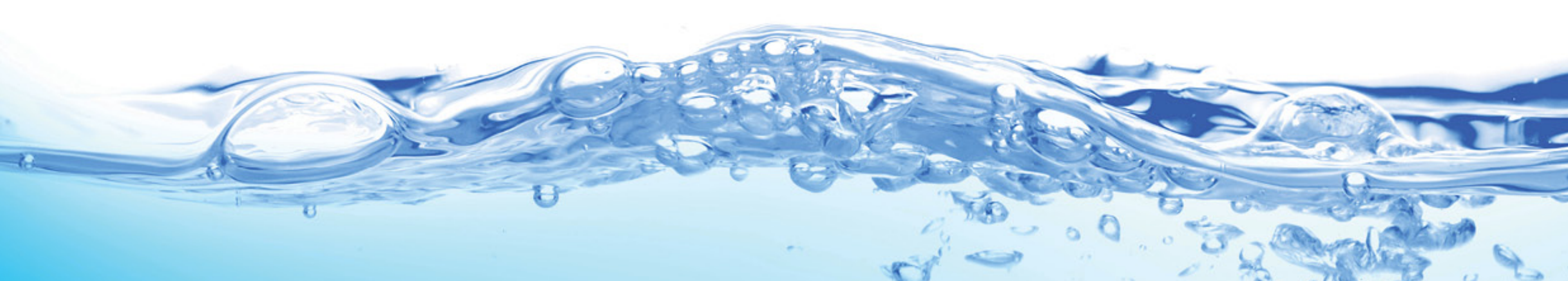
Goulburn-Murray Water

Corporate Plan

2015/16 - 2019/20



Contents

Chairman and MD's Foreword

Over the past five years, Goulburn-Murray Water (GMW) has worked hard at building greater certainty for our customers and the wider community across regional Victoria through our focus on customer service, efficiency and the roll out of the Connections Project.

These changes come at a time when there is a great sense of optimism in the agriculture sector boding well for northern Victorian producers and exporters. This optimism reflects:

- Good water resource availability
- Improved productivity from GMW Connections Project and on-farm productivity initiatives
- Strong commodity prices across the industry
- the drop in value of the Australian dollar
- Good weather conditions

The commitment by a number of food manufacturers to upgrade and expand plans across northern Victoria is demonstrating this increased confidence in the ability of the region's producers to meet the predicted boom in international and domestic demand from food and fibre. A positive outlook is forecast for the dairy industry, and the signing of the China-Australia Free Trade Agreement means customers will start to see tariff reductions and benefits in the grain, dairy, wine, livestock, seafood and horticulture sectors.

Our focus on customer service has been demonstrated by the release of the new Customer Charter, commencing implementation of our Diverters' Tariff providing increased simplicity and transparency to customers, simplifying our communications, strengthening our Customer Relations team and better management of customer calls.

Our ongoing efficiency drive has resulted in $6 million of savings per annum achieved to date and we have identified a further $4 million of saving per annum. Over the three years to 30 June 2016 we are forecasting to save in excess of $26 million dollars which has ensured the financial sustainability of GMW.

GMW is continuing to roll out the critically important Connections Project. This project will modernise and rationalise GMW's infrastructure providing enhanced service levels through faster and more consistent flows and automated operation for our customers. When combined with on-farm efficiency programs the Connections Project will enable our customers to achieve significant increases in farm productivity. The Connections Project also provides for 429GL of water savings that will provide significant environmental benefit. GMW met its 2013-14 project targets including water savings and is anticipating achieving 2014-15 targets around September 2015.

With the significant change in GMW's infrastructure and services through the Connections Project it is critical that we reflect this through "modernised" tariff structures. Through to 2018 we will implement our Gravity and Diverters' Tariff Strategies, which we committed to as part of our 2013 Blueprint, and has been endorsed by our customers and approved by our Board. These changes will make our bills and prices easier to understand, reflect the true cost of providing services, support stable and predictable prices and promote productive agriculture.

This Corporate Plan 2015/16 – 2019/20 outlines the direction from which our key initiatives and reforms will be based, to support achievement of our Fundamental Commitments. Over the coming year, GMW will continue to deliver on the Connections Project, improve organisational efficiencies and deliver pricing stability to our customers as we move closer to realising our commitment to support increased agricultural productivity in Northern Victoria. The delivery of these key initiatives is fundamental for partnering with our customers, ensuring we have achieved a modernised irrigation network, and providing customers with affordable water services by reducing the operating expenditure costs across the business by $20 million by 2018 (this includes the $10 million referred to above, with a remaining $10 million in savings to be identified between now and 2018).

We believe we have already made progress in improving our internal processes and providing an improved level of service which has been confirmed by feedback from our customers to-date. Our Water Services Committee (WSC) members have provided invaluable insight and advice on how our charges impact farm businesses. With planning for our proposed revenue, operating and capital costs and pricing for 2016 to 2020 well under way, our WSCs will continue to play a crucial role in representing customer interests and informing the implementation of our Drainage and Gravity Tariff strategies and Water Plan 4.

The actions identified in this document will form the basis of our Operational Plan and Budget for each year and, in turn, be periodically reviewed. Over the coming five years, we are committed to demonstrating further progress towards fulfilling our fundamental commitments and embedding a customer centric ethos in everything we do.

Sarah Scales
Chairman
Goulburn Murray Water

John Calleja
Interim Managing Director
Goulburn Murray Water

Introduction

1. Context

This Corporate Plan

This Corporate Plan provides information relating to the strategic direction and financial position of Goulburn Murray Rural Water Corporation (trading and Goulburn-Murray Water (**GMW**)) for the period of 2015/16 to 2019/20.

This Corporate Plan is submitted in accordance with section 247 of the *Water Act* 1989 (**the Act**) and contains the following information:

- Section 1- A Statement of Corporate Intent in accordance with section 248 of the Act
- Section 2 - Details of our Corporate Plan in accordance with the *Corporate Planning and Performance Reporting Requirements – Government Business Enterprises* (October 2009) (**DTF Requirements**) issued by the Department of Treasury and Finance
- Section 3 - A Business Plan and Financial Statements in accordance with the *Corporate Planning and Reporting Guidelines 2015-16* (**the Guidelines**) issued by the Minister for Water.

For simplicity, the headings within this Corporate Plan are aligned closely to those in the Guidelines. Information prescribed by the DTF Requirements is covered thereunder.

GMW's Profile

GMW is a statutory Corporation constituted by Ministerial order under the provisions of the Act.

An independent Board of Directors (**the Board**) governs GMW. The Board operates under Part 6 of the Act and reports annually to the Minister for Water and the Treasurer.

GMW is ultimately accountable to the Minister for Water and has functions and powers under the Act to provide, manage and operate an irrigation district (pursuant to section 221 of the Act), a water district (pursuant to section 163 of the Act) and a waterway management district (pursuant to section 189 of the Act).

GMW is also appointed as the Resource Manager for Northern Victoria water systems.

Responsibilities as a Delegate or Appointee

GMW has responsibilities as a delegate or appointee of the Minister for Water and the Water Register pursuant to the Act and the *Murray Darling Basin Act* 1993. Those responsibilities are as follows:

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

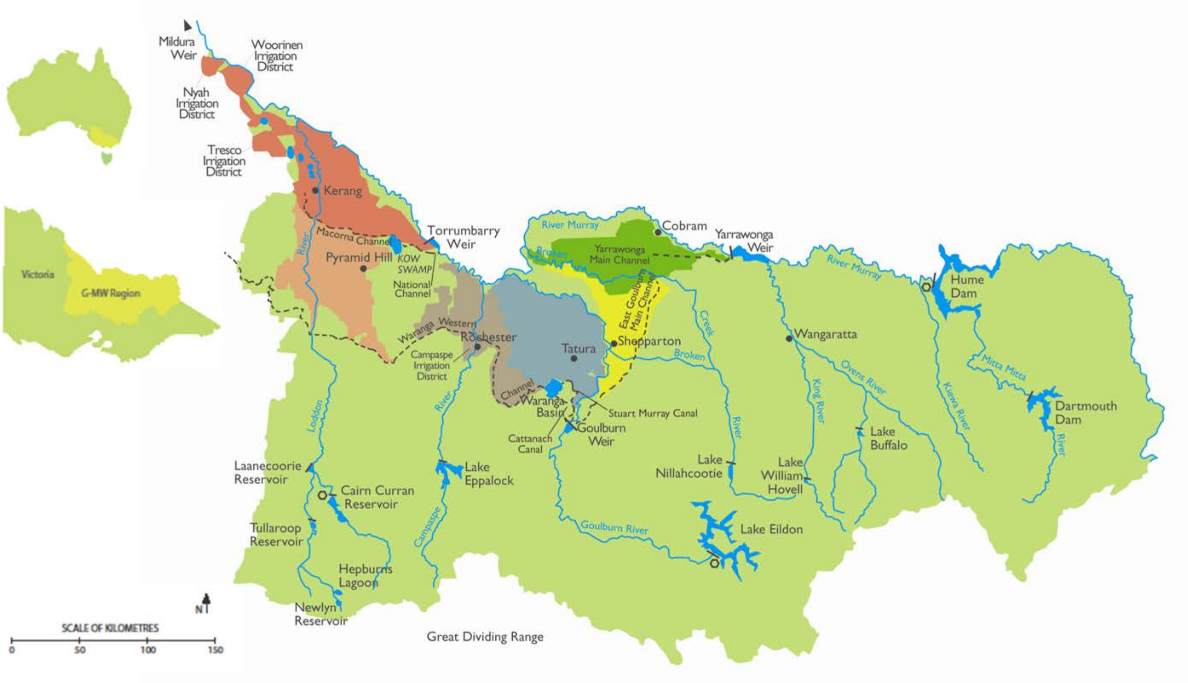
GMW's Operating Region

GMW is Australia's largest rural water corporation and manages Australia's largest irrigation delivery network (the Goulburn Murray Irrigation District (**GMID**)). GMW manages approximately 70% of Victoria's stored water resources and 50% of Victoria's underground water supplies.

GMW manages 16 water storages that can hold approximately 9 million ML of water and also has responsibility for managing more than 100,000 hectares of public land surrounding our storages.

GMW is also Victoria's largest inland boating authority and manages boating and recreational activities across the majority of our storages.

GMW's service area covers more than 68,000 square kilometres, or approximately one third of Victoria.



Our Customers

GMW has a diverse customer base of over 30,000 customers. This includes customers of a large agricultural scale through to small stock and domestic customers. GMW's segmented customer base is as follows:

Table 1 – GMW's Customer Segments

Category	2013/2014
Gravity Irrigation	14,165
Pumped Irrigation	675
Domestic and Stock Supply	1,189
Regulated Surface Water Diversions	3,661
Unregulated Surface Water Diversions	7,473
Groundwater	8,364
Flood Protection	120

Non Water Users	1,927
Urban / Rural Water Corporations	6
Agricultural, Tourism and Recreational Leases and Licences	773
Houseboat Licences	717
Hydroelectric Companies	2
Plantation Operators	1
	39,073

Our Stakeholders

GMW's stakeholder base includes all tiers of government as well as representatives from our primary customer segments. Our major stakeholders are as follows:

- The Minister for Water and the Department of Environment, Land, Water and Planning
- The Treasurer and the Department of Treasury and Finance
- The Victorian Environmental Water Holder
- Catchment Management Authorities
- Commonwealth Government
- Local Government
- Customers and Water Services Committees.

2. Preparation of this Corporate Plan

As per the Guidelines, the expectation in preparing this Corporate Plan is that it articulates strategies and approaches to deliver efficient and affordable water services which are valued by our customers.

GMW's corporate strategy provides three Fundamental Commitments which are directly aligned to delivering efficient and affordable water for our customers. GMW's Fundamental Commitments are:

- **Fundamental Commitment 1** (**FC 1**) - Partnering with our customers
- **Fundamental Commitment 2** (**FC 2**) - Creating the opportunity to increase production in Northern Victoria over the next 20 years
- **Fundamental Commitment 3** (**FC 3**) - A high performing organisation.

Whilst each of the Fundamental Commitments ultimately serves to deliver efficient and affordable water services for our customers, FC 1 and FC 2 above are specifically intended to deliver this outcome. Sitting behind these Fundamental Commitments are many initiatives that GMW is working on to provide efficiency and affordability; including, initiatives to deliver the Connections Project[1] and reduce operating expenditure across the business by $20 million[2], by 2018.

[1] **Efficient water services:** The Connections Project will deliver efficient water services for our customers by providing an efficient and automated channel network. The Connections Project aims to increase irrigation water use efficiency from approximately 70 per cent to at least 85 per cent. Channel system outfalls will be eliminated, system losses will be measured continuously, leaks and theft will be detected and more efficient irrigation practices will all combine to save water currently lost to the system in transit. Further information relating to the Connections Project is available at **Appendix A**.

[2] **Affordable water services:** GMW is working to reduce recurrent operational expenditure costs within the business by $20 million.

GMW's corporate strategy including each of its Fundamental Commitments, Strategic Outcomes and key initiatives are detailed further throughout this Corporate Plan.

Section 1: Statement of Corporate Intent

3. Statement of Corporate Intent

a) Business Objectives

Strategic Business Objectives

GMW's corporate strategy sets out our strategic business objectives for the five year period from 2012/13 to 2017/18. GMW's corporate strategy is made up of our Fundamental Commitments, Strategic Outcomes and Strategic Initiatives.

GMW's Fundamental Commitments and related Strategic Outcomes are as follows.

FC 1: 'Partnering with our customers'

Strategic Outcomes:

- **SO 1** - We listen to, understand and anticipate what is important to our customers
- **SO 2** - We deliver appropriate service levels for our retail customers
- **SO 3** - We deliver appropriate service levels for our wholesale customers
- **SO 4** - We deliver appropriate connections
- **SO 5** - We are easy to deal with
- **SO 6** - Our Water Services Committees are engaged and active partners supporting our Fundamental Commitments.

FC 2: 'Creating the opportunity to increase production in Northern Victoria over the next 20 years'

Strategic Outcomes:

- **SO 7** - Our cost to deliver water is in the national bottom quartile
- **SO 8** - We have delivered predictability and certainty in pricing
- **SO 9** - We have 90% water delivery efficiency
- **SO 10** - Together with key stakeholders, we have successful partnering arrangements to increase production of agriculture
- **SO 11** - GMID customers have achieved the on-farm benefits of a modernised network.

FC 3: 'A high performing organisation'

Strategic Outcomes:

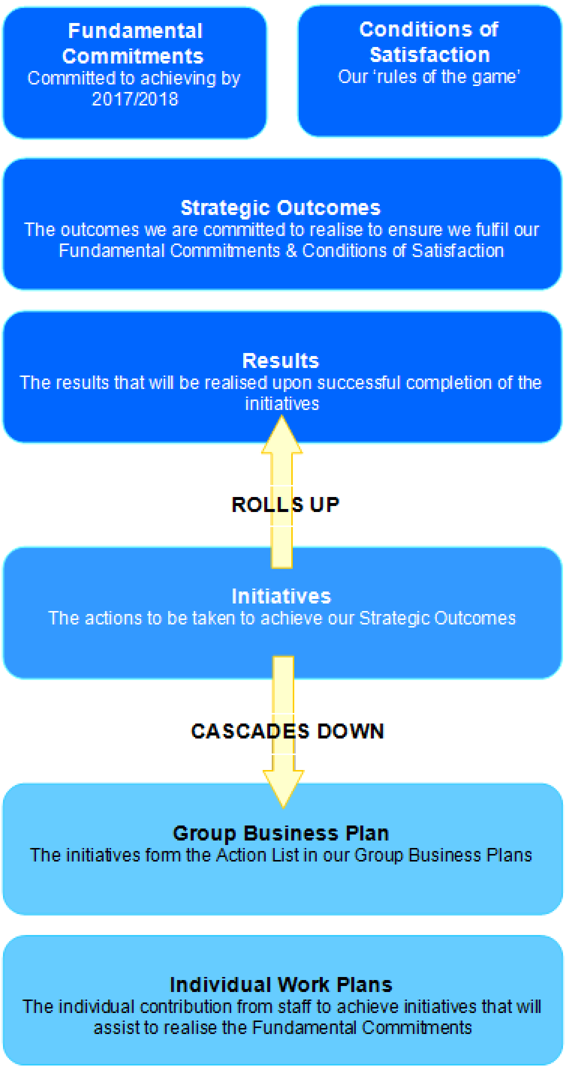
- **SO 12** - We have an ongoing depth of capability, opportunity and leadership throughout the organisation
- **SO 13** - We are a highly respected and trusted organisation serving our local communities
- **SO 14** - We have processes and systems that are a match for delivering our Fundamental Commitments.

Accompanying our corporate strategy is a suite of Conditions of Satisfaction. The Conditions of Satisfaction are our 'rules of the game' and cannot be compromised in achieving our corporate strategy. The Conditions of Satisfaction are also key drivers of performance that we strictly adhere to in all business undertakings.

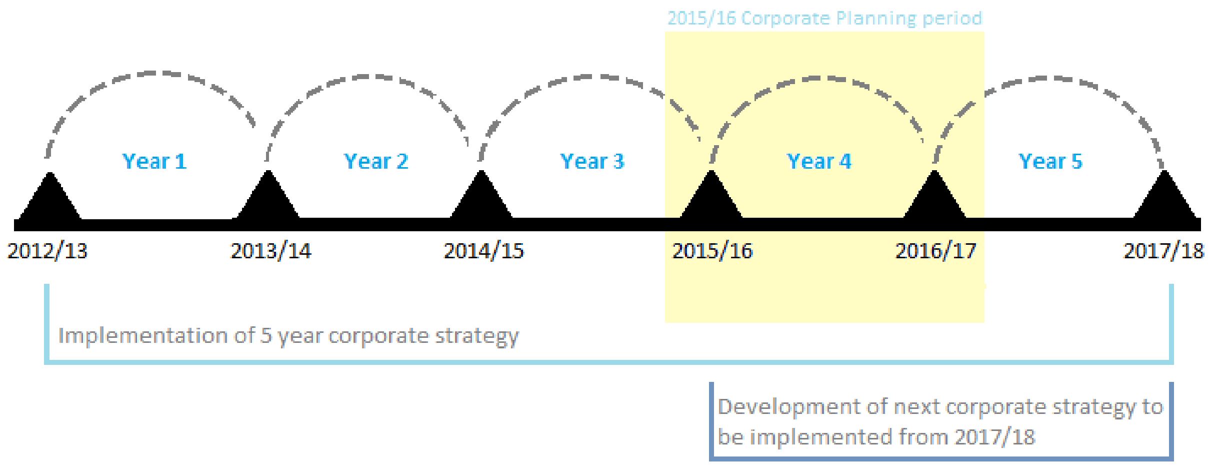
Our Conditions of Satisfaction are as follows:

- Safety first is non-negotiable
- We always operate in service of our Fundamental Commitments
- We always operate consistent with our agreed behaviours
- We have strong ethical governance
- Our decisions are informed to ensure we are financially sustainable
- We manage our risk (we are risk aware)
- We meet our legal, contractual and regulatory obligations
- We capitalise on the opportunities presented by changes in our external environment.

GMW's corporate strategy is embedded throughout the business with all individuals accountable for contributing to the Fundamental Commitments. Individual contribution is at the initiative level, which rolls-up into our Fundamental Commitments and cascades down into Individual Work Plans.



GMW's corporate strategy is approaching its fourth year in 2015/16. In 2015/16, planning will commence for our next corporate strategy to be implemented from 2017/18. On an annual basis, the current corporate strategy is reviewed by the Board to ensure that it remains on-point with customer and industry requirements and advancements. Ongoing macro and micro analysis is undertaken to allow GMW to seize opportunities as they arise and to ensure we are prepared and in good stead for potential changes and challenges in customer and industry requirements.



Operational Business Objectives

GMW manages a range of operational business objectives to service our customers and stakeholders. Our key operational objectives are as follows:

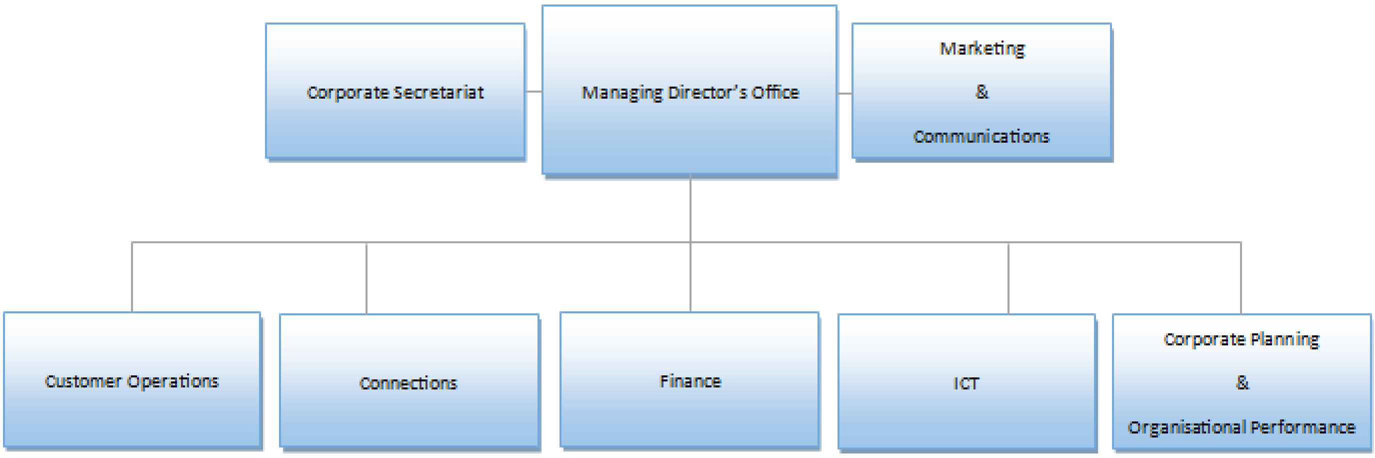
- Harvesting, storing and managing water in our reservoirs and dams
- Managing the supply, delivery, and drainage of water for our irrigation and water districts
- Providing flood protection, salinity mitigation and maintenance of infrastructure for our irrigation and water districts
- Delivering the Connections Project
- Implementing the Government's regulations and policy for groundwater and surface water resource management in accordance with delegated powers
- Facilitating hydroelectricity generation
- Operating salinity mitigation works
- Providing for public recreational activities including houseboats and caravan parks.

Our Business Units

On a practical level, the staff of GMW are divided within five functionally separated business units which work collaboratively to achieve our strategic and operational business objectives. Our business units are as follows:

- **Customer Operations:** Responsible for providing various customer service, retail, wholesale and construction related operations. This includes, but is not limited to, innovation, implementation of Lean processes, reducing cost for customers, operation and monitoring of key infrastructure including dams, channels, drains, pipelines and associated assets, and engineering and technical support.
- **Connections:** Responsible for the delivery of the $2 billion Connections Project. The Connections Project involves the modernisation of the GMID and the implementation of a range of water efficiency projects. Further information relating to the Connections Project is available at **Appendix A**.
- **Corporate Planning & Organisational Performance:** Provides support services to GMW in the areas of corporate planning, human resources, training and development, safety, risk and compliance, and asset services.
- **Finance:** Provides support services to GMW in the areas of financial control, budgeting and forecasting, financial analytics and systems, and regulation and pricing.

- **ICT:** Provides support services to GMW in the areas of ICT operations, enterprise knowledge management and programme management.



b) Main Business Undertakings

Business achieved in 2014/15

Some of the key initiatives that GMW achieved in line with our corporate strategy in 2014/15 are as follows:

FC1: 'Partnering with our customers'

- **Release of reviewed Customer Charter**: A comprehensive review of our Customer Charter was undertaken in consultation with our Water Services Committee customer service representatives. The review resulted in a number of changes being made to the Charter to ensure alignment with our Fundamental Commitments, Strategic Outcomes and debt management provisions. During 2014 all Water Service Committees had an opportunity to review and discuss the proposed changes with GMW staff members. Feedback was broadly supportive and a number of suggestions were incorporated into the final Charter. The final Charter was endorsed by the ESC and published in July 2014. A copy of the Charter is available via GMW's website.
- **Diverters' Tariff Strategy**: Our Diverters' Tariff Strategy, which formed part of our 2013 Blueprint, aims to make our pricing and billing easy for customers to understand, and reflect the true cost of providing services to surface water and groundwater diverters. It also ensures the cost of providing services to diverters is shared proportionately and fairly across all our surface water and groundwater diverters. Implemented in stages to minimise the impact on customers and enable them to budget effectively, the Diverters Tariff Strategy will be fully implemented by 2017/18.
- **Simplified communications**: GMW's research told us that our communication wasn't hitting the mark so we have made a number of changes, including:
    - adoption of a plain English approach to all customer communications aimed at reducing complexity and jargon
    - developed targeted and timely communication campaigns based on our customer insights and to support critical events and knowledge gaps such as carryover, end of season and billing.
- **Strengthened our Customer Relations team**: GMW now has mobile Customer Relationship Consultants (**CRCs**) located in all regional areas serving local customers. Our CRCs work to resolve

customer pain points and knowledge gaps such as carryover, account issues and complex transactions. They also proactively identify options and opportunities for customers to improve their ease of doing business with us.

- **Better management of customer calls**: GMW has significantly improved the service provided by our central contact centres, by:
  - Receiving and tracking the content of approximately 8,000 calls per month into our contact centre and WaterLINE service across a broad range of topics
  - Delivering staff training and technology improvements which have resulted in us maintaining a 90% service level for answering all calls inside 30 seconds
  - Implemented voice recording technology allowing us to identify and address areas where there is a need for additional coaching and development.

FC2: 'Creating the opportunity to increase production in Northern Victoria over the next 20 years'

- **Water Plan 4 drafting and consultation**: Water Plan 4 covers the period from 2016 to 2020 and provides our customers, and the ESC, with a clear understanding of the proposed capital and operating expenditure required to meet agreed service standards and obligations, and the resulting tariffs required to meet these costs. Water Plan 4 justifies and explains these proposals and provides detailed information for our customers, stakeholders and ultimately the ESC to use in coming to its determination of appropriate tariffs for the Water Plan period. These proposals have been developed in consultation with our customers and stakeholders.
- **Investment Appraisal Framework**: The purpose of the Investment Appraisal Framework is to empower staff to make better decisions that support the financial sustainability of GMW. The framework allows for consistency in calculations to be made across the business as well as understanding the whole of life costs of capital projects.
- **Online water allocation trading and broker portal**: In order to make it easier for GMW's customers to deal with us we worked with the Water Register on the introduction of an online broker portal which offers instant approval for allocation trades. This portal allows for water to be traded and ordered the same day and we've reduced the application fee by half to $42.80. Approximately 5,000 (60% of total) applications have been lodged online, saving customers more than $200,000.00 in application fees per annum.
- **Simplified transactions and reduced fees**: GMW has simplified a range of transactions and reduced fees across multiple areas, including:
  - Streamlined bore construction licence applications, reduced turnaround time by three weeks and reduced fees from $600.00 to $386.00
  - License transfer fees have been reduced from $500.00 to $191.00
  - The change of address process for customers has been simplified and the requirement for approval by the Water Registrar has been removed
  - Timeframes have been reduced in relation to the process to include new land in the GMID, by more than three months.

FC3: 'A high performing organisation'

- **Business transformation program**: Our business transformation program will deliver a reduction in total operating expenditure of $20 million recurrent expenditure by 2018. This is a business wide initiative and the savings will be delivered from prescribed and non-prescribed services. From 2013-14 to 2015-16, $8 million of total ongoing savings have been identified, of which $7 million relate to prescribed services and are built into future expenditure. The remainder will be identified between now and 2018. Key aspects of the business transformation program that led to lower operational expenditure include:

    - An organisational restructure and reduction in full time staff
    - A rationalisation of information and communications technology as well as greater use of automated systems
    - A review and rationalisation of fleet (with a view of reducing both the number of vehicles and the shared funding arrangement) and depot facilities to match current and future needs.
- **Implementation of a new Learning Management System (LMS)**: Implementation of a new LMS and outsourcing certified training is allowing GMW to increase our emphasis on a training service delivery model that is operationally efficient and at a lower cost. Our new LMS system allows for us to:
    - standardise and improve training across the organisation
    - introduce eLearning programs in accordance with our rapidly changing training needs
    - automate the process of measuring, storing, tracking and maintaining training records
    - provide a variety of reports and statistics.

c) Nature and Scope of Activities to be undertaken

<u>Business to be achieved in 2015/16</u>

The nature and scope of activities to be undertaken in 2015/16 remain in service of achieving our Corporate Strategy. The following initiatives are to be undertaken in 2015/16 and beyond, and roll up into the high level priority initiatives in the Business Plan at section 3.

FC1: 'Partnering with our customers'

- continue to deliver on our core services in line with agreed service standards, with some revised and new standards being proposed whilst holding operating expenditures constant
- delivery of a Recreation and Land Strategy
- customer Relationship Management systems to be upgraded to deliver greater process efficiencies resulting in reduced transaction fees and an enhanced customer experience
- undertake collaborative research with both Environmental Water Holders and Water Corporations service expectations to deliver mandatory obligations and expose opportunity for business improvement
- continue researching what influences customer demand, looking at the macro, regional and local factors that impact on customer needs now and into the future to ensure that our services support prosperous agriculture.

FC2: 'Creating the opportunity to increase production in Northern Victoria over the next 20 years'

- implementation of technology to automate a high volume of customer transactions over the next two years resulting in faster, paperless transactions and further fee reductions for customers of up to $1.5 million over the next two years
- minor increases in average annual capital expenditure required to address high risk retail assets and undertake large dam safety projects
- commence reform of the gravity and diversions tariffs and tariff reform for drainage and water districts
- continuation of the Connections Project which will have an impact on service standards and demands (but is not expected to impact on expenditures)
- contract negotiations to realise savings
- rationalise estates, depots and facilities through sale or lease

- reduce cost of management of Natural Resource services functions including water quality salinity mitigation
- 1,350 new meters to be installed
- investigation of potential partnering arrangements.

FC3: 'A high performing organisation'

- implementation of a corporate mentoring and coaching, succession planning, and performance management program across the business
- implementation of graduate and trainee programs
- implementation of an automated integrated Human Resources Information System
- the business transformation program will continue, allowing more effective and efficient service delivery in a dynamic environment.

d) Performance Targets and Other Measures

The information below relates to internal KPIs developed by GMW. Section 2, part 8 of this Corporate Plan provides information relating to KPIs as prescribed by the Victorian Water Industry Performance Reporting Framework.

In order to track and monitor performance against key elements of our corporate strategy, GMW has developed the following corporate KPIs.

Table 2 – GMW's Internal KPIs – Section 8.2 of the Guidelines – Part 1 of 1

Corporate KPI	Relevant Fundamental Commitment	Latest Performance
Customer satisfaction is at 85% or higher as per the annual Customer Satisfaction Survey	Partnering with our customers	The annual Customer Satisfaction Survey was conducted in June 2014. Survey participants were representative of our various service types with approximately 750 out of our 39,073 customer base taking part. Survey respondents were asked a series of questions in relation to our performance in the areas of service provision, communication and consultation. They were also asked to provide an overall assessment of their satisfaction with GMW by rating us between 0/10 and 10/10. Our target of 85% overall satisfaction relates to customers who are 'at least' satisfied with our service, and indicate this by rating us as at least 5 out of 10. We are also seeking to increase our 'net promoter' satisfaction score which is generally where customers rate us at least a 7/10 or above. This year 84% of survey respondents were 'at least satisfied' with our service as indicated by rating us at 5/10 or above, while 60% were highly satisfied as indicated by a rating of 7/10 or above.

Corporate KPI	Relevant Fundamental Commitment	Latest Performance
Our cost to deliver water is in the national bottom quartile	Creating the opportunity to increase production in Northern Victoria	We are currently undertaking a number of cost savings initiatives across the business to reduce our current operational expenditure. This will allow us to ultimately be in a position where our cost to deliver water is in the national bottom quartile. A key initiative for 2015/16 is to review the procurement process to identity patterns and trends for some of GMW's largest spend (contracts) and also highlight areas where contracts may be consolidated to save money. This review includes assessing internal purchasing procedures and ensuring current contracts represent the best value for money. GMW will continue to review costs to keep our prices in line with current forecasting.
We have 90% water delivery efficiency	Creating the opportunity to increase production in Northern Victoria	Latest performance for this KPI is 78% water delivery efficiency.
We have delivered the Connections project by 30 June 2018	Creating the opportunity to increase production in Northern Victoria	The Connections Master Schedule forecasts achieving 2014-15 targets around September 2015. Since the development of the Connections Project Business case in 2007 the agricultural sector has moved from drought conditions to one of prosperity with strong commodity prices, strong water resource, low Australian $ and interest rates, and productivity benefits achieved from the Connections Project and on-farm efficiency projects. The strong agricultural sector is fantastic for the Northern Victoria and is driving strong demand for customer connections to GMW channel infrastructure. The impact of increased connections, compared to assumptions in the business case, is currently being assessed to understand the impact on delivery of the Project as part of the Mid Term Review (refer **Appendix C**, section d(ii)).

Corporate KPI	Relevant Fundamental Commitment	Latest Performance
Employee engagement staff survey results are in the top quartile by 2017	A high performing organisation	GMW conducts an Alignment and Engagement Survey with its staff on an annual basis. The survey is a world's best practice benchmarked employee survey designed to establish whether the day-to-day operations of an organisation are aligned with its strategic goals, and the extent of employee engagement[3]. The survey highlights areas of strength and areas where improvements can be made. It also acts as a baseline against which to measure the effect of performance improvement initiatives. The latest survey was conducted in May 2014 with an 83% response rate. The diagram below shows the results of that survey. The colour coding indicates how GMW compares to other organisations in the benchmark database.  The results of the survey show that GMW has made a significant development in its Fundamental Commitment to be a high performing organisation. The trend to becoming a high performing organisation has increased each year since the commencement of our corporate strategy in 2012/2013.

[3] Insync Surveys, 2014.

Section 2: Corporate Plan

4. Areas of Focus

In March 2015 GMW facilitated a Board Strategy Day to review our corporate strategy in context of the current business environment and any emerging strategic issues. The purpose of this assessment was to:

- gain insight into our Shareholders perspective
- analyse internal and external environments
- consider strategic risks
- validate whether our current corporate strategy is on-point heading towards 2018
- identify key areas of focus for GMW over the coming years and to maximise upon related opportunities as of now
- consider GMW's Future Service Strategy.

The outcomes of the day were as follows:

- GMW obtained clarity on important issues for our shareholder
- GMW identified changes needed to address a shift in our internal and external environments
- GMW obtained clarity on our strengths, weaknesses, threats and opportunities which may affect GMW's ability to deliver
- GMW identified that our strategic risks are a match for our internal and external environments
- GMW validated that our strategy is the right strategy to take us through to 2018
- GMW are enrolled to commence planning for our next strategic planning period to take us beyond 2018
- GMW are actively considering possibilities for 10 years' time
- detailed analysis of the micro and macro environments was considered and insights reflected upon in GMW's Future Service Strategy.

a) Long-term and short term key business objectives and drivers

Table 3 below relates to the Corporate Plan requirements as per section 2.2 of the DTF Requirements.

Table 3 – Corporate Planning - Section 2.2 DTF Requirements, Part 1 of 6

Section	Detail	
Operating environment	**External factors impacting on performance** (eg: regulatory constraints, competitive environment, economic and market conditions, opportunities and threats, Community Service Obligations)	• **The government environment** - laws, taxes, policies, incentives • **The finance market -** equity, debt, exchange/interest rates, treasury • **The services market -** to outsource none-core activities and functions • **The labour market** - for executives, employees and customers • **The purchases market** - raw materials, semi-/finished goods, prices • **Technology, data and smarter assets** – cloud computing, mobile, cyber security • **Areas of growth in Agribusiness** –

Section	Detail	
		Recent trends (last 10 years) have seen an increase in corporate farms but also in sub-commercial 'hobby' farms, and a decline in commercial family farms[4] • **Customer needs and engagement** - Consumer behaviours and needs are constantly evolving; customers want to be engaged more and need to be consulted; the speed at which commercial businesses are adopting new technology is faster than ever before.
	Internal factors impacting on performance (eg: competitive strengths and weaknesses, organisational structure, asset condition)	**Key internal issues that will impact on performance:** • Connections Project • Water resources – finite amount of water to share each year • Stakeholders – focussed stakeholder management. **Strengths:** • Technology and innovation • Culture • Clarity of purpose • Executive Team & staff • Connections Project – delivering the future • Corporate knowledge • Brand • Diversity of footprint • Financial security • Newly found appetite for change • Customers – great relationships • Ability to deliver water - technical knowledge. **Weaknesses:** • Diverse customer needs • Number and diverse range of stakeholders to satisfy • Duplication (e.g. mandatory regulatory reporting) • Legacy issues • Non-revenue generating services • Revenue cap • Revaluation of our assets • Diversity of footprint

[4] McKinna et al (2010) *Performance issues impacting the development of the Victorian agrifood sector*

Section	Detail	
		• Not leveraging opinion leaders. **Opportunities:** • GMID competitive advantage • Connections Project increase productivity • Better understand customer needs/wants • Change non-revenue services to generate revenue • Consult to help customers use water better • Commercial opportunities • Leveraging technology • Improving stakeholder relationships • Work with Government to deliver on policy • Customer expectation gap: as Connections Project gains momentum, people want to be involved • Value of delivery share • Value of underlying water. **Threats:** • Connections Project non delivery • Market forces • Can't control environment threat • Delivery Shares – concern with intrinsic value • Government policy and implications on core business to be considered.
	Key drivers of performance (eg: determinants of demand, key input costs, asset utilisation)	GMW's key drivers of performance are as per our Conditions of Satisfaction (as set out in section 1, part 3(a) of this Corporate Plan), which are as follows: • Safety first is non-negotiable • We always operate in service of our Fundamental Commitments • We always operate consistent with our agreed behaviours • We have strong ethical governance • Our decisions are informed to ensure we are financially sustainable • We manage our risk (we are risk aware) • We meet our legal, contractual and

Section	Detail	
		regulatory obligations • We capitalise on the opportunities presented by changes in our external environment.
	Identification of **internal and external risks** (eg: business risks, exposure to interest rate and currency movements, technological change, environmental impacts)	In past years, GMW's risk matrix has primarily focussed on the risks or threats posed to business operations with limited risk acceptance tolerances (risk rating = likelihood x consequence). There is now a greater appetite within the business to consider positive consequences associated with risks (opportunity compared to risk), and have both risks and opportunities underpin our risk acceptance tolerance. **Key strategic risks:** • Connections Project roll out – important part of economic strategy or the region • Whole of life costs – link to Connections Project • Financial sustainability • Reputational risk – stakeholder management • Water resource availability • The price of water.
Key strategies	Risk and asset management strategies	Information relating to GMW's risk strategy is set out at section 2, part 4(b) below and at **Appendix B**. GMW's Corporate Asset Management Strategy deals with the four pillars of our assets, including retail, wholesale, corporate and technology assets. The strategy aims to: • set the long term sustainable direction for asset management required to help meet the organisational strategic plan and mandated obligations • detail the strategic objectives for each business function involved in asset management activities • outline the governance structure, controls and performance targets required to implement the asset management strategy throughout the organisation. Key themes that are common across each of the pillars include:

Section	Detail	
		• investment decisions to realise cost savings • prioritisation of expenditure based on condition and criticality • ensure assets meet the agreed design and operational standards • development and implementation of a condition monitoring regime incorporating inspection schedules and techniques appropriate to the risk posed by individual assets • recording of information for quality analysis on asset performance • proactive maintenance.
	Strategies to minimise operating costs and achieve operating efficiencies	As set out in the Introduction at part 2, the following Fundamental Commitments serve to deliver efficient and affordable water services for our customers: • FC 1 - Partnering with our customers • FC 2 - Creating the opportunity to increase production in Northern Victoria over the next 20 years. As per section 1, part 3(a), the Strategic Outcomes that relate to these Fundamental Commitments are as follows: **FC 1:** 'Partnering with our customers': • **SO 1** - We listen to, understand and anticipate what is important to our customers • **SO 2** - We deliver appropriate service levels for our retail customers • **SO 3** - We deliver appropriate service levels for our wholesale customers • **SO 4** - We deliver appropriate connections • **SO 5** - We are easy to deal with • **SO 6** - Our Water Services Committees are engaged and active partners supporting our Fundamental Commitments. **FC 2:** 'Creating the opportunity to increase production in Northern Victoria over the next 20 years':

Section	Detail	
		• **SO 7** - Our cost to deliver water is in the national bottom quartile • **SO 8** - We have delivered predictability and certainty in pricing • **SO 9** - We have 90% water delivery efficiency • **SO 10** - Together with key stakeholders, we have successful partnering arrangements to increase production of agriculture • **SO 11** - GMID customers have achieved the on-farm benefits of a modernised network. As further set out in the Introduction at part 2, sitting behind these Fundamental Commitments are many initiatives that GMW is working on to provide efficiency and affordability; including, initiatives to deliver the Connections Project[5] and reduce operating expenditure across the business by $20 million[6], by 2018.
	Other strategies (pricing, marketing and customer service)	In addition to the above, as set out in the Introduction at part 2, GMW's third Fundamental Commitment is to be 'A high performing organisation'. The Strategic Outcomes that relate to this Fundamental Commitments are as follows: **FC 3:** 'A high performing organisation': • We have an ongoing depth of capability, opportunity and leadership throughout the organisation • We are a highly respected and trusted organisation serving our local communities • We have processes and systems that are a match for delivering our Fundamental Commitments.

[5] **Efficient water services:** The Connections Project will deliver efficient water services for our customers by providing an efficient and automated channel network. The Connections Project aims to increase irrigation water use efficiency from approximately 70 per cent to at least 85 per cent. Channel system outfalls will be eliminated, system losses will be measured continuously, leaks and theft will be detected and more efficient irrigation practices will all combine to save water currently lost to the system in transit. Further information relating to the Connections Project is available at **Appendix A**.

[6] **Affordable water services:** GMW is working to reduce recurrent operational expenditure costs within the business by $20 million.

b) Operational risk assessment

GMW has undertaken a risk assessment of each of our Fundamental Commitments and Strategic Outcomes. Each identified risk has been categorised by level of severity and planned controls assigned to mitigate the likelihood of the risk eventuating. The Operational Risk Assessment is attached at **Appendix B**.

5. Performance Reporting

5.1 Targets for Key Performance Indicators

The information below relates to KPIs as prescribed by the Victorian Water Industry Performance Reporting Framework and the DTF Requirements. Section 1, part 3(d) of this Corporate Plan provides information relating to GMW's internal KPIs.

The following non-financial KPIs are prescribed by the *Victorian Water Industry Performance Reporting Framework*. GMW has assigned targets for 2014/15 and 2015/16 as per below.

Table 8 - KPIs - Victorian Water Industry Performance Reporting Framework, Part 2 of 2

Water Service KPIs		Definition	Measure	Target for 2014/15	Target for 2015/16
WSR1	Water deliveries in accordance with service standards for rural customers	Irrigation water orders delivered on day requested (NPR S1)	Number of orders delivered/total number of orders * 100	92%	Gravity is 93% Pumped is 98%
WSR2	Unavailability of pressurised domestic and stock network supply service for rural customers	Unavailability of domestic and stock supply systems for continuous periods in excess of 96 hours as specified in service standard (NPR S3)	Duration that domestic and stock service is unavailable in excess of on-property storage requirement/length of water season * 100	1.5%	1.5%
WSR3	Applications for section 51 groundwater licenses determined in 71 business days	Processing permanent transfer of surface diversion or groundwater licenses within 71 business days (VS 3)	Number of transfers processed within target period / total number of transfers processed * 100	69%	Target for 2015/16 will be calculated at end of 2014/15 based on rolling 5 year average

Customer Responsiveness KPIs		Definition	Measure	Target for 2014/15	Target for 2015/16
CR4	Billing complaints	NPR S7	Number of complaints per 100 customers	0.019	Target for 2015/16 will be calculated at end of 2014/15 based on rolling 5 year average
Environmental KPIs		**Definition**	**Measure**	**Target for 2014/15**	**Target for 2015/16**
E2	Total net CO_2 equivalent emissions	Net tonnes of CO_2 equivalent emissions (scope 1 and scope 2 emissions only) for the whole business and its activities (ESC CRR 5)	Net tonnes CO_2 equivalent	12,994 tonnes	Target for 2015/16 will be calculated at end of 2014/15

Section 3: Business Plan

Actions and strategies to achieve outcomes

The Business Plan below sets out GMW's high-level priority corporate initiatives to be achieved in 2015/16. Each initiative is clearly aligned to our corporate strategy, with the relevant Strategic Outcomes and Fundamental Commitment listed alongside.

The following high-level initiatives are complemented by the '*Business to be achieved in 2015/16*' and beyond, as set out section 1, part 3(c) of this Corporate Plan.

Table 10 – Business Plan - Section 2.3 DTF Requirements, Part 1 of 1

Fundamental Commitments	Strategic Outcomes	Priority Initiatives	Completion Date
Partnering with our customers	• We listen to, understand and anticipate what is important to our customers • We deliver appropriate service levels for our retail customers • We deliver appropriate service levels for our wholesale customers • We deliver appropriate connections • We are easy to deal with • Our WSC are engaged and active partners supporting our Fundamental Commitments	• Future Service Strategy • Customer Engagement Framework • Digital Service Strategy	Q1 2015/16
Creating the opportunity to increase production in Northern Victoria over the next 20 years	• Our cost to deliver water is in the national bottom quartile • We have delivered predictability and certainty in pricing • We have 90% water delivery efficiency • Together with key stakeholders, we have successful partnering arrangements to increase production of agriculture • GMID customers have achieved the on-farm benefits of a modernised network	• Connections Project forecast	Q1 2015/16
		• Connections Project investor review	Q2 2015/16
		• Connections Project delivery	Q2 2015/16
		• Asset framework	Q2 2015/16
		• Tariff strategy development and implementation	Q2 2015/16
		• Water Plan 4	Q3 & Q4 2015/16

A high performing organisation	• We have an ongoing depth of capability, opportunity and leadership throughout the organisation • We are a highly respected and trusted organisation serving our local communities • We have processes and systems that are a match for delivering our Fundamental Commitments	• Enterprise Agreement resolution	Q1 2015/16
		• Organisation transformation	Q1 2015/16
		• Employee value proposition	Q3 & Q4 2015/16
		• Whole of business reporting	Q3 & Q4 2015/16
		• Employee engagement staff survey results	Q1 2015/16

GMW is committed to delivering the above actions and strategies in line with our Conditions of Satisfaction as follows:

- Safety first is non-negotiable
- We always operate in service of our Fundamental Commitments
- We always operate consistent with our agreed behaviours
- We have strong ethical governance
- Our decisions are informed to ensure we are financially sustainable
- We manage our risk (we are risk aware)
- We meet our legal, contractual and regulatory obligations
- We capitalise on the opportunities presented by changes in our external environment.

Appendix A – The Connections Project

The Connections Project will deliver a modernised, highly efficient automated water delivery system for customers in the Goulburn Murray Irrigation District (**GMID**). The Project is a significant and fundamental reshaping of the way in which water is used for irrigated agriculture in Northern Victoria and contributes to Victoria's water savings targets as outlined in the *Murray-Darling Basin Plan*.

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.

Prior to the Connections Project, GMW operated and maintained more than 6,300 km of channel and around 24,000 customer service points. 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 Connections 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:

- **End to End Project Managers (E2EPMs):** A total of 12 Project Manager have recently been employed by GMW to manage the delivery of landowner connections projects – called Strategic Connections Projects or SCPs. Previously the delivery of SCPs involved a two stage process with GMW Modernisation Coordinators (ModCos) managing the first stage - landowner engagement and concept design phase through to legal agreement execution. The project was then handed over to the on-farm PM contractor for the detailed design and construction. On-farm Project Managers (PM) are encountering landowner issues during the design and construction process that require intensive management and intervention from GMW. Additionally, the handover phase from ModCo to on-farm PM is problematic and the source of potential hold ups and rework. To ensure the efficient delivery of the on-farm works and to remove the handover blockage, E2EPMs have been assigned to all active SCPs (approximately 80). The E2EPM is responsible for the full life cycle of the SCP including planning, coordinating resources, reporting and scheduling, resolving landowner issues and delivery of the project milestones.

- **GMW Shared Connections:** The Board approved the GMW Shared Connections Policy in April 2014. This enables landowners to be connected through GMW owned and operated assets as an alternative to privately owned individual connections. GMW Shared Connections are typically a single pipeline installed in the existing channel easement supplying multiple landowners (the channel is decommissioned). It provides a like for like replacement of the existing open channel minimising the requirement for on-farm works and landowner agreements. Approximately 8 km of Shared Connection (recorded as pipeline backbone extensions for reporting purposes) was constructed in the winter works period of 2014. A further 30 to 40 km of Shared Connection is scheduled for construction in the remainder of 2014-15. In tandem the policy to support Shared Connections is being developed including the tariffs to apply to landowners supplied from Shared Connections, standards of service (capacity) to be provided to landowners and the technical standards to apply to pipelines and pumps stations.

- **Outsourcing SCP Delivery:** A number of outsourced pilot SCP project are underway. The model is expected to deliver benefits in terms of reduced costs and accelerated timelines. Outsourcing involves the contracting out to an external supplier the end to end delivery of the SCP including landowner engagement, concept and detailed design, approvals and construction. GMW oversights the performance of the contractor and retains in house function including making of financial offers and the preparation and execution of legal agreements. The contractor is held to contracted timelines for the delivery of milestones with payments linked to the milestones. A total of eight SCPs are involved in the outsourcing pilots with the most advanced project providing results that suggest that the timeframes for SCP can be significantly compressed.

- **GMW Direct Delivery of On-farm Works:** Currently, all on-farm works are the responsibility of the landowner and are funded through a grant payment to the landowner facilitated by a legal agreement. As part of the pilot outsourcing projects, on-farm works will be delivered by the outsourcing contractor not the individual landowners. Landowners will not be paid the grant, rather the funding for the on-farm works will be held by GMW and paid to the contractor through a stranded construction contracting arrangement. This is expected to result in economies of scale with one single contractor responsible for all works within a SCP. The landowners approached to date with a contractor delivered on-farm works package have expressed strong support for the approach.

- **Least Cost Methodology (LCM):** The LCM was adopted by the GMW Board in November 2014. The methodology mandates that Project Managers consider and select the least cost option for connecting landowners in a SCP. This methodology requires transparent and rigorous assessment of all available options to deliver a SCP including backbone extension (with foregone water savings proceed at $4,000/ML), shared pipelines, backbone extensions and terminations. Additionally, the LCM approach provides a defendable and rigorous basis for progressing landowners through compulsory reconfiguration.

- **Contractual Conditions – Completion of On-farm Works:** From January 2015, a number of measures have been implemented in Connections legal agreements to better manage timing of works to enable decommissioning to occur including requiring landowners to complete on farm works within 6 months (unless otherwise agreed) with that condition being tied to the final payment.

- **Program Management Office:** PMO was established during 2014, consolidating data, systems and reporting from across the Connections Program, and providing centralised program controls, scheduling and continuous improvement.
- **Master Schedule:** Implementation of an integrated Program Master Schedule, enabling planning and forecasting at a program level. IT infrastructure has been built, enabling Project Managers the ability to manage project-level schedules online, and the automated integration to Program level.
- **Engagement Resources:** Return of Modernisation Coordinator (ModCo) resources from the GMW operations area, to the Connections Project team. This has enabled improved coordination, and effective utilisation of these key resource within the Connections Project, under the guidance of End-to-end Project Managers. Engagement resources have been bolstered with additional administrative and leadership support.

Over this Corporate Planning period, the Project team is working to meet the following initiatives:

- Explore and implement alternative delivery models (including further outsourcing)
- Complete a mid-term program review with the project's investors
- Successfully complete the High Value High Risk Gateway Review in mid-late 2015
- Continuous improvement
- Prepare for transition to operations

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.

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.

The Connections Leadership Team review the program's risks on a fortnightly basis with key stakeholders review. Risks (and Issues) are tracked in a Program-wide integrated Risk and Issue Management process, which interfaces with GMW Corporate Risk Management processes and reporting to the board.

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

Strategic Risk	Management Commentary	Extreme	Significant	Medium	Low
Failure to deliver GMW's Blueprint for change including the Connections Project (Due Date 30 June 2014)	Connections Program successfully delivered the Stage 1 milestones for 2014 by June, and the remaining Stage 2 milestones by the agreed date of 30 September 2014. Changes have been made to the delivery structure, with the introduction of End to End Project Managers and Delivery Manager. The Connections master schedule is now in place for all works in 2014/15, providing a consolidated planning and forecasting tool. Gateway review successfully completed in September, with recommendations being implemented. PMO is now functioning, providing scheduling/forecasting; systems and reporting; program controls; and process/continuous improvement functions.	**1**			

Connections Corporate Operational Risks

Likelihood		Minor	Moderate	Major	Severe	Catastrophic
	Very Likely	0	0	1	1	0
	Likely	0	0	1	3	0
	Possible	0	0	2	3	0
	Unlikely	0	0	0	0	0
	Very Unlikely	0	0	0	0	0

Operational Risks	Risk Trend	Current Risk Rating	Planned Risk Rating
Failure to appropriately engage and collaborate with other agencies (CMA's, DPI, DSE) and interdepartmental stakeholders, resulting in duplication of activities, non-alignment of objectives and outcomes etc.	⇒	Significant	Medium
Failure to deliver Stage 2 Water Savings	⇒	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 maintain sufficient cash to resource project going forward	⇒	Significant	Significant
Failure to meet 2014/15 milestones	⇒	Extreme	Significant
Failure to ensure compliance of new delivery model (GMW undertaking liability regarding OFW) may impact on existing high level government approvals.	⇒	Significant	Medium
Lack of detailed procedures supporting shared pipeline policy. Causing angst with asset owner.	⇒	Extreme	Medium
The sizing of Stock and Domestic systems based on delivery share needs to be addressed.	⇒	Significant	Medium
Failure to obtain approval under both State and Federal Environmental legislation (Kerang Lakes)	⇒	Significant	Medium

Appendix B – Operational Risk Assessment

FC 1	Partnering with our customers	Extreme	Significant	Medium	Low	Current Controls
	•Failure to deliver services to customers.	x				• Annual Customer Satisfaction Survey • Disaster recovery plans for all tier 1 and tier 2 ICT systems • Water Services Committees monthly meetings • Rubicon contract re-negotiation with service guarantees
	•Failure to provide services and undertake activities so that adverse impacts on the environment and water quality are responsibly managed.	x				• Ensure environmental risk register aligns with corporate risk framework • Wildlife safety review under Connections roll-out • 5 year review of mitigation programs for irrigation induced groundwater impacts
	•Failure to deliver the Connections Project.	x				• Undertake community consultation and awareness on Part 7A • External audits to confirm water savings
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project

FC 2	Creating the opportunity to increase production in Northern Victoria over the next 20 years	Extreme	Significant	Medium	Low	Current Controls
	•Failure to deliver the Connections Project.	x				• Undertake community consultation and awareness on Part 7A • External audits to confirm water savings

	•Failure to build a high performing and engaged organisation.	x				• Procedures, programs, checklists and forms reviewed at least annually • Regular reporting of achievements against Fundamental Commitments • Individual Work Plans in place for all employees to monitor performance • Enterprise Bargaining Agreement • Review and external audit of reporting and legal and regulatory obligations

FC 3	A high performing organisation	Extreme	Significant	Medium	Low	Current Controls
	•Failure to provide services and undertake activities so that adverse impacts on the environment and water quality are responsibly managed.		x			• Ensure environmental risk register aligns with corporate risk framework • Wildlife safety review under Connections roll-out • 5 year review of mitigation programs for irrigation induced groundwater impacts
	•Failure to deliver the Connections Project.	x				• Undertake community consultation and awareness on Part 7A • External audits to confirm water savings
	•Failure to maintain a safe and secure workplace, with the resilience to properly respond to and recover from emergency events.	x				• Annual Terrorism Act compliance exercise • Targeted safety risk management programs on driver safety • OHS culture program • Risk culture program • Disaster recovery plans for all tier 1 and tier 2 ICT systems
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project

	•Failure to build a high performing and engaged organisation.	x				• Procedures, programs, checklists and forms reviewed at least annually • Regular reporting of achievements against Fundamental Commitments • Individual Work Plans in place for all employees to monitor performance • Enterprise Bargaining Agreement • Review and external audit of reporting and legal and regulatory obligations

SO 1	**We listen to, understand and anticipate what is important to our customers**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to deliver services to customers.	x				• Annual Customer Satisfaction Survey • Disaster recovery plans for all tier 1 and tier 2 ICT systems • Water Services Committees monthly meetings • Rubicon contract re-negotiation with service guarantees
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project

SO 2	**We deliver appropriate service levels for our retail customers**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project

		Extreme	Significant	Medium	Low	Current Controls
	•Failure to deliver services to customers.	x				• Annual Customer Satisfaction Survey • Disaster recovery plans for all tier 1 and tier 2 ICT systems • Water Services Committees monthly meetings • Rubicon contract re-negotiation with service guarantees

SO 3	**We deliver appropriate service levels for our wholesale customers**	**Extreme**	**Significant**	**Medium**	**Low**	**Current Controls**
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project
	•Failure to provide services and undertake activities so that adverse impacts on the environment and water quality are responsibly managed.	x				• Ensure environmental risk register aligns with corporate risk framework • Wildlife safety review under Connections roll-out • 5 year review of mitigation programs for irrigation induced groundwater impacts

SO 4	**We deliver appropriate connections**	**Extreme**	**Significant**	**Medium**	**Low**	**Current Controls**
	•Failure to deliver the Connections Project.	x				• Undertake community consultation and awareness on Part 7A • External audits to confirm water savings

SO 5	**We are easy to deal with**	**Extreme**	**Significant**	**Medium**	**Low**	**Current Controls**

	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project
	•Failure to deliver services to customers.	x				• Annual Customer Satisfaction Survey • Disaster recovery plans for all tier 1 and tier 2 ICT systems • Water Services Committees monthly meetings • Rubicon contract re-negotiation with service guarantees

SO 6	**Our WSC are engaged and active partners supporting our Fundamental Commitments**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to deliver services to customers			x		• Annual Customer Satisfaction Survey • Implementation of Disaster Recovery Plans for all Tier 1 and 2 systems • WSC monthly meetings • Rubicon contract re-negotiation with service guarantees
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes			x		• Annual Customer Satisfaction Survey • Water Service Committees • Development and implementation of Communications and Engagement Strategy for Connections Project

SO 7	**Our cost to deliver water is in the national bottom quartile**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to maintain financial sustainability in the short and long term.	x				• Implementation plan • Quarterly forecasting and annual budget process • Monthly financial reporting and variance analysis • Financial reporting framework

SO 8	We have delivered predictability and certainty in pricing	Extreme	Significant	Medium	Low	Current Controls
	•Failure to maintain financial sustainability in the short and long term.	x				• Implementation plan • Quarterly forecasting and annual budget process • Monthly financial reporting and variance analysis • Financial reporting framework

SO 9	We have 90% water delivery efficiency	Extreme	Significant	Medium	Low	Current Controls
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees Communications and engagement strategy for the Connections Project
	•Failure to deliver services to customers.	x				• Annual Customer Satisfaction Survey • Disaster recovery plans for all tier 1 and tier 2 ICT systems • Water Services Committees monthly meetings • Rubicon contract re-negotiation with service guarantees

SO 10	Together with key stakeholders, we have successful partnering arrangements to increase production of agriculture	Extreme	Significant	Medium	Low	Current Controls
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project

SO 11	**GMID customers have achieved the on-farm benefits of a modernised network**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to the Connections Project.	x				• Undertake community consultation and awareness on Part 7A • External audits to confirm water savings
	•Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes.	x				• Annual Customer Satisfaction Survey • Water Service Committees • Communications and engagement strategy for the Connections Project

SO 12	**We have an ongoing depth of capability, opportunity and leadership throughout the organisation**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to build a high performing and engaged organisation.	x				• Procedures, programs, checklists and forms reviewed at least annually • Regular reporting of achievements against Fundamental Commitments • Individual Work Plans in place for all employees to monitor performance • Enterprise Bargaining Agreement • Review and external audit of reporting and legal and regulatory obligations

SO 13	**We are a highly respected and trusted organisation serving our local communities**	Extreme	Significant	Medium	Low	**Current Controls**
	•Failure to deliver services to customers.	x				• Annual Customer Satisfaction Survey • Disaster recovery plans for all tier 1 and tier 2 ICT systems • Water Services Committees monthly meetings • Rubicon contract re-negotiation with service guarantees

SO 14	We have processes and systems that are a match for delivering our Fundamental Commitments	Extreme	Significant	Medium	Low	Current Controls
	•Failure to build a high performing and engaged organisation.	x				• Procedures, programs, checklists and forms reviewed at least annually • Regular reporting of achievements against Fundamental Commitments • Individual Work Plans in place for all employees to monitor performance • Enterprise Bargaining Agreement • Review and external audit of reporting and legal and regulatory obligations
	•Failure to maintain a safe and secure workplace, with the resilience to properly respond to and recover from emergency events.	x				• Annual Terrorism Act compliance exercise • Targeted safety risk management programs on driver safety • OHS culture program • Risk culture program • Disaster recovery plans for all tier 1 and tier 2 ICT systems

Appendix C – Financial Information

1. Financial Overview

GMW's 2015-16 Corporate Plan is the third plan following the integration of the Connections Project into GMW on 1 July 2012. This Corporate Plan sets out the operational and financial information relating to the business as a whole and in two discrete segments, Water Storage & Delivery (WS&D) and the Connections Project. The Connections Project is responsible for 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 direction for the Business over a period of 5 years ending 2017-18. From a financial perspective this Corporate Plan reflects financial efficiencies that have been achieved to date and further efficiencies which are expected to crystallise from the implementation of this framework. We note that as this framework is implemented it may result in fluctuations to the financial results reported in future Corporate Plans.

a) Financial Efficiencies

GMW targeted in its Water Plan 3 to achieve financial efficiencies of $6 million. As our strategy has been implemented and savings achieved GMW is now forecasting to achieve Water Plan 3 savings, and further savings in excess of $20 million over the Water Plan 3 period.

GMW operates under a revenue cap during Water Plan 3. The result of financial efficiencies and savings crystallized to date have allowed GMW to propose to the Essential Services Commission ("ESC") overall price changes for 2015-16 which are well below levels set out in GMW's approved Water Plan 3 Final Decision.

GMW will submit its Final Water Plan 4 (for the period 2016-17 – 2019-20) to the ESC by the end of August 2015. The Draft Water Plan is currently in the consultation and preparation phase with the financial efficiencies identified in the Corporate Plan also reflected in the Draft Water Plan.

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

b) Financial Risk Management

In accordance with Appendix A and B, GMW continues to review and monitor financial risk through:

- Ongoing assessment of Connections Project cash balances and liaison with investors in order to ensure there is adequate liquidity and funding available to meet ongoing commitments
- Quarterly forecasting and annual budget process
- Monthly financial reporting and variance analysis

- GMW's Financial Reporting Framework including analysis of key financial metrics

In a number of areas GMW is exposed to potential financial change due to factors such as:

- Dealing with regulatory and commercial matters which are drivers of GMW revenue and expenditure
- Managing the variability of water delivery requirements and impact upon variable revenue
- Managing the year to year uncertainty of the externally funded works program
- Managing the uncertainty in the timing of the roll out of the Connections Project which is subject to variability around timing of contractual arrangements with landholders
- ESC approval of GMW's 2015-16 Annual Price Review
- Review and approval processes with the ESC in relation to Water Plan 4.

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.

c) Structure of Financial Section

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

- Whole of GMW (Consolidated WS&D and Connections Project)
- WS&D financials[7] - Appendix A
- Connections Project financials[8] - Appendix B

2. Financial Performance & Sustainability Management

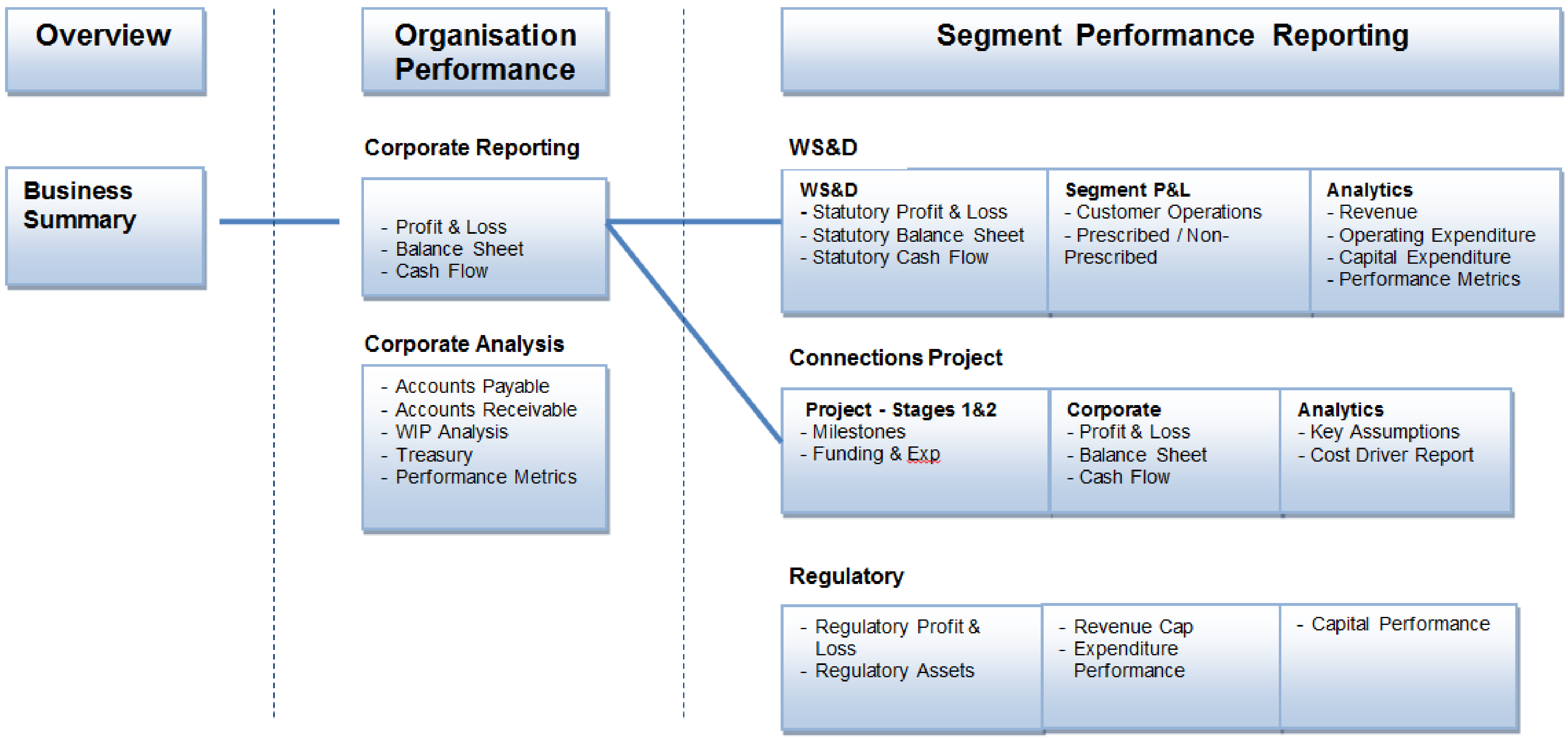
The achievement of GMW's strategy including delivering improved pricing outcomes for our customers can only be undertaken whilst maintaining financial sustainability. Accordingly financial sustainability is a key focus of the Board and Management.

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 WS&D and the Connections Project. The Framework continues to underpin stakeholder, Board and Management Reporting.

[7] 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.)

[8] 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.


Overview
Organisation Performance
Segment Performance Reporting
Business Summary
Corporate Reporting
- Profit & Loss
- Balance Sheet
- Cash Flow
Corporate Analysis
- Accounts Payable
- Accounts Receivable
- WIP Analysis
- Treasury
- Performance Metrics
WS&D
WS&D
- Statutory Profit & Loss
- Statutory Balance Sheet
- Statutory Cash Flow
Segment P&L
- Customer Operations
- Prescribed / Non-Prescribed
Analytics
- Revenue
- Operating Expenditure
- Capital Expenditure
- Performance Metrics
Connections Project
Project - Stages 1&2
- Milestones
- Funding & Exp
Corporate
- Profit & Loss
- Balance Sheet
- Cash Flow
Analytics
- Key Assumptions
- Cost Driver Report
Regulatory
- Regulatory Profit & Loss
- Regulatory Assets
- Revenue Cap
- Expenditure Performance
- Capital Performance

a) Measuring Financial Sustainability

GMW's financial performance as reported in this Corporate Plan has been determined based on securing GMW's long term financial sustainability. Due to the different operational and financial nature of the WS&D Business compared with the Connections Project, financial sustainability is assessed differently for the two business components.

Financial Statements and performance commentary at a Corporate, WS&D and Connections segment level 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 (WS&D) 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 based on a series of financial performance metrics covering both short term and longer term performance. These metrics depart from MRD-01 where appropriate to better reflect the commercial and specific aspects of this part of the GMW business.

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

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

Financial Performance Indicators	Target	2014-15 Forecast	2015-16 Budget	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Earnings Before Interest Tax & Amortisation	Positive	22,913,670	14,267,410	18,391,000	18,486,000	25,418,000	25,321,000
Operating Cash Flows	Positive	16,418,000	16,151,000	20,061,000	18,070,000	16,515,000	14,905,000
Cash Interest Cover (Underlying)	> 1.5 x	3.2	3.2	3.1	2.5	2.2	2.0
Internal Financing Ratio	>= 40%	53%	33%	40%	49%	43%	48%
Regulatory Gearing Ratio	<= 60%	33%	43%	46%	45%	47%	47%

As set out above, metrics for the Corporate Plan period are within GMW’s sustainable limits. In 2015-16 the Internal Financing Ratio moves to amber as a result of timing of the capital program as set out below.

The movement of the metric outside the target range is expected to be temporary. GMW will monitor these ratios into the future and take corrective action as required.

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:

Component	Evaluation
Achievement of 2013-14 Milestones	GMW achieved 2013-14 milestones by September 2014. Sufficient funding was made available by investors for project operations.
Achievement of 2014-15 Milestones	The Project is currently assessing final milestone delivery for 2014-15. It is expected that key milestones around delivery of water savings will be achieved around September 2015.
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. GMW is currently reassessing the Project Financials in response to strong demand for customer connections as part of the Mid Term Review discussed further below.

d) Financial Sensitivity Analysis

GMW undertakes sensitivity analysis to understand financial risks to the business. This sensitivity analysis has been undertaken for the major components of the business:

(i) Water Storage & Delivery

The following financial sensitivity analysis in respect of the WS&D business has been undertaken:

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

The analysis identified that any financial impacts were minimal and that forecast results 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 placed significant pressure on achieving the cash interest cover metric. GMW will continue to monitor its key metrics and make any necessary decisions to ensure financial accountability is achieved through the Corporate Plan period.

(ii) Connections Project

The Connections Project is funded 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.

Historically the Connections Project has been exposed to cash flow variability due to the nature of the project. This largely arises due to the timing of landholder acceptance of connection contracts and landholders subsequently undertaking works to facilitate the connection through on-farm works. GMW has limited ability to influence this timing which may result in variability of cash flows against forecasts. These factors are expected to impact on the timing of cash flows in the 2015-16 year.

The Connections Project cash holdings at the end of 2014-15 are forecast to be $92.2m which provides a strong base to cover 2015-16 expenditure. Funding is accessible from the investors on a quarterly basis and GMW will maintain a liquidity buffer to cover any unforeseen events. This will ensure the Connections Project has adequate cash reserves to meet its commitments in the 2015-16 year.

In addition cash management 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
- Regular liaison with our Shareholder Minister's department and the Department of Treasury and Finance on project status and corresponding funding requirements

GMW is currently participating in a Mid Term Review which is a contractual obligation in the Stage 2 Business Case. The aim of the review is to:

- Evaluate the appropriateness of the key assumptions outlined in the 2010 business case
- Evaluate the performance of the Connections Project and determine whether it is likely to achieve the outputs, outcomes and aim specified in the Project Schedule within the allocated resources (financial and human) and timeframe; and
- Recommend corrective actions and improvements to the delivery of the Project, if required.

The Mid Term Review is being conducted by an independent panel and is due to commence in May 2015 with a report, including recommendations expected to be completed by the end of July 2015. The recommendations presented in the Reviewer's report may result in revisions to future Corporate Plans.

e) Material Changes from the 2014-15 Corporate Plan

Changes in WS&D results for 2015-16 when compared to the 2014/15 Corporate Plan 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.

The Connections Project undertook a full 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 there are many things that can put this at risk over the next 5 years which are being actively managed including escalation, connections costs, project planning and support costs, meter installation costs, back bone extensions, internal resourcing, and special projects.
- 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 required to deal with landholders and construct infrastructure.

The roll out of the Connections Project continues to evolve and the outcomes achieved are impacted by a number of factors. This means the timing of expenditure continues to change compared to original expectations and also CIP2. As a result, the Project team has updated the financial forecast for 2014-15 and 2015-16 onwards. The latest reforecast has a material impact on the phasing of funding and expenditure and therefore has significantly impacted on the financial statements year on year, however, over the period of the Connections Project any impact is largely neutral from both a cash flow and profit and loss perspective

The Project team is continuing to explore and implement alternative delivery models (including further outsourcing) and challenge the roll out of the project. A mid-term review is to be undertaken in conjunction with the investors beginning in May 2015. Material changes will continue to be monitored and communicated to the Project's investors and stakeholders.

(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 reduced by 11% or $31.1m compared to the 2014/15 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

Variability in Operating Cash Flows largely reflect the timing of cash funding and expenditure of the Connections Project.

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

GMW's cash balances are higher compared to the previous Corporate Plan reflecting funding and expenditure profiles of the Connections Project. The cash balance at the end of the financial year for the Connections Project supports the winter works program through July and August of the following financial year.

Liabilities

The increase in unearned revenue from the previous Corporate Plan reflects the phasing of expenditure associated with the Connections Project as described above. Borrowings are lower than last year's Corporate Plan due to the repayment of Connections Project borrowings in 2014/15.

(iv) Capital Expenditure

Summary of capital expenditure spend 2015-16 vs 2014-15 Corporate Plan is set out below:

Consolidated						
Actual figures from Corporate Plans	**2014/15 $'000s**	**2015/16 $'000s**	**2016/17 $'000s**	**2017/18 $'000s**	**2018/19 $'000s**	**Total $'000s**
2015/16 Corporate Plan	80,302	150,850	151,281	112,107	38,338	**532,878**
2014/15 Corporate Plan	115,983	135,901	130,995	95,142	39,857	**517,878**
Variance	**(35,681)**	**14,949**	**20,286**	**16,965**	**(1,519)**	**15,000**

Capital Expenditure – WS&D

Water Storage & Delivery						
Actual figures from Corporate Plans	**2014/15 $'000s**	**2015/16 $'000s**	**2016/17 $'000s**	**2017/18 $'000s**	**2018/19 $'000s**	**Total $'000s**
2015/16 Corporate Plan	30,871	49,253	50,597	36,668	38,338	**205,728**
2014/15 Corporate Plan	34,384	36,257	50,675	42,141	39,857	**203,314**
Variance	**(3,513)**	**12,996**	**(78)**	**(5,473)**	**(1,519)**	**2,414**

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

Capital Expenditure – Connections Project

Connections						
Actual figures from Corporate Plans	2014/15 $'000s	2015/16 $'000s	2016/17 $'000s	2017/18 $'000s	2018/19 $'000s	Total $'000s
2015/16 Corporate Plan	49,431	101,596	100,684	75,439	0	**327,150**
2014/15 Corporate Plan	81,599	99,644	80,320	53,001	0	**314,564**
Variance	**(32,168)**	**1,952**	**20,364**	**22,438**	**0**	**12,586**

The increase in capital expenditure from the 2014-15 Corporate Plan mainly reflects the change in the mix of capital and output expenditure in the Connections Project over the period.

Refer section 3(e) below for details of GMW's capital expenditure program.

f) Significant Variations to Water Plan 3 Projections

GMW are forecasting prescribed operating expenditure will be $15.8M less in the 2013 Water Plan period than approved. This is largely driven by the Business Transformation Program and increased focus on efficiency, with the commitment to reduce total operating costs by $20M per year when the Connections Project is complete in 2018.

Prescribed capital expenditure is forecast to be $81.1M for the 2013 Water Plan period, which will be $6.0M less than the ESC approved. Expenditure was lower than planned in 2013/14 and 2014/15 as GMW went through a process to review and improve the capital planning process to ensure the development of robust capital expenditure estimates.

GMW operates under a revenue cap form of price control under Water Plan 3. As a result of the efficiencies implemented GMW is proposing pricing to the ESC for 2015-16 which is lower than the approved revenue cap, whilst continuing to maintain sound financial sustainability metrics. GMW is currently preparing the Water Plan 4 submission which will also be based on a revenue cap form of price control. Over the Corporate Plan period GMW is required to submit annual prices for approval by the Essential Services Commission.

3. Corporate Reporting

The financial statements presented in this Corporate Plan cover the period 2015-16 to 2019-20. It is important to note that the Corporate Plan covers the final year (2015-16) of the Water Plan 3 period as well as Water Plan 4 (2016-17 to 2019-20). This Corporate Plan period also includes the completion of the Connections Project which is due in 2018.

a) General Drivers of Financial Performance & Key Assumptions

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

- Inflation rate of 2.5% has been applied to operating costs;
- Regulated revenue for 2015-16 is based on CPI of 1.3% and 2.5% for the remainder of the Corporate Plan period which is consistent with expenditure increases;
- Water entitlements held by irrigators, diverters and bulk entitlement holders are expected to remain constant over the Corporate Plan period, with deliveries forecast at 100% of high reliability water shares.
- 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 N. 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 6.3%;
- Depreciation and amortisation has been calculated based on the fair value of GMW's assets as per the last asset revaluation at 30 June 2011 adjusted for disposals, additions and depreciation;
- Wages have been forecast to increase by 3% per annum over the Corporate Plan period. This includes the inflation rate of 2.5% noted above.

b) Statement of Financial Performance

Goulburn-Murray Water
Consolidated Statement of Financial Performance

Recurrent Activity	2014/15 Revised $'000s	2015/16 Budget $'000s	2016/17 Forecast $'000s	2017/18 Forecast $'000s	2018/19 Forecast $'000s	2019/20 Forecast $'000s
Revenue from operating activities						
Retail	112,120	109,850	112,674	114,829	117,025	119,346
Bulk Water	13,657	13,050	13,093	13,136	13,180	13,210
Government Grants	2,039	873	280	176	181	185
Government services contract	1,917	791	2,276	2,169	2,511	1,985
Connections Project	83,422	184,556	211,963	268,770	-	-
MDBA Contract	18,316	16,259	23,327	21,173	15,531	21,648
Other Revenue	10,892	10,167	11,096	10,744	10,445	10,700
Total Revenues	**242,363**	**335,546**	**374,709**	**430,997**	**158,873**	**167,074**
Expenses from operating activities						
Operations	50,645	52,687	53,261	54,107	54,730	55,798
Maintenance	31,517	29,914	30,217	30,988	31,769	32,568
Management & Administration	24,932	25,861	25,983	26,502	27,052	27,602
Government Grants	1,826	841	167	171	176	180
Government Services Contract	1,163	501	597	611	627	642
MDBA Contract	17,030	15,065	21,850	19,637	14,415	20,277
Connections Project	85,100	182,016	208,066	255,193	-	-
Environmental Contributions	1,686	1,686	1,686	1,686	1,686	1,686
Asset Disposals	7,750	10,750	10,750	10,200	3,000	3,000
Total Expenses	**221,649**	**319,322**	**352,577**	**399,095**	**133,455**	**141,753**
EBITDA	**20,714**	**16,224**	**22,133**	**31,902**	**25,418**	**25,321**
Statutory Depreciation	70,666	75,966	80,515	96,037	84,715	83,709
Interest	8,818	8,216	8,322	10,640	14,494	13,207
NET PROFIT (LOSS) Before Tax	**(58,769)**	**(67,958)**	**(66,705)**	**(74,775)**	**(73,791)**	**(71,595)**
Tax (Expense)/Benefit	17,631	20,387	20,011	22,433	22,137	21,479
PROFIT (LOSS) After Tax	**(41,139)**	**(47,570)**	**(46,693)**	**(52,343)**	**(51,653)**	**(50,117)**
Retained Profit (Loss) carried forward	(88,673)	(129,812)	(177,382)	(224,075)	(276,418)	(328,071)
Closing Retained Profit (Loss)	**(129,812)**	**(177,382)**	**(224,075)**	**(276,418)**	**(328,071)**	**(378,188)**

Revenue Highlights

- Retail revenue for 2014-15 includes higher variable revenue resulting from greater water deliveries due to lower rainfall. Conservatively this level of water deliveries has not been budgeted in future years of the Corporate Plan.
- Fixed and variable revenue is based on 2015-16 prices which have been approved by the ESC.
- Revenue for 2016-17 to 2019-20 is based on GMW's draft Water Plan 4 pricing submission.
- Connections Project revenue is based on forecast project expenditure.
- Government Grants and MDBA contract works are forecast to decrease in 2015-16 as a result of a number of major projects being completed in prior years. Future forecasts are based on expected work programs but are subject to change.
- Interest revenue is based on the latest available Treasury Corporation of Victoria interest rates, and is included in Other Revenue.

Expenditure Highlights

- Over the Corporate Plan period GMW's operational, maintenance and management and administration expenditure shows savings of around $13.3m compared to the previous Corporate Plan which is largely due to the savings from the strategy implementation and related initiatives.
- MDBA expenditure is consistent with the works plan and is aligned to the revenue assumptions.
- The Connections Project expenditure is based on the most recent forecast which changes the timing of expenditure over the remaining years of the project recognising the lower spend than anticipated up to the end of the 2014-15 year.
- Interest expense has been calculated as noted above.
- Depreciation and amortisation have been calculated as noted above.

c) Statement of Financial Position

Goulburn-Murray Water Consolidated Statement of Financial Position	2014/15 Revised $'000s	2015/16 Budget $'000s	2016/17 Forecast $'000s	2017/18 Forecast $'000s	2018/19 Forecast $'000s	2019/20 Forecast $'000s
Current Assets						
Cash	123,970	90,031	87,786	3,800	1,000	1,000
Accounts Receivable	27,087	26,957	26,957	26,957	26,957	26,957
Inventories	3,222	3,222	3,222	3,222	3,222	3,222
Total current assets	**154,279**	**120,210**	**117,965**	**33,979**	**31,179**	**31,179**
Non Current Assets						
Infrastructure Assets	4,110,195	4,676,843	4,737,709	4,714,474	4,663,917	4,607,020
Property, Plant and Equipment	77,162	83,756	83,724	83,375	82,913	82,441
Intangibles	13,979	18,126	21,716	15,923	17,564	18,960
Total non-current assets	**4,201,337**	**4,778,725**	**4,843,149**	**4,813,772**	**4,764,394**	**4,708,421**
TOTAL ASSETS	**4,355,616**	**4,898,935**	**4,961,114**	**4,847,751**	**4,795,573**	**4,739,600**
Current Liabilities						
Creditors & Accruals	31,639	30,901	30,956	28,427	27,665	26,875
Borrowings	9,095	4,095	19,095	44,095	4,095	4,095
Employee Entitlements	16,754	17,379	18,028	17,900	18,566	19,256
Unearned Revenue	68,512	95,831	131,803	-	-	-
Total current liabilities	**126,000**	**148,206**	**199,882**	**90,422**	**50,326**	**50,226**
Non Current Liabilities						
Borrowings	108,261	114,795	129,573	162,963	184,576	200,196
Employee Entitlements	2,967	3,079	3,196	2,583	2,679	2,779
Deferred Tax Liability	431,268	562,380	542,369	519,936	497,799	479,886
Total non-current liabilities	**542,496**	**680,255**	**675,137**	**685,482**	**685,054**	**682,861**
TOTAL LIABILITIES	**668,496**	**828,461**	**875,019**	**775,904**	**735,380**	**733,087**
NET ASSETS	**3,687,122**	**4,070,475**	**4,086,096**	**4,071,848**	**4,060,195**	**4,006,512**
EQUITY						
Contributed Capital	2,601,414	2,678,839	2,741,152	2,779,247	2,819,247	2,784,352
Asset Revaluation Reserve	1,215,516	1,569,016	1,569,016	1,569,016	1,569,016	1,569,016
Accumulated Surplus / (Deficit)	(129,808)	(177,379)	(224,072)	(276,415)	(328,068)	(346,856)
TOTAL EQUITY	**3,687,122**	**4,070,475**	**4,086,096**	**4,071,848**	**4,060,195**	**4,006,512**

Key Balance Sheet Highlights

- Revaluation of infrastructure, property plant and equipment is scheduled for the 2015-16 year in line with Government requirements.
- The increase in short term borrowing in 2017-18 reflects the need for temporary bridging finance for the Connections Project due to the timing of the final funding payment which is due in the 2018-19 year.
- Total borrowing increases reflect part funding of the capital program and temporary cash flow funding of the Connections Project required in 2017-18.
- The Deferred Tax Liability reflects the differences between GMW's accounting and taxation results and is largely driven by differences in depreciation and accumulated tax losses. The balance increases in 2015-16 due to the impact of the asset revaluation.

d) Statement of Cash Flows

Goulburn-Murray Water
Consolidated Statement of Cashflows

	2014/15 Revised $'000s	2015/16 Budget $'000s	2016/17 Forecast $'000s	2017/18 Forecast $'000s	2018/19 Forecast $'000s	2019/20 Forecast $'000s
CASH FLOWS FROM OPERATIONS						
Receipts						
Fixed and Variable charges	112,316	110,453	113,294	115,464	117,676	120,013
Government Contributions/Grants	84,694	212,122	244,168	154,489	2,692	2,170
GST Received From ATO	9,529	10,777	11,523	10,421	9,763	9,586
Other Income	47,921	41,937	52,033	37,147	40,657	47,676
Total Cash Receipts from Operations	**254,460**	**375,288**	**421,019**	**317,522**	**170,788**	**179,445**
Payments						
Payments to suppliers and employees	(231,434)	(317,663)	(351,663)	(413,987)	(138,530)	(146,652)
Interest and other costs of finance paid	(8,818)	(8,216)	(8,322)	(10,640)	(14,494)	(13,207)
GST Paid to ATO	(2,548)	(2,297)	(3,161)	(2,958)	(2,363)	(2,995)
Environmental Contributions	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)
Total Cash Payments for Operations	**(244,486)**	**(329,862)**	**(364,832)**	**(429,271)**	**(157,073)**	**(164,540)**
Net Cash Inflow (Outflow) from Operating Activities:	**9,973**	**45,426**	**56,187**	**(111,749)**	**13,715**	**14,905**
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for Infrastructure Assets	(73,255)	(140,913)	(144,009)	(104,815)	(33,101)	(25,749)
Payments for Property, Plant & Equipment	(3,453)	(4,518)	(2,761)	(2,561)	(1,658)	(1,625)
Payments for Intangible Assets	(3,594)	(5,422)	(4,510)	(4,732)	(3,580)	(3,361)
Proceeds from Sale of Assets	764	780	760	210	210	210
Net Cash Inflow (Outflow) for Investing Activities:	**(79,538)**	**(150,072)**	**(150,521)**	**(111,897)**	**(38,128)**	**(30,525)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Borrowings	-	8,230	31,579	70,305	23,648	17,783
Capital Contributions from Victorian Government	26,483	69,173	62,313	81,273	40,000	-
Repayment of Borrowings	(22,095)	(6,695)	(1,802)	(11,915)	(42,035)	(2,163)
Net Cash Inflow (Outflow) from Financing Activities:	**4,388**	**70,707**	**92,091**	**139,662**	**21,613**	**15,620**
NET INCREASE (DECREASE) IN CASH	**(65,176)**	**(33,939)**	**(2,243)**	**(83,984)**	**(2,800)**	**-**
Opening Cash Balance	189,146	123,970	90,031	87,786	3,800	1,000
Closing Cash Balance	123,970	90,031	87,786	3,800	1,000	1,000

Key Cash Flow Highlights

- Movements in Operating Cash Flows between years largely reflect the timing of funding for the Connections Project and Project expenditure.
- Underlying Operating Cash Flows for WS&D remain stable over the period.
- Capital expenditure is largely driven by the Connections Project with WS&D core infrastructure renewal stable over the period notwithstanding an increase in the capital program in 2015-16 and 2016-17.

e) Capital Investment Program

Capital Expenditure Program

GMW's capital expenditure program over the period 2015-16 to 2019-20 is budgeted at a total of $483m of which $278m 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 capital program includes:

- Review of asset management policy and procedures for particular asset types and classes (e.g. channels/drains/fences)
- Review of dam safety inspection records and priorities.
- Consultation with subject matter experts.
- Review of Connections Project works programs and targets to avoid duplicated effort and to remove works from 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 that GMW's Statement of Obligations is being met.

3. Risk Review

- All projects are subject to GMW's risk review process.

4. Multi Criteria Analysis

- All projects are reviewed and a score applied with emphasis on the following criteria:
    - Return on Investment
    - Asset Intervention Strategy (based on Asset Criticality Score i.e. risk to business is being dealt with appropriately).
    - Strategic Alignment.
    - Project Maturity

5. Project Delivery Review

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

6. 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 all significant capital projects prior to final approval being given.

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 A.

Goulburn- Murray Water
Consolidated Capital Expenditure Forecast
2014/15 to 2019/20
Nominal dollars

	Project Total $'000s	Revised 2014/15 $'000s	Forecast 2015/16 $'000s	Forecast 2016/17 $'000s	Forecast 2017/18 $'000s	Forecast 2018/19 $'000s	Forecast 2019/20 $'000s	Corporate Plan Total $'000s
Wholesale (Water Storage & Delivery)								
Tullaroop - Dam Improvement Embankment Works*	10,216	818	5,228	4,171	-	-	-	9,398
Buffalo - Dam Improvement Embankment Works**	1,675	-	-	-	215	552	908	1,675
Jerusalem Creek Holiday Park Sewerage Upgrade*	5,172	795	3,348	1,029	-	-	-	4,377
Projects Less than $5M	47,148	4,704	7,887	11,505	7,730	8,963	6,361	42,445
Total Wholesale (Water Storage & Delivery)	**64,211**	**6,316**	**16,462**	**16,705**	**7,945**	**9,515**	**7,268**	**57,895**
Retail (Water Storage & Delivery)								
Central Goulburn Channels 1-4*	2,405	2,200	205	-	-	-	-	205
Projects Less than $5M	169,847	22,355	32,587	33,892	28,723	28,823	23,466	147,492
Total Retail (Water Storage & Delivery)	**172,252**	**24,555**	**32,792**	**33,892**	**28,723**	**28,823**	**23,466**	**147,697**
Total Water Storage & Delivery	**236,463**	**30,871**	**49,253**	**50,597**	**36,668**	**38,338**	**30,735**	**205,592**
Connections Project*	327,150	49,431	101,596	100,684	75,439	-	-	277,719
Total G-MW	**563,613**	**80,302**	**150,850**	**151,281**	**112,107**	**38,338**	**30,735**	**483,311**

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

In relation to WS&D 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

Tullaroop Reservoir– Dam Safety Upgrade Works

Driver: Dam Safety

Outcomes: Reduced risk

Date: To be completed by 2017

Cost: $9.4m (program cost over Plan period)

It is proposed to construct works to mitigate dam safety risks, consistent with the requirements of the Statement of Obligations. The works will involve the construction of a filter buttress across the main embankment section and upgrading the existing instrumentation.

Lake Buffalo – Dam Spillway Works

Driver: Dam Safety

Outcomes: Reduced risk

Date: To be completed by 2022

Cost: $1.7m (program cost over Plan period)

Lake Buffalo requires a spillway flood capacity upgrade to mitigate dam safety risks, consistent with the requirements of the Statement of Obligations.

Lake Eildon – Jerusalem Creek Sewage Upgrade Project

Driver: Compliance, Growth in demand

Outcomes: Environmental conformance, improved service, growth of houseboat business

Date: To be completed by 2017

Cost: $4.4m (program cost over Plan period)

This project will deliver a new pipeline and pumping infrastructure to transfer all wastewater from Jerusalem Creek to Eildon. The existing houseboat sewage barge is to be replaced with a modern facility for collection and treatment of houseboat sewage at Lake Eildon, allowing expansion of the houseboat business.

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 modernising corporate systems. These programs include:

Backbone - Linear Program

Driver: Replacement at end of life & reduction in maintenance costs

Outcomes: Maintain Customer Service & Reduce Whole of Life Costs

Date: Ongoing

Cost: $43.7m (program cost over Plan period)

The externally funded Connections project will not upgrade all of the ‘backbone’. There are stretches of major channels where expenditure is required to ensure a consistent level of service. The Linear Program consists of four components; channel remodelling, rock armouring to prevent channel fretting and extend channel bank useful lives, the development of access tracks for on-going maintenance and fencing to prevent further damage to channels caused by livestock, one of the greatest contributors to channel deterioration.

Backbone – Structure Program

Driver: Renewal of existing assets

Outcomes: Replacement of existing structures

Date: Ongoing

Cost: $48.3m (program cost over Plan period)

As part of the irrigation and drainage network there are a substantial number of structures. For example occupational crossings are constructed over channels to enable customers to access their land along with road crossings to provide public access over channels and drains. Subways and syphons are also constructed to allow drainage water to cross supply channels. Replacement of structures that have reached the end of their serviceable life is required on an ongoing basis throughout the GMID. Prior to replacement each asset and site is considered for potential rationalisation or reconfiguration of access.

f) Funding Requirements

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

	2014/15 ($m)	2015/16 ($m)	2016/17 ($m)	2017/18 ($m)	2018/19 ($m)	2019/20 ($m)	
Water Storage & Delivery	117.36	118.89	148.67	167.06	188.67	204.29	
Connections Project	-	-	-	40.00	-	-	
Total	**117.36**	**118.89**	**148.67**	**207.06**	**188.67**	**204.29**	

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

- Strong operational performance by WS&D including delivery of cost savings
- Rephasing of funding and expenditure of the Connections Project which results in better alignment of funding and expenditure.

GMW's debt levels reflect:

- "Bridging" funding in 2017-18 to manage cash flow timing of the final Connections Project funding payments which are due in 2018-19.
- Increasing WS&D 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 WS&D business.

g) Statistory Financial Performance Ratios

Goulburn-Murray Water

Consolidated Financial Performance Ratios

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Interest Cover (Cash)	2.49	8.70	11.10	-9.99	1.95	2.13
Net Operating cash flows before net interest and tax / net interest payments						
Gearing Ratio (debt to assets)	2.7%	2.4%	3.0%	4.3%	3.9%	4.3%
Total Debt (including finance leases) /Total Assets						
Internal Financing Ratio	12.4%	30.1%	37.1%	-99.7%	35.8%	48.5%
Net operating cash flow less dividends/ net capital expenditure						
Current ratio	268.4%	229.5%	173.3%	37.6%	62.0%	62.1%
Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)						
Return on Assets (statutory)	-1.2%	-1.3%	-1.2%	-1.3%	-1.2%	-1.2%
Earnings Before net Interest and Tax/Average Assets						
Return On Equity	-1.1%	-1.2%	-1.1%	-1.3%	-1.3%	-1.2%
Net Profit After Tax / Average Total Equity						
EBITDA Margin	8.5%	4.8%	5.9%	7.4%	16.0%	15.2%
Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue						

4. Water Storage & Delivery Financial Statements

Water Storage & Delivery Statement of Financial Performance						
Recurrent Activity	**2014/15 Revised $'000s**	**2015/16 Budget $'000s**	**2016/17 Forecast $'000s**	**2017/18 Forecast $'000s**	**2018/19 Forecast $'000s**	**2019/20 Forecast $'000s**
Revenue from operating activities						
Retail	112,120	109,850	112,674	114,829	117,025	119,346
Bulk Water	13,657	13,050	13,093	13,136	13,180	13,210
Government Grants	2,039	873	280	176	181	185
Government Services Contract	1,917	791	2,276	2,169	2,511	1,985
Connections Project	12,189	12,036	11,834	12,131	-	-
MDBA Contract	18,316	16,259	23,327	21,173	15,531	21,648
Other Revenue	10,892	10,167	11,096	10,744	10,445	10,700
Total Revenues	**171,130**	**163,026**	**174,580**	**174,358**	**158,873**	**167,074**
Expenses from operating activities						
Operations	50,645	52,687	53,261	54,107	54,730	55,798
Maintenance	31,517	29,914	30,217	30,988	31,769	32,568
Management & Administration	24,932	25,861	25,983	26,502	27,052	27,602
Government Grants	1,826	841	167	171	176	180
Government Services Contract	1,163	501	597	611	627	642
MDBA Contract	17,030	15,065	21,850	19,637	14,415	20,277
Connections Project	11,667	11,453	11,678	11,970	-	-
Environmental Contributions	1,686	1,686	1,686	1,686	1,686	1,686
Asset Disposals	7,750	10,750	10,750	10,200	3,000	3,000
Total Expenses	**148,216**	**148,759**	**156,189**	**155,872**	**133,455**	**141,753**
EBITDA	**22,914**	**14,267**	**18,391**	**18,486**	**25,418**	**25,321**
Statutory Depreciation	69,687	74,861	78,978	82,863	84,715	83,709
Interest	8,026	8,216	8,322	10,407	11,694	13,207
NET PROFIT (LOSS) Before Tax	**(54,800)**	**(68,810)**	**(68,910)**	**(74,784)**	**(70,991)**	**(71,595)**
Tax (Expense)/Benefit	16,440	20,643	20,673	22,435	21,297	21,479
PROFIT (LOSS) After Tax	**(38,360)**	**(48,167)**	**(48,237)**	**(52,349)**	**(49,693)**	**(50,117)**
Retained Profit (Loss) carried forward	(59,937)	(98,297)	(146,464)	(194,701)	(247,049)	(296,743)
Closing Retained Profit (Loss)	**(98,297)**	**(146,464)**	**(194,701)**	**(247,049)**	**(296,743)**	**(346,859)**

Water Storage & Delivery
Statement of Financial Position

	2014/15 Revised $'000s	2015/16 Budget $'000s	2016/17 Forecast $'000s	2017/18 Forecast $'000s	2018/19 Forecast $'000s	2019/20 Forecast $'000s
Current Assets						
Cash	31,791	1,000	1,000	1,000	1,000	1,000
Accounts Receivable	27,087	26,957	26,957	26,957	26,957	26,957
Inventories	3,222	3,222	3,222	3,222	3,222	3,222
Total current assets	**62,100**	**31,179**	**31,179**	**31,179**	**31,179**	**31,179**
Non Current Assets						
Infrastructure Assets	4,031,580	4,596,481	4,655,381	4,714,474	4,663,917	4,607,020
Property, Plant and Equipment	76,457	83,167	83,370	83,375	82,913	82,441
Intangibles	7,080	10,574	13,153	15,923	17,564	18,960
Total non-current assets	**4,115,117**	**4,690,222**	**4,751,904**	**4,813,772**	**4,764,394**	**4,708,421**
TOTAL ASSETS	**4,177,217**	**4,721,401**	**4,783,083**	**4,844,951**	**4,795,573**	**4,739,600**
Current Liabilities						
Creditors & Accruals	30,553	29,870	29,162	28,427	27,665	26,875
Borrowings	9,095	4,095	19,095	4,095	4,095	4,095
Employee Entitlements	16,042	16,639	17,258	17,900	18,566	19,256
Total current liabilities	**55,690**	**50,604**	**65,515**	**50,422**	**50,326**	**50,226**
Non Current Liabilities						
Borrowings	108,261	114,795	129,573	162,963	184,576	200,196
Employee Entitlements	2,315	2,401	2,490	2,583	2,679	2,779
Deferred Tax Liability	434,913	565,770	545,097	522,662	501,365	479,886
Total non-current liabilities	**545,489**	**682,966**	**677,160**	**688,208**	**688,620**	**682,861**
TOTAL LIABILITIES	**601,179**	**733,570**	**742,675**	**738,630**	**738,946**	**733,087**
NET ASSETS	**3,576,039**	**3,987,832**	**4,040,408**	**4,106,321**	**4,056,628**	**4,006,512**
EQUITY						
Contributed Capital	2,458,816	2,565,277	2,666,090	2,784,352	2,784,352	2,784,352
Asset Revaluation Reserve	1,215,516	1,569,016	1,569,016	1,569,016	1,569,016	1,569,016
Accumulated Surplus / (Deficit)	(98,293)	(146,461)	(194,697)	(247,046)	(296,739)	(346,856)
TOTAL EQUITY	**3,576,039**	**3,987,832**	**4,040,408**	**4,106,321**	**4,056,628**	**4,006,512**

Water Storage & Delivery
Statement of Cashflows

	2014/15 Revised $'000s	2015/16 Budget $'000s	2016/17 Forecast $'000s	2017/18 Forecast $'000s	2018/19 Forecast $'000s	2019/20 Forecast $'000s
CASH FLOWS FROM OPERATIONS						
Receipts						
Fixed and Variable charges	112,316	110,453	113,294	115,464	117,676	120,013
Government Contributions/Grants	16,340	13,830	14,390	14,477	2,692	2,170
GST Received From ATO	9,529	10,777	11,523	10,421	9,763	9,586
Other Income	43,878	40,390	49,298	47,167	40,657	47,676
Total Cash Receipts from Operations	**182,063**	**175,450**	**188,505**	**187,529**	**170,788**	**179,445**
Payments						
Payments to suppliers and employees	(153,385)	(147,100)	(155,275)	(154,408)	(138,530)	(146,652)
Interest and other costs of finance paid	(8,026)	(8,216)	(8,322)	(10,407)	(11,694)	(13,207)
GST Paid to ATO	(2,548)	(2,297)	(3,161)	(2,958)	(2,363)	(2,995)
Environmental Contributions	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)	(1,686)
Total Cash Payments for Operations	**(165,645)**	**(159,299)**	**(168,444)**	**(169,459)**	**(154,273)**	**(164,540)**
Net Cash Inflow (Outflow) from Operating Activities:	**16,418**	**16,151**	**20,061**	**18,070**	**16,515**	**14,905**
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for Infrastructure Assets	(24,554)	(39,726)	(43,746)	(29,807)	(33,101)	(25,749)
Payments for Property, Plant & Equipment	(3,053)	(4,108)	(2,341)	(2,130)	(1,658)	(1,625)
Payments for Intangible Assets	(3,264)	(5,422)	(4,510)	(4,732)	(3,580)	(3,361)
Proceeds from Sale of Assets	802	780	760	210	210	210
Net Cash Inflow (Outflow) for Investing Activities:	**(30,069)**	**(48,476)**	**(49,837)**	**(36,458)**	**(38,128)**	**(30,525)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Borrowings	-	8,230	31,579	30,305	23,648	17,783
Repayment of Borrowings	(4,095)	(6,695)	(1,802)	(11,915)	(2,035)	(2,163)
Net Cash Inflow (Outflow) from Financing Activities:	**(4,095)**	**1,535**	**29,778**	**18,390**	**21,613**	**15,620**
NET INCREASE (DECREASE) IN CASH	**(17,746)**	**(30,790)**	**-**	**-**	**-**	**-**
Opening Cash Balance	49,537	31,791	1,000	1,000	1,000	1,000
Closing Cash Balance	31,791	1,000	1,000	1,000	1,000	1,000

Water Storage & Delivery
Financial Performance Ratios

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Interest Cover (Cash)	3.35	3.17	3.42	2.74	2.42	2.13
Net Operating cash flows before net interest and tax / net interest payments						
Gearing Ratio (debt to assets)	2.8%	2.5%	3.1%	3.4%	3.9%	4.3%
Total Debt (including finance leases) /Total Assets						
Internal Financing Ratio	53.2%	32.8%	39.6%	49.3%	43.1%	48.5%
Net operating cash flow less dividends/ net capital expenditure						
Current Ratio	111.5%	61.6%	47.6%	61.8%	62.0%	62.1%
Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)						
Return on Assets (Statutory)	-1.1%	-1.4%	-1.3%	-1.3%	-1.2%	-1.2%
Earnings Before net Interest and Tax/Average Assets						
Return On Equity	-1.1%	-1.3%	-1.2%	-1.3%	-1.2%	-1.2%
Net Profit After Tax / Average Total Equity						
EBITDA Margin	13.4%	8.8%	10.5%	10.6%	16.0%	15.2%
Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue						
Operational Return on Assets	11.7%	9.0%	9.1%	7.8%	7.1%	6.6%
Earning Before Interest, Tax, Depreciation and Amortisation less Asset Writeoffs / Total Regulatory Assets						
Capital Replacement	0.99	0.68	0.66	0.45	0.46	0.38
Cash for PPE plus Contributed Assets / Depreciation						
Regulatory Gearing Ratio	32.7%	42.5%	46.3%	45.3%	47.1%	47.1%
Total Debt less Cash Assets / Total Regulatoy Assets						

Water Storage & Delivery
Statement of Financial Performance

Recurrent Activity	2015/16 Quarter 1 Budget $'000s	2015/16 Quarter 2 Budget $'000s	2015/16 Quarter 3 Budget $'000s	2015/16 Quarter 4 Budget $'000s	2015/16 Total Budget $'000s
Revenue from operating activities					
Retail	26,466	28,459	28,459	26,466	109,850
Bulk Water	3,262	3,264	3,264	3,262	13,050
Government Grants	218	218	218	218	873
Government Services Contract	198	198	198	198	791
Connections Project	4,339	2,596	2,429	2,672	12,036
MDBA Contract	4,060	4,065	4,069	4,065	16,259
Other Revenue	2,535	2,513	2,588	2,531	10,167
Total Revenues	**41,078**	**41,313**	**41,225**	**39,412**	**163,026**
Expenses from operating activities					
Operations	13,462	13,192	12,808	13,226	52,687
Maintenance	8,091	7,441	6,993	7,391	29,914
Management & Administration	6,801	6,480	6,102	6,479	25,861
Government Grants	304	181	175	181	841
Government Services Contract	133	126	116	126	501
MDBA Contract	3,481	3,743	3,703	4,139	15,065
Connections Project	4,129	2,470	2,312	2,542	11,453
Environmental Contributions	421	421	421	422	1,686
Asset Disposals	2,687	2,687	2,687	2,687	10,750
Total Expenses	**39,509**	**36,741**	**35,317**	**37,193**	**148,759**
EBITDA	**1,569**	**4,572**	**5,908**	**2,219**	**14,267**
Statutory Depreciation	18,715	18,715	18,715	18,715	74,861
Interest	2,054	2,054	2,054	2,054	8,216
NET PROFIT (LOSS) Before Tax	**(19,200)**	**(16,197)**	**(14,861)**	**(18,550)**	**(68,810)**
Tax (Expense)/Benefit	5,760	4,859	4,458	5,565	20,643
PROFIT (LOSS) After Tax	**(13,440)**	**(11,338)**	**(10,403)**	**(12,985)**	**(48,167)**
Retained Profit (Loss) carried forward	(98,297)	(111,737)	(123,075)	(133,478)	(98,297)
Closing Retained Profit (Loss)	**(111,737)**	**(123,075)**	**(133,478)**	**(146,463)**	**(146,464)**

Water Storage & Delivery

Statement of Financial Position

	2015/16 Quarter 1 Budget $'000s	2015/16 Quarter 2 Budget $'000s	2015/16 Quarter 3 Budget $'000s	2015/16 Quarter 4 Budget $'000s
Current Assets				
Cash	33,580	41,105	37,319	1,000
Accounts Receivable	12,767	2,653	10,185	26,957
Inventories	3,222	3,222	3,222	3,222
Total current assets	**49,569**	**46,980**	**50,726**	**31,179**
Non Current Assets				
Infrastructure Assets	4,019,302	4,005,040	3,991,745	4,596,481
Property, Plant and Equipment	76,691	76,720	76,849	83,167
Intangibles	7,696	8,042	8,519	10,574
Total non-current assets	**4,103,689**	**4,089,802**	**4,077,113**	**4,690,222**
TOTAL ASSETS	**4,153,257**	**4,136,782**	**4,127,839**	**4,721,401**
Current Liabilities				
Creditors & Accruals	26,004	28,510	34,648	29,870
Borrowings	9,095	9,095	9,095	4,095
Employee Entitlements	16,191	16,341	16,490	16,639
Total current liabilities	**51,290**	**53,945**	**60,233**	**50,604**
Non Current Liabilities				
Borrowings	107,880	104,926	104,534	114,795
Employee Entitlements	2,336	2,358	2,379	2,401
Deferred Tax Liability	429,153	424,294	419,835	565,770
Total non-current liabilities	**539,369**	**531,577**	**526,748**	**682,966**
TOTAL LIABILITIES	**590,659**	**585,523**	**586,981**	**733,570**
NET ASSETS	**3,562,598**	**3,551,259**	**3,540,858**	**3,987,832**
EQUITY				
Contributed Capital	2,458,816	2,458,816	2,458,816	2,565,277
Asset Revaluation Reserve	1,215,516	1,215,516	1,215,516	1,569,016
Accumulated Surplus / (Deficit)	(111,734)	(123,073)	(133,474)	(146,461)
TOTAL EQUITY	**3,562,598**	**3,551,259**	**3,540,858**	**3,987,832**

Water Storage & Delivery
Statement of Cashflows

	2015/16 Quarter 1 Budget $'000s	2015/16 Quarter 2 Budget $'000s	2015/16 Quarter 3 Budget $'000s	2015/16 Quarter 4 Budget $'000s	2015/16 Total Budget $'000s
CASH FLOWS FROM OPERATIONS					
Receipts					
Fixed and Variable charges	39,747	39,445	20,866	10,396	110,453
Government Contributions/Grants	4,756	2,689	3,455	2,930	13,830
GST Received From ATO	2,543	2,276	2,391	3,567	10,777
Other Income	11,150	16,332	6,493	6,416	40,390
Total Cash Receipts from Operations	**58,196**	**60,742**	**33,204**	**23,309**	**175,450**
Payments					
Payments to suppliers and employees	(37,280)	(31,680)	(30,369)	(47,773)	(147,100)
Interest and other costs of finance paid	(724)	(3,426)	(705)	(3,362)	(8,216)
GST Paid to ATO	(575)	(574)	(574)	(574)	(2,297)
Environmental Contributions	-	(562)	(562)	(562)	(1,686)
Total Cash Payments for Operations	**(38,578)**	**(36,241)**	**(32,210)**	**(52,270)**	**(159,299)**
Net Cash Inflow (Outflow) from Operating Activities:	**19,617**	**24,500**	**994**	**(28,961)**	**16,151**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for Infrastructure Assets	(8,044)	(6,062)	(7,027)	(18,593)	(39,726)
Payments for Property, Plant & Equipment	(832)	(627)	(727)	(1,923)	(4,108)
Payments for Intangible Assets	(1,098)	(827)	(959)	(2,537)	(5,422)
Proceeds from Sale of Assets	190	190	190	210	780
Net Cash Inflow (Outflow) for Investing Activities:	**(9,784)**	**(7,326)**	**(8,523)**	**(22,843)**	**(48,476)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Borrowings	-	-	-	8,230	8,230
Repayment of Borrowings	(380)	(2,954)	(392)	(2,968)	(6,695)
Net Cash Inflow (Outflow) from Financing Activities:	**(380)**	**(2,954)**	**(392)**	**5,262**	**1,535**
NET INCREASE (DECREASE) IN CASH	**9,453**	**14,220**	**(7,921)**	**(46,542)**	**(30,790)**
Opening Cash Balance	31,791	41,244	55,464	47,543	31,791
Closing Cash Balance	41,244	55,464	47,543	1,001	1,000

5. Connections Project Financial Statements

Connections Project Financial Summary

Goulburn-Murray Water Connections Project – Connections Project Total	Project to end of FY 13/14 $'000	2014/15 $'000	2015/16 $'000	2016/17 $'000	2017/18 $'000	2018/19 $'000	Total Project Life $'000
Funding							
Capex Funding (grants received/ receivable)	1,037,310	100,258	266,657	287,829	206,381	40,000	**1,938,434**
Opex Funding (grants received/ receivable)	68,465	6,509	11,478	14,837	22,264	-	**123,554**
Other	42,407	4,769	2,912	5,668	(9,261)	-	**46,496**
Total	**1,148,183**	**111,535**	**281,048**	**308,334**	**219,384**	**40,000**	**2,108,483**
Expenditure							
Output Expenditure	349,450	71,917	168,131	195,098	256,673	-	**1,041,269**
Capital Works Expenditure	611,413	53,147	101,186	100,263	74,814	-	**940,823**
Opex Expenditure	66,141	15,444	14,879	12,446	12,973	-	**121,883**
Interest Paid on Borrowings	683	792	-	-	233	2,800	**4,508**
Total	**1,027,686**	**141,299**	**284,196**	**307,807**	**344,694**	**2,800**	**2,108,483**
Surplus/(Deficit)	**120,496**	**(29,764)**	**(3,148)**	**527**	**(125,310)**	**37,200**	**-**

Stage 1

Stage 1 Funding and Expenditure Summary	Project to end of FY 13/14 $'000	2014/15 $'000	2015/16 $'000	2016/17 $'000	2017/18 $'000	2018/19 $'000	Total Project Life $'000
Stage 1 Funding							
Capex Funding (grants received/ receivable)	838,258	27,216	28,145	29,774	28,660	-	**952,052**
Opex Funding (grants received/ receivable)	50,415	2,067	-	-	-	-	**52,482**
External Funding	22,202	2,953	-	-	-	-	**25,155**
ERP Funding (from interest)	2,890	-	-	-	-	-	**2,890**
Interest (Approved by DSE to Spend)	620	-	-	-	-	-	**620**
Interest (Requires DSE Approval to Spend)	10,848	1,090	938	2,735	(11,103)	-	**4,508**
Total Stage 1 Funding	**925,233**	**33,325**	**29,083**	**32,509**	**17,557**	**-**	**1,037,707**
Stage 1 Expenditure							
Output Expenditure	277,654	16,301	22,171	10,464	40,016	-	**366,606**
Capital Works Expenditure	555,474	13,741	15,969	14,164	14,085	-	**613,433**
Opex Expenditure	47,500	2,240	2,032	801	587	-	**53,159**
Interest Paid on Borrowings	683	792	-	-	233	2,800	**4,508**
Total Stage 1 Expenditure	**881,311**	**33,074**	**40,172**	**25,429**	**54,922**	**2,800**	**1,037,707**
Surplus/(Deficit)	**43,923**	**251**	**(11,089)**	**7,080**	**(37,365)**	**(2,800)**	**-**

Stage 2

Stage 2 Funding and Expenditure Summary	Project to end of FY 13/14 $'000	2014/15 $'000	2015/16 $'000	2016/17 $'000	2017/18 $'000	2018/19	Total Project Life $'000
Stage 2 Funding							
Capex Funding (grants received/ receivable)	199,052	73,042	238,512	258,055	177,721	40,000	**986,382**
Opex Funding (grants received/ receivable)	18,050	4,442	11,478	14,837	22,264	-	**71,072**
External Funding Funding	3,290	1,060	1,366	1,260	4,771	-	**11,746**
Interest (Requires DSE approval to Spend)	2,557	(334)	609	1,673	(2,930)	-	**1,577**
Total Stage 2 Funding	**222,949**	**78,211**	**251,965**	**275,825**	**201,827**	**40,000**	**1,070,776**
Stage 2 Expenditure							
Output Expenditure	71,796	55,615	145,960	184,634	216,657	-	**674,662**
Capital Works Expenditure	55,939	39,405	85,218	86,099	60,729	-	**327,390**
Opex Expenditure	18,641	13,204	12,846	11,645	12,387	-	**68,723**
Total Stage 2 Expenditure	**146,376**	**108,225**	**244,024**	**282,379**	**289,772**	**-**	**1,070,776**
Surplus/(Deficit)	**76,574**	**(30,014)**	**7,941**	**(6,554)**	**(87,945)**	**40,000**	**-**

Connections Project - Combined Stage 1 & 2	2014-15 $'000s	2015-16 $'000s	2016-17 $'000s	2017-18 $'000s	2018-19 $'000s	2019-20 $'000s
OPERATING STATEMENT						
Revenues						
Government Grants	83,133	183,010	209,228	268,323	-	-
Interest	1,090	1,547	2,735	446	-	-
Total Revenues	**84,222**	**184,556**	**211,963**	**268,770**	**-**	**-**
Expenses						
Operations Expenses	15,044	14,469	13,124	12,279	-	-
Depreciation and Amortisation	978	1,105	1,537	13,174	-	-
Stage 1 Project Costs	15,763	22,171	10,464	33,288	-	-
Stage 2 Project Costs	55,615	145,960	184,634	209,787	-	-
Interest payments	792	-	-	233	2,800	-
Total Expenses	**88,192**	**183,704**	**209,758**	**268,761**	**2,800**	**-**
NET PROFIT/LOSS	**(3,970)**	**852**	**2,205**	**9**	**(2,800)**	**-**
Tax (Expense)/Benefit	1,191	(256)	(662)	(3)	840	-
Net Profit (Loss) after Tax	**(2,779)**	**596**	**1,544**	**6**	**(1,960)**	**-**
Retained Profit (Loss) carried forward	(28,736)	(31,515)	(30,918)	(29,375)	(29,369)	-
Closing Retained Profit (Loss)	**(31,515)**	**(30,918)**	**(29,375)**	**(29,369)**	**(31,329)**	**-**

Connections Project - Combined Stage 1 & 2	2014-15 $'000s	2015-16 $'000s	2016-17 $'000s	2017-18 $'000s	2018-19 $'000s	2019-20 $'000s
ASSET & LIABILITY STATEMENT						
Current Assets						
Cash and Cash Equivalents	92,179	89,031	86,786	2,800	0	-
Total Current Assets	**92,179**	**89,031**	**86,786**	**2,800**	**-**	**-**
Non Current Assets						
Capital Works in Progress	78,615	80,362	82,328	(0)	-	-
Plant, Equipment and Motor Vehicles	705	589	354	0	-	-
Intangible Assets	6,899	7,552	8,563	(0)	-	-
Total Non Current Assets	**86,220**	**88,503**	**91,245**	**(0)**	**-**	**-**
TOTAL ASSETS	**178,399**	**177,534**	**178,031**	**2,800**	**-**	**-**
Current Liabilities						
Payables	1,086	1,031	1,794	-	-	-
Employee Benefit Provision	712	740	770	-	-	-
Borrowings	-	-	-	40,000	-	-
Unearned revenue	68,512	95,831	131,803	-	-	-
Total Current Liabilties	**70,310**	**97,602**	**134,367**	**40,000**	**-**	**-**
Non Current Liabilities						
Employee Benefit Provision	652	678	706	-	-	-
Deferred Tax Liability	(3,645)	(3,390)	(2,728)	(2,726)	(3,566)	-
Total Non Current Liabilties	**(2,993)**	**(2,711)**	**(2,023)**	**(2,726)**	**(3,566)**	**-**
TOTAL LIABILITIES	**67,317**	**94,891**	**132,344**	**37,274**	**(3,566)**	**-**
NET ASSETS	**111,082**	**82,642**	**45,687**	**(34,473)**	**3,566**	**-**
Equity						
Government Equity Contributions	142,598	113,562	75,062	(5,105)	34,895	-
Accumulated Funds (Losses)	(31,515)	(30,918)	(29,375)	(29,369)	(31,329)	-
Total Equity	**111,082**	**82,642**	**45,687**	**(34,473)**	**3,566**	**-**

Connections

Statement of Cashflows

	2014/15 Revised $'000s	2015/16 Budget $'000s	2016/17 Forecast $'000s	2017/18 Forecast $'000s	2018/19 Forecast $'000s	2019/20 Forecast $'000s
CASH FLOWS FROM OPERATIONS						
Receipts						
Government Contributions/Grants	81,343	210,328	241,612	152,143	-	-
Other Income	4,043	1,547	2,735	(10,020)	-	-
Total Cash Receipts from Operations	**85,386**	**211,875**	**244,348**	**142,124**	**-**	**-**
Payments						
Payments to suppliers and employees	(91,038)	(182,600)	(208,222)	(271,710)	-	-
Interest and other costs of finance paid	(792)	-	-	(233)	(2,800)	-
Total Cash Payments for Operations	**(91,830)**	**(182,600)**	**(208,222)**	**(271,943)**	**(2,800)**	**-**
Net Cash Inflow (Outflow) from Operating Activities:	**- 6,445**	**29,275**	**36,126**	**- 129,819**	**(2,800)**	**-**
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments for Infrastructure Assets	(48,701)	(101,186)	(100,263)	(75,008)	-	-
Payments for Property, Plant & Equipment	(400)	(410)	(420)	(431)	-	-
Payments for Intangible Assets	(330)	-	-	-	-	-
Proceeds from Sale of Assets	(38)	-	-	-	-	-
Net Cash Inflow (Outflow) for Investing Activities:	**(49,469)**	**(101,596)**	**(100,684)**	**(75,439)**	**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from Borrowings	-	-	-	40,000	-	-
Capital Contributions from Victorian Government	26,483	69,173	62,313	81,273	40,000	-
Repayment of Borrowings	(18,000)	-	-	-	(40,000)	-
Net Cash Inflow (Outflow) from Financing Activities:	**8,483**	**69,173**	**62,313**	**121,273**	**-**	**-**
NET INCREASE (DECREASE) IN CASH	**(47,430)**	**(3,148)**	**(2,245)**	**(83,986)**	**(2,800)**	**-**
Opening Cash Balance	139,609	92,179	89,031	86,786	2,800	-
Closing Cash Balance	92,179	89,031	86,786	2,800	-	-

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