



# **GOULBURN-MURRAY RURAL WATER AUTHORITY**

## **CORPORATE PLAN 2014/15 – 18/19**

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## Chairman and MD's Foreword

2013-14 has been a year of ongoing transformation for Goulburn-Murray Water (GMW). The need to transform the business was critical to GMW as both real economic and resourcing challenges were crippling the business, including 30% less water to supply, and a reduction of 50% of its channel network over the next 5 years. In order to remain sustainable and following on from our announcement of \$6 million in operational savings in December 2012, GMW committed to removing a total of \$20 million from its business operations by 2018. The work required to identify, define and remove those costs from across the business has started in earnest. This year we've announced that in addition to our operational savings, we will systematically move through a number of customer processes to identify opportunities to streamline and simplify. We estimate that our work to date this year alone, will save customers somewhere in the order of \$2.5 million over the next three years.

Of course, delivering efficiencies is both a challenging and exciting time for any organisation; it requires cultural change and a strong, mobilized and dedicated employee group. At GMW we are extraordinarily fortunate to have at our disposal a team of committed staff who possess these valuable qualities. Collectively GMW's staff have taken on the challenge of finding efficiencies, generating and identifying them at an operational level and feeding them up to the Executive. This ownership and responsibility is testament to our staff's determination to be easy to deal with. This year, we are in no doubt that the customer has been at the forefront of all these changes - inspiring, challenging and creating opportunities to see possibilities for improvement in our service delivery.

Relationships with our customer representatives continue to remain a key priority for GMW. GMW's Water Services Committees are members of the irrigator community elected by customers to represent them. Our Water Services Committees provide frank and fearless advice to GMW on a range of issues including tariff, service delivery, strategy, customer engagement and asset management and maintenance. While there are times when Water Services Committees and GMW agree to disagree, we believe that these instances are rare, mainly due to the flexibility and willingness of both parties to listen and engage with integrity. GMW appreciates and values the advice and input of its Water Services Committees. We continue to value them as a critical conduit to customers and regularly engage with them when seeking to understand the thoughts and views of the wider customer group. On behalf of the Board of GMW and its Executive Team we look forward to continuing our successful partnership with Water Services Committees into the future.

Perhaps one of the things that we are most proud of having delivered is the realisation of our commitment to deliver stable and predictable pricing to customers. Over the past twelve months GMW has undertaken a vast amount of work to deliver either price reductions or less than CPI price changes. Through this work we're pleased to be able to provide a tariff framework which establishes a predictable price pathway that enables our customers to make long term decisions about their business.

Since the integration of the Northern Victoria Irrigation Renewal Project into GMW in July 2012, GMW has been committed to the delivery of the Connections Project, and delivering such a complex project is not without its challenges, particularly given the many variables that need to be managed throughout the project, be they environmental considerations or on-farm design implications when in discussions with landowners.

With the change in management approach of the Connections Project, which has included the introduction of a more robust project governance framework and methodology, new systems and processes and a focus on total quality control, GMW is confident that we will deliver the project.

GMW's continued delivery of the Connections Project has also enabled us to realize ongoing improvements in customer service levels. With over 4,000 landowners currently in active discussion

and negotiation regarding what a connection outcome may look like, the project is on track to result in a material change to the way the Goulburn-Murray Irrigation District (GMID) looks and is managed. This is a development which is critical to the success of the irrigation industry.



Llew Vale  
Chairman



Gavin Hanlon  
Managing Director

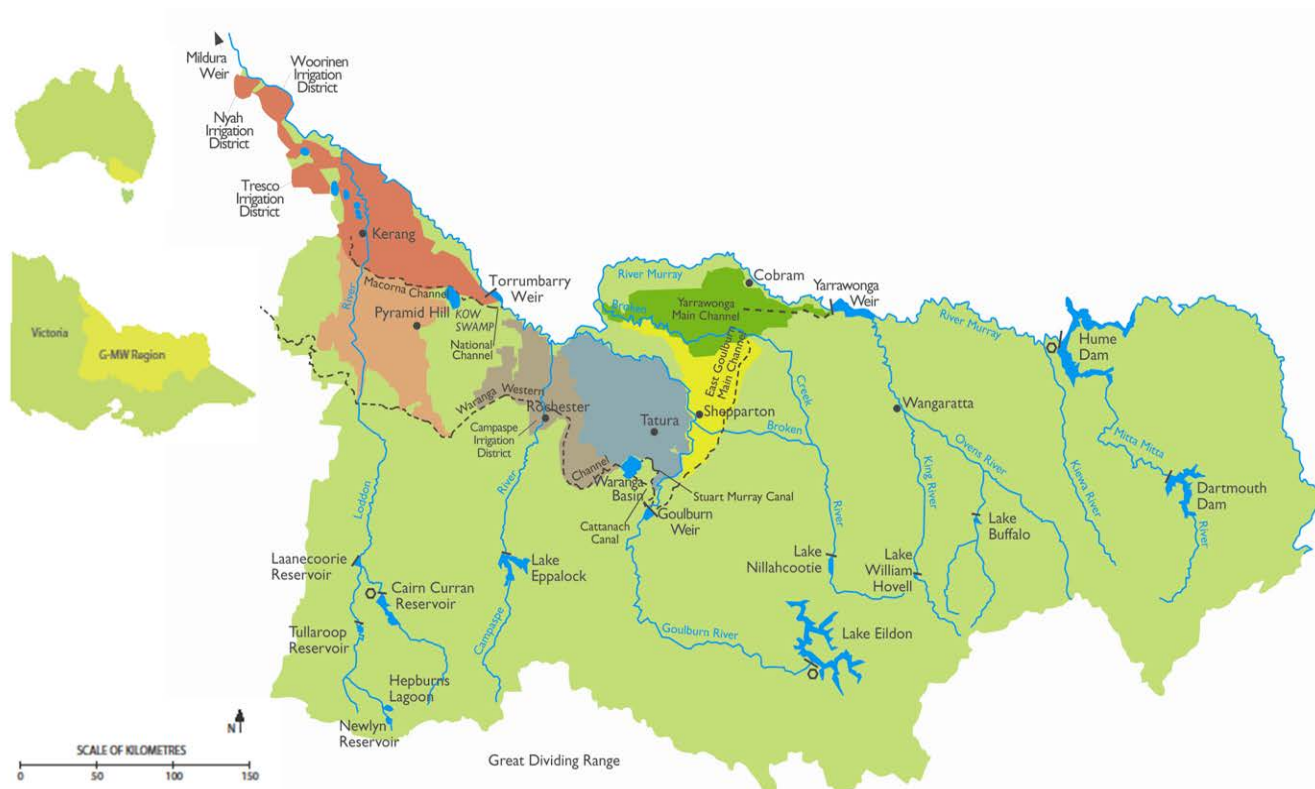
# 1 Introduction

Goulburn-Murray Water (GMW) has developed this Corporate Plan in accordance with section 247 and 248 of the *Water Act 1989* (the Act). This Corporate Plan includes a statement of corporate intent, a business plan, and financial statements containing the following information relating to GMW:

- business objectives;
- main business undertakings;
- nature and scope of activities to be undertaken; and
- performance targets and other measures by which performance may be judged.

This Corporate Plan should be considered in conjunction with GMW's Water Plan 3.

## 2 GMW's Operating Region



GMW services a region of 68,000 square kilometers, bordered by the Great Dividing Range to the South, the River Murray to the North, Corryong in the East, and Nyah in the West. The region is comparative to the size of Tasmania.

GMW is Australia's largest rural water corporation and manages Australia's largest irrigation delivery network, including approximately 70% of Victoria's stored water resources and approximately 50% of Victoria's underground water supplies.

GMW manages 16 water storages - holding approximately 9,000,000 ML of water at full capacity - and manages more than 100,000 hectares of public land at these storages.

GMW is also Victoria's largest inland boating authority and is responsible for managing boating and recreational activities across the majority of its storages.

## 3 Our Business

Goulburn-Murray Rural Water Corporation trading as Goulburn-Murray Water is a statutory Corporation constituted by Ministerial order under the provisions of the Act. The responsible Minister is Peter Walsh, MLA.

GMW has functions and powers to store, manage and deliver water across most of Northern Victoria, including to manage and operate a water district (pursuant to section 163 of the Act), a waterway management district (pursuant to section 189 of the Act), and an irrigation district (pursuant to section 221 of the Act).

### 3.1 Our Key Responsibilities

GMW's key responsibilities include:

- managing the delivery of water to our irrigation and water districts and maintaining the infrastructure for these districts;
- implementing governmental regulations and policies for groundwater and surface water resource management in accordance with delegated powers;
- delivery of the Connections Project; and
- harvesting, storing and maintaining water in our reservoirs and dams.

GMW undertakes further activities as follows:

- electricity generation at our storages (long term commercial contracts);
- amenity services at our storages (houseboats, land leases, public access);
- relevant responsibilities as a boating authority for our lakes and waterways;
- water savings delivery initiatives to government;
- natural resource management to Catchment Management Authorities;
- acts as a referral authority under the *Planning and Environment Act 1987*;
- assists in implementing the National Water Initiative;
- is the Victorian Constructing Authority for the Murray-Darling Basin Authority; and
- partners in the Victorian Water Register to manage water entitlements.

### 3.2 Our Functions and Services

GMW undertakes the following key functions in its own right as a water corporation established under the Act:

- Irrigation districts
  - managing water delivery to irrigation and water districts and associated maintenance management;
  - drainage;
  - management of 16 dams with 9,000,000 ML of storage (70% of Victoria's water storage capacity);
  - salinity mitigation work;
  - delivery of bulk water to supply points outside its region; and
  - is the Victorian Constructing authority for the Murray-Basin Darling Authority.

- Water districts
  - delivery of approximately 2,400,000 ML of water each year to irrigation users, environmental water holders and urban water authorities.
- Waterway management
  - flood protection.

Additionally, GMW undertakes a range of functions as a delegate or appointee for the Minister, as follows:

- delegate of the Minister for Water pursuant to the *Water Act 1989* - approval of water share and allocation applications, water use licensing, works licensing and take and use licensing from unregulated streams and groundwater;
- appointment by the Minister for Water under the *Water Act 1989* – store manager and resource manager for all declared water systems in Northern Victoria;
- appointment by the Minister for Water pursuant to the *Murray-Darling Basin Authority Act 1993* - Victoria’s relevant water authority (constructing authority) for the MDBA; and
- appointment by the Water Register pursuant to the *Water Act 1989* – recording of certain water share dealings.

### 3.3 Our Business Units

GMW operates as a functionally separated organizational model with the following business functions:

- Retail and Operations;
- Wholesale Catchment Services;
- Civil Construction;
- Connections Project; and
- Support and governance services.

The core functions of each of these business units are outlined below.

#### 3.3.1 Retail and Operations

Retail and Operations work in service of our retail customers, and have embarked on a program to deliver a range of initiatives to improve customer service and business efficiency to meet the contemporary 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.

Regional customer service centres focus on delivering service at the local level to our dispersed customer base, managing gravity irrigation systems, diversion services, pumped irrigation districts and piped domestic and stock systems.

GMW’s Retail and Operations Business has a number of initiatives over the Corporate Plan period in support of our corporate strategy to ‘*partner with our customers*’. Communicating and engaging with our customers through our Water Services Committees, public information session, through local Customer Service Centres and a variety of communication channels, is all in service of ensuring that we deliver appropriate service levels to our customers.

#### 3.3.2 Wholesale Catchment Services

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 planning and water quality monitoring, 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.

### 3.3.3 Civil Construction

The Construction business unit is responsible for the provision of project management, construction, stores and procurement and civil maintenance services across GMW to maintain and renew the asset portfolio of large dams and irrigation and drainage infrastructure.

GMW's Construction business also delivers capital works and asset decommissioning programs in support of the Connections Project and major infrastructure works on behalf of external stakeholders such as the Murray-Darling Basin Authority.

Services are provided utilising a mix of in-house expertise and externally engaged consultants and contractors.

### 3.3.4 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*.

### 3.3.5 Support Services

The support services for GMW incorporate the following functions: finance, information communications and technology, corporate strategy, human resource management, risk, compliance, occupational health and safety, legal, facilities, property, and marketing and communications.

### 3.3.6 Governance

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

As at 31 December 2013, the following GMW Board Committees operated:

*Table 1 – GMW's Board Committees*

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

In addition, GMW administers and coordinates 13 Water Services Committees across its water districts. These Committees are made up of customer representatives elected by customers, serving on 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.

Further, GMW's core Governance functions are designed to ensure:

- better Board information;
- improved Connections Project governance;
- clear rules for GMW decision making;
- a stronger integrity framework; and
- improved internal audit effectiveness.

## 4 Our Customers

GMW is an organisation committed to working with and partnering with our customers. GMW's customer base is very diverse and encompasses customers with large agricultural interests, through to small one acre stock and domestic customers. The segmentation of GMW's customer base is as follows, including the number of customers within each segment.

*Table 2 – GMW's customer base*

<b>Customers</b>	<b>Number of customers 2012/13</b>
Gravity Irrigation (channels) and Drainage	14,296
Pumped Irrigation Systems	679
Groundwater	7,939
Domestic and Stock	1,188
Regulated Surface Water Diversions	3,649
Unregulated Surface Water Diversions	7,373
Flood Protection – Loch Garry	120
Non-water Users	1,169
Urban and Rural Water Corporations	6
Commercial Operators	
a. Agricultural, Tourism & Recreational Leases and Licensees	774
b. Houseboat Licensees	723
c. Hydroelectric companies	2
d. Plantation Operators	1

## 5 Our Major Stakeholders

GMW maintains relationships with our stakeholders who include all tiers of government as well as representatives from its primary customer groups. GMW's stakeholders include:

- The Minister for Water and Department of Environment and Primary Industries;
- The Treasurer and Department of Treasury and Finance;
- The Victorian Environmental Water Holder;
- Catchment Management Authorities;
- The Murray-Darling Basin Authority;
- The Commonwealth Government;
- Local Government; and
- Customer Committees.

## **5.1 Minister for Water and Department of Environment and Primary Industries**

GMW reports to the Minister for Water via the Department of Environment and Primary Industries (DEPI), formerly the Department of Sustainability and Environment (DSE).

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 Registrar to facilitate the ongoing development and operation of water trading and markets in Victoria.

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

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

## **5.2 Treasurer and 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 the progress of the Connections Project due to its categorisation 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.

## **5.3 Commonwealth Environmental Water Office**

The Commonwealth Environmental Water Office was established to support the Commonwealth Environmental Water Holder to make decisions on the use of Commonwealth environmental water.

Commonwealth environmental water is managed to protect or restore the environmental assets of the Murray-Darling Basin. Water will be managed in accordance with the environmental watering plan that is part of the Murray-Darling Basin Plan.

## **5.4 Victorian Environmental Water Holder**

The Victorian Environmental Water Holder (VEWH) is an independent statutory body responsible for making decisions on the most efficient and effective use of Victoria's environmental water entitlements.

## 5.5 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 in respect of water quality, river health and natural resource management programs. There are also operational interactions on delivery of environmental entitlements and catchment programs under the management of DEPI and the CMAs.

## 5.6 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.

## 5.7 Commonwealth Government

The Commonwealth Government has agreed to fund the majority of 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 savings (102 GL).

## 5.8 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.

## 5.9 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 process and appointed by the GMW Board.

# 6 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 outcomes for our customers while enhancing the overall performance of the organisation as a whole.

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; and
- having policies and procedures to manage the safety of our employees.

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.

*Table 3 – GMW’s Strategic Risks*

Strategic Risks	Key Planned Controls
Failure to maintain financial sustainability in the short and long term	<ul style="list-style-type: none"> <li>• Enhance and improve GMW financial structure and financial systems</li> <li>• Development of a detailed implementation plan for the proposed tariff structure including measures for reporting progress</li> <li>• Finalisation of a comprehensive financial reporting framework</li> <li>• Implementation of Disaster Recovery Plans for all Tier 1 and 2 business systems</li> </ul>
Failure to build a high performing and engaged organisation	<ul style="list-style-type: none"> <li>• Establishment of Individual Work Plans for all GMW employees</li> <li>• Regular reporting of achievements and progress against Fundamental Commitments</li> <li>• Development of GMW’s values and behaviors</li> <li>• Implementation of GMW’s Capability Framework</li> </ul>
Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes	<ul style="list-style-type: none"> <li>• Review of actual performance against Water Plan 3</li> <li>• Development of a strategy for the establishment of water resource plans</li> <li>• 5 year review of mitigation programs for irrigation induced groundwater impacts</li> <li>• Wildlife safety review to be undertaken</li> <li>• Development of a detailed implementation plan for the proposed tariffs including measures for reporting progress</li> </ul>
Failure to maintain a safe and secure workplace, with the resilience to properly respond to and recover from emergency events	<ul style="list-style-type: none"> <li>• Implementation of Disaster recovery plans for all Tier 1 and 2 information management systems</li> <li>• Companywide awareness and education in respect of the incident response and recovery framework</li> <li>• Establishment of the framework and process for regular training and communication in relation to CPPP policies and procedures</li> </ul>

Strategic Risks	Key Planned Controls
Failure to deliver the Connections Project	<ul style="list-style-type: none"> <li>• Development and implementation of new resourcing utilization model for Mod Co's to realign SCP delivery and targets</li> <li>• Strategy to resolve shortfall in water savings</li> <li>• Further refinement of SCP Master Schedule, to include progress tracking and a practical forecasting methodology. Visibility of progress and forecast information to be improved through consultation with key stakeholders in the SCP lifecycle. Reporting of SCP progress to be developed.</li> <li>• Efficient deployment of Farm Design resources</li> <li>• Streamlining of legal agreement process</li> </ul>
Failure to provide services and undertake activities so that adverse impacts on the environment and water quality are responsibly managed	<ul style="list-style-type: none"> <li>• 5 year review of mitigation programs for irrigation induced groundwater impacts</li> <li>• Wildlife safety review to be undertaken and recommendations considered in the roll out of the Connections Project</li> <li>• Review and update of existing environmental risk register to align with Corporate Risk framework</li> </ul>
Failure to deliver services to customers	<ul style="list-style-type: none"> <li>• Development of strategies for the establishment of water resource plans</li> <li>• Implementation of regular review meetings with third party suppliers to discuss performance and Service Level Agreement objectives</li> <li>• Development and implementation of new resourcing utilization model for Mod Cos to realign SCP delivery schedule and targets</li> <li>• Implementation of Disaster recovery plans for all Tier 1 and 2 information management systems</li> </ul>

The strategic risks and risk management activities for the Connections Project have now been fully integrated into GMW's risk management framework.

## 7 From Blueprint to Strategy

In March 2013 GMW released its Blueprint to provide its customers with certainty regarding its plans for the future of GMW, and to inform decisions that its customers may be making about their future.

The Blueprint raised three initiatives that confirmed GMW's commitment to developing a lean, effective and efficient customer focused organisation. These initiatives were:

1. transform the business of GMW to make it lean and more customer focused
2. redesign GMW's tariffs so they are both simpler and better reflect the cost of new infrastructure; and
3. deliver the Connections Project that will see substantial improvements in customer-service levels.

Of the above initiatives, two have been completed (transformation of the business and the redesign of the tariff system) and the Connections Project is due to be completed in June 2018 (delivery of the Connections Project). A key component of our strategy is the implementation of our tariff strategy. An update on these initiatives is detailed below.

## 7.1 Transformation

In 2012/13 GMW delivered a functionally separated organisational structure, which transformed the business, and resulted in 60 positions from across the business becoming redundant.

This transformation was critical to GMW as both real economic and resourcing challenges were crippling the business, including 30% less water to supply, and a reduction of 50% of its channel network over the next 5 years. In order to remain sustainable, GMW committed to removing \$20 million from its business over the next 5 years.

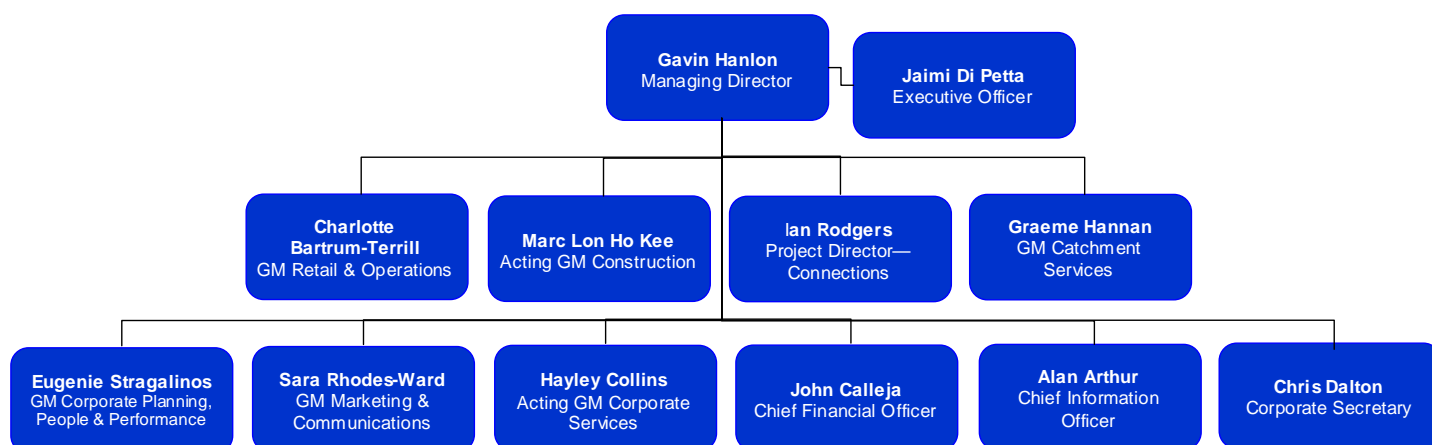
The guiding principles of GMW's business transformation were to:

- drive efficient and cost effective provision of GMW's services;
- drive a culture of accountability;
- improve ease of doing business from a customer's perspective;
- provide a clear and transparent method for identifying costs associated with the provision of services;
- eliminate cross subsidies that distort pricing and funding;
- be as simple as possible with minimal management layers; and
- reduce cost while maintaining and improving the level of service over time.

The transformation of GMW has resulted in significant efficiencies throughout the business, and is on track to deliver the \$6 million in operational efficiencies outlined in our Water Plan 3. Some of the savings already realised will be reinvested into the business to drive further long term productivity initiatives. An estimated \$500,000 in 2014/15 has already been passed onto customers through fee reductions and system improvements.

As GMW's strategy continues to be implemented and savings achieved, GMW is now forecasting to achieve the Water Plan 3 savings, and up to an additional \$6 million over the Corporate Plan period.

With transformation now complete, GMW's current organisational structure is as follows:



## 7.2 Redesign GMW's Tariffs so they are both simpler and better reflect the cost of new infrastructure

Since 2011, GMW has focused on developing strategic, long term financial sustainability and putting in place the foundations for a new business model designed to drive greater transparency and accountability to GMW customers.

Strong emphasis has been placed on managing performance and improving GMW's financial position. The improved results to date have been largely driven by higher water deliveries which have increased revenue plus operational cost control measures.

In 2012, GMW, together with its Water Services Committees commenced work to articulate what GMW's tariff structure should be in 2020. In developing the first draft of the Tariff Strategy the Chairs of Water Services Committees formed an advisory group called the Tariff Strategy Advisory Group, to draft recommendations to the GMW Board on the best way forward.

The Advisory Group agreed the following principles to help guide the development of GMW's Tariff Strategy:

- tariffs should encourage irrigated agricultural production which underpins the regional economy and community;
- tariffs are equitable but should be cost reflective;
- simple clear and transparent to understand and manage;
- send clear signals on the real costs of services;
- provide predictability and stable prices;
- generate sufficient revenue, making GMW financially sustainable; and
- encourage efficient water markets, facilitating speedy trading with low costs.

In July 2012 GMW released its draft Tariff Strategy for consultation. This plan documented the process going forward for the Tariff Strategy design and development.

In April 2013 GMW published its Blueprint which outlined GMW's transformation framework and implementation of a new tariff system which focussed on:

- Bulk Storage Charges; and
- Service Point Fees and Gravity Irrigation Delivery Charges.

It also introduced other tariff initiative proposals and identified some of the challenges for implementation and transitioning to a new tariff system.

The Gravity Tariff Strategy was completed in April 2013 and we have developed an implementation plan which will see the introduction of changes in tariffs and pricing in Water Plan 3 and 4. In November 2013 we completed the Diversion Strategy and developed an implementation plan which will see the introduction of changes in tariffs and pricing in Water Plan 3 and 4.

GMW is currently in the process of seeking approval for its pricing for 2014-15 by the Essential Services Commission. In its application, GMW has proposed to implement and transition its tariff strategies for gravity and diversions in line with its customer consultation. For Diversions, an interim structure and price transition is proposed for 2014-15 with complete transition by year 1 of Water Plan 4 in 2016/17.

The focus for 2014/15 is to commence work on the Drainage Strategy with the development of the project management plan and the establishment of special working groups to focus on priority issues.

The implementation of the redesigned Tariffs is a key initiative supporting GMW's strategy to '*deliver predictability and certainty in pricing*'.



## 7.3 Delivery of the Connections Project

### 7.3.1 The Project

The GMW Connections Project is investing more than \$2 billion to improve the delivery of water to irrigation businesses across the GMID. The Project is a once in a lifetime opportunity to improve irrigation services and resize our existing network to support the many, varied and exciting opportunities for irrigated agriculture across our region.

The Connections Project is a project focused on water savings and is working to protect and enhance the environment through the modernisation program in the GMID. In addition the Connections Project will connect customers' irrigation businesses to the backbone channel so they benefit from improved services and a more efficient and automated channel network. The Project will also remove channels that are no longer required which means many customers can adopt simpler farm layouts and GMW can minimize the costs of operating and maintaining the channel network for the benefit of our customers.

GMW currently operates and maintains more than 6,300 km of channel and around 24,000 outlets and meters. In 2018, when the Project is complete, we expect to operate around 3,500km of channels supplying water to approximately 12,000 customer outlets.

The Federal Government, Victorian Government and the Melbourne water retailers have provided the \$2 billion of funding for the Project. In return, the Governments and water retailers will receive a defined share of the water savings achieved from improving the efficiency of the channel delivery network. The Victorian and Commonwealth Governments' shares of the water savings will be used to deliver environmental benefits.

The GMW project team has been working with landowners across the GMID to review current water supply arrangements and to understand our customers' future plans for their properties and water use. Following these discussions future water supply options for individual customers or groups of customers will be developed. For the majority of landowners across the GMID, the future supply arrangements will involve an upgraded outlet on the backbone or a connection to the backbone.

Delivering such a complex project is not without its challenges particularly given the many variables that need to be managed throughout the project, be they environmental considerations or on-farm design implications when in discussions with landowners. Since the integration of the Northern Victoria Irrigation Renewal Project into GMW in July 2012, there has been a change in approach in the management of the Connections Project, which has included the introduction of a more robust project governance framework and methodology, new systems and processes and a focus on total quality control.

Over the last twelve months, the Project team has focused on a number of initiatives to assist with the delivery of the project including:

- establishment of an Integrated Taskforce led by the Project Delivery Manager focused on the achievement of milestones and establishing the framework for future year targets.
- establishment of a Planning Office responsible for detailed end-to-end delivery planning and implementation, with a focus on delivery optimization / prioritization and management of project resources, including the development of Strategic Connection Landscape Plans.
- establishment of a Project Management Office to oversee the management of the programme Master Schedule, manage the program issues, risks, and change management processes.
- establishment of programme pipeline reporting to provide end-to-end status reporting.
- the implementation of a comprehensive Compulsory Reconfiguration process for landowners who fail to engage after extensive consultation.

- the proactive management of Legacy Projects (business cases) including targeted communication plans for impacted the customers.
- the re-engineering of processes to ensure lean processes to maximize efficiencies , including where possible the introduction of data being automatically populated enabling removal of double entry and manual inputs making information more timely
- the development of structured recruitment and training programs to ensure the project is adequately resourced with the appropriate skills and capabilities

With the change in management approach and program initiatives currently underway, GMW is confident that we will deliver the project.

The delivery of the Connections Project is fundamental to the delivery of GMW's 5 year strategy, and underpins GMW's commitment to '*partner with our customers*' and ensure that GMID customers have achieved the on-farm benefits of a modernised network.

### 7.3.2 Project Challenges and Risks

GMW is working to deliver the project to strict targets and timeframes, whilst undertaking social reengineering disciplines alongside farmers in helping them to modernise their businesses. Delivery of the Connections Project, is not without its challenges.

The risks and challenges of the Connections Project are formally reviewed on a fortnightly basis using PRINCE2 methodologies. Risk owners are required to report on progress against planned controls, with emphasis over the past Financial Year placed on those risks impacting 30 June milestones.

The following table identifies the current strategic risks for the Project:

Table 4 – GMW's Strategic Risks

Strategic Risk	Strategic Risks - Current Risk Rating				Operational Risks – Current Risk Rating			
	Extreme	Significant	Medium	Low	Extreme	Significant	Medium	Low
Failure to deliver GMW's Blueprint for change including the Connections Project (Due Date 30 June 2014)	1				2	9	1	0

The following table identifies the current operational risks:

Table 5 – GMW's Strategic Risks

Operational Risk Name	Risk Trend	Current Risk Rating	Planned Risk Rating
Failure to deliver Stage 2 Water Savings	↑	Significant	Medium
Failure to deliver (the Stage 1 and Stage 2) meters programs targets on budget	↑	Significant	Medium
Failure of Connections Project to deliver milestones to investors to ensure cashflow profile is a match to expenditure needs in the short and long term	↑	Significant	Medium
Failure to manage milestone reporting for Stage 1 and Stage 2	→	Significant	Medium
Failure to maintain aligned and integrated cost and schedule reporting throughout the delivery of the Connections Project	→	Significant	Medium

Failure to meet Occupational Health & Safety requirements in the delivery of connections works (on and off-farm)	→	Extreme	Extreme
Failure to optimise the Connections Program Communication processes which could lead to damaging GMW's reputation.	→	Medium	Medium
Failure to appropriately plan and implement the necessary steps and processes to support compulsory reconfiguration of landowners irrigation supply in agreed circumstances.	→	Significant	Medium
Failure of Controls to mitigate reputation threats resulting from Connections Project landholder meetings.	→	Significant	Medium
Failure to deliver key project milestones related to decommissioning and delivery shares	↑	Significant	Medium
Failure to appropriately engage and collaborate with other agencies and interdepartmental stakeholders resulting in duplication of activities, non alignment of objectives and outcomes	→	Significant	Medium
Failure to adequately resource the Connections team preventing the delivery of the project	→	Extreme	Significant

## 8 GMW's 5 Year Strategy

Since the development of the GMW Blueprint, and completion of two of the three key initiatives, GMW has developed a 5 year Corporate Strategy. , This strategy supersedes the Blueprint and places a heavy emphasis on customer satisfaction and cost reduction.

In 2012/13 GMW introduced three Fundamental Commitments into its business which set out its strategic priorities for the next 5 years. The Fundamental Commitments are:

1. partnering with our customers;
2. creating the opportunity to increase production in Northern Victoria over the next 20 years; and
3. being a high performing organisation.

Underpinning each of the Fundamental Commitments is a suite of Strategic Outcomes that we are committed to realise to ensure we fulfill our Fundamental Commitments. In addition we have identified a set of Conditions of Satisfaction, or rules of the game, that govern our business which are outlined at section 8.4.

A suite of initiatives that sit beneath the Strategic Outcomes have been identified for action in order to deliver key strategic outcomes for the business. Further details of the key initiatives for the business in the 2014/15 year are outlined in the sections that follow.

### 8.1 Partnering with our customers

GMW's first Fundamental Commitment is about '*partnering with our customers*'.

GMW is determined to be a customer focused organisation with a strong 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 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 and process refinement and service delivery.

In partnering with our Customers, GMW is seeking to listen to, understand and anticipate what is important to our customers. A key outcome that GMW is working towards over the 2014/15 year is to ensure that our customers agree that we deliver appropriate service levels for our wholesale and retail customers and that we are easy to deal with. A key deliverable supporting GMW's commitment to partnering with our customers is the delivery of the Connections Project.

Key initiatives that were delivered over the last planning period in support of this commitment include:

- development of a customer stakeholder and engagement plan supporting the Connections Project
- development of a customer engagement framework, including the implementation and rollout of a customer satisfaction survey
- expansion of frontline interface with customers in remote parts of regions through the implementation of the 'take the office to the customer' mobile office program.
- development of a reward and recognition programme for staff for exceptional customer service.

Key initiatives in 2014/15 include:

- continue the roll-out of the Connections Project to provide improved services to the GMID and a more efficient and automated channel network. This will include initiatives such as:
  - working towards meeting milestone targets at 30 June 2014;
  - working to ensure that all legacy issues are resolved so that non-Strategic Connection Plan projects have signed agreements and are actively being managed; and
  - Modernisation Coordinators continuing to meet with landowners to develop appropriate customer solutions.
- continue to reduce red-tape across the business to realise cost savings and provide a better customer experience. This will include initiatives such as:
  - continuing to review every fee, process and system in the business to identify cost savings to ultimately benefit customers; and
  - continuing work to understand the customer experience to understand and anticipate what is important to our customers and take action accordingly.

A key focus for GMW in partnering with our customers is ensuring our Water Services Committees are engaged and are active partners supporting our fundamental commitments. GMW's Water Services Committees are members of the irrigator community elected by customers to represent them. Our Water Services Committees provide frank and fearless advice to GMW on a range of issues including tariff, service delivery, strategy, customer engagement and asset management and maintenance

In 2014/15 GMW will continue to consult with our Water Services Committees on the implementation of the Connections Project, tariff strategy and the continued enhancement of our customer service strategy.

## **8.2 *Creating the opportunity to increase production in Northern Victoria over the next 20 years***

GMW's second Fundamental Commitment is about '*creating the opportunity to increase 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 are facing the sustained unfavorable pressure from the high Australian dollar plus relatively high labour 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.

Whilst GMW has no direct role to play in increasing food production, we believe we can make a worthwhile contribution to increasing agricultural production in Northern Victoria. Key to the success of this commitment is that GMW keeps prices low to provide farmers with the best opportunity to afford to increase their production. Since introducing GMW's business efficiency program - aimed at reducing costs for customers and cutting red tape - GMW has seen significant efficiencies throughout the business, including estimated savings of over \$500,000 to its customers through fee reductions and system improvements. Further efficiencies are still to be seen, with an estimated saving of \$2.5 million to customers over the next three years.

A key initiative over the 2013/14 year that GMW has delivered is the realisation of our commitment to deliver stable and predictable pricing to customers. Over the last planning period GMW has undertaken a substantial amount of work to deliver either price reductions or less than CPI price changes. The provision of a tariff framework which establishes a predictable price pathway enables our customers to make informed long term decisions about their business.

Further initiatives outlined for 2014/15 in support of creating the opportunity to increase production in Northern Victoria include:

- efficiently managing the delivery of water so that the cost per ML is within the national bottom quartile. Work currently underway includes:
  - reviewing practices across the business to identify areas where operational expenditure can be reduced so that \$20 million in operational expenditure may be saved over the next 5 years; and
  - determining any additional savings to be realised by the business in order for the cost of water to be in the national bottom quartile for each district.
- delivering 90% water efficiency to each district.
- the implementation of the new tariff system to encourage agricultural production, tariff simplicity, clarity, transparency and equity. This includes key activities such as:
  - engaging with diversion customers and regional Water Services Committees to seek feedback on implementation of the tariff strategy;
  - working with environmental water holders so they understand the new tariff strategy; and
  - working with regional urban water corporations so they understand the new tariff strategy.

### **8.3 A high performing organisation**

The final Fundamental Commitment for GMW's strategy is to be '*a high performing organisation*'.

The success of GMW's corporate strategy centers heavily on our customers and upon having the right staff with the right skills throughout the organisation to service our customers. In order to deliver on

our strategy, we must operate as a high-performing organisation with an embedded culture of leadership and accountability throughout the organisation.

Ensuring GMW has an ongoing depth and capability, opportunity and leadership throughout the organisation and that we have processes and systems in place that are a match for delivering core business functions are key to being a high performing organisation. In addition, GMW is also committed to being a highly respected and trusted organisation partnering with and in service of our local communities.

Over the 2013/14 planning period, GMW continued its focus on embedding a customer centric model across the business, and in doing so has invested heavily in its people. The development and roll out of leadership development programs such as the strategic leadership program for the Executive and Senior Managers, together with frontline leadership programs for Supervisors and Managers, has fundamentally transformed the leadership capabilities within the organisation. Supported by additional development programs such as mentoring programs, GMW has enhanced the leadership capability of the organisation.

Key Initiatives in 2014/15 to further support GMW's commitment to be a high performing organisation include:

- ensuring we have an ongoing depth of capability, opportunity and leadership throughout the organisation. This will include initiatives such as:
  - implementation of a skills based capability framework;
  - implementation of a reward and recognition program that is a match for the delivery of our fundamental commitments;
  - implementation of training and support in developing work plans that consider customer service as a part of performance;
  - development and implementation of succession planning processes, providing access to managers to developing succession talent pools; and
  - development and implementation of a corporate mentoring and coaching programs.
- being a highly respected and trusted organisation in our local communities including activities such as:
  - keeping customers and stakeholders top of mind as the priority, with high levels of service and low costs;
  - understanding and being responsive to customer needs; and
  - being an employer of choice.
- ensuring we have processes and systems that are a match for delivering our Fundamental Commitments. This will include initiatives such as:
  - implementing process improvements in parallel with delivering on our Information Communication & Technology (ICT) strategy;
  - implementation of our ICT architecture review;
  - maximising the development of lean processes across the organisation and reducing manual processing; and
  - implementation of process changes that will result in the realization of system efficiencies and cost savings.

## **8.4 Conditions of Satisfaction**

Underpinning GMW's Fundamental Commitments for the future, are a set of Conditions of Satisfaction, or rules of the game, that govern our business.

The Conditions of Satisfaction are the rules of the game that must be met and maintained in order to ensure we are meeting our compliance and statutory obligations to customers and stakeholders.

GMW's Conditions of Satisfaction are as follows:



- safety first is non-negotiable;
- we always operate consistent with our agreed practices/behaviours;
- we comply with our statement of obligations;
- water resources are managed to preserve entitlements and minimise environmental impacts;
- we maintain our dams and storages to meet industry safety standards;
- we have strong ethical governance;
- our decisions are informed to ensure we are financially sustainable;
- we meet our obligations to our investors, including their expectations for return; and
- we manage our risks.

## 9 Performance against our strategy

To complement our statement of financial performance, GMW has developed a number of corporate key performance indicators (KPIs) to track and monitor performance in the delivery of our strategy.

The corporate KPI's are detailed below:

*Table 9 – GMW's Corporate KPIs*

Fundamental Commitment/Condition of Satisfaction	Corporate KPI
Partnering with our customers	<ul style="list-style-type: none"> <li>• Customer satisfaction is at 85% or higher as per the annual Customer Satisfaction Survey</li> </ul>
Creating the opportunity to increase production in Northern Victoria over the next 20 years	<ul style="list-style-type: none"> <li>• Cost per ML of water is in the national bottom quartile</li> <li>• GMW achieves and maintains at least 90% water delivery efficiency</li> <li>• We have delivered the Connections Project by 30 June 2018</li> </ul>
A high performing organisation	<ul style="list-style-type: none"> <li>• Employee engagement staff survey results are in the top quartile by 2017</li> </ul>
Conditions of Satisfaction	<ul style="list-style-type: none"> <li>• GMW has complied with 100% of its statutory obligations.</li> <li>• A safe, secure and healthy working environment is maintained with a 25% decrease in GMW's top 5 occurring incidents year on year as per the Incident Reporting Information System (IRIS)</li> <li>• We will continuously reduce our organisational risk profile with a 10% reduction in Extreme rated strategic risks year on year as per the Periscope Risk Management System</li> <li>• We will continuously reduce our organisational risk profile with a 10% reduction in Extreme rated operational risks year on year as per the Periscope Risk Management System</li> </ul>

### 9.1 Efficiencies

Since introducing its business efficiency program - aimed at reducing costs for customers and cutting red tape - GMW has seen significant efficiencies realised throughout the business. These efficiencies include an estimated saving of over \$500,000 to its customers through fee reductions and system improvements.

The financial efficiencies that have been achieved to date from the initiatives outlined above have been incorporated in this Corporate Plan.

We anticipate further efficiencies to be realised from the initiatives identified over the planning period in the order of \$2.5 million over the next three years.

The efficiencies realised to date have come about due to GMW's commitment to reviewing every process, procedure and fee, to ensure that they provide a value to customers. GMW is working to rectify any processes, procedures or fees that do not provide reasonable value.

Some examples of the efficiencies implemented to date include:

- Title search cost changes - previous charge - \$53 dollars per title search – now \$30.
- License Transfer fee reduced from \$700 to \$182.
- integration of water forms into Connections Project legal agreements – removed the need for up to 20 forms.
- automated allocation trades - reduced cost from \$77.60 to \$41.10. Also reduced wait time from 5 working days to most applications being processed overnight.
- groundwater stock and domestic bore – 3-4 week application time now 7 days. Fee reduction \$953 - \$375.

The above efficiencies are in addition to those realised when GMW transformed its business in 2013, which included the removal of 60 positions, creating approximately \$6 million in operational efficiencies. These efficiencies will allow GMW to reinvest some of this money to drive further longer term productivity initiatives.

GMW has committed to removing \$20 million in operational expenditure over the planning period.



## 10 Financial Performance

### 10.1 Financial Overview

GMW's 2014-15 Corporate Plan is the second plan following the integration of the Connections Project into GMW effective 1 July 2012. As a result this Corporate Plan sets out the operations and financial information relating to the business as a whole and in two discrete segments, Water Storage and Delivery and the Connections Project, which is the delivery of the \$2 billion irrigation modernisation program.

As set out in this Corporate Plan, GMW is continuing to implement its strategic framework, which sets out the strategy for the Business over a period of 5 years ending in 2018-19. From a financial perspective this Corporate Plan incorporates financial efficiencies that have been achieved to date and are expected to crystallize from the implementation of this strategy. We note that as we develop further detail of specific initiatives around financial efficiencies both the initial investment and financial efficiencies likely to be achieved may change resulting in fluctuations to the financial information in future Corporate Plans.

#### a) Financial Efficiencies

GMW targeted in its Water Plan 3 \$6 million of financial efficiencies. As our strategy has been implemented and savings achieved GMW is now forecasting to achieve the Water Plan 3 savings, and further savings of up to \$6 million.

#### b) Financial Efficiencies flowing to our Customers

Financial efficiencies and savings crystallised to date have allowed GMW to propose to the Essential Services Commission, for the first time in recent history, price changes for our medium and large customers that will see them receive less than CPI price increases or even price reductions. These price changes are well below levels set out in GMW's approved Water Plan 3 Final Decision.

The extent of future price changes will be dependent on GMW continuing to achieve financial efficiencies and manage financial risk.

#### c) Financial Risk Management

Since our last Corporate Plan the following significant areas of financial change have been resolved or substantially managed. These include:

- the Final Decision on GMW's Water Plan 3 submission from the Essential Services Commission; and
- completion of GMW's organisational restructure.

In a number of areas GMW is still experiencing financial change due to:

- financial impacts of the *Murray Darling Basin Plan*;
- resolution of a 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; and

- ESC approval of GMW's 2014-15 Annual Price Review.

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

#### d) Structure of Financial Section

As set out above the financial information in this section is presented in this section to provide readers with financial information in three key areas:

- corporate financials (whole of GMW);
- Water Storage and Delivery financials<sup>1</sup> - Appendix A; and
- Connections Project financials<sup>2</sup> - Appendix B.

## 10.2 Financial Performance & Sustainability Management

The achievement of GMW's strategy including delivering improved pricing outcomes for our customers can only be undertaken whilst maintaining financial sustainability. Accordingly financial sustainability is a key focus of the Board and Management.

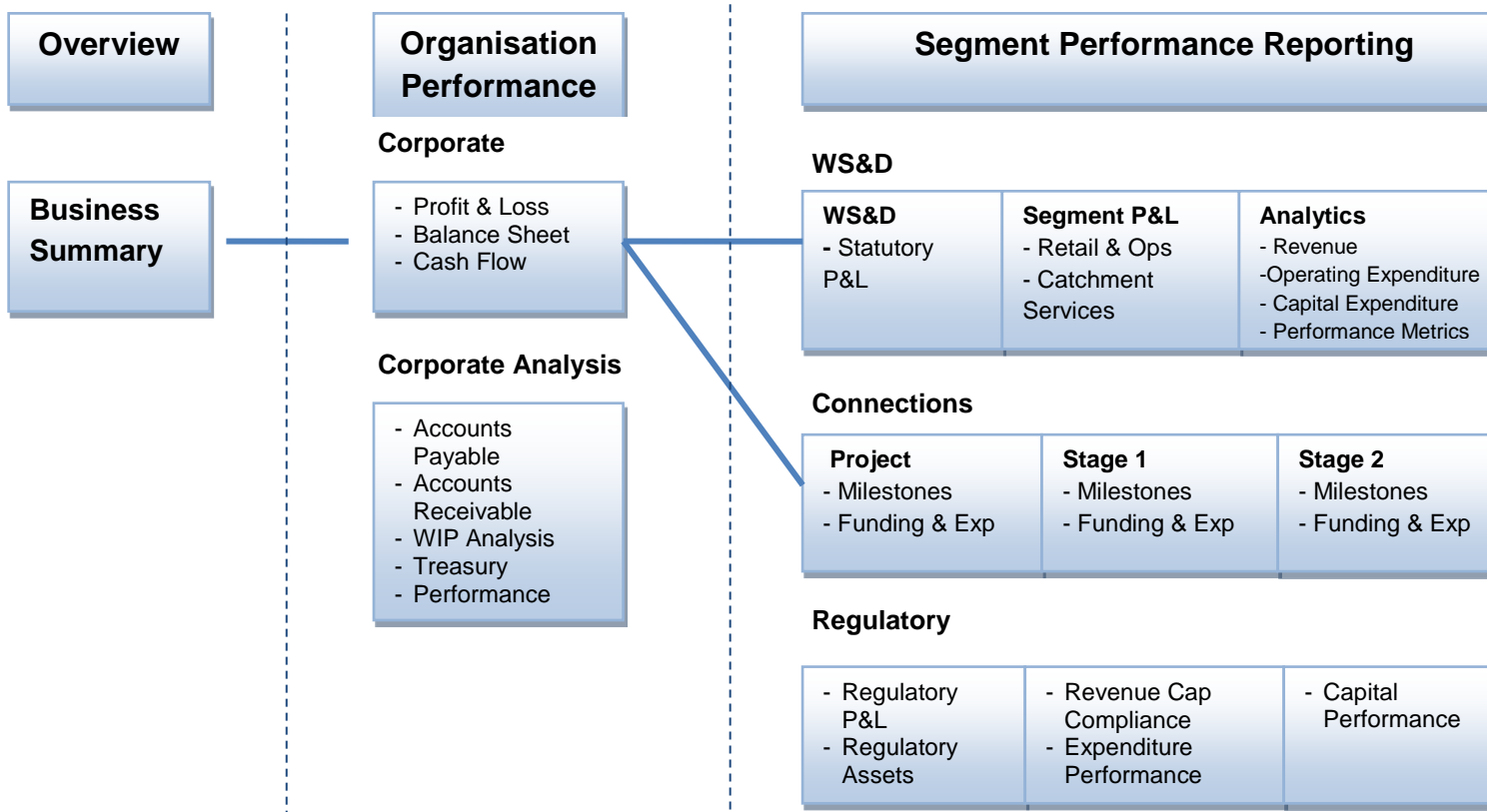
GMW's Financial Reporting Framework (Framework) continues to evolve with the changing nature of GMW's operations and continues to adopt a focus on presenting financial information and financial sustainability in a way that supports decision making by Board and Management.

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

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<sup>1</sup> 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)

<sup>2</sup> 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) Measuring Financial Sustainability

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 aspects of the Water Storage and Delivery Business compared with the Connections Project financial sustainability is assessed differently for each business component.

Financial Statements and performance commentary for Corporate, Water Storage & Delivery and Connections segments are provided in the 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.

### b) Water Storage & Delivery

The performance of this part of the business is assessed 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 business specific aspects of this part of the GMW business.

<b>Performance Measure</b> (Water Storage & Delivery business only)	<b>Target</b>	<b>Commentary</b>
EBITDA	Positive	Positive EBITDA indicates business operations are sustainable

<b>Performance Measure</b> (Water Storage & Delivery business only)	<b>Target</b>	<b>Commentary</b>
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.  (GMW 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  (GMW adjust this ratio to reflect equity contributions that are used to fund GMW'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.

<b>Financial Performance Indicators</b>	<b>Target</b>	<b>2013-14 Forecast</b>	<b>2014-15 Forecast</b>	<b>2015-16 forecast</b>	<b>2016-17 Forecast</b>	<b>2017-18 Forecast</b>	<b>2018-19 Forecast</b>
Earnings Before Interest Tax & Amortisation	Positive	19,352,470	14,919,960	14,782,590	16,202,760	17,519,490	18,157,390
Operating Cash Flows	Positive	23,901,960	20,728,274	16,309,908	17,864,340	16,891,295	15,768,743
Cash Interest Cover (Underlying)	> 1.5 x	4.3	3.8	3.0	3.2	2.6	2.3
Internal Financing Ratio	>= 40%	104%	60%	45%	35%	40%	40%
Regulatory Gearing Ratio	<= 60%	35%	38%	41%	49%	53%	57%

As set out above, metrics for the Corporate Plan period are within GMW's sustainable limits. In 2016-17 the Internal Financing Ratio moves to amber. This merely reflects the concentration of expenditure of several large projects during this financial year. This results in a temporary movement below the target for one year. GMW will monitor these ratios into the future and take any corrective action as appropriate.

### c) 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:

<b>Component</b>	<b>Evaluation</b>
Achievement of 2012-13 Contractual Milestones	GMW achieved 2012-13 milestones by December 2013. Sufficient funding was made available by investors for project operations.

<b>Component</b>	<b>Evaluation</b>
Achievement of 2013-14 Milestones	The Project is currently assessing milestone delivery for 2013-14. It is expected that the key milestone around delivery of water savings for 2013-14 will be achieved.
Achievement of Annual Milestones	GMW's Whole of Project forecast achieves annual milestones as set out in the Connections Implementation Plan 2 (CIP2). A recent reforecast in December 2013 by the Connections team 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 is undertaken on an annual basis, and will continue until the completion of the Project.

#### d) Financial Sensitivity Analysis

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

- Water Storage and Delivery; and
- Connections Project.

##### (i) Water Storage & Delivery

Financial sensitivity analysis in respect of the Water Storage and Delivery business was undertaken as follows:

- 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); and
- 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 within targeted levels in terms of maintaining positive EBITDA, Operating Cash Flows and 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 place significant pressure on achieving the cash interest cover metric and internal financing ratio. This reflects the reduction in free cash flows for the business and the cumulative impact over the corporate plan period.

##### (ii) Connections Project

The Connections Project is funded externally by the State and Federal Governments. 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 2014-15 the Connections Project is exposed to cash flow variability due to the nature of the project. This largely arises from timing differences between 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 results in variability of cash flows against forecasts.

As GMW is required to borrow to manage cash flow volatility outside of funding provided and without an intra-year contingency allowance, there is exposure 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 therefore does not provide for flexibility of cash management across the whole of GMW.

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

- 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; and
- regular liaison with our Shareholder Minister's department and the Department of Treasury and Finance on project status and corresponding funding requirements.

## e) Material Changes from the 2013-14 Corporate Plan

Changes in Water Storage and Delivery are largely positive from a financial perspective and reflect implementation of strategic initiatives which have had the impact of improving financial performance over the plan period.

As set out above the Connections Project completed a reforecast in December 2013. This reforecast is known as the Connections Implementation Plan 2 ("CIP2"). This reforecast:

- confirmed the Project can be delivered within current total and annual funding limits;
- acknowledged many things that can put this at risk over the next 5 years but with them being actively managed including Escalation, connections costs, project planning and support costs, meter installation costs, back bone extensions, internal resourcing, and special projects; and
- moved the timing of delivery of all milestones compared with contractual targets to better reflect "pragmatic delivery". For example, GMW could not deliver Delivery Shares in 17/18 and also achieve meters installed and channel decommissioning given the realistic timeframes to deal with landholders and construct infrastructure.

This reforecast had a material impact on the phasing of expenditure and therefore has significantly impacted on the financial statements year on year, however, over the period of the Connections Project the impact is largely neutral.

### (i) 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 2.3% or \$6.1m more than last year's Corporate Plan. There is some variability year on year over the comparative years largely reflecting changes in Connections Project phasing and revenue and expenditure recognition.

### (ii) Operating Cash Flows

The generation of operating cash flows for GMW over the plan period increases by around 15% from last year's Corporate Plan. Over the period operating cash flows are forecast to increase compared to last year due to improved GMW cash flows from savings forecast to be achieved through strategy implementation and variability in the comparative years' Connections Project funding and expenditure profiles.

From a Water Storage and Delivery perspective operational cash flows remain positive over the Corporate Plan period supporting the financial sustainability of the business.

### (iii) Balance Sheet

#### Assets

Inventories of metering assets in the Connections Project were included in the Capital Work in Progress category in GMW's previous Corporate Plan. These assets have reclassified as inventory.

GMW's cash balances are higher compared to the previous Corporate Plan, reflecting the better than forecast results for the 2012-13 and 2013-14 years along with the funding and expenditure profiles of the Connections Project being better aligned under CIP2.

#### Liabilities

Short term borrowings differences from the previous Corporate Plan reflect borrowings to temporarily manage the timing of funding and expenditure for the Connections Project, with total borrowings increases reflecting part funding of the capital program and temporary cash flow funding of the Connections Project.

### (iv) Capital Expenditure

The summary of capital expenditure spend 2014-15 vs 2013-14 Corporate Plan shows that major variations arise from the Connections Project capital expenditure timing.

Consolidated						
Actual figures from Corporate Plans	2013/14 \$'000s	2014/15 \$'000s	2015/16 \$'000s	2016/17 \$'000s	2017/18 \$'000s	Total \$'000s
2014/15 Corporate Plan	110,641	115,983	135,901	130,995	95,142	588,662
2013/14 Corporate Plan **	117,248	125,036	100,861	115,823	79,407	538,375
Variance	(6,607)	(9,053)	35,040	15,172	15,735	50,287

\*\* - Updated capital expenditure for the Connections Project based on Connections Implementation Plan (CIP2)

#### Capital Expenditure – WS&D

Water Storage & Delivery						
Actual figures from Corporate Plans	2013/14 \$'000s	2014/15 \$'000s	2015/16 \$'000s	2016/17 \$'000s	2017/18 \$'000s	Total \$'000s
2014/15 Corporate Plan	22,913	34,384	36,257	50,675	42,141	186,369
2013/14 Corporate Plan	34,102	46,052	35,636	42,777	38,441	197,008
Variance	(11,189)	(11,668)	621	7,898	3,700	(10,639)

These changes largely reflect the re-phasing of capital expenditure across Water Plan 3 and Water Plan 4.

#### Capital Expenditure – Connections Project

Connections Project						
Actual figures from Corporate Plans	2013/14 \$'000s	2014/15 \$'000s	2015/16 \$'000s	2016/17 \$'000s	2017/18 \$'000s	Total \$'000s
2014/15 Corporate Plan	87,729	81,599	99,644	80,320	53,001	402,293
2013/14 Corporate Plan **	83,146	78,984	65,225	73,046	40,966	341,367
Variance	4,583	2,615	34,419	7,274	12,035	60,926

\*\* - Updated capital expenditure for the Connections Project based on Connections Implementation Plan (CIP2)

The material increase in capital expenditure over comparative Corporate Plans reflects a change in the mix of capital and output expenditure in the Connections Project under CIP2.

## 10.3 Corporate Reporting

The financial statements presented in this Corporate Plan cover the period from financial year 2014-15 to 2018-19. 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:

- GMW's Water Plan 3 submission inflation rate of 2.5% has been applied to Water Storage & Delivery operating costs as per the Victorian State Government 2013-14 Budget Overview as referenced in the Corporate Plan Guidelines;
- regulated revenue is derived in 2014-15 based on CPI of 2.25% (which is an estimate of the level of CPI applied under ESC rules) and 2.5% for the rest of the Plan period;
- the Connections Project expenditure over the Corporate Plan period is based on annual escalation of 2.5%, as per the Victorian Water Industry Budget Paper No. 2 – Strategy and Outlook;
- 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 6.7% 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; and
- 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 the 2014-15 year, thereafter labour increase assumed at a rate of CPI of 2.5% for the Corporate Plan period.



## b) Statement of Financial Performance

<b>Goulburn-Murray Water</b>						
<b>Consolidated Statement of Financial Performance</b>						
Recurrent Activity	2013/14 Revised \$'000s	2014/15 Budget \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s
<b>Revenue from operating activities</b>						
Retail	111,253	109,898	112,595	115,410	118,295	121,252
Bulk Water	9,988	13,001	13,599	13,939	14,288	14,645
Government Grants	4,823	1,367	1,111	594	498	511
Government services contract	1,364	775	791	811	831	852
Connections Project	126,904	221,087	257,209	155,894	55,918	-
MDBA Contract	22,459	15,040	17,096	17,361	18,073	18,786
Other Revenue	9,964	10,027	9,275	9,381	9,708	9,689
<b>Total Revenues</b>	<b>286,755</b>	<b>371,195</b>	<b>411,676</b>	<b>313,389</b>	<b>217,611</b>	<b>165,735</b>
<b>Expenses from operating activities</b>						
Operations	47,163	51,771	53,796	54,580	55,427	56,307
Maintenance	31,883	32,687	32,611	32,133	32,946	33,779
Management & Administration	24,698	23,697	24,577	25,776	26,406	27,081
Government Grants	2,669	1,232	967	540	442	452
Government Services Contract	1,001	716	730	747	765	785
MDBA Contract	21,202	13,930	15,837	16,299	16,983	17,397
Connections Project	123,716	216,577	254,568	155,169	51,009	-
Environmental Contributions	1,686	1,686	1,686	1,686	1,686	1,686
Asset Disposals	10,725	10,010	10,010	10,091	10,091	10,091
<b>Total Expenses</b>	<b>264,744</b>	<b>352,307</b>	<b>394,783</b>	<b>297,021</b>	<b>195,755</b>	<b>147,578</b>
<b>EBITDA</b>	<b>22,011</b>	<b>18,889</b>	<b>16,893</b>	<b>16,368</b>	<b>21,856</b>	<b>18,157</b>
Statutory Depreciation	73,654	79,232	83,223	87,190	102,240	88,662
Interest	8,981	8,818	9,007	10,102	12,391	12,380
<b>NET PROFIT (LOSS) Before Tax</b>	<b>(60,624)</b>	<b>(69,161)</b>	<b>(75,337)</b>	<b>(80,924)</b>	<b>(92,775)</b>	<b>(82,885)</b>
Tax (Expense)/Benefit	18,187	20,748	22,601	24,277	27,832	24,865
<b>PROFIT (LOSS) After Tax</b>	<b>(42,437)</b>	<b>(48,413)</b>	<b>(52,736)</b>	<b>(56,647)</b>	<b>(64,942)</b>	<b>(58,019)</b>
Retained Profit (Loss) carried forward	(26,301)	(68,738)	(117,150)	(169,886)	(226,533)	(291,476)
<b>Closing Retained Profit (Loss)</b>	<b>(68,738)</b>	<b>(117,150)</b>	<b>(169,886)</b>	<b>(226,533)</b>	<b>(291,476)</b>	<b>(349,495)</b>

### Revenue Highlights

- Variable charges for 2013-14 include spillable water revenue of \$1.0m. Conservatively this has not been budgeted in future years of the Corporate Plan.
- Fixed and variable revenue is based on proposed prices in 2014-15 and 2015-16 from our Annual Price Review for 2014-15. Revenue is assumed to increase by inflation thereafter to the end of the period.
- Connections Project revenue is based on forecast project expenditure and percentage of completion analysis and assumed contractual project milestones delivery on time per the Connections Implementation Plan 2 (CIP2).
- MDBA revenue has decreased over 2013-14 as a result of completed major works. 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, and is included as part of Other Revenue.

## Expenditure Highlights

- Over the period GMW's operational, maintenance and management and administration expenditure shows savings of around \$12.7m compared to the previous Corporate Plan. This is largely due to savings from the strategy implementation initiatives.
- MDBA reduced expenditure is consistent with the works plan and is aligned to the revenue assumptions.
- The Connections Project expenditure is based on delivering contractual milestones as set out in the Connections Implementation Plan 2 (CIP2).
- Interest expense is based on forecast borrowings with a weighted average interest rate of 6.7%
- Depreciation and amortisation have been calculated based on the fair valuation of Non Current Assets which was performed at 30 June 2011 adjusted for asset disposals, additions and depreciation.

c) Statement of Financial Position

<b>Goulburn-Murray Water</b>						
<b>Consolidated Statement of Financial Position</b>						
	2013/14 Revised \$'000s	2014/15 Budget \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s
<b>Current Assets</b>						
Cash	104,307	73,362	43,650	41,694	1,000	1,000
Accounts Receivable	38,445	38,043	51,083	39,142	23,649	23,649
Inventories	41,573	28,934	23,016	17,029	2,867	2,867
<b>Total current assets</b>	<b>184,326</b>	<b>140,338</b>	<b>117,749</b>	<b>97,865</b>	<b>27,515</b>	<b>27,515</b>
<b>Non Current Assets</b>						
Infrastructure Assets	4,074,887	4,112,157	4,660,288	4,698,372	4,697,371	4,641,500
Property, Plant and Equipment	86,521	85,874	85,288	89,261	87,107	86,280
Intangibles	14,028	16,670	16,332	16,031	4,247	2,049
<b>Total non-current assets</b>	<b>4,175,436</b>	<b>4,214,700</b>	<b>4,761,908</b>	<b>4,803,664</b>	<b>4,788,725</b>	<b>4,729,829</b>
<b>TOTAL ASSETS</b>	<b>4,359,762</b>	<b>4,355,039</b>	<b>4,879,657</b>	<b>4,901,529</b>	<b>4,816,240</b>	<b>4,757,345</b>
<b>Current Liabilities</b>						
Creditors & Accruals	52,234	51,517	50,783	50,022	33,930	33,153
Borrowings	1,501	24,501	61,501	33,501	1,501	1,501
Employee Entitlements	16,925	17,557	18,212	18,891	18,855	19,556
Unearned Revenue	19,283	9,563	-	22,966	-	-
<b>Total current liabilities</b>	<b>89,943</b>	<b>103,137</b>	<b>130,495</b>	<b>125,379</b>	<b>54,285</b>	<b>54,210</b>
<b>Non Current Liabilities</b>						
Borrowings	137,950	110,855	107,493	150,204	175,353	199,341
Employee Entitlements	2,025	2,101	2,180	2,262	2,026	2,101
Deferred Tax Liability	449,070	428,322	555,721	532,944	505,111	480,246
<b>Total non-current liabilities</b>	<b>589,045</b>	<b>541,278</b>	<b>665,394</b>	<b>685,409</b>	<b>682,490</b>	<b>681,689</b>
<b>TOTAL LIABILITIES</b>	<b>678,988</b>	<b>644,415</b>	<b>795,889</b>	<b>810,788</b>	<b>736,775</b>	<b>735,899</b>
<b>NET ASSETS</b>	<b>3,680,774</b>	<b>3,710,624</b>	<b>4,083,768</b>	<b>4,090,741</b>	<b>4,079,465</b>	<b>4,021,446</b>
<b>EQUITY</b>						
Contributed Capital	2,530,497	2,608,760	2,684,639	2,744,760	2,798,426	2,798,426
Asset Revaluation Reserve	1,219,016	1,219,016	1,569,016	1,572,516	1,572,516	1,572,516
Accumulated Surplus / (Deficit)	(68,739)	(117,152)	(169,888)	(226,535)	(291,478)	(349,497)
<b>TOTAL EQUITY</b>	<b>3,680,774</b>	<b>3,710,624</b>	<b>4,083,768</b>	<b>4,090,741</b>	<b>4,079,465</b>	<b>4,021,446</b>

**Key Balance Sheet Highlights**

- Revaluation of infrastructure assets is assumed in 2015/16.
- Short term borrowings fluctuations from 2014/15 to 2016/17 reflect the bridging finance required to temporarily manage funding and expenditure for the Connections Project and is short term in nature. Underlying short term borrowings relate 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 and arise mainly due to differences between accounting and taxation depreciation charges. The revaluation assumed in 2015/16 is expected to result in a revaluation gain which will increase the deferred tax liability balance.

#### d) Statement of Cash Flows

<b>Goulburn-Murray Water</b>						
<b>Consolidated Statement of Cashflows</b>						
	2013/14 Revised \$'000s	2014/15 Budget \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s
<b>CASH FLOWS FROM OPERATIONS</b>						
<b>Receipts</b>						
Fixed and Variable charges	116,887	115,142	113,199	116,029	118,930	121,903
Government Contributions/Grants	161,448	206,476	235,548	191,882	49,479	1,362
GST Received From ATO	9,340	9,716	10,321	11,573	11,059	10,250
Other Income	48,694	43,400	44,292	44,390	45,862	45,128
<b>Total Cash Receipts from Operations</b>	<b>336,369</b>	<b>374,735</b>	<b>403,360</b>	<b>363,873</b>	<b>225,330</b>	<b>178,644</b>
<b>Payments</b>						
Payments to suppliers and employees	(254,891)	(350,327)	(393,408)	(296,817)	(201,405)	(146,051)
Interest and other costs of finance paid	(8,981)	(8,818)	(9,007)	(10,102)	(12,391)	(12,380)
GST Paid to ATO	(3,908)	(3,901)	(4,066)	(4,105)	(4,232)	(2,758)
Environmental Contributions	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)
<b>Total Cash Payments for Operations</b>	<b>(269,466)</b>	<b>(364,732)</b>	<b>(408,167)</b>	<b>(312,710)</b>	<b>(219,715)</b>	<b>(162,875)</b>
<b>Net Cash Inflow (Outflow) from Operating Activities:</b>	<b>66,902</b>	<b>10,003</b>	<b>(4,806)</b>	<b>51,164</b>	<b>5,615</b>	<b>15,769</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Payments for Infrastructure Assets	(102,350)	(108,867)	(130,407)	(125,402)	(89,322)	(36,473)
Payments for Property, Plant & Equipment	(4,143)	(4,360)	(4,733)	(4,636)	(3,790)	(3,167)
Payments for Intangible Assets	(4,162)	(2,755)	(761)	(956)	(2,029)	(217)
Proceeds from Sale of Assets	909	750	100	100	100	100
<b>Net Cash Inflow (Outflow) for Investing Activities:</b>	<b>(109,746)</b>	<b>(115,233)</b>	<b>(135,801)</b>	<b>(130,895)</b>	<b>(95,041)</b>	<b>(39,757)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from Borrowings	-	-	40,333	44,512	27,064	26,024
Capital Contributions from Victorian Government	81,807	78,379	77,258	63,065	65,114	-
Capital Contributions to Victorian Government	(400)	-	-	-	-	-
Repayment of Borrowings	(1,501)	(4,095)	(6,695)	(29,802)	(43,447)	(2,035)
<b>Net Cash Inflow (Outflow) from Financing Activities:</b>	<b>79,906</b>	<b>74,284</b>	<b>110,896</b>	<b>77,775</b>	<b>48,731</b>	<b>23,989</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>37,063</b>	<b>(30,946)</b>	<b>(29,711)</b>	<b>(1,956)</b>	<b>(40,695)</b>	<b>-</b>
Opening Cash Balance	67,236	104,307	73,362	43,650	41,694	1,000
Closing Cash Balance	104,307	73,362	43,650	41,694	999	1,000

#### Key Cash Flow Highlights

- Variability in Operating Cash Flows reflect the contractual timing of cash funding of the Connections Project and Project 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 Water Storage & Delivery 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 \$628m of which \$402m 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 the asset management policy and procedures for particular asset types and classes (eg: channels/drains/fences)
- Consultation with relevant subject matter experts.
- Review of Connections Project works programs and targets to avoid duplicated effort and to remove works from the GMW program such as:
  - No work on non-backbone channels.
  - No work on regulators.
  - No work on channels targeted for plastic lining.

#### **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 the Statement of Obligations is met.

#### **3. Risk Review**

- All projects are subject to GMW 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

GMW's Water Plan 3 capital submission was approved by the ESC as part of its Final Decision for the regulatory period ending 30 June 2016. Within the regulatory period the Board approves the annual capital plan and longer term capital plan as part of the annual budget cycle. 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.

<b>Goulburn- Murray Water</b>							
<b>Consolidated Capital Expenditure Forecast</b>							
<b>2013/14 to 2018/19</b>							
<b>Nominal dollars</b>							
	Project Total \$'000s	Revised 2013/14 \$'000s	Forecast 2014/15 \$'000s	Forecast 2015/16 \$'000s	Forecast 2016/17 \$'000s	Forecast 2017/18 \$'000s	Forecast 2018/19 \$'000s
<b>Wholesale (Water Storage &amp; Delivery)</b>							
Newlyn - Dam Improvement Embankment Works	7,060	-	-	-	7,060	-	-
Tullaroop - Dam Improvement Embankment Works	8,886	100	513	5,253	3,021	-	-
Buffalo - Dam Improvement Embankment Works	16,381	-	-	-	1,618	9,046	5,718
Mildura Merbein Salt Interception Works*	302	302	-	-	-	-	-
Projects Less than \$5M	45,906	2,644	9,080	5,949	10,813	9,053	8,368
<b>Total Wholesale (Water Storage &amp; Delivery)</b>	<b>78,536</b>	<b>3,046</b>	<b>9,593</b>	<b>11,202</b>	<b>22,511</b>	<b>18,098</b>	<b>14,085</b>
<b>Retail (Water Storage &amp; Delivery)</b>							
Central Goulburn Channels 1-4*	2,000	2,000	-	-	-	-	-
Projects Less than \$5M	145,691	17,867	24,791	25,055	28,164	24,042	25,772
<b>Total Retail (Water Storage &amp; Delivery)</b>	<b>147,691</b>	<b>19,867</b>	<b>24,791</b>	<b>25,055</b>	<b>28,164</b>	<b>24,042</b>	<b>25,772</b>
<b>Total Water Storage &amp; Delivery</b>	<b>226,227</b>	<b>22,913</b>	<b>34,384</b>	<b>36,257</b>	<b>50,675</b>	<b>42,141</b>	<b>39,857</b>
<b>Connections Project*</b>	<b>402,293</b>	<b>87,729</b>	<b>81,599</b>	<b>99,644</b>	<b>80,320</b>	<b>53,001</b>	<b>-</b>
<b>Total G-MW</b>	<b>628,519</b>	<b>110,641</b>	<b>115,983</b>	<b>135,901</b>	<b>130,995</b>	<b>95,142</b>	<b>39,857</b>

\* Projects incurring expenditure in prior financial years with project totals above \$5m

In relation to 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.

### Major Projects – Water Storage & Delivery

#### **Lake Buffalo – Dam Spillway Works**

**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

#### ***Tullaroop Reservoir – Dam Improvement Embankment Works***

**Driver:** Dam Safety

**Outcomes:** Reduced risk

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

**Cost:** \$8.9m

Since the flood events of 2011-12 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.

#### ***Newlyn Reservoir – Dam Improvement Embankment Works***

**Driver:** Dam Safety

**Outcomes:** Reduced risk

**Date:** Planned for 2016-17 dependent on water levels in dam

**Cost:** \$7.1m

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

#### ***Lake Eppalock – Secondary Embankment Filters***

**Driver:** Dam Safety

**Outcomes:** Reduced risk

**Date:** Planned for 2018-19 dependent on water levels in dam

**Cost:** \$3.4m

This project will strengthen the spillway and install embankment filters at Lake Eppalock

#### ***Other Capital Expenditure***

Capital expenditure over the planning period will see a continued commitment to programs that complement 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 Whole of Life Costs

**Date:** Ongoing

**Cost:** \$23.0m (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:** \$11.2m (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:** \$5.6m (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 – Road Culvert Replacement***

**Driver:** Renewal of existing  
**Outcomes:** Replacement of existing structures  
**Date:** Ongoing  
**Cost:** \$5.1m (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.

#### ***Backbone - Channel Refurbishment - Rock Armouring***

**Driver:** Reduce maintenance costs  
**Outcomes:** Reduce long term costs  
**Date:** Ongoing  
**Cost:** \$4.8m (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 – Subway Replacement***

**Driver:** Renewal of existing  
**Outcomes:** Replacement of existing structures  
**Date:** Ongoing  
**Cost:** \$1.9m (program cost over Plan period)

As part of the irrigation network there are a substantial number of subways 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.



## f) Funding Requirements

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

	2013/14 (\$m)	2014/15 (\$m)	2015/16 (\$m)	2016/17 (\$m)	2017/18 (\$m)	2018/19 (\$m)
<b>Water Storage &amp; Delivery</b>	121.45	117.36	118.99	151.70	176.85	200.84
<b>Connections Project</b>	18.00	18.00	50.00	32.00	-	-
<b>Total</b>	<b>139.45</b>	<b>135.36</b>	<b>168.99</b>	<b>183.70</b>	<b>176.85</b>	<b>200.84</b>

GMW's debt levels over the Corporate Plan period have decreased compared with the previous Corporate Plan reflecting:

- Strong operational performance by Water Storage & Delivery including delivery of cost savings.
- Rephasing of funding and expenditure for the Connections Project which results in better alignment of funding requirements.

GMW's debt level reflects:

- "Bridging" funding requirements to manage cash flow timing for the Connections Project.
- Increasing Water Storage & Delivery debt consistent with the regulatory environment under which GMW operates which 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

<b>Goulburn-Murray Water Consolidated Financial Performance Ratios</b>						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cash Interest Cover	14.27	2.86	0.38	6.25	1.47	2.28
Net Operating cash flows before net interest and tax / net interest payments						
Gearing Ratio (debt to assets)	3.2%	3.1%	3.5%	3.7%	3.7%	4.2%
Total Debt (including finance leases) / Total Assets						
Internal Financing Ratio	60.5%	8.6%	-3.5%	39.1%	5.9%	39.6%
Net operating cash flow less dividends/ net capital expenditure						
Current ratio	260.9%	150.0%	90.2%	95.6%	50.7%	50.8%
Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)						
Return on Assets (statutory)	-1.3%	-1.5%	-1.5%	-1.5%	-1.7%	-1.5%
Earnings Before net Interest and Tax/Average Assets						
Return On Equity	-1.2%	-1.3%	-1.4%	-1.4%	-1.6%	-1.4%
Net Profit After Tax / Average Total Equity						
EBITDA Margin	7.7%	5.1%	4.1%	5.2%	10.0%	11.0%
Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue						

Appendix A – Water Storage & Delivery  
A.1 Financial Statements

<b>Water Storage &amp; Delivery</b>						
<b>Statement of Financial Performance</b>						
<b>Recurrent Activity</b>	<b>2013/14 Revised \$'000s</b>	<b>2014/15 Budget \$'000s</b>	<b>2015/16 Forecast \$'000s</b>	<b>2016/17 Forecast \$'000s</b>	<b>2017/18 Forecast \$'000s</b>	<b>2018/19 Forecast \$'000s</b>
<b>Revenue from operating activities</b>						
Retail	111,253	109,898	112,595	115,410	118,295	121,252
Bulk Water	9,988	13,001	13,599	13,939	14,288	14,645
Government Grants	4,823	1,367	1,111	594	498	511
Government services contract	1,364	775	791	811	831	852
Connections Project	15,032	15,141	14,708	15,075	15,453	-
MDBA Contract	22,459	15,040	17,096	17,361	18,073	18,786
Other Revenue	9,964	10,027	9,275	9,381	9,708	9,689
<b>Total Revenues</b>	<b>174,883</b>	<b>165,249</b>	<b>169,174</b>	<b>172,571</b>	<b>177,145</b>	<b>165,735</b>
<b>Expenses from operating activities</b>						
Operations	47,163	51,771	53,796	54,580	55,427	56,307
Maintenance	31,883	32,687	32,611	32,133	32,946	33,779
Management & Administration	24,698	23,697	24,577	25,776	26,406	27,081
Government Grants	2,669	1,232	967	540	442	452
Government Services Contract	1,001	716	730	747	765	785
MDBA Contract	21,202	13,930	15,837	16,299	16,983	17,397
Connections Project	14,503	14,600	14,177	14,516	14,879	-
Environmental Contributions	1,686	1,686	1,686	1,686	1,686	1,686
Asset Disposals	10,725	10,010	10,010	10,091	10,091	10,091
<b>Total Expenses</b>	<b>155,531</b>	<b>150,329</b>	<b>154,392</b>	<b>156,368</b>	<b>159,626</b>	<b>147,578</b>
<b>EBITDA</b>	<b>19,352</b>	<b>14,920</b>	<b>14,783</b>	<b>16,203</b>	<b>17,519</b>	<b>18,157</b>
Statutory Depreciation	72,500	77,687	81,302	84,755	87,436	88,662
Interest	8,189	8,026	8,215	8,330	10,619	12,380
<b>NET PROFIT (LOSS) Before Tax</b>	<b>(61,337)</b>	<b>(70,793)</b>	<b>(74,735)</b>	<b>(76,882)</b>	<b>(80,535)</b>	<b>(82,885)</b>
Tax (Expense)/Benefit	18,401	21,238	22,420	23,065	24,161	24,865
<b>PROFIT (LOSS) After Tax</b>	<b>(42,936)</b>	<b>(49,555)</b>	<b>(52,314)</b>	<b>(53,817)</b>	<b>(56,375)</b>	<b>(58,019)</b>
Retained Profit (Loss) carried forward	(19,597)	(62,533)	(112,088)	(164,402)	(218,220)	(274,595)
<b>Closing Retained Profit (Loss)</b>	<b>(62,533)</b>	<b>(112,088)</b>	<b>(164,402)</b>	<b>(218,220)</b>	<b>(274,595)</b>	<b>(332,614)</b>

<b>Water Storage &amp; Delivery</b>						
<b>Statement of Financial Position</b>						
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Revised</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Current Assets</b>						
Cash	36,210	19,209	1,000	1,000	1,000	1,000
Accounts Receivable	28,055	23,481	23,649	23,649	23,649	23,649
Inventories	2,867	2,867	2,867	2,867	2,867	2,867
<b>Total current assets</b>	<b>67,132</b>	<b>45,556</b>	<b>27,515</b>	<b>27,515</b>	<b>27,515</b>	<b>27,515</b>
<b>Non Current Assets</b>						
Infrastructure Assets	4,006,979	4,036,986	4,592,141	4,653,621	4,697,372	4,641,500
Property, Plant and Equipment	85,076	84,177	83,767	88,360	87,107	86,280
Intangibles	7,410	7,746	6,092	4,633	4,247	2,049
<b>Total non-current assets</b>	<b>4,099,465</b>	<b>4,128,909</b>	<b>4,682,000</b>	<b>4,746,614</b>	<b>4,788,725</b>	<b>4,729,829</b>
<b>TOTAL ASSETS</b>	<b>4,166,597</b>	<b>4,174,465</b>	<b>4,709,515</b>	<b>4,774,129</b>	<b>4,816,240</b>	<b>4,757,345</b>
<b>Current Liabilities</b>						
Creditors & Accruals	36,768	36,097	35,401	34,679	33,930	33,153
Borrowings	1,501	6,501	11,501	1,501	1,501	1,501
Employee Entitlements	16,292	16,898	17,527	18,179	18,855	19,556
Unearned Revenue	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>54,561</b>	<b>59,496</b>	<b>64,428</b>	<b>54,358</b>	<b>54,286</b>	<b>54,210</b>
<b>Non Current Liabilities</b>						
Borrowings	119,950	110,855	107,493	150,204	175,353	199,341
Employee Entitlements	1,751	1,816	1,883	1,953	2,026	2,101
Deferred Tax Liability	452,057	430,819	558,399	536,834	512,673	487,808
<b>Total non-current liabilities</b>	<b>573,757</b>	<b>543,490</b>	<b>667,775</b>	<b>688,991</b>	<b>690,052</b>	<b>689,251</b>
	572,251					
<b>TOTAL LIABILITIES</b>	<b>628,318</b>	<b>602,986</b>	<b>732,203</b>	<b>743,349</b>	<b>744,338</b>	<b>743,461</b>
<b>NET ASSETS</b>	<b>3,538,278</b>	<b>3,571,480</b>	<b>3,977,312</b>	<b>4,030,780</b>	<b>4,071,903</b>	<b>4,013,883</b>
<b>EQUITY</b>						
Contributed Capital	2,381,796	2,464,553	2,572,699	2,676,484	2,773,982	2,773,982
Asset Revaluation Reserve	1,219,016	1,219,016	1,569,016	1,572,516	1,572,516	1,572,516
Accumulated Surplus / (Deficit)	(62,534)	(112,089)	(164,403)	(218,221)	(274,596)	(332,615)
<b>TOTAL EQUITY</b>	<b>3,538,278</b>	<b>3,571,480</b>	<b>3,977,312</b>	<b>4,030,780</b>	<b>4,071,903</b>	<b>4,013,883</b>

<b>Water Storage &amp; Delivery</b>						
<b>Statement of Cashflows</b>						
	2013/14 Revised \$'000s	2014/15 Budget \$'000s	2015/16 Forecast \$'000s	2016/17 Forecast \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s
<b>CASH FLOWS FROM OPERATIONS</b>						
<b>Receipts</b>						
Fixed and Variable charges	116,887	115,142	113,199	116,029	118,930	121,903
Government Contributions/Grants	19,081	17,202	16,442	16,480	16,782	1,362
GST Received From ATO	9,340	9,716	10,321	11,573	11,059	10,250
Other Income	44,735	40,631	43,332	44,067	45,566	45,128
<b>Total Cash Receipts from Operations</b>	<b>190,043</b>	<b>182,692</b>	<b>183,294</b>	<b>188,149</b>	<b>192,337</b>	<b>178,644</b>
<b>Payments</b>						
Payments to suppliers and employees	(152,358)	(148,350)	(153,017)	(156,164)	(158,908)	(146,051)
Interest and other costs of finance paid	(8,189)	(8,026)	(8,215)	(8,330)	(10,619)	(12,380)
GST Paid to ATO	(3,908)	(3,901)	(4,066)	(4,105)	(4,232)	(2,758)
Environmental Contributions	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)
<b>Total Cash Payments for Operations</b>	<b>(166,141)</b>	<b>(161,963)</b>	<b>(166,984)</b>	<b>(170,284)</b>	<b>(175,445)</b>	<b>(162,875)</b>
<b>Net Cash Inflow (Outflow) from Operating Activities:</b>	<b>23,902</b>	<b>20,728</b>	<b>16,310</b>	<b>17,864</b>	<b>16,891</b>	<b>15,769</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Payments for Infrastructure Assets	(16,424)	(28,469)	(31,913)	(46,132)	(37,371)	(36,473)
Payments for Property, Plant & Equipment	(2,943)	(3,160)	(3,583)	(3,586)	(2,740)	(3,167)
Payments for Intangible Assets	(3,546)	(2,755)	(761)	(956)	(2,029)	(217)
Proceeds from Sale of Assets	750	750	100	100	100	100
<b>Net Cash Inflow (Outflow) for Investing Activities:</b>	<b>(22,163)</b>	<b>(33,634)</b>	<b>(36,157)</b>	<b>(50,575)</b>	<b>(42,041)</b>	<b>(39,757)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from Borrowings	-	-	8,333	44,512	27,064	26,024
Capital Contributions from Victorian Government	(3,597)	-	-	-	-	-
Capital Contributions to Victorian Government	(400)	-	-	-	-	-
Repayment of Borrowings	(1,501)	(4,095)	(6,695)	(11,802)	(1,915)	(2,035)
<b>Net Cash Inflow (Outflow) from Financing Activities:</b>	<b>(5,498)</b>	<b>(4,095)</b>	<b>1,638</b>	<b>32,711</b>	<b>25,149</b>	<b>23,989</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(3,759)</b>	<b>(17,001)</b>	<b>(18,209)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Opening Cash Balance	39,960	36,210	19,209	1,000	1,000	1,000
Closing Cash Balance	36,210	19,209	1,000	1,000	1,000	1,000

## Appendix B – Connections Project

### B.1 Connections Project Funding & Expenditure

#### Connections Project Financial Summary - CIP2

Goulburn-Murray Water Connections Project							
Connections Project Total							
	Project to end of FY 12/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total Project Life CIP2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Funding</b>							
Capex Funding (grants received/ receivable)	825,309	212,946	266,540	295,386	241,547	100,554	1,942,281
Opex Funding (grants received/ receivable)	60,678	8,317	15,390	14,321	10,735	11,813	121,254
Other	33,639	8,572	3,635	2,326	1,583	(8,456)	41,298
<b>Total</b>	<b>919,626</b>	<b>229,835</b>	<b>285,564</b>	<b>312,032</b>	<b>253,865</b>	<b>103,911</b>	<b>2,104,832</b>
<b>Expenditure</b>							
Output Expenditure	299,495	105,899	202,772	239,581	144,527	39,477	1,031,751
Capital Works Expenditure	542,360	85,964	80,399	98,494	79,270	58,410	944,896
Opex Expenditure	54,783	13,482	15,547	16,062	11,647	10,698	122,219
Interest Paid on Borrowings	4	792	792	792	1,772	1,772	5,924
<b>Total</b>	<b>896,642</b>	<b>206,138</b>	<b>299,509</b>	<b>354,930</b>	<b>237,215</b>	<b>110,357</b>	<b>2,104,791</b>
<b>Surplus/(Deficit)</b>	<b>22,984</b>	<b>23,697</b>	<b>(13,945)</b>	<b>(42,898)</b>	<b>16,649</b>	<b>(6,446)</b>	<b>42</b>

#### Stage 1

Stage 1 Funding and Expenditure Summary							
	Project to end of FY 12/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total Project Life CIP2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Stage 1 Funding</b>							
Capex Funding (grants received/ receivable)	800,186	39,080	32,966	28,145	22,985	28,660	952,022
Opex Funding (grants received/ receivable)	50,415	382	1,685	-	-	-	52,482
External Funding	18,958	1,159	-	-	-	-	20,117
ERP Funding (from interest)	2,890	-	-	-	-	-	2,890
Interest (Approved by DSE to Spend)	620	-	-	-	-	-	620
Interest (Requires DSE Approval to Spend)	7,974	1,458	1,599	1,249	1,352	(7,708)	5,924
<b>Total Stage 1 Funding</b>	<b>881,043</b>	<b>42,079</b>	<b>36,249</b>	<b>29,394</b>	<b>24,337</b>	<b>20,952</b>	<b>1,034,055</b>
<b>Stage 1 Expenditure</b>							
Output Expenditure	262,382	23,960	26,129	30,062	19,345	4,932	366,809
Capital Works Expenditure	526,898	31,211	13,566	11,421	8,739	10,030	601,864
Opex Expenditure	46,181	1,733	1,842	1,742	911	693	53,102
Management Reserve	-	-	-	-	-	6,355	6,355
Interest Paid on Borrowings	4	792	792	792	1,772	1,772	5,924
<b>Total Stage 1 Expenditure</b>	<b>835,464</b>	<b>57,696</b>	<b>42,328</b>	<b>44,017</b>	<b>30,767</b>	<b>23,782</b>	<b>1,034,055</b>
<b>Surplus/(Deficit)</b>	<b>45,579</b>	<b>(15,617)</b>	<b>(6,079)</b>	<b>(14,623)</b>	<b>(6,430)</b>	<b>(2,831)</b>	<b>-</b>

#### Stage 2

Stage 2 Funding and Expenditure Summary							
	Project to end of FY 12/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total Project Life CIP2
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Stage 2 Funding</b>							
Capex Funding (grants received/ receivable)	25,123	173,865	233,574	267,240	218,562	71,894	990,259
Opex Funding (grants received/ receivable)	10,263	7,935	13,705	14,321	10,735	11,813	68,772
External Funding	2,905	4,454	866	1,366	1,260	897	11,747
Interest (Requires DSE approval to Spend)	292	1,501	1,170	(289)	(1,029)	(1,645)	-
<b>Total Stage 2 Funding</b>	<b>38,583</b>	<b>187,756</b>	<b>249,315</b>	<b>282,638</b>	<b>229,528</b>	<b>82,959</b>	<b>1,070,778</b>
<b>Stage 2 Expenditure</b>							
Output Expenditure	37,113	81,939	176,643	209,519	125,182	34,545	664,942
Capital Works Expenditure	15,462	54,754	66,833	87,073	70,530	42,025	336,677
Opex Expenditure	8,602	11,749	13,705	14,321	10,735	10,004	69,117
<b>Total Stage 2 Expenditure</b>	<b>61,178</b>	<b>148,442</b>	<b>257,181</b>	<b>310,913</b>	<b>206,448</b>	<b>86,575</b>	<b>1,070,736</b>
<b>Surplus/(Deficit)</b>	<b>(22,595)</b>	<b>39,314</b>	<b>(7,866)</b>	<b>(28,275)</b>	<b>23,079</b>	<b>(3,615)</b>	<b>42</b>

## B.2 Connections Project Financial Statements

<b>Connections Project - Combined Stage 1 &amp; 2</b>	<b>2013-14 \$'000s</b>	<b>2014-15 \$'000s</b>	<b>2015-16 \$'000s</b>	<b>2016-17 \$'000s</b>	<b>2017-18 \$'000s</b>	<b>2018-19 \$'000s</b>
<b><u>OPERATING STATEMENT</u></b>						
<b>Revenues</b>						
Government Contributions - Operating Agreement	15,254	15,547	16,667	11,044	6,923	-
Government Contributions - Output funded	108,196	202,772	239,581	144,527	48,700	-
Government Contributions - Stage 2 Early Works	495	-	-	-	-	-
Investment Interest	2,959	2,769	960	323	296	-
<b>Total Revenues</b>	<b>126,904</b>	<b>221,087</b>	<b>257,209</b>	<b>155,894</b>	<b>55,918</b>	<b>-</b>
<b>Expenses</b>						
Operations and Maintenance Expenses (per ERC)	12,282	14,347	15,517	11,202	9,622	-
Project costs expensed - Output Funded	102,742	202,772	239,581	144,527	41,960	-
Project costs expensed - Stage 2 Early Works	495	-	-	-	-	-
Project costs expensed - externally funded activities	2,047	-	-	-	-	-
Amortisation - NVOs	-	-	-	-	12,853	-
Depreciation and Amortisation	558	949	1,325	1,670	1,951	-
Depreciation and Amortisation - ERP	596	596	596	765	-	-
Interest payments	792	792	792	1,772	1,772	-
Net (gain)/loss on non-financial assets	6,679	-	-	-	-	-
<b>Total Expenses</b>	<b>126,191</b>	<b>219,455</b>	<b>257,811</b>	<b>159,936</b>	<b>68,158</b>	<b>-</b>
<b>NET PROFIT/LOSS</b>	<b>713</b>	<b>1,632</b>	<b>(602)</b>	<b>(4,042)</b>	<b>(12,240)</b>	<b>-</b>
Tax (Expense)/Benefit	(214)	(490)	181	1,213	3,672	-
<b>Net Profit (Loss) after Tax</b>	<b>499</b>	<b>1,143</b>	<b>(422)</b>	<b>(2,830)</b>	<b>(8,568)</b>	<b>-</b>
Retained Profit (Loss) carried forward	(6,704)	(6,205)	(5,062)	(5,484)	(8,313)	(16,881)
<b>Closing Retained Profit (Loss)</b>	<b>(6,205)</b>	<b>(5,062)</b>	<b>(5,484)</b>	<b>(8,313)</b>	<b>(16,881)</b>	<b>(16,881)</b>

<b>Connections Project - Combined Stage 1 &amp; 2</b>	<b>2013-14 \$'000s</b>	<b>2014-15 \$'000s</b>	<b>2015-16 \$'000s</b>	<b>2016-17 \$'000s</b>	<b>2017-18 \$'000s</b>	<b>2018-19 \$'000s</b>
<b>ASSET &amp; LIABILITY STATEMENT</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	68,098	54,153	42,650	40,694	-	-
Receivables	10,380	14,562	27,434	15,494	-	-
Inventories	38,706	26,067	20,149	14,162	-	-
Prepayments	10	-	-	-	-	-
<b>Total Current Assets</b>	<b>117,194</b>	<b>94,782</b>	<b>90,233</b>	<b>70,350</b>	<b>-</b>	<b>-</b>
<b>Non Current Assets</b>						
Capital Works in Progress	67,793	73,793	65,202	42,835	-	-
Plant, Equipment and Motor Vehicles	1,445	1,696	1,522	901	-	-
Plant & Equipment - ERP	1,957	1,361	765	-	-	-
Intangible Assets	4,661	7,563	9,475	11,398	-	-
Other Non-Current Assets	116	1,378	2,944	1,916	-	-
<b>Total Non Current Assets</b>	<b>75,971</b>	<b>85,791</b>	<b>79,908</b>	<b>57,050</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>193,165</b>	<b>180,573</b>	<b>170,141</b>	<b>127,400</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>						
Payables	15,466	15,420	15,382	15,343	-	-
Employee Benefit Provision	633	659	685	712	-	-
Borrowings	-	18,000	50,000	32,000	-	-
Other Current Liabilities	19,283	9,563	-	22,966	-	-
<b>Total Current Liabilities</b>	<b>35,382</b>	<b>43,641</b>	<b>66,067</b>	<b>71,021</b>	<b>-</b>	<b>-</b>
<b>Non Current Liabilities</b>						
Employee Benefit Provision	274	285	297	308	-	-
Borrowings	18,000	-	-	-	-	-
Other Non-Current Liabilities	(2,987)	(2,497)	(2,678)	(3,890)	(7,562)	-
<b>Total Non Current Liabilities</b>	<b>15,288</b>	<b>(2,212)</b>	<b>(2,381)</b>	<b>(3,582)</b>	<b>(7,562)</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>50,670</b>	<b>41,429</b>	<b>63,686</b>	<b>67,439</b>	<b>(7,562)</b>	<b>-</b>
<b>NET ASSETS</b>	<b>142,495</b>	<b>139,144</b>	<b>106,456</b>	<b>59,961</b>	<b>7,562</b>	<b>-</b>



<b>Connections Project - Combined Stage 1 &amp; 2</b>	<b>2013-14 \$'000s</b>	<b>2014-15 \$'000s</b>	<b>2015-16 \$'000s</b>	<b>2016-17 \$'000s</b>	<b>2017-18 \$'000s</b>	<b>2018-19 \$'000s</b>
<b>STATEMENT OF CASH FLOWS</b>						
<b>CASH FLOWS FROM OPERATIONS</b>						
<b>Receipts</b>						
Receipts from Government - Operating Agreement	8,317	15,390	14,321	10,735	11,813	-
Receipts from Government - Output funded	148,503	189,027	219,493	179,742	36,337	-
Receipts from Government - Stage 2 Early Works	579	-	-	-	-	-
Investment Income	2,959	2,769	960	323	296	-
Other receipts - externally funded activities	1,000	-	-	-	-	-
<b>Total Cash Receipts from Operations</b>	<b>161,358</b>	<b>207,185</b>	<b>234,774</b>	<b>190,800</b>	<b>48,446</b>	<b>-</b>
<b>Payments</b>						
Payments to suppliers and employees - Operating Agreement	(12,282)	(14,347)	(15,517)	(11,202)	(10,830)	-
Payments for output funded expenditure	(102,741)	(202,772)	(239,581)	(144,527)	(47,120)	-
Payments for Stage 2 Early Works	(495)	-	-	-	-	-
Payments for externally funded expenditure	(2,047)	-	-	-	-	-
Interest and other costs of finance paid	(792)	(792)	(792)	(1,772)	(1,772)	-
<b>Total Cash Payments for Operations</b>	<b>(118,357)</b>	<b>(217,910)</b>	<b>(255,891)</b>	<b>(157,501)</b>	<b>(59,722)</b>	<b>-</b>
<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>43,000</b>	<b>(10,725)</b>	<b>(21,116)</b>	<b>33,299</b>	<b>(11,276)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Payments for Infrastructure Assets	(85,926)	(80,399)	(98,494)	(79,270)	(51,951)	-
Payment for PPE	(1,200)	(1,200)	(1,150)	(1,050)	(1,050)	-
Payment for ERP	(616)	-	-	-	-	-
Payments/receipts for assets held for resale	159	-	-	-	-	-
<b>Net Cash Inflow (Outflow) for Investing Activities</b>	<b>(87,583)</b>	<b>(81,599)</b>	<b>(99,644)</b>	<b>(80,320)</b>	<b>(53,001)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from Equity Contributions from Government	81,530	77,513	75,892	61,805	64,217	-
Proceeds from other entities - externally funded activities	3,875	866	1,366	1,260	897	-
Proceeds from Borrowings	-	-	32,000	-	-	-
Repayment of Borrowings	-	-	-	(18,000)	(41,532)	-
<b>Net Cash Inflow (Outflow) from Financing Activities</b>	<b>85,404</b>	<b>78,379</b>	<b>109,258</b>	<b>45,065</b>	<b>23,582</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>40,822</b>	<b>(13,945)</b>	<b>(11,503)</b>	<b>(1,956)</b>	<b>(40,695)</b>	<b>-</b>
Opening Cash Balance	27,276	68,098	54,153	42,650	40,695	-
Closing Cash Balance	68,098	54,153	42,650	40,695	-	-