoria’s water savings targets outlined in the Murray-Darling Basin Plan.

SUPPORT SERVICES

Incorporating functions such as finance, information technology, strategy, human resource management, risk, occupational health and safety, legal and property, communications and customer engagement.

GOVERNANCE

Governance functions include an independent Board of Directors appointed by the Minister for Water.

GMW administers and coordinates 13 Water Services Committees across its water district. These committees are customer representatives elected by customers, serving on Water Services Committees for a period of up to three years. Water Services Committee elections are held each year in May. These committees provide advice to the Board and Managing Director on issues relating to their local area; in the past this has included advice on operations, capital investment, policy and tariffs.

Board Committees

During the 2012/13 the following Board Committees operated.

Committee	Purpose
Risk and Compliance (RaCC)	Oversee risk management and compliance
Audit	Oversee the internal and external audit program, review annual financial statements and monitor financial, management and accounting responsibilities.
Remuneration	Oversee management remuneration policy, management remuneration and management remuneration responsibilities.
Connections Project Committee	Oversee implementation of the Connections Project.
Connections Strategy Committee	Oversee the development of Connections Project strategy and respond to issues of a strategic nature.

OUR STRATEGY

During 2012/13, GMW commenced a transformation journey which resulted in the further evolution of our strategy. GMW has refined its strategic focus from simply being an organization that sought to be respected by our customers and shareholders for managing water sustainably, delivering water efficiently and building a modernised fit for purpose system, to an organization that is fundamentally committed to enhancing outcomes for our customers and stakeholders and driving exceptional organizational performance.

OUR STRATEGIC FOCUS

GMW's Fundamental Commitments

Goulburn-Murray Water is fundamentally committed to enhancing outcomes for our customers and stakeholders, and driving exceptional organisational performance.

Underpinning GMW's approach to performance are three fundamental commitments which lay the foundation for our strategic priorities, outcomes and initiatives across the organisation.

Goulburn-Murray Water's fundamental commitments are to:

1. Partner with our customers.
2. Create the opportunities to increase agricultural production in Northern Victoria over the next 20 years.
3. Be a high performing organisation across Northern Victoria

GMW's Blueprint

GMW has developed a Blueprint strategy for the next five years in response to our own significant organisational change and the fundamental changes that have occurred within the water sector over the past seven years; including the removal of 30% of irrigation water from the GMID and a \$2 billion investment in water infrastructure in the GMID by both State and Federal Governments,

GMW's Blueprint recognises that GMW has to:

- Resize its infrastructure
- Resize the business; and
- Redesign the tariff structure so that it more accurately reflects the costs of the new infrastructure.

The strategic framework outlined in the Blueprint will deliver on GMW's Fundamental Commitments through the delivery of three strategic priorities over the coming five years:

1. Redesign our tariffs so that they are simple, cost reflective and better aligned to our infrastructure in the future.
2. Deliver the Connections Project and realize improvements in customers-service levels.
3. Transform the business of Goulburn-Murray Water to make it a lean and more customer focused.

These three strategic priorities build on the priorities identified in 2012/13 period, and have driven the achievements made by GMW to date.

GMW'S STRATEGIC FRAMEWORK

GMW has an ambitious internal program to transform the organisation, reduce our operational costs and be more aligned to the needs of our customers.

With more certainty regarding the volume of water likely to be available in the GMID in the future, and an understanding of the opportunity the Connections Project will bring, it is now time to modernise the business of GMW.

Our transformation program is built around a framework in which we:

- Define what we are fundamentally committed to as an organisation
- Articulate the outcomes required to demonstrate that commitment
- Describe the result we will achieve and in what time frame.
- Agree on the initiatives required to achieve the results; to enshrine them in corporate plans and individual work plans; and report their accomplishments through our annual report.

Through its transformation process, GMW is working to embed three fundamental commitments into the organisation:

- Partnering with our customers.
- Creating the opportunity to increase irrigated agricultural production in Northern Victoria over the next 20 years
- Operating as a high-performing organisation across Northern Victoria.

1. Partner with our customers.

GMW is determined to be a customer focused organisation, dedicated to its customers. It will create a stronger customer centric experience designed to support and enhance customer outcomes. To do this GMW is actively seeking to gain a better understanding of its customers needs and service expectations through research, engagement and active listening.

GMW is establishing a clearer focus on what customers want and believe that this will help drive ongoing customer satisfaction and business transformation in areas of system, process refinement and service delivery.

In 2013/14 GMW will continue to support enhanced customer and stakeholder satisfaction through:

- Customer service standards – GMW recently confirmed its customer service standards through the Water Plan 3 consultation and engagement process.
- GMW's customer satisfaction survey provides feedback on various elements of GMW's service proposition including:

- Effectiveness of client/stakeholder communications
- Frequency of client/stakeholder engagement
- Effectiveness of service levels, turnaround times for resolution of queries
- Ease of doing business with GMW
- Number of customer complaints and timeliness for resolution of complaints.
- Implementation of the Customer Segmentation model to clearly articulate the service proposition to inform customer operations.
- Simplified billing system and the development of variable payment options.
- Implementing a system of process refinement and simplification, making GMW easy to deal with.

2. Create the opportunities to increase agricultural production in Northern Victoria over the next 20 years.

The potential of productive irrigated agriculture has been acknowledged in Northern Victoria for over a century. Moreover production systems have been able to demonstrate continual productivity improvement and innovation.

The profitability of production systems has depended largely on export markets. Production systems, particularly those with high dependency on local processing face sustained pressure from the high Australia dollar plus relatively high labor and energy costs for local manufacturing. This is creating difficulty for primary producers who are choosing to opt for more opportunistic irrigation crops that require minimal processing before they enter the world markets. It is GMW's responsibility to adapt to the changing needs of irrigators as they adopt production systems geared for profitability and productivity.

While we recognise that GMW has no direct role in increasing food production, we do believe that as a rural water corporation we can make a valuable contribution.

For instances our charges represent an important input cost to our customers; greater operational efficiency means that we can keep those charges down. Also, the Connections Project will provide opportunities for water to be delivered faster and in higher volumes creating opportunities for significant on farm improvements.

In 2013/14 GMW will continue to implement the Connections Project meeting its milestones and project obligations which include:

Table 0-3 Stage 1 Project Works Milestone Forecast – 2012/13 v's 2013/2014 Corporate Plan

Project milestone	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		Whole of Project Life Total ²	
	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Channel Automation (no. of automated gates installed)	93	76	71	22	0	76	0	0	0	0	0	0	2,880	2,890
Backbone and connections metering (no. of meters installed)	496	502	360	344	260	300	260	200	260	150	78	104	5,580	5,384
Channel remediation (kms of channel remediated)	25	25	0	0	0	0	0	0	0	0	0	0	142	142
Channel rationalised (kms of channel rationalised) ¹	55	166	55	158	55	76	55	45	29	117	0	0	759	759
Delivery share relocated to backbone (ML/day) ¹	192	305	192	361	192	169	192	119	104	0	0	0	2,258	2,258

Table 0-4 Stage 2 Project Works Milestone Forecast – 2012/13 vs 2013/14 Corporate Plan

Project milestone	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		Whole of Project Life Total	
	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Backbone and connections metering (no. of meters installed)	385	182	1,007	650	1,493	1,050	1,201	1,121	1,181	1,050	633	746	5,900	4,800
Channel remediation (kms of channel remediated)	1	0	9	14	20	12	20	19	19	22	7	10	77	77
Channel rationalised (kms of channel rationalised) ¹	142	79	331	306	393	406	416	943	577	228	401	298	2,259	2,259
Delivery share relocated to backbone (ML/day) ¹	334	368	777	1,201	918	1,957	972	1,299	1,356	462	943	0	5,300	5,300

Table 0-1 Stage 1 Project Forecast Cumulative Volume of Project Water Generation - 2012/13 and 2013/14 Corporate Plans (GL LTCE)

Project component	2012/13		2013/13	Whole of Project Total	
	12/13 Corp Plan	13/14 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Channel Automation	50	51	52	51	52
Backbone metering	56	52	58	65	67
Connection metering	12	10	14	31	24
Channel remediation	13	13	13	13	13
Channel rationalised	15	15	22	34	34
Strategic water purchase	20	21	22	24	25
Other projects	13	14	14	13	14
Total	180	176	195	232¹	229²

The 2013-14 Corporate Plan forecasts are based on G-MW's most recent assessment of future milestone outcomes. It is noted that the Backbone and Connection Metering (Stage 1 and Stage 2) and the Channel Automation (Stage 1) milestone forecasts in this Corporate Plan vary from the milestone targets approved in the Revised Stage 1 Business Case and the Stage 2 Funding Agreement. G-MW Connections has submitted variation requests to Government to support these changes. These requests are currently being assessed by Government.

3. Be a high performing organisation across Northern Victoria

The success of GMW's corporate strategy centres heavily on our customers and upon having the right people with the right skills throughout the organisation. None of GMW's plans will be delivered if we do not operate as a high-performing organisation.

To do that GMW must:

- Have a depth and capability, opportunity and leadership throughout the organisation.
- Be a highly respected and trusted organisation serving our local communities.

The transformation of our business also focuses on embedding a culture of leadership and accountability throughout the business.

An Employee Alignment and Engagement survey completed in 2011 has provided a baseline for measuring the engagement of GMW staff around the strategic direction and fundamental commitments.

In 2013/14 GMW will use the Employee Alignment and Engagement survey to deliver:

- Improve engagement and alignment survey score of 25% by the end of 2013/14
- Successful implementation of the Top 3 actions arising from the Engagement and Alignment survey working group.

GMW is currently developing internal initiatives to ensure we have a team to delivery on our commitments. Importantly, we recognise we play an important role in small communities and, as such, we will maintain our local presence through our office network.

OUR CORPORATE GOALS

GMW's operating environment is changing and GMW's Blueprint articulates a strong focus on transformation and adaptation over the coming five years. The Blueprint confirms that Goulburn-Murray Water remains committed to developing a lean, effective and efficient customer focused organisation.

- **Redesign our tariffs so that they are simple and better reflect our infrastructure in the future.**

GMW is committed to delivering a lean and reliable price pathway allowing customers to make informed investment and lifestyle decision with certainty.

GMW's Blueprint, Water Plan 2(2013/14) and Water Plan 3 embrace a simplified tariff design.

Our proposed tariff design underpins our Fundamental Commitments, particularly partnering with our customers.

Through the Blueprint and Water Plan 3, GMW will keep charges stable over time, even though our effective costs are expected to go up, and the number of Delivery Shares is expected to reduce.

GMW's proposed cost savings of \$20 million will allow us to keep charges stable in real terms over time (except for inflation.) Our tariffs (the structure and design of our water charges) will be central to achieving this outcome.

GMW proposes to implement a new tariff framework which will support future business objectives. GMW's proposed tariff framework was released for consultation in July 2012. This proposal recognised that our current accounting system has become overly complex and expensive to operate. In an accounting sense, GMW effectively operates 138 individual businesses. The complexity creates substantial internal costs, costs that are ultimately passed on to the customer. Our proposal is to reduce costs through simplification of the system.

Progress in the 2012/13 has included:

2012/13 Pricing

- ESC and Board approval of pricing pathway.

Water Plan 3 Development

- Extensive and effective customer and stakeholder consultation on Water Plan 3.

- Validation of its core financial source data for Water Plan 3 including quality assurance program covering demand forecasts (water availability and volumes delivered), Capital Expenditure, Operating Expenditure and financial modelling review.
- Ensuring all of the underlying model assumptions are understood and owned by GMW.
- Validation and application of the principles, data sets and models underpinning the development of charges.
- Development of a measure(s) that validate the initial goal of ensuring that customers are able to base investment and lifestyle decisions on our price pathway.

Tariff Review

- Undertaken a wide ranging tariff review incorporating feedback from customers and stakeholders.
- Consultation on tariff review principles to establish review process.
- Tariff review incorporates the changing systems and external realities.
- Tariff review scope, structure and timeframes established.

Key initiatives for the 2013/14 year are:

GMW's Water Plan 3 will continue to guide tariff strategy and GMW is aware that any new tariff strategy will require careful planning for implementation. GMW will be engaging further on this in the near future through the Water Plan process through the economic regulator.

- Development of the implementation plan for a new tariff system for the gravity district.
- Completion of a Diverters Tariff Strategy Working Group – the working group will develop a new diverter's tariff.
- Environmental Services Working Group – The Environmental Water Holder is GMW's largest individual customer. GMW has established a working group with the Environmental Water Holders to develop an agreed suite of services that meet their needs, and associated charges that will make a fair contribution to our costs. The working group will report back to the Board in line with the broader strategy of the Blueprint.
- Drainage Working Group will review drainage charges. The working group will be made up of members of the Water Services Committees.

- **DELIVER THE CONNECTIONS PROJECT AND REALIZE IMPROVEMENTS IN CUSTOMERS-SERVICE LEVELS.**

GMW is contributing to a viable future for the rural communities of Northern Victoria through delivering a new, fit for purpose irrigation network by 2019.

The Connections Project represents the biggest single opportunity for the GMD. The \$2 billion investment represents the largest change ever undertaken to the delivery infrastructure. The Connections Project will help deliver Victoria's contribution to the MDBP and provide the funding to resize our infrastructure to match the projected volume of water.

The Connections Project seeks to optimize and rationalise all non-backbone channels by relocating the landowner service point to a backbone channel. The project will result in a material change to the way the GMID looks and is managed and is critical to the success of GMW and the irrigated agriculture industry.

We estimate that the length of channels in the GMID will reduce to approximately 3,560km from 6,300km and that service points will reduce from 18,000 to 12,000.

However, importantly, a 50% reduction in channel length does not mean an expected 50% decrease in irrigated agriculture farms. It means farmers will, as they have done for many years, transition to new and more efficient ways of farming.

The Project is being delivered in two separated stages:

- **Stage 1:** a State funded project for \$1,004 million delivering 225 GL of water recovery supported by the Stage 1 Business Case. Stage 1 commenced in 2007/08 and is scheduled to be completed in the revised timeline of 2017/18 as endorsed through the Stage 1 Business Case Revision. To the 30 June 2013, it is forecast that \$823 million of the \$1,004 million Stage 1 project budget will have been expended, indicating that the project is well-advanced.
- **Stage 2:** a further project to deliver an estimated 204 GL of water recovery, with an agreement with the Commonwealth Government to contribute \$1059 million in return for the transfer of the water recovered to the Commonwealth. Stage 2 is supported by a project schedule that sets out the project scope, milestones and payment schedule. The Stage 2 project commenced in the second half of 2011/12 and is also due to be completed in 2017/18. In 2012/13 forecast expenditure on Stage 2 activities is \$69.2 million.

For the Project, the GMID channel network has been divided into two sub-systems – backbone and non-backbone. The backbone comprises the larger capacity channels supplying the majority of the medium and large scale irrigation properties. The remaining channels are classified as non-backbone. The non-backbone consists primarily of small spur channels serving individuals or groups of customers. Because

of the historic trend towards larger farm properties and outward water trade, non-backbone channels are often under-utilised.

Different modernisation strategies are employed in each of the backbone and non-backbone components of the system as:

- **Backbone program:** The backbone system is to be modernised to enhance service standards, reduce water losses, improve metering and measurement and enhance system operations. In the future the backbone will form the core of the irrigation network from which individual properties will be either directly serviced or connected via pipelines or optimised on-farm channels.
- **Connections Project:** Non-backbone channels are to be decommissioned and water is to be supplied to landholdings through new privately owned connections to the backbone. Where landowners wish to exit irrigation, the existing irrigation supply will be terminated. As a result of the Connections Project (Stage 1 and Stage 2), the GMID channel system will be reduced to around 50 per cent of its current length but will service over 90 per cent of irrigation properties.

The modernisation strategies are to be implemented in parallel but with emphasis on the backbone modernisation as an initial priority in Stage 1 followed by connection works to be completed in both Stage 1 and Stage 2.

Objectives

The objectives of the Connections Project are:

- to create an efficient, best practice irrigation system by 2018 that:
 - provides greatly enhanced service levels to support best practice on-farm irrigation; and
 - delivers water efficiently;
- to recover 429 GL in accordance with overall targets;
- to deliver Stage 1 in alignment with the broader project to provide the flexibility needed in achieving Stage 2 objectives;
- achieve full project delivery by 30 June 2018 in accordance with budget approved through the Stage 1 Business Case and Addendum, the Stage 2 Project Schedule between the Commonwealth and the State and the Stage 2 Funding Agreement between the State and GMW ;
- to support regional growth and prosperity through building on the region's competitive advantages in supplying and processing food (food security); and
- to deliver the Connections Project in a transparent, fair and equitable manner.

Project Milestones

The Project works program is set out in the Stage 1 Business Case Addendum and Stage 2 Project Schedule. Milestones are defined in terms of units of work activity completed for each of the project's two major programs. The milestone work activities are:

- **Backbone program:**
 - channel automation: installation of automated gates into backbone channel regulators to facilitate Total Channel Control automation;
 - channel remediation: lining of backbone channels to reduce leakage and seepage losses;
 - backbone metering: installation of modernised meters to replace existing customer service point meters in the backbone;
 - connection metering: installation of modernised meters onto new farm connections to the backbone; and
 - complete construction of special projects (Stage 2).
- **Connection program:**
 - channel rationalised: rationalising non-backbone channel;
 - delivery share relocated to backbone: agreement from landowner is to shift delivery share entitlement from a non-backbone to a backbone meter or to terminate the delivery share;
 - backbone gates rationalised: rationalisation of existing regulating structures in the backbone; and
 - meters rationalised: rationalisation of backbone and non-backbone customer service point meters.

Table 2 below sets out milestone targets for each Stage of the project.

Table 2 Connections Project Milestone Targets – Stage 1 and Stage 2

Item	Stage 1	Stage 2	Project Total
Backbone program			
Channel automation (no. of automated gates installed)	2,890	na	2,890
Channel remediation (kms of channel remediated)	142	77	219
Backbone metering (no. of meters installed)	4,405	334	4,739
Connections metering (no. of meters installed)	979	4,466	5,445
Connections Project			
Channel rationalised (kms of channel rationalised)	759	2,259	3,018
Delivery share relocated to backbone (ML/day)	2,258	5,300	7,558
Backbone gates rationalised (no. of gates rationalised)	321	na	321
Backbone meters rationalised (no. of meters rationalised)	1,877	na	1,877

Risk Management

The Connection Project risk management activities have been fully integrated into G-MW's risk management framework.

Project Delivery

Backbone Modernisation

The GMW Connections Project is modernising the backbone of the GMID channel system and improving standards of service through an automated and efficient channel network. Backbone modernisation works are delivered and the program produces assets that will be owned and operated by GMW. Key elements of the backbone delivery include:

- *Main Contractor:* During 2012-13, the Connections project completed the procurement of a renewed Main Contractor (MC). The MC provides procurement and construction management services for the delivery of backbone modernisation works. A significant additional role for the new MC contract is to oversight construction safety and design standards to be applied to the delivery of the on-farm works under the Stage 2 program. The Project conducted a nationwide tender to select the MC. Implementation of the MC agreement commenced in January 2013 and runs for 3 years with annula extensions at the discretion of G-MW.
- *Environmental management framework:* construction activities undertaken by the Connections project (including works managed by the MC) are governed by a rigorous environmental policy framework established by Government and by compliance conditions established under State and Commonwealth approvals. The Connections project continues to fully comply with the conditions of its environmental approval with regular external audits undertaken to verify compliance. The construction environmental framework is under continuous improvement with a range of improvements initiated in 2012-13.
- *Occupational health and safety:* G-MW is committed to ensuring a healthy and safe working environment across all project activities. To this end, the organisation maintains OH&S which includes periodical reviews, appropriate training, provision of resources to ensure OH&S is integrated into all activities in the organisation, investigation of all risk incidents and ensuring all contractors comply with OH&S requirements. During 2012-13 extended the application of the project's OH&S framework to on-farm works funded by the project.
- *Value for money:* the vast majority of the materials, design, construction and planning services for the backbone modernisation project are sourced through competitive tendering processes to ensure value for money outcomes. For tendering purposes, repeatable works are aggregated into discrete works packages which provide the optimum flexibility and competitiveness with the contracting work force. However, automation equipment (Total Channel Control TCC) used by the project is provided under a sole source arrangement. Price

transparency measures and controls form part of the statement of works under this arrangement.

Connections

The objective of 'Connections' component of the G-MW Connections Program is to remove channels that are no longer required as a result of reduction in customer numbers and the volume of water delivered through the network, and to reconnect customers to the backbone so they benefit from improved services. During 2012-13, the revised framework for the Connections component of the project was fully implemented in line with the Connections Implementation Plan (June 2012). Key initiatives implemented include:

- *Strategic Connections Projects (SCPs):* This is a revised approach to delivering the Connections Program with the focus on the development of connection solutions with groups of landowners in contiguous channel area or SCPs. During 2012-13 the project commenced the structured SCP process which starts with the preparation of a scoping plan of the likely water supply solution in a SCP leading to the Board endorsement of a Landscape Plan and budget. Consultation with landowners then commences with a SCP landowner public meeting followed by the development of individual landowner water supply proposals leading to the preparation of a Landowner Schedule which must be approved by the Board prior to financial offers being made to individual landowners. In total 180 Strategic Connection Plan Areas have been defined. To the 31st March 2013, 46 Landscape Plans have been endorsed, 42 public meetings held and 16 Landowner Schedules approved indicating that good progress is being made on the new SCP process.
- *Reconfiguration Plans:* From 1 July 2012 all connections agreements have been deemed to be under Part 7A Water Act which gives G-MW the power to utilise the reconfiguration process. This provides formal process for the voluntary reconfiguration process. Non-voluntary reconfiguration will be applied to landowners who reject all Connection offers. Currently, G-MW is working to put the process in place to allow non-voluntary reconfiguration to occur. This process is likely to require Ministerial Directions, which are currently under development of DEPI.
- *Connections Resource Panel:* In 2012/13, G-MW Connections conducted an open market tender to create a Panel of Project Managers and Farm Designers to provide external farm design and project management of on-farm works funded by the Connections project. Project Managers (PM) will be appointed by the project to SCPs to assist landowners to deliver on farm connection works. The PM will: oversight the Occupational Health & Safety of on-farm works and ensure on-farm works meet expected quality standards. The tender program resulted in a competitive outcomes with 42 bids received. The G-MW Board the recommended that 30 firms be appointed to the Panel.

- *Master Schedule:* a master schedule of the Connections project has been developed which sets out a timeline, resource requirements and milestones for each of the phases or stages of the Connections project with monthly reporting against the baseline schedule.

Project Governance

Specific project governance arrangements have been put into place as a response to issues identified during the delivery of Stage 1, recommendations from the Ombudsman's Investigation, the Privacy Commissioner's report and as a consequence of the Victorian Government's agreement with the Commonwealth to deliver Stage 2. The primary project specific governance arrangements are:

- *Project Reference Committee:* A Project Reference Committee (PRC) was established in August 2012 to oversee the G-MW Connections Project. The establishment of the PRC implemented a decision made by Government when it approved the revised Stage 1 business case. The PRC is chaired by the MD of G-MW and is attended by the Connections Project Director and representatives from DEPI and DTF. The PRC has met quarterly through 2012/13.
- *Strategic Oversight Committee:* A Strategic Oversight Committee (SOC), with representatives from G-MW, the Commonwealth, and DEPI has been established to monitor the progress of Stage 2 of the project and ensure the scope is retained within the approval provided by the Commonwealth. The SOC is chaired by DEPI and attended by Connections Project Director. The Committee has met quarterly through 2012-13.
- *Government Project Reporting Requirements:* The Connections Project provides monthly, quarterly and annual progress reports to Government. The reports provide timely and detailed information on progress, expenditure and emerging risks that allows for the tracking of the State and Commonwealth government's investment. Detailed project reporting requirements are outlined in the Connections Project Stage 1 and Stage 2 funding agreements with additional requirements stipulated as a result of Government recognition of the Connections project as High Risk High Value project.
- *Project Variations:* G-MW must seek approval for investors prior to: making a material variation to the project and undertaking a new task outside the scope of the funding agreement. A set of thresholds and processes to manage project variations for the project have been defined and approved through the Stage 1 and Stage 2 funding agreement and the High Risk High Value (HRHV) protocol. Variations are submitted to Government through a formal variation request report. The HRHV protocol also requires continuous disclosure of variations which is achieved through a log of variations reported in the monthly progress report.
- *Ring Fencing of Connection Project Activities:* A condition of the approval of the revised Stage 1 Business Case in May 2012 was that G-MW implement ring fencing of expenditure and activities between Stage 1 and Stage 2 and between the Connections project and G-MW's

other activities. Policies and procedure for ring fencing have been implemented ensuring that funding provided is used exclusively for the activities associated with each stage and is separated from G-MW operations.

Project Milestone Forecasts

The Connections Project performance is assessed by reference to progress towards meeting milestone targets for the quantity of backbone and connections works, and the volume of project water generation. Stage 1 and Stage 2 of the project each have specific milestone target schedules.

Works Milestones – Stage 1

The table below shows the works milestone forecasts for Stage 1 from the 2012-13 Corporate Plan and the forecasts prepared for this 2013-14 Corporate Plan.

Table 0-3 Stage 1 Project Works Milestone Forecast – 2012/13 vs 2013/14 Corporate Plans

Project milestone	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		Whole of Project Life Total ²	
	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Channel Automation (no. of automated gates installed)	93	76	71	22	0	76	0	0	0	0	0	0	2,880	2,890
Backbone and connections metering (no. of meters installed)	496	502	360	344	260	300	260	200	260	150	78	104	5,580	5,384
Channel remediation (kms of channel remediated)	25	25	0	0	0	0	0	0	0	0	0	0	142	142
Channel rationalised (kms of channel rationalised) ¹	55	166	55	158	55	76	55	45	29	117	0	0	759	759
Delivery share relocated to backbone (ML/day) ¹	192	305	192	361	192	169	192	119	104	0	0	0	2,258	2,258

Notes: 1. For the FY12/13 Corporate Plan this measure is not the actual length of channel decommissioned or delivery share relocated. Rather it is a measure of the 'commitments' based on executed legal agreements. The measure of 'commitments' is used as it aligns with the cash flow expenditure. For the 13/14 Corp Plan and all reporting going forward, this target is measured as actual physical works completed; 2. includes works completed from the commencement of the project in 2007/08.

The 2013-14 Corporate Plan forecasts are based on G-MW's most recent assessment of future milestone outcomes. It is noted that the Backbone and Connection Metering (Stage 1 and Stage 2) and the Channel Automation (Stage 1) milestone forecasts in this Corporate Plan vary from the milestone targets approved in the Revised Stage 1 Business Case and the Stage 2 Funding Agreement. G-MW Connections has submitted variation requests to Government to support these changes. These requests are currently being assessed by Government.

The 2013-14 Corporate Plan forecast for Stage 1 is from an April 2013 update of the project’s annual cashflow requirements forecast. The material changes in the milestone forecast between the two reporting periods are:

- **Backbone and connection metering:** The total number of meters installed is now forecast to be less than forecast in the 2012/13 Plan due to an increased rate of meter rationalisation. The project has adopted a policy that encourages landowners to consolidate multiple meter outlets to one outlet and thereby maximise the number of rationalised meters. Rationalisation is the preferred outcome from a project perspective as the cost of rationalisation is generally cheaper the cost of a new meter installation. Reducing the installed base of meters is also highly beneficial from a whole of life cost perspective.
- **Channel rationalised:** The annual phasing of the channel rationalised has changed nominally due to change in the reporting method. In previous Corporate Plans, the length of channel rationalised was measured by reference to commitments (executed legal from landowners) rather than actuals. As outcome of the updated reporting requirements endorsed through the Connections Implementation Plan, this target is now reported as actual physical works completed. The impact of this change is to shift the milestone numbers for channel rationalisation to latter years.

Works Milestones – Stage 2

The table below shows the Stage milestone forecasts from the 2012-13 Corporate Plan and the forecasts prepared for this 2013-14 Corporate Plan. The 2013-14 Corporate Plan forecast for Stage 1 is from an April 2013 update of the project’s annual cashflow requirements forecast.

Table 0-4 Stage 2 Project Works Milestone Forecast – 2012/13 vs 2013/14 Corporate Plans

Project milestone	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		Whole of Project Life Total	
	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Backbone and connections metering (no. of meters installed)	385	182	1,007	650	1,493	1,050	1,201	1,121	1,181	1,050	633	746	5,900	4,800
Channel remediation (kms of channel remediated)	1	0	9	14	20	12	20	19	19	22	7	10	77	77
Channel rationalised (kms of channel rationalised) ¹	142	79	331	306	393	406	416	943	577	228	401	298	2,259	2,259

Delivery share relocated to backbone (ML/day) ¹	334	368	777	1,201	918	1,957	972	1,299	1,356	462	943	0	5,300	5,300
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The material changes in the milestone forecast between the two reporting periods are:

- Annual time phasing: The 13/14 Corporate Plan incorporates changes to the annual phasing of the Stage 2 milestone targets relative to previous Plan. In the previous Plan, the Stage 2 targets were reported on the basis that the annual contractual milestone were to be achieved by the 31st of March of each year. DEPI has since confirmed that the timing of deliverability of Stage 2 contractual milestones is at the 30th of June of each year. The Stage 2 targets reported in this progress report have been updated accordingly.
- Backbone and connection metering: The total number of meters installed is now forecast to be less than forecast in the 2012/13 Plan due to an increased rate of meter rationalisation. The reduction in meter numbers also reflects the cancellation of the Stage 2 Small pipe outlet meter project (a formal request to cancel the SPO project has been submitted to Government and is pending final approval).

Water Generation

The Project aims to recover 429 GL in long-term cap equivalent (LTCE) water over the course of the project comprising 225 GL from Stage 1 and 204 GL from Stage 2. Project generated water will be sourced primarily from a reduction in the volume of water losses incurred in the GMID delivery system resulting from the implementation of the project works programs. Project water will also be sourced from the Stage 1 funded strategic acquisition of water entitlements complementing the delivery of the Connections works program.

Water is generated progressively over the term of the project based upon completion of the works program. The table below shows the Stage 1 water generation estimates from the 2012-13 Corporate Plan and the revised forecast produced for this 2013-14 Corporate Plan. The forecasts are provided for the years 2012-13 and 2013-14 and for the whole of project.

Table 0-5 Stage 1 Project Forecast Cumulative Volume of Project Water Generation - 2012/13 and 2013/14 Corporate Plans (GL LTCE)

Project component	2012/13		2013/13	Whole of Project Total	
	12/13 Corp Plan	13/14 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Channel Automation	50	51	52	51	52
Backbone metering	56	52	58	65	67
Connection metering	12	10	14	31	24

Channel remediation	13	13	13	13	13
Channel rationalised	15	15	22	34	34
Strategic water purchase	20	21	22	24	25
Other projects	13	14	14	13	14
Total	180	176	195	232¹	229²

1. Includes an amount of 7 GL as a risk allowance approved through the Stage 1 Business Case Addendum
2. Based on revised unit rates (2011/12 year water audit) and adjusted work activities

The 2013-14 Corporate Plan forecast for Stage 2 water generation is presented in the following table.

Table 0-6 Stage 2 Project Forecast Cumulative Volume of Project Water Generation - 2012/13 and 2013/14 Corporate Plans (GL LTCE)

Project component	2012/13		2013/13	Whole of Project Total	
	12/13 Corp Plan	13/14 Corp Plan	13/14 Corp Plan	12/13 Corp Plan	13/14 Corp Plan
Connections Metering	Not reported	3	11	Not reported	73
Channel Remediation			1		8
Channel Rationalised		4	18		113
Special Projects			1		12
Total		7	31		206¹

1. Based on revised unit rates (2011/12 year water audit)

- **TRANSFORM THE BUSINESS OF GOULBURN-MURRAY WATER TO MAKE IT LEAN AND MORE CUSTOMER FOCUSED.**

GMW is a lean, rewarding place to work, delivering on what's important to our customers and shareholders.

GMW is committed to putting our customers first and transforming our business to be more efficient, drive a culture of accountability and improve the ease of doing business for our customers.

Progress in the 2012/13 year included:

Culture and People

- Completed implementation of action plan activities in response to the Staff Alignment and Engagement Survey.
- Implemented a Strategic Leadership Forum to drive a focus on Fundamental Commitments and to generate a focus on outcomes.
- Commence implementation of a framework focused on delivery of actions to support strategic objectives.

Transformation

A key focus for the organisation since our last Corporate Plan has been the design and implementation of a new functional separated organisational model.

This initially included the mobilization of a team, made up of 10% of the workforce (over 70 staff involved) to develop and deliver a functional organisational model, from the bottom up, to meet the 'New GMW' guiding principles as set by the Board and Managing Director.

The guiding principles of GMW's business transformation were to:

1. Drive efficient and least cost provision of GMW's services.
2. Drive a culture of accountability.
3. Improve ease of doing business from a customer's perspective.
4. Provide a clear and transparent method for identifying costs associated with the provision of services.
5. Eliminate cross subsidies that distort pricing and funding.
6. Be as simple as possible with minimal management layers.
7. Reduce cost while maintaining and improving the level of service over time.

As this new functionally separated model resulted in a significant change for the organisation, including the recruitment and appointment of a new GMW Executive team, staff were extensively engaged to provide feedback, raise questions and challenge the proposed 'draft' model, through a period of staff consultation.

The completion of the implementation of the new organizational structure continues to be a key focus of activity for 2013/14 and key initiatives and major milestones include:

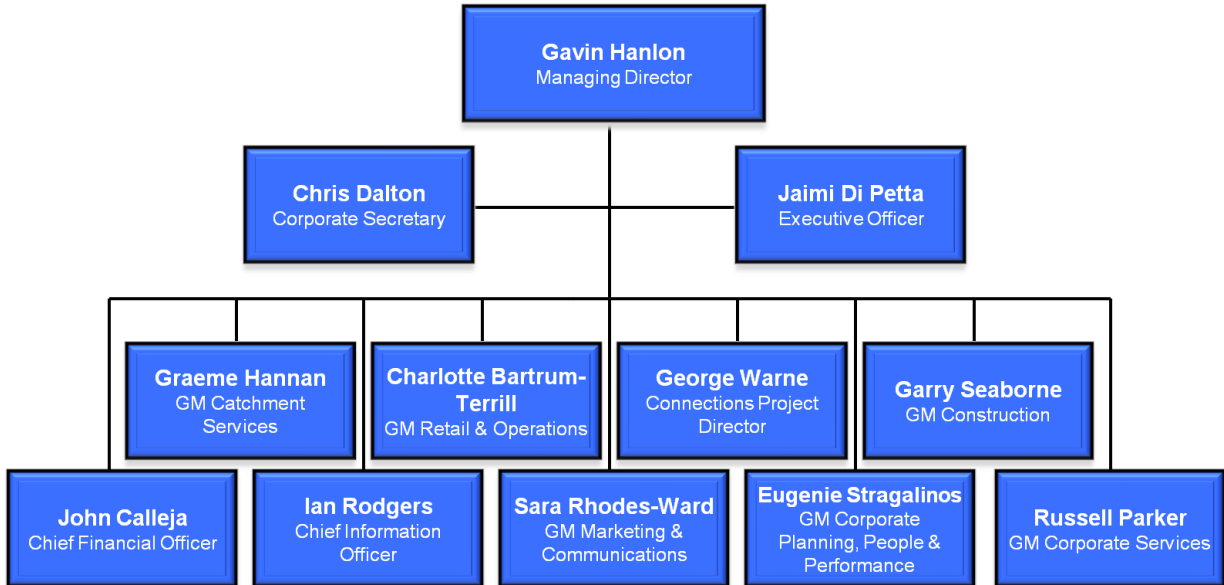
- Continued implementation of new functionally separated organizational structure that supports delivery of GMW's key strategic priorities.
- Establishment of key corporate goals and key success measures and performance targets for the organisation.
- Development of results and actions plans for key strategic initiatives to deliver on GMW's Fundamental Commitments and 5 year corporate strategy
- Since the last Corporate Plan period, GMW has focussed on developing its senior leaders across the organisation with the establishment of the Strategic Leadership Forum. This was designed to enable the senior leaders of the organization to transform their individual and collective leadership impacts, to accelerate the delivery of significant performance goals and extraordinary results consistent with GMW's Fundamental Commitments. Over the 2013/14 period GMW will focus on new team formulation, assessing and building GMW's frontline performance and capabilities to develop leadership across all levels of the organisation, to empower the organisation to deliver a breakthrough in productivity and empower the organization in the delivery of extraordinary results. This will transform the organization from a state of development and design, to one of delivery and being in action to deliver exceptional performance. Completion of a strategic review examining the future delivery model for GMW's training and development needs, including a strategic options analysis for GMW's Registered Training Office (RTO), and Grumley Lodge. The 2013/14 Corporate Plan period will focus on the implementation on the preferred delivery model for organizational development. This will allow GMW to focus on core business activities and invest in its' people.
- Delivery of organizational breakthrough results, from the implementation of outcomes achieved from 5 project working groups focused on:
 - a. Design and delivery of GMW's Tariff strategy
 - b. Delivery of the Connections Implementation Plan
 - c. Identifying opportunities within GMW focused on achieving \$20m in operational efficiencies over the next 5 years
 - d. Ensuring all of GMW are engaged in our Fundamental Commitments
 - e. Establishing a Project prioritization and governance frameworks
- Implementation of initiatives identified to reduce \$20 million from operational costs over the next 5 years, including:
 - a. Delivery of the Connections Project and automation of the GMID.
 - b. Simplified billing, tariff and regulatory processes.

- c. Investigation into greater sources of non-prescribed revenue Continuous improvement of business processes identified and implemented. Optimisation of our district-based management to match.
- d. Further labour cost synergies to be realized over next 5 years as automation of processes and business process efficiencies are implemented.
- e. Strategic review of fleet and depot facilities.
- f. Greater use of automated, technology solutions to support customer service functions.
- Embark on a program of business process improvement to ensure operational efficiencies are achieved. These priorities will be focused on processes relating to:
 - Customers.
 - Operational Service Standards.
 - Financial Sustainability.
- Successfully piloted the 'Customer Connect' program focused on a 'single point of contact for resolution of customer queries' to enhance the customer experience.

The financial efficiencies that have been achieved to date from the initiatives outlined in GMW's Blueprint, including GMW's organizational restructure, have been incorporated in this Corporate Plan.

GMW'S ORGANISATIONAL STRUCTURE

During 2012/13 GMW commenced a process to transform its organizational structure and change the business operating model in light of resourcing, economic and financial challenges being faced over the next 5 years.



Throughout 2013/14, there is expected to be a continued focus on identifying and delivering operational efficiencies and results which contribute to the achievement of the Fundamental Commitments.

Initiatives support by the functional model in the 2012/13 year included:

Culture and People

- Establishment of an Employee Engagement Committee to drive cultural engagement programs.
- Implementation of programs to improve engagement and alignment.
- Throughout the Corporate Plan period, initiatives targeted at improving the capability of our people will continue. Specifically these include:
 - Embedding competency models.
 - Building a customer centric culture.
 - Enhancing the approach to training and advocating a 'customer centric' agenda.
- Development of corporate values and behaviours to be observed by all GMW staff.

- Development of a core competency framework which will be compulsory for all managers and embedded within the performance management system.

Transformation

- Implementation of the new organisational structure.
- Cascade of the Corporate Strategy, and GMW's Fundamental Commitments to provide clarity to all staff as to the organisations strategic direction and deliverables.
- Engagement of all teams across the organization in the design of results, initiatives and actions required to achieve our strategic outcomes.
- Clearly define GMW's customer service proposition for each customer segment.

Key initiatives and milestones for 2013/14 include:

- Continued focus on continuous improvement.
- Development of a customer engagement framework.
- Activities focused on embedding a customer centric model across all of GMW.

SECTION 5

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1. Financial Overview

G-MW's 2013-14 Corporate Plan is the second plan following the integration of the Connections Project into GMW effective 1 July 2012. As discussed in this Corporate Plan, G-MW has recently released its Blueprint setting out the strategy for the Business over the next five years.

From a financial perspective this Corporate Plan incorporates financial efficiencies that have been achieved to date from initiatives under the Blueprint. During 2013-14 the initiatives in the Blueprint will be further developed and the financial impacts will be flowed into future Corporate Plans.

The financial performance in this Corporate Plan is also complementary to GMW's unapproved Essential Services Commission ("ESC") Water Plan 3 decision and the latest Connections Project forecasts.

Financial information is presented in this section to provide readers with financial information in three key areas:

- Corporate financials (whole of GMW)
- Water Storage and Delivery financials¹ - Appendix A
- Connections Project financials² - Appendix B

Since our last Corporate Plan a number of the significant areas of financial change have been resolved or substantially managed. This includes:

- Finalisation of GMW's longer term strategy as embodied in the Blueprint
- Integration of NVIRP into GMW on 1 July 2012
- The Draft Decision on GMW's Water Plan 3 submission from the Essential Services Commission's which largely supports organisation and financial direction
- Continuation of a period with strong water resource availability
- Completion of initial organisational restructure

In a number of areas GMW still continues an ongoing period of financial change:

- Financial impacts of the Murray Darling Basin Plan
- Resolution of number of regulatory and commercial matters which are drivers of GMW revenue and expenditure
- Managing the uncertainty in timing of the roll out of GMW's Connection Project which is subject to variability around timing of contractual arrangements with our customers
- Determination by the ESC of GMW's Water Plan 3

As GMW works to gain certainty around the above areas of change along with development of our initiatives under the Blueprint, GMW expects the financials presented in this plan to change over the forecast period.

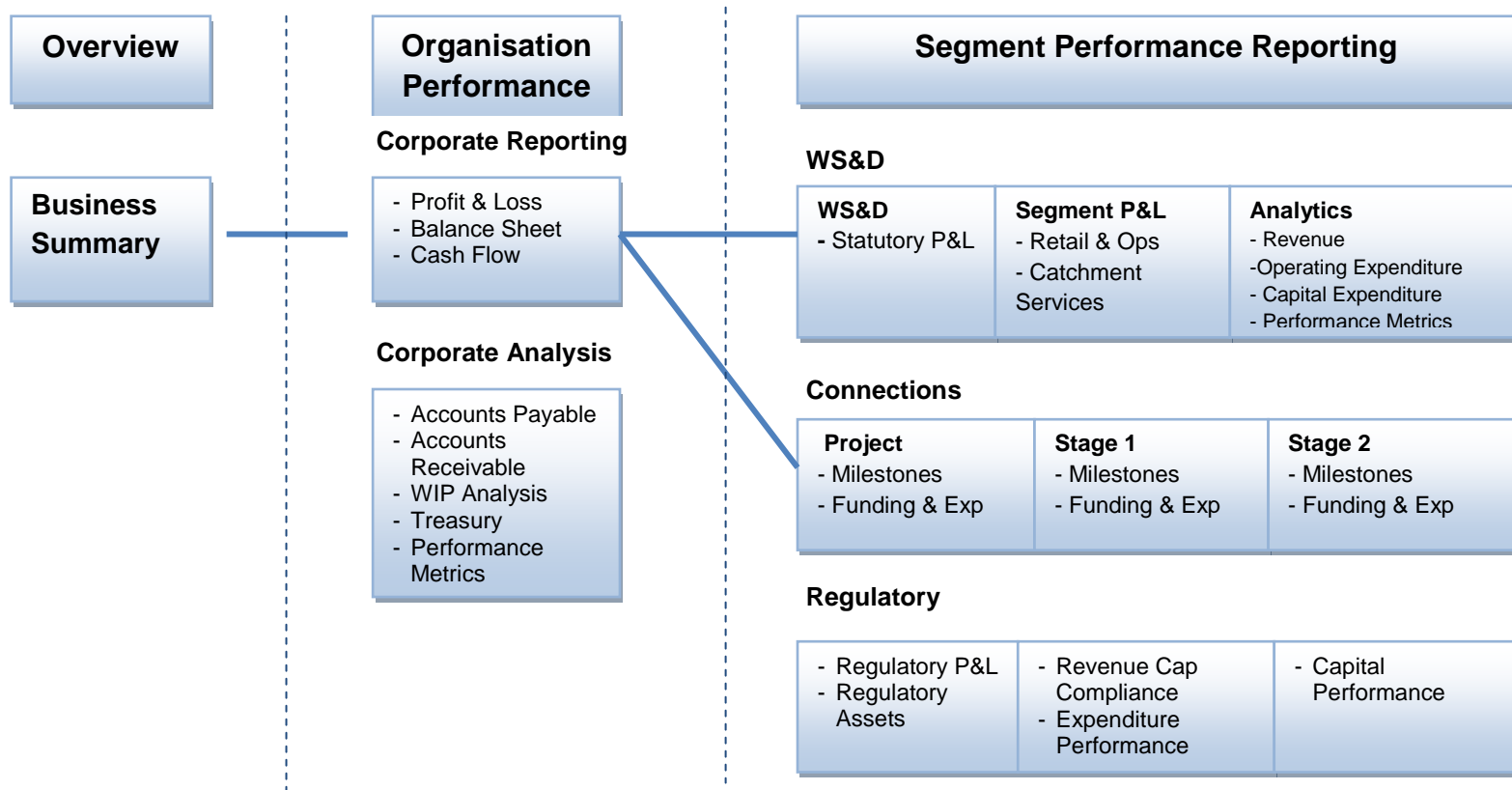
¹ Water Storage and Delivery refers to the operations of GMW prior to integration of NVIRP on 1 July 2012. It encompasses the core functions of catchment services (dams and associated activities) and retail functions (gravity irrigation, diverters, etc)

² Connections Project is the delivery of the \$2b government funded modernisation program. This represents the functions of NVIRP prior to integration into GMW on 1 July 2012.

a. Financial Performance & Sustainability Management

Financial sustainability is a key focus of the Board and Management. GMW’s Financial Reporting Framework (“Framework”) continues to evolve with the changing nature of GMW’s operations and continues to adopt a focus on presenting financial information and financial sustainability in a way that supports decision making by Board and Management.

Consistent with the financial information presented in this Corporate Plan financial sustainability is focused on Water Storage and Delivery and the Connections Project. The Framework continues to underpin stakeholder, Board and Management Reporting.



b. Financial Performance

GMW’s financial performance set out in this Corporate Plan has been determined based on securing GMW’s long term financial sustainability. Due to the different operational and financial nature of the Water Storage and Delivery Business compared with the Connections Project financial sustainability is assessed differently.

Financial Statements and performance commentary at a Corporate, Water Storage & Delivery and Connections are provided in following sections. Corporate metrics are required by MRD-01 and are also presented later in this section, however the combination of operational results (Water Storage and

Delivery) with project results (Connections Project) means these consolidated metrics are difficult to interpret and can vary materially year on year.

c. Water Storage & Delivery

This part of the business is based on a series of financial performance metrics covering both short term and longer term performance. These metrics depart from MRD-01 where appropriate to better reflect the commercial and specific aspects of this part of the GMW business.

Performance Measure (Water Storage & Delivery business only)	Target	Commentary
EBITDA	Positive	Positive EBITDA indicates business operations are sustainable
Operating Cash Flows	Positive	Positive operating cash flows indicate business generates sufficient revenue to pay its operating expenditure and contribute to the capital program
Underlying Cash Interest Ratio Cover	2.0 times (Mins 1.5 times)	Target ratio generates sufficient revenues to cover interest expense at a sustainable level. (G-MW adjusts this ratio to exclude operating cash flows associated with revenue attributable to capital contributions)
Internal Financing Ratio	>40%	Target ratio indicates sufficient generation of operating cash flows to fund a portion of capital expenditure. Ensures that debt levels are not increasing unsustainably (G-MW adjust this ratio to reflect equity contributions that are used to fund G-MW's capital program)
RAB Gearing	<=60%	Matches GMW debt with regulatory assets that generate revenue under the regulatory model. 60% gearing is the benchmark level used by the regulator.

The following forecast performance is shaded based on a “traffic lights” approach.

Financial Performance Indicators	Target	2013-14 Forecast	2014-15 Forecast	2015-16 forecast	2016-17 Forecast	2017-18 Forecast
Earnings Before Interest Tax & Amortisation	Positive	14,499,540	15,705,660	16,541,030	13,816,260	14,695,390
Operating Cash Flows	Positive	15,448,847	16,232,962	14,965,866	10,854,927	9,487,618
Cash Interest Cover (Underlying)	> 1.5 x	2.8	2.5	2.1	1.8	1.6
Internal Financing Ratio	>= 40%	45%	35%	42%	25%	25%
Regulatory Gearing Ratio	<= 60%	57%	61%	64%	67%	69%

As set out above, metrics for the Corporate Plan period are within GMW’s sustainable limits. In both 2016-17 and 2017-18 the Internal Financing Ratio and Regulatory Gearing ratio move to amber. GMW

will monitor these ratios into the future with implementation of GMW's strategy and taking any corrective action as appropriate.

d. Connections Project

The Connections Project is an externally funded project. The financial sustainability of the Project is assessed based on the ability to deliver the project on time and on-budget. The following evaluation has been undertaken:

Component	Evaluation
Achievement of 2012-13 Contractual Milestones	GMW is forecasting to achieve 2012-13 milestones. A recent reforecast in April 2013 has confirmed expected achievement of milestones for 2012-13.
Achievement of Annual Milestones	GMW's Whole of Project forecast achieves annual milestones as contracted. A recent reforecast in April 2013 has confirmed expected achievement of milestones for the Project.
Project Financial Forecast	Whole of Project forecast provides for delivering the Project on time and on budget. This analysis was undertaken on annual basis until the completion of the Project.

e. Financial Sensitivity Analysis

GMW undertakes sensitivity analysis to understand financial risk to the business. This sensitivity analysis is examined at the major components of the business:

- Water Storage and Delivery
- Connections Project

Water Storage & Delivery

Financial sensitivity analysis in respect of Water Storage and Delivery business was completed for the following:

- 5% increase/decrease in operational expenditure (excluding any externally funded programs (i.e. MDBA)
- 5% increase/decrease in capital expenditure (excluding any externally funded capital programs)
- Impact from extreme climatic events on variable revenue (20% and 50% decrease).

The analysis identified that any impacts on forecast results were minimal and largely remained with targeted levels in terms of maintaining positive EBITDA, Operating Cash Flows and maintaining a cash interest cover greater than 1.5 times. The scenarios around a 50% decrease in variable revenue and to a lesser extent a 5% increase in operational expenditure placed significant pressure on achieving the cash interest cover metric.

Connections Project

The Connection Project is funded externally by the State and Federal Government. GMW manages the risk of delivering the project on time and on budget both from a total project perspective and also on a year by year basis.

For 2013-14 the Connections Project is exposed to cash flow variability due to the nature of the project. This largely arises from the timing variability of landholder acceptance of connection contracts and

landholders subsequently undertaking works to facilitate the connection through on-farm works. GMW has limited ability to influence this timing which may result in variability of cash flows against forecasts.

As GMW is required to borrow for budgeted cash flows without an intra-year contingency allowance, GMW is exposed to the risk of having inadequate borrowings allowance to manage cash flow variability across financial years. This risk is enhanced as the Connections Project is a ring fenced business with separate borrowings which does not provide for flexibility of cash management across GMW.

Accordingly any circumstances that result in higher than expected cash outflows will result in pressure on funding the project. This risk is closely managed by the business including:

- Strong project and cash flow management of the project
- Management of contractual arrangements with landholders to manage the timing of cash flows within acceptable customer expectations
- Regular liaison with our Shareholder Minister's department and the Department of Treasury and Finance on project status and corresponding funding requirements

f. Material Changes from the 2012-13 Corporate Plan

Profit & Loss

The financial position of GMW does not change materially at a Net Loss after Tax position compared to last year's Corporate Plan. Over the period the loss position is slightly reduced reflecting the impact of early costs savings from GMW's transformation process. There is some variability over the comparative years largely reflecting changes in CP revenue and expenditure.

Operating Cash Flows

The generation of operating cash flows for GMW does not change materially from last year's Corporate Plan. Over the period operating cash flows are reduced compared to last year but this largely is a result of variability in the comparative years' CP funding and expenditure profiles.

At a Water Storage and Delivery perspective operational cash flows remain positive over the Corporate Plan period.

Capital Expenditure

Summary of capital expenditure spend 2012/13 vs 2013/14 Corporate Plan show that major variations arise from the CP capital expenditure timing.

Actual figures from Corporate Plans	2012/13 \$'000s	2013/14 \$'000s	2014/15 \$'000s	2015/16 \$'000s	2016/17 \$'000s	Total \$'000s
2013/14 Corporate Plan	89,291	114,160	121,540	90,756	102,851	518,598
2012/13 Corporate Plan	108,809	107,416	135,563	110,591	111,399	573,778
Variance	19,518	(6,744)	14,023	19,835	8,548	55,180

The material reduction in capital expenditure over comparative Corporate Plans reflects a change in the mix of capital and output expenditure in the Connections Project. This primarily reflects a reduction in the extent of meter expenditure compared the prior year forecast.

2. Corporate Reporting

The financial statements presented in this Corporate Plan cover the period from financial year 2013/14 to 2017/18. It is important to note that the Corporate Plan covers the Water Plan 3 period for Water Storage and Delivery and extends two years into Water Plan 4. This Corporate Plan period also covers the completion of the Connections Project.

a. General Drivers of Financial Performance & Key Assumptions

This Corporate Plan has been derived using the following key assumptions:

- GMWs Water Plan 3 submission inflation rate of 2.5% has been applied to WSD operating costs as per the Victorian State Government 2012/13 Budget Overview as referenced in the Corporate Plan Guidelines.
- Regulated revenue is derived in 2013-14 based on the annual March 2013 CPI of 2.5% and for the rest of the Plan period.
- The Stage 1 and Stage 2 Connections project Business Cases included specific escalation index factors per project based on appropriate group and class index numbers. These escalation factors range between 2.5% and 4.0% with a weighted average of 3.6% being used. These escalation factors will be reviewed annually.
- The Connections project inclusive of both Stages 1 and 2 is assumed to finish on time and on budget in 2018.
- Interest has been calculated using a weighted average interest rate of 6.9% for both WSD and CP.
- Depreciation and amortisation has been calculated based on the fair valuation at 30 June 2012 adjusted for disposal, additions and depreciation over the Corporate Plan period.
- Labour cost increases of 4% consistent with the Enterprise Agreement 2010. The current Enterprise Agreement ends on 31 July 2014 and we have assumed an increase in real terms, on average, of 1.5% per annum for Water Plan 3.
- The increase in the superannuation guarantee has been included over and above the increases from the Enterprise Agreement.
- Transformation has been built into the Corporate Plan reflecting a reduction in workforce numbers and associated costs based on the transformation processes that have occurred to date.

b. Statement of Financial Performance

Goulburn-Murray Water						
Consolidated Statement of Financial Performance						
Recurrent Activity	2012/13 Revised \$'000s	2013/14 Budget \$'000s	2014/15 Forecast \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s
Revenues						
Service Charges	102,318	107,370	111,783	115,688	118,580	121,545
Usage Charges	22,417	12,545	11,771	11,044	11,320	11,603
Government Contributions / Grants						
Government Services Contract - Ops	1,212	-	-	-	-	-
Government Services Contract - Capex	625	-	-	-	-	-
Connections Project	62,962	161,039	223,634	187,432	137,772	165,768
CG 1-4	3,839	-	-	-	-	-
Mokoan	706	-	-	-	-	-
Other	584	774	582	427	362	371
Investment Interest	1,062	51	51	51	51	51
Proceeds from Disposal of Assets	3,161	1,025	10	10	10	10
MDBA	34,225	21,567	19,353	25,502	20,613	25,122
Other Revenue	10,105	8,913	9,301	9,698	10,208	10,331
Total Revenues	243,215	313,284	376,485	349,852	298,915	334,800
Expenses						
Operations and Maintenance Expenses	78,801	80,304	86,450	89,507	91,142	92,312
Government Services Contract	1,160	1,082	-	-	-	-
Water Savings	645	71	55	47	189	190
Connections Project	125,664	169,048	244,147	184,703	137,300	79,184
CG 1-4	1,995	-	-	-	-	-
Administration Expenses	27,311	23,402	23,326	23,997	26,066	26,750
Environmental Contributions		1,686	1,686	1,686	1,686	1,686
MDBA	33,193	20,383	18,140	23,870	19,304	23,481
Asset Disposals	10,610	11,000	10,010	10,010	10,091	10,091
Total Expenses	279,379	306,977	383,816	333,821	285,779	233,695
EBITDA	(36,163)	6,307	(7,330)	16,031	13,136	101,106
Depreciation and Amortisation	76,724	80,882	84,403	86,164	91,819	93,479
Borrowing Costs / Interest Expense	8,489	9,508	11,378	13,341	13,106	15,289
NET PROFIT (LOSS) Before Tax	(121,376)	(84,083)	(103,112)	(83,474)	(91,788)	(7,662)
Tax	36,414	25,225	30,934	25,042	27,536	2,299
PROFIT (LOSS) After Tax	(84,962)	(58,858)	(72,178)	(58,432)	(64,252)	(5,363)
Retained Profit (Loss) carried forward	9,289	(75,674)	(134,532)	(206,710)	(265,142)	(329,394)
Closing Retained Profit (Loss)	(75,674)	(134,532)	(206,710)	(265,142)	(329,394)	(334,757)

Revenue Highlights

- Service and Usage revenue are based on the unapproved Water Plan 3 price and volume assumptions. GMW's Water Plan 3 is yet to be formally approved by the ESC.
- Variable charges for 2012/13 include spillable water revenue of \$6.6m. This is not expected to be received in future years of the Corporate Plan period
- Connections Project revenue is based on forecast project expenditure and percentage of completion analysis and assume contractual project milestones are delivery on time.

- MDBA revenue has decreased over 2012-13 as a result of Living Murray works (Hattah) and Salinity Mitigation works nearing completion in 2012-13. Future forecasts are based on expected work programs but are subject to change.
- Interest revenue calculations are based on the latest available Treasury Corporation of Victoria rates.

Expenditure Highlights

- The classification of costs between Operations & Maintenance and Administration has been changed to reflect the GMW organisation structure transformation. The cost of providing these activities has been reduced over the Corporate Plan period compared to the prior year Corporate Plan reflecting the first tranche of cost savings.
 - Further cost savings are expected as a result of following stages of cost efficient programs. These savings and any associated investment will be factored into following Corporate Plans.
- MDBA reduced expenditure is consistent with the works plan and is aligned to the revenue assumptions.
- Government Services Contract (GSC) work is dependent on receiving funding from Catchment Management Authorities who have advised that there is significant risk to their funding in 2013/14. Fixed Costs of those who have been employed in this area have been included as an expense pending further visibility around actual CMA funding.
- The Connections Project expenditure is based on delivering contractual milestones.
- Interest expense is generated based on forecast borrowings with a 6.9% interest rate.
- Depreciation and amortisation have been calculated based on the fair valuation at 30 June 2012 adjusted for disposal, additions and depreciation.

c. Statement of Financial Position

Goulburn-Murray Water						
Consolidated Statement of Financial Position						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Revised	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Current Assets						
Cash and Cash Equivalents	12,341	1,012	1,012	1,012	21,356	1,000
Receivables	35,531	35,364	35,350	35,350	35,350	35,350
Less Doubtful Debts	(412)	(412)	(412)	(412)	(412)	(412)
Net Receivables	35,119	34,952	34,938	34,938	34,938	34,938
Inventories	1,953	1,953	1,953	1,953	1,953	1,953
Total current assets	49,413	37,917	37,903	37,903	58,247	37,891
Non Current Assets						
Infrastructure	4,225,427	4,327,787	4,439,766	5,028,094	5,132,007	5,206,100
Land and Buildings	78,773	83,773	83,773	83,773	88,773	88,773
Plant, Equipment and Motor Vehicles	18,021	17,964	17,849	17,663	17,372	17,152
Intangible Assets	24,465	27,043	29,215	30,987	32,028	19,476
Accumulated Depreciation	(166,773)	(246,822)	(330,346)	(415,596)	(506,465)	(599,673)
	4,179,912	4,209,746	4,240,257	4,744,921	4,763,715	4,731,827
Non Current Receivables	259	659	759	859	882	159
Total non-current assets	4,180,171	4,210,404	4,241,015	4,745,779	4,764,597	4,731,986
TOTAL ASSETS	4,229,583	4,248,321	4,278,918	4,783,682	4,822,844	4,769,877
Current Liabilities						
Payables	59,755	59,285	58,780	58,271	57,743	44,098
Borrowings	12,574	23,817	52,155	29,732	11,412	11,412
Employee Benefit Provision	10,720	11,120	11,536	11,967	12,414	12,115
Total current liabilities	83,048	99,204	126,650	125,988	158,051	67,625
Non Current Liabilities						
Borrowings	114,172	120,462	150,381	171,253	203,254	232,197
Employee Benefit Provision	1,935	2,008	2,083	2,161	2,242	2,123
Deferred Tax Liabilities	437,322	413,596	382,663	507,621	481,584	479,286
Total non-current liabilities	553,429	536,066	535,127	681,035	687,080	713,606
TOTAL LIABILITIES	636,477	635,270	661,777	807,023	845,132	781,231
NET ASSETS	3,593,107	3,613,051	3,617,141	3,976,659	3,977,713	3,988,646
EQUITY						
Government Equity Contributions	2,824,534	2,960,195	3,116,247	3,266,496	3,392,943	3,521,570
Asset Revaluation Reserve	1,215,516	1,219,016	1,219,016	1,569,016	1,572,516	1,572,516
Accumulated Funds (Losses)	(100,532)	(159,392)	(231,570)	(290,002)	(354,254)	(359,617)
TOTAL EQUITY	3,593,107	3,613,051	3,617,141	3,976,659	3,977,713	3,988,646

Key Balance Sheet Highlights

- Cash on hand increases in 2016-17 reflecting the timing of receipt of funding of the Connections Project.

- Revaluation of infrastructure is assumed in 2015/16 along with revaluations of Land and Buildings in 2013/14 and 2016/17
- Short term borrowings fluctuations reflect short borrowing to temporarily manage funding and expenditure timing of the Connections Project. Underlying short term borrowings related to WS&D credit foncier debt facilities.
- Total borrowings increases reflect part funding of the capital program and temporary cash flow funding of the Connections Project.
- Deferred tax liabilities are amortised annually due to increased book depreciation charges until 2015/16 where the revaluation again increases the deferred tax liability balance.

d. Statement of Cash Flows

Goulburn-Murray Water						
Consolidated Statement of Cashflows						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Revised	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
CASH FLOWS FROM OPERATIONS						
Receipts						
Service and Usage Charges	106,871	109,617	112,770	115,447	118,333	121,292
Receipts from Government	68,889	173,354	231,924	218,581	197,750	93,715
GST Refunds from ATO	10,874	9,522	10,610	10,459	17,517	17,763
Investment Income	2,580	51	51	51	51	120
Other cash receipts	61,971	44,318	43,001	50,729	45,974	51,257
Total Cash Receipts from Operations	251,186	336,861	398,356	395,267	379,626	284,146
Payments						
Payments to suppliers and employees	(283,359)	(310,310)	(391,359)	(341,582)	(300,742)	(249,431)
Interest and other costs of finance paid	(8,221)	(9,278)	(11,137)	(13,091)	(12,850)	(15,027)
GST Paid to ATO	(6,592)	(3,540)	(3,563)	(4,245)	(3,587)	(3,948)
Environmental Contributions	(1,593)	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)
Total Cash Payments for Operations	(299,765)	(324,813)	(407,745)	(360,604)	(318,865)	(270,092)
Net Cash Inflow (Outflow) from Operating Activities:	(48,579)	12,048	(9,389)	34,663	60,761	14,055
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for Infrastructure Assets	(81,706)	(107,200)	(118,161)	(95,268)	(112,660)	(75,402)
Payments for Property, Plant & Equipment	(8,365)	(8,519)	(5,399)	(5,314)	(2,714)	(2,089)
Payments for Intangible Assets	(5,866)	(1,521)	(1,586)	(491)	(538)	(1,915)
Proceeds from Sale of Assets	3,147	1,025	10	10	10	10
Net Cash Inflow (Outflow) for Investing Activities:	(92,790)	(116,215)	(125,136)	(101,063)	(115,901)	(79,396)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Borrowings	3,794	19,035	59,851	22,567	33,803	30,858
Proceeds from Equity Contributions from Government	53,655	75,304	76,268	67,950	61,805	20,410
Repayment of Borrowings	(1,412)	(1,501)	(1,595)	(1,695)	(1,802)	(1,915)
Net Cash Inflow (Outflow) from Financing Activities:	56,037	92,838	134,525	88,822	93,806	49,353
NET INCREASE (DECREASE) IN CASH	(85,332)	(11,329)	(0)	22,422	38,665	(15,988)
Opening Cash Balance	97,673	12,341	1,012	1,012	1,012	21,356
Closing Cash Balance	12,341	1,012	1,012	1,012	21,356	1,000

Key Cash Flow Highlights

- Variability in Operating Cash Flows reflect the contractual timing of cash funding of the Connections Project and associated cash expenditure
- Underlying Operating Cash Flows for Water Storage and delivery are stable over the period.
- Capital expenditure is largely driven by the Connections Project with WS&D core infrastructure renewal stable over the period.

e. Capital Investment Program

Capital Expenditure Program

GMW's capital expenditure program over the Plan is budgeted at a total of \$557m of which \$329m relates to the Connections Project.

Water Storage & Delivery Capital Investment Plan

The development of the capital program is broken into key stages:

1. Program Development

Developing the program includes:

- Review of asset management policy and procedures for particular asset types and classes (channels/drains/fences)
- Review of existing program forward look, particularly spend in Water Plan 3.
- Consultation with relevant subject matter experts.
- Review of Connections Project works programs and targets to avoid duplicated effort and to remove works from G-MW program such as:
 - No work on non back bone channels.
 - No work on regulators.
 - No work on channels targeted for plastic lining.
 - No work on irrigation meter replacements.

2. Regulatory Requirements

- Inclusion of projects which must be completed to comply with regulations (OH&S, Safe Water Drinking Act).
- Inclusion of projects required to provide assurance Statement of Obligations are met.

3. Risk Review

- All projects are subject to G-MW Risk Review Process.
- All projects are assigned a risk score.

4. Multi Criteria Analysis

- All projects are reviewed and a score applied with emphasis on the following criteria:
 - Return on Investment / Asset Intervention Strategy.
 - Strategic Alignment.
 - Project Definition.

5. *Project Delivery Review*

- Relevant large projects are reviewed from an implementation perspective to consider potential project timelines and delivery. This provides assurance that budget provisions are correctly staged and assigned.

6. *Cash Flow Review*

- A cash flow is assigned to all projects (monthly and quarterly).

7. *Governance*

In addition to ESC review through the Water Plan 3 submission process, Board approval has been obtained for the Water Plan 3 capital submission. In addition a Project Approval Committee (PAC) of senior GMW staff meet and review individually all capital projects prior to approval and “final go ahead”.

Connections Project - Capital Expenditure

Connections Project capital expenditure is driven by achievement of project milestones consistent with contractual obligations. Further details are set out in Appendix B.

Goulburn- Murray Water							
Consolidated Capital Expenditure Forecast							
2012/13 to 2017/18							
Nominal dollars							
	Project Total \$'000s	Revised 2012/13 \$'000s	Forecast 2013/14 \$'000s	Forecast 2014/15 \$'000s	Forecast 2015/16 \$'000s	Forecast 2016/17 \$'000s	Forecast 2017/18 \$'000s
Wholesale (Water Storage & Delivery)							
Newlyn - Dam Improvement Embankment Works	7,060	-	-	-	-	7,060	-
Tullaroop - Dam Improvement Embankment Works	8,595	-	841	7,754	-	-	-
Buffalo - Dam Improvement Embankment Works	10,664	-	-	-	-	1,618	9,046
Mildura Merbein Salt Interception Works*	6,480	1,293	873	2,189	2,125	-	-
Projects Less than \$5M	44,344	8,076	6,357	9,723	5,666	7,660	6,862
Total Wholesale (Water Storage & Delivery)	77,143	9,369	8,071	19,666	7,791	16,338	15,908
Retail (Water Storage & Delivery)							
East Loddon Pipeline Project*	260	260	-	-	-	-	-
Central Goulburn Channels 1-4*	1,732	1,732	-	-	-	-	-
Projects Less than \$5M	148,045	18,811	26,031	26,386	27,845	26,439	22,533
Total Retail (Water Storage & Delivery)	150,037	20,803	26,031	26,386	27,845	26,439	22,533
Total Water Storage & Delivery	227,180	30,172	34,102	46,052	35,636	42,777	38,441
Connections Project*	329,858	59,118	80,058	75,487	55,121	60,074	-
Total G-MW	557,039	89,291	114,160	121,540	90,756	102,851	38,441

* Projects incurring expenditure in prior financial years

In relation to the Water Storage & Delivery the table above is sourced from the detailed capital asset plan. Only individual projects with a budgeted/forecast spend in excess of \$5 million have been listed. Each of the major projects is supported by a robust business case established as part of the Water Plan 3 capital evaluation process outlined above.

Major Projects – Water Storage & Delivery

Newlyn Dam – Dam Improvement Embankment Works (2016/17)

Driver: Dam Safety

Outcomes: Reduced risk

Date: Staged over planning period due to water levels in dam

Cost: \$7.1m

This project will strengthen the spillway and install embankment filters at Newlyn Dam

Tullaroop – Dam Improvement Embankment Works (2013/14 & 2014/15)

Driver: Dam Safety

Outcomes: Reduced risk

Date: Staged over planning period due to water levels in dam

Cost: \$8.6m

Since recent flooding there have been issues associated with movement and subsidence in the dam. It is proposed to construct works to mitigate dam safety risks, consistent with the requirements of the SoO. The works will involve the construction of a filter buttress across the main embankment section and upgrading the existing instrumentation.

Mildura Merbein Salt Interception Scheme (2012/13, 2013/14, 2014/15, 2015/16)

Driver: Salinity Mitigation

Outcomes: Renewal of existing systems

Date: Ongoing

Cost: \$8.8m

This project is jointly funded by GMW and MDBA to deal with salinity in the Murray River so as to improve the water quality for both the environment and irrigators

Lake Buffalo – Dam Spillway Works (2016/17 & 2017/18)

Driver: Dam Safety

Outcomes: Reduced risk

Date: Staged over planning period due to water levels in dam

Cost: \$16.4m

Lake Buffalo requires a spillway flood capacity upgrade to bring it to contemporary standards

Other Capital Expenditure

Capital expenditure over the planning period will see a continued commitment to programs that support the modernised irrigation program, the dam improvement program, renewal of infrastructure and ongoing commitment to modernizing corporate systems. These programs include:

Access Tracks and Fencing

Driver: Reduce maintenance costs

Outcomes: Reduces long term costs

Date: Ongoing

Cost: \$25.9m (program cost over Plan period)

The modernisation program involves the automation of regulators that were previously operated manually. We need access to sites for weed spraying and to keep the new controls in effective working order to ensure that the enhanced service levels from modernisation are realised. Stock damage is the greatest contributor to deterioration of channels. Fencing to exclude stock will significantly extend the lives of channels. A highly prioritised program of sites has been selected for treatment.

Backbone - Channel Remodelling

Driver: Replacement at end of life

Outcomes: Maintain customer service

Date: Ongoing

Cost: \$9.2m (program cost over Plan period)

The externally funded modernisation program will not upgrade all of the 'backbone'. There are stretches of major channels where expenditure is required to ensure a consistent level of service. A prioritised program has been developed using the relevant Asset Condition Rating from the *Asset Management Information System*, based on location, capacity and condition.

Backbone - Occupation Crossing Replacement

Driver: Renewal of existing

Outcomes: Replacement of existing structures

Date: Ongoing

Cost: \$5.0m (program cost over Plan period)

As part of the irrigation network there are a substantial number of irrigation occupation crossing provided to customers to access their land over supply channels. The replacement is to be undertaken to structures that have reached the end of their serviceable life, however, prior to replacement each site will be considered for potential rationalisation or reconfiguration of access.

Backbone - Channel Refurbishment - Rock Armouring

Driver: Reduce maintenance costs

Outcomes: Reduce long term costs

Date: Ongoing

Cost: \$4.2m (program cost over Plan period)

Placing rock at the normal operating water level in channels prevents fretting of the channel banks by flowing water and wave action. This provides a significant benefit to channel bank lives. The benefits and technique of placing rock armour on channel banks has been proven under the *Advanced Maintenance Program*. Costs have been benchmarked to ensure the extension in design life represents an economically sound investment.

Backbone – Road Culvert Replacement

Driver: Renewal of existing

Outcomes: Replacement of existing structures

Date: Ongoing

Cost: \$3.8m (program cost over Plan period)

As part of the irrigation network there are a substantial number of road culverts under supply channels. The replacement is to be undertaken to structures that have reached

the end of their serviceable life, however, prior to replacement each site will be considered for potential rationalisation or reconfiguration of access.

Water Resources Management System

Driver: Enhanced analysis and provision of information

Outcomes: Effective management of water resources

Date: Ongoing

Cost: \$2.7m (program cost over Plan period)

There are increased requirements for improved water resource data sharing between organisations managing water resources; the benefits of this are being strongly promoted by the National Water Commission. There will be a need for all organisations with responsibilities for water data collection to improve the accuracy and accessibility of their datasets.

f. Funding Requirements

Based on forecast cash flows, GMW expects to seek approvals based on the following long term debt levels over this Corporate Plan:

	2012-13 (\$m)	2013-14 (\$m)	2014-15 (\$m)	2015-16 (\$m)	2016-17 (\$m)	2017-18 (\$m)
Water Storage & Delivery	125.58	131.87	161.79	182.67	214.67	243.61
Connections Project	1.16	12.41	40.74	18.32	-	-
Total	126.75	144.28	202.54	200.99	214.67	243.61

The increase in debt level reflects:

- The additional “bridging” funding requirements to manage cash flow timing of the Connections Project.
- The regulatory environment under which GMW operates. In particular the regulatory model requires GMW to debt fund a portion of its capital expenditure which is recovered over time through pricing.

The funding of the Connections Project is “ring fenced” and is separate from the borrowings required for the Water Storage & Delivery business.

g. Statutory Financial Performance Ratios

Goulburn-Murray Water						
Consolidated Financial Performance Ratios						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Cash Interest Cover	(4.91)	2.30	0.16	3.65	5.73	1.94
Net Operating cash flows before net interest and tax / net interest payments						
Gearing Ratio (debt to assets)	3.0%	3.4%	4.7%	4.2%	4.5%	5.1%
Total Debt (including finance leases) / Total Assets						
Internal Financing Ratio	-54.4%	10.6%	-7.7%	38.2%	59.1%	36.6%
Net operating cash flow less dividends/ net capital expenditure						
Current ratio	59.5%	38.2%	29.9%	30.1%	36.9%	56.0%
Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)						
Return on Assets (statutory)	-3.1%	-2.2%	-2.5%	-2.0%	-2.2%	-0.5%
Earnings Before net Interest and Tax/Average Assets						
Return On Equity	-2.4%	-1.6%	-1.9%	-1.5%	-1.6%	-0.1%
Net Profit After Tax / Average Total Equity						
EBITDA Margin	-14.9%	2.0%	-1.9%	4.6%	4.4%	30.2%
Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue						

Appendix A – Water Storage & Delivery

A.1 Financial Statements

Water Storage & Delivery						
Statement of Financial Performance						
Recurrent Activity	2012/13 Revised \$'000s	2013/14 Budget \$'000s	2014/15 Forecast \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s
Revenues						
Service Charges	102,318	107,370	111,783	115,688	118,580	121,545
Usage Charges	22,417	12,545	11,771	11,044	11,320	11,603
Government Contributions / Grants						
Government Services Contract - Ops	1,212	-	-	-	-	-
Government Services Contract - Capex	625	-	-	-	-	-
Connections Project Shared Services	1,612	-	-	-	-	-
Connections Project Operations	7,494	6,192	8,494	8,985	6,911	5,940
CG 1-4	3,839	-	-	-	-	-
Mokoan	706	-	-	-	-	-
Other	584	774	582	427	362	371
Investment Interest	1,062	51	51	51	51	51
Proceeds from Disposal of Assets	3,161	1,025	10	10	10	10
MDBA	34,225	21,567	19,353	25,502	20,613	25,122
Other Revenue	10,106	8,913	9,301	9,698	10,208	10,331
Total Revenues	189,361	158,436	161,345	171,404	168,055	174,973
Expenses						
Operations and Maintenance Expenses	78,801	80,302	86,450	89,507	91,142	92,312
Government Services Contract	1,160	1,082	-	-	-	-
Water Savings	645	71	55	47	189	190
Connections Project Shared Services	1,549	-	-	-	-	-
Connections Project Operations	7,276	6,011	5,971	5,745	5,760	5,767
CG 1-4	1,995	-	-	-	-	-
Administration Expenses	27,311	23,402	23,326	23,997	26,066	26,750
Environmental Contributions	1,593	1,686	1,686	1,686	1,686	1,686
MDBA	33,193	20,383	18,140	23,870	19,304	23,481
Asset Disposals	10,610	11,000	10,010	10,010	10,091	10,091
Doubtful Debt	-	-	-	-	-	-
Total Expenses	164,133	143,938	145,640	154,863	154,238	160,277
EBITDA	25,228	14,499	15,706	16,541	13,816	14,695
Depreciation and Amortisation	75,965	80,049	83,524	85,250	90,869	93,208
Borrowing Costs / Interest Expense	8,460	9,023	9,472	11,575	13,042	15,289
NET PROFIT (LOSS) Before Tax	(59,197)	(74,573)	(77,291)	(80,284)	(90,095)	(93,801)
Tax	20,010	22,372	23,187	24,085	27,028	28,140
PROFIT (LOSS) After Tax	(39,187)	(52,200)	(54,104)	(56,199)	(63,066)	(65,661)
Retained Profit (Loss) carried forward	(34,377)	(73,564)	(125,764)	(179,868)	(236,067)	(299,133)
Closing Retained Profit (Loss)	(73,564)	(125,764)	(179,868)	(236,067)	(299,133)	(364,794)

Water Storage & Delivery						
Statement of Financial Position						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Revised	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Current Assets						
Cash and Cash Equivalents	12,329	1,000	1,000	1,000	1,000	1,000
Receivables	35,350	35,350	35,350	35,350	35,350	35,350
Less Doubtful Debts	(412)	(412)	(412)	(412)	(412)	(412)
Net Receivables	34,938	34,938	34,938	34,938	34,938	34,938
Inventories	1,953	1,953	1,953	1,953	1,953	1,953
Total current assets	49,220	37,891	37,891	37,891	37,891	37,891
Non Current Assets						
Infrastructure	4,165,455	4,248,905	4,364,840	4,972,978	5,070,395	5,206,963
Land and Buildings	78,773	83,773	83,773	83,773	88,773	88,773
Vehicles	17,152	17,152	17,152	17,152	17,152	17,152
Intangible Assets	19,476	19,476	19,476	19,476	19,476	19,476
Accumulated Depreciation	(166,773)	(246,822)	(330,346)	(415,596)	(506,465)	(599,673)
	4,114,082	4,122,484	4,154,895	4,677,783	4,689,330	4,732,690
Non Current Receivables	159	159	159	159	159	159
Total non-current assets	4,114,241	4,122,642	4,155,053	4,677,941	4,689,489	4,732,849
TOTAL ASSETS	4,163,461	4,160,533	4,192,944	4,715,832	4,727,380	4,770,740
Current Liabilities						
Payables	46,474	46,033	45,575	45,101	44,608	44,098
Borrowings	11,412	11,412	11,412	11,412	11,412	11,412
Employee Benefit Provision	10,093	10,468	10,858	11,262	11,681	12,115
Total current liabilities	67,979	67,913	67,845	67,774	67,701	67,625
Non Current Liabilities						
Borrowings	114,172	120,462	150,381	171,253	203,254	232,197
Employee Benefit Provision	1,769	1,835	1,903	1,974	2,047	2,123
Deferred Tax Liabilities	454,202	433,329	410,142	536,057	510,528	482,388
Total non-current liabilities	570,142	555,626	562,426	709,284	715,830	716,709
TOTAL LIABILITIES	638,121	623,540	630,271	777,058	783,531	784,333
NET ASSETS	3,525,339	3,536,994	3,562,673	3,938,774	3,943,849	3,986,407
EQUITY						
Government Equity Contributions	2,339,723	2,400,079	2,479,863	2,562,162	2,626,803	2,735,022
Asset Revaluation Reserve	1,215,516	1,219,016	1,219,016	1,569,016	1,572,516	1,572,516
Accumulated Funds (Losses)	(29,899)	(82,102)	(136,205)	(192,404)	(255,470)	(321,131)
TOTAL EQUITY	3,525,339	3,536,994	3,562,673	3,938,774	3,943,849	3,986,407

Water Storage & Delivery						
Statement of Cashflows						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Revised	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
CASH FLOWS FROM OPERATIONS						
Receipts						
Service and Usage Charges	106,871	109,617	112,770	115,447	118,333	121,292
Receipts from Government	11,581	6,966	9,076	9,412	7,273	6,311
GST Refunds from ATO	10,874	9,522	10,610	10,459	17,517	17,763
Investment Income	1,062	51	51	51	51	51
Other cash receipts	60,592	44,318	43,001	50,729	45,974	51,257
Total Cash Receipts from Operations	190,981	170,473	175,507	186,098	189,149	196,673
Payments						
Payments to suppliers and employees	(164,427)	(141,007)	(144,794)	(153,875)	(160,234)	(166,525)
Interest and other costs of finance paid	(8,193)	(8,791)	(9,231)	(11,326)	(12,787)	(15,027)
GST Paid to ATO	(6,592)	(3,540)	(3,563)	(4,245)	(3,587)	(3,948)
Environmental Contributions	(1,593)	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)
Total Cash Payments for Operations	(180,805)	(155,025)	(159,275)	(171,132)	(178,294)	(187,186)
Net Cash Inflow (Outflow) from Operating Activities:	10,176	15,449	16,233	14,966	10,855	9,488
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for Infrastructure Assets	(18,542)	(24,409)	(39,362)	(30,194)	(39,665)	(34,487)
Payments for Property, Plant & Equipment	(8,115)	(8,319)	(5,214)	(5,164)	(2,664)	(2,039)
Payments for Intangible Assets	(4,511)	(1,365)	(1,586)	(491)	(538)	(1,915)
Proceeds from Sale of Assets	3,147	1,025	10	10	10	10
Net Cash Inflow (Outflow) for Investing Activities:	(28,021)	(33,069)	(46,152)	(35,838)	(42,856)	(38,431)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Borrowings	2,633	7,791	31,514	22,567	33,803	30,858
Proceeds from Equity Contributions from Government	(3,947)	-	-	-	-	-
Repayment of Borrowings	(1,412)	(1,501)	(1,595)	(1,695)	(1,802)	(1,915)
Net Cash Inflow (Outflow) from Financing Activities:	(2,727)	6,291	29,919	20,872	32,001	28,943
NET INCREASE (DECREASE) IN CASH	(20,571)	(11,329)	(0)	(0)	0	(0)
Opening Cash Balance	32,900	12,329	1,000	1,000	1,000	1,000
Closing Cash Balance	12,329	1,000	1,000	1,000	1,000	1,000

Appendix B – Connections Project

B.1 Connections Project Funding & Expenditure

Connections Project Financial Summary - Budget 3.2

Goulburn-Murray Water Connections Project								
Connections Project Total								
	Project to end of FY 11/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total Project Life Budget 3.2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Funding								
Capex Funding (grants received/ receivable)	723,745	101,564	231,084	289,099	266,181	242,275	98,685	1,952,633
Opex Funding (grants received/ receivable)	47,765	12,913	10,029	10,018	10,938	10,007	9,127	110,797
Other	31,479	3,433	579	-	-	-	(4,545)	30,946
Total	802,989	117,910	241,692	299,117	277,119	252,282	103,267	2,094,376
Expenditure								
Output Expenditure	214,236	110,392	158,938	235,632	176,394	130,005	69,440	1,095,036
Capital Works Expenditure	479,818	63,352	82,790	78,798	65,075	72,996	40,915	883,744
Opex Expenditure	47,178	9,766	10,720	11,118	11,463	10,553	10,639	111,437
Interest Paid on Borrowings	-	28	487	1,906	1,766	63	-	4,250
Total	741,232	183,538	252,936	327,455	254,697	213,616	120,994	2,094,468
Surplus/(Deficit)	61,757	(65,628)	(11,244)	(28,338)	22,422	38,666	(17,727)	(91)

Stage 1

Stage 1 Funding and Expenditure Summary								
	Project to end of FY 11/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total Project Life Budget 3.2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Stage 1 Funding								
Capex Funding (grants received/ receivable)	717,553	82,633	51,027	22,372	25,024	22,985	32,009	953,603
Opex Funding (grants received/ receivable)	45,110	5,305	382					50,797
External Funding	18,913	1,187	-					20,100
ERP Funding (from interest)	2,890	0	-					2,890
Interest (Approved by DSE to Spend)	620	0	-					620
Interest (Requires DSE Approval to Spend)	6,584	1,518	-				(4,250)	3,852
Total Stage 1 Funding	791,670	90,643	51,409	22,372	25,024	22,985	27,759	1,031,862
Stage 1 Expenditure								
Output Expenditure	208,467	66,324	34,587	16,518	13,488	12,478	30,028	381,889
Capital Works Expenditure	478,798	44,493	29,819	18,303	6,948	5,573	10,361	594,295
Opex Expenditure	44,395	3,249	1,073	1,100	525	546	549	51,437
Interest Paid on Borrowings		28	487	1,906	1,766	63		4,250
Total Stage 1 Expenditure	731,661	114,093	65,966	37,827	22,727	18,660	40,938	1,031,871
Surplus/(Deficit)	60,009	(23,450)	(14,557)	(15,455)	2,298	4,326	(13,179)	(9)

Stage 2

Stage 2 Funding and Expenditure Summary								
	Project to end of FY 11/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total Project Life Budget 3.2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Stage 2 Funding								
Capex Funding (grants received/ receivable)	6,192	18,931	180,057	266,727	241,157	219,290	66,676	999,030
Opex Funding (grants received/ receivable)	2,655	7,608	9,647	10,018	10,938	10,007	9,127	60,000
Early Works Funding	2,472	433	579					3,484
Interest (Requires DSE approval to Spend)		295	-				(295)	0
Total Stage 2 Funding	11,319	27,267	190,283	276,745	252,095	229,297	75,508	1,062,514
Stage 2 Expenditure								
Output Expenditure	5,768	44,068	124,351	219,114	162,906	117,527	39,412	713,147
Capital Works Expenditure	1,020	18,859	52,971	60,496	58,127	67,423	30,554	289,450
Opex Expenditure	2,783	6,517	9,647	10,018	10,938	10,007	10,090	60,000
Total Stage 2 Expenditure	9,572	69,444	186,969	289,628	231,971	194,957	80,056	1,062,597
Surplus/(Deficit)	1,747	(42,177)	3,314	(12,883)	20,124	34,340	(4,548)	(83)

B.2 Connections Project Financial Statements

Connections Project - Combined Stage 1 & 2	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<u>OPERATING STATEMENT</u>						
Revenues						
Government Contributions - Operating Agreement	11,822	10,029	10,018	10,938	10,007	10,221
Government Contributions - Output funded	49,363	150,798	213,632	176,394	130,005	153,666
Government Contributions - Stage 2 Early Works	167	409	-	-	-	-
Investment Interest	1,518	-	-	-	-	69
Total Revenues	62,870	161,236	223,650	187,332	140,012	163,956
Expenses						
Operations and Maintenance Expenses (per ERC)	9,448	10,520	10,933	11,313	10,503	10,588
Project costs expensed - Output Funded	99,762	155,404	233,568	176,394	130,005	66,848
Project costs expensed - Stage 2 Early Works	167	409	-	-	-	-
Project costs expensed - externally funded activities	5,787	-	-	-	-	-
Depreciation and Amortisation	212	256	300	336	341	270
Depreciation and Amortisation - ERP	547	578	578	578	609	-
Interest payments	28	487	1,906	1,766	63	-
Net (gain)/loss on non-financial assets	10,500	2,969	2,064	-	-	-
Total Expenses	126,451	170,623	249,349	190,386	141,522	77,707
NET PROFIT/LOSS	(63,580)	(9,387)	(25,699)	(3,054)	(1,510)	86,249
Income Tax	19,074	2,816	7,710	916	453	(25,875)
Net Profit (Loss) after Tax	(44,506)	(6,571)	(17,989)	(2,138)	(1,057)	60,374
Retained Profit (Loss) carried forward	-	(44,506)	(51,077)	(69,067)	(71,205)	(72,261)
Closing Retained Profit (Loss)	(44,506)	(51,077)	(69,067)	(71,205)	(72,261)	(11,887)

Connections Project - Combined Stage 1 & 2	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<u>ASSET & LIABILITY STATEMENT</u>						
Current Assets						
Cash and Cash Equivalents	12	12	12	12	20,356	0
Prepayments	181	14	-	-	-	-
Total Current Assets	193	26	12	12	20,356	0
Non Current Assets						
Capital Works in Progress	60,162	79,196	75,361	55,686	62,367	0
Plant, Equipment and Motor Vehicles	869	812	697	512	220	(0)
Plant & Equipment - ERP	2,187	1,765	1,187	609	-	-
Intangible Assets	2,802	5,802	8,552	10,902	12,552	(0)
Other Non-Current Assets	100	500	600	700	723	-
Total Non Current Assets	66,120	88,075	86,397	68,408	75,862	(0)
TOTAL ASSETS	66,312	88,101	86,409	68,420	96,218	(0)
Current Liabilities						
Payables	13,283	13,252	13,205	13,170	13,135	-
Employee Benefit Provision	627	652	678	705	733	-
Borrowings	1,162	12,405	40,743	18,320	(0)	(0)
Other Current Liabilities	-	4,982	4,180	26,017	76,483	0
Total Current Liabilities	15,071	31,291	58,805	58,213	90,351	0
Non Current Liabilities						
Employee Benefit Provision	166	173	180	187	194	-
Total Non Current Liabilities	166	173	180	187	194	-
TOTAL LIABILITIES	15,237	31,463	58,985	58,400	90,545	0
NET ASSETS	51,075	56,637	27,424	10,020	5,673	(0)

Connections Project - Combined Stage 1 & 2	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
STATEMENT OF CASH FLOWS						
CASH FLOWS FROM OPERATIONS						
Receipts						
Receipts from Government - Operating Agreement	11,822	10,029	10,018	10,938	10,007	10,221
Receipts from Government - Output funded	45,052	155,780	212,831	198,231	180,470	77,183
Receipts from Government - Stage 2 Early Works	433	579	-	-	-	-
Investment Income	1,518	-	-	-	-	69
Other receipts - externally funded activities	1,000	-	-	-	-	-
Other	379	-	-	-	-	-
Total Cash Receipts from Operations	60,204	166,388	222,849	209,169	190,477	87,473
Payments						
Payments to suppliers and employees - Operating Agreement	(9,516)	(10,520)	(10,933)	(11,313)	(10,503)	(10,589)
Payments for output funded expenditure	(103,462)	(158,373)	(235,632)	(176,394)	(130,005)	(72,317)
Payments for Stage 2 Early Works	(167)	(409)	-	-	-	-
Payments for externally funded expenditure	(5,787)	-	-	-	-	-
Interest and other costs of finance paid	(28)	(487)	(1,906)	(1,766)	(63)	-
Total Cash Payments for Operations	(109,444)	(159,269)	(237,538)	(178,159)	(130,068)	(72,317)
Net Cash Inflow (Outflow) from Operating Activities	(49,239)	7,119	(14,689)	31,010	60,409	15,156
CASH FLOWS FROM INVESTING ACTIVITIES						
Payment for capital of WIP	(62,292)	(81,790)	(77,948)	(64,125)	(72,123)	(40,607)
Payment for other capital contributed items	(872)	(1,000)	(850)	(950)	(873)	(308)
Payment for PPE	(250)	(200)	(185)	(150)	(50)	(50)
Payment for ERP	(1,355)	(156)	-	-	-	-
Net Cash Inflow (Outflow) for Investing Activities	(64,769)	(83,146)	(78,984)	(65,225)	(73,046)	(40,965)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Equity Contributions from Government	57,602	75,304	76,268	67,950	61,805	20,410
Proceeds/ Payments external borrowings	1,162	11,244	28,337	(22,422)	(18,321)	(4,368)
NET INCREASE (DECREASE) IN CASH	58,763	86,547	104,606	45,528	43,484	16,042