



Corporate Plan

2016/17 - 2020/21



DELIVERING MORE THAN JUST WATER

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Chairman's Foreword

Goulburn-Murray Water (GMW) is Australia's largest rural water authority and plays a significant role in our communities of Northern Victoria. We have nearly 40,000 customers delivering an extensive range of services. Our primary functions include harvesting, storing and delivering water, building and maintaining infrastructure and managing water resource.

GMW is a key service provider to the agriculture sector. Agriculture is the backbone of Northern Victoria communities and economies generating \$6b of production value annually and directly supporting more than 10,000 jobs in the Goulburn-Murray Irrigation District (GMID) alone.

Northern Victorian agriculture has a strong competitive advantage. It has good quality soils, access to irrigation water, agricultural support services, access to transport and proximity to ports and good social infrastructure to name a few. Importantly there is also optimism from anticipated growth in agricultural produce and demand for higher quality produce both domestically and internationally.

However our customers and GMW are faced with a number of challenges. The most critical is the amount of water available for agriculture in Northern Victoria. The amount of water available for our customers has reduced as a result of:

- Climate – variable and reducing inflows reflected in the ongoing trend toward dry conditions
- Basin Plan – which has seen a reduction of water available for agricultural use
- Competition for water – impact of water moving from GMID to other regions

This is best demonstrated in the significant reduction in water deliveries in the GMID. The GMID was designed to deliver more than 2,500GL of water per annum. Today at its peak the system will deliver 1,400GL and looking forward deliveries are likely to be less than 1,000GL per annum.

As a consequence GMW's strategic direction is focussed on taking advantage of the opportunities and assisting to minimise the risks that our customers and business face. Our success is dependent on the success of our customers. We have three key objectives:

1. Delivering customer service levels that meets the needs of our customers
2. Assisting our customers increase on-farm production
3. Ensuring we have a sustainable organisation

To achieve these objectives, on the ground we are working on a number of key projects including:

- Reducing our cost base
- Delivering the Connections Project so that it delivers improved services for our customers, reduces our irrigation footprint and future costs and delivers water savings to the environment through delivery system efficiencies
- Improving the way we engage with our customers and stakeholders to better inform our decisions
- Reviewing our asset management approach to minimise future capital costs

We have made many changes to our business in recent years and we are proud of the achievements we've made to date. We have fundamentally changed the way we operate to put our customers first and drive an efficient business and this has seen:

- Cost savings of about \$12 million per year and during the next year we anticipate this will further increase to up to \$16 million per year.
- Water prices in 2015-16 more than four per cent lower than forecast in the previous water plan and these lower prices are flowing into the 2016-2020 Water Plan.
- GMW's debt is about \$100M lower than forecast, and;
- Cumulative water savings of 225GL delivered through the Connections Project with a total of 3,500 customers connected to an automated backbone of 3,000km.

During the past 12 months we've also made significant changes to the way we communicate with our customers. We opened our doors and encouraged them to have a say on the issues that affect them. We know that we need to do much more in this space – our customers and stakeholders are telling us this is a priority for GMW.

In October 2015 the Board composition changed with five new Directors. Pleasingly the new Board is functioning extremely well and providing valuable guidance to the business. Recently the Board, in conjunction with the Hon Lisa Neville MP as the Minister for Environment, Climate Change and Water, established new governance arrangements for the Connections Project. A Project Control Group has been formed and will provide enhanced oversight for the reset and delivery of this important project.

With the Government's Water for Victoria Discussion Paper currently released for public comment, GMW welcomes the opportunity to continue working with the Victorian Government to implement the key strategic directions defined in the Discussion Paper.

Looking forward the Board and organisation remain committed to delivering on our objectives to ensure the long term sustainability of our region, our customers and GMW.

Sarah Scales
Chairman
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 as Goulburn-Murray Water (**GMW**)) for the period of 2016/17 to 2020/21.

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

- Section 1- Statement of Corporate Intent in accordance with section 248 of the Act
- Section 2 - Details of our Corporate Plan
- Section 3 - Our Business Plan and Financial Statements

The contents are also 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
- the *Victorian Water Industry Corporate Planning and Reporting Guidelines 2016-17* (**the Guidelines**) issued by the Minister for Environment, Climate Change and Water (**the Minister**).

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 and the Treasurer.

GMW is ultimately accountable to the Minister 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 of Water and the Water Registrar 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 Murray Darling Basin Authority (**MDBA**)
- Appointment by the Water Registrar under the *Water Act 1989* – recording of certain water share dealings.

Our Operating Region

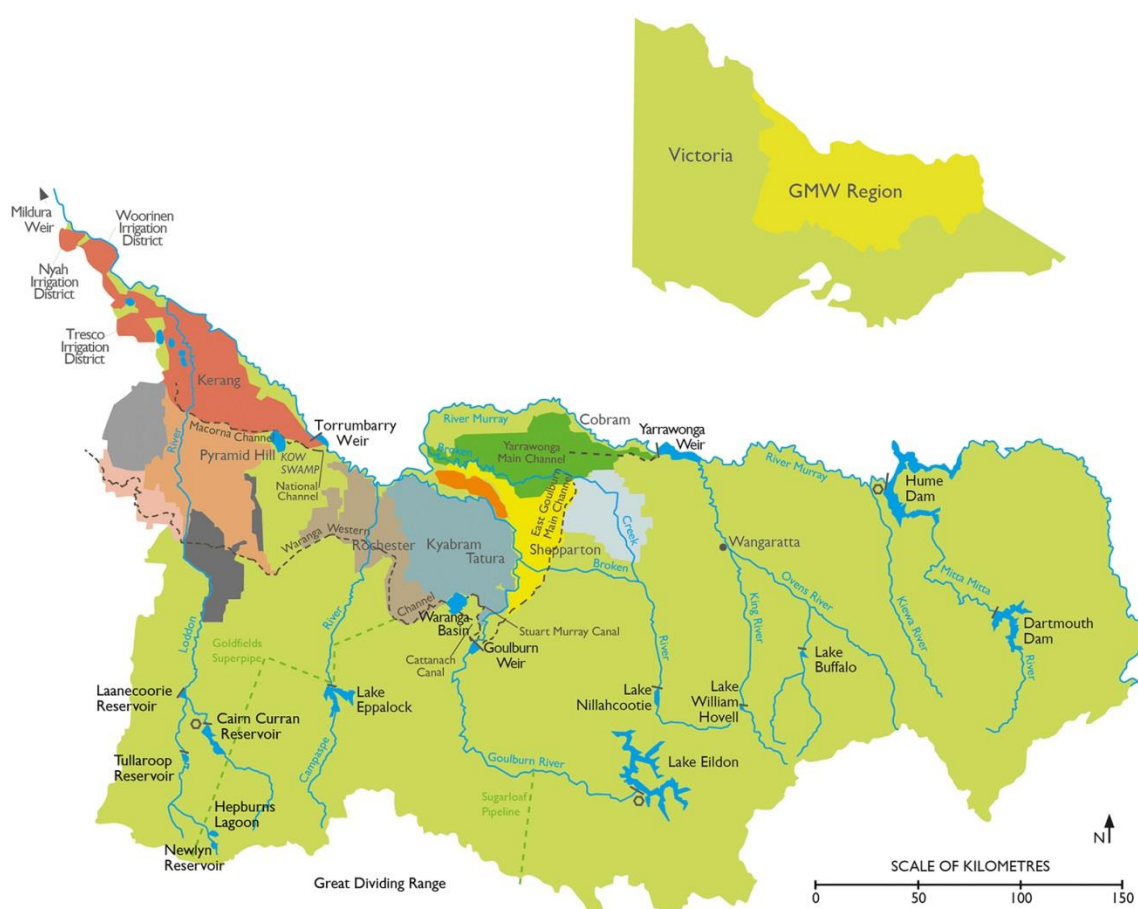
GMW is Australia's largest rural water corporation and manages Australia's largest irrigation delivery network (the Goulburn Murray Irrigation District (**GMID**)). GMW manages approximately 70% of Victoria's stored water resources and 50% of Victoria's underground water supplies.

GMW manages 24 water storages that can hold approximately 11 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. Please see Figure 1.

Figure 1 – GMW's Operating Region



DISTRICT SERVICES	
IRRIGATION AREAS	WATER DISTRICTS
Shepparton	Tungamah
Central Goulburn	East Loddon
Rochester-Campaspe	West Loddon
Loddon Valley	Normanville
Murray Valley	FLOOD PROTECTION DISTRICT
Torrumbarry	Loch Garry
Customer Service Centre	

Our Customers

GMW has a diverse customer base ranging from large agricultural to small stock and domestic customers. GMW's segmented customer base is as follows:

Table 1 – GMW's Customer Segments

Category	2014/15
Gravity Irrigation	14,131
Pumped Irrigation	676
Domestic and Stock Supply	1,269
Regulated Surface Water Diversions	3,648
Unregulated Surface Water Diversions	7,423
Groundwater	8,786
Flood Protection	122
Non Water Users	1,735
Urban / Rural Water Corporations	6
Agricultural, Tourism and Recreational Leases and Licences	784
Houseboat Licences	724
Hydroelectric Companies	2
Plantation Operators	1
Environmental Water Holders	2
	39,309

Our Stakeholders

GMW is committed to meaningfully engage with our diverse and valued stakeholders. Understanding who our stakeholders are and how we best engage with them is a key priority for GMW. While we have made significant changes to the way we communicate, we know that we need to do much more in this space.

Given the nature of water as a critical commodity, and the number of individuals and groups it impacts, there are a wide range of stakeholders that have a relationship with or interface with GMW.

Table 2 below summarises GMW's major stakeholder groups.

Table 2 – GMW's Stakeholder Groups

Stakeholder Category	Stakeholder Groups
Government	<ul style="list-style-type: none"> • Commonwealth Government • State Government • Local Government
Industry representatives	<ul style="list-style-type: none"> • Horticulture • Dairy • Mixed / cropping • Legal Services • Mining & Extractive Industry • Water Industry
Catchment Management Authorities	<ul style="list-style-type: none"> • All northern Victorian Catchment Management Authorities
Key suppliers	<ul style="list-style-type: none"> • Building, Construction and Maintenance
Other utility authorities	<ul style="list-style-type: none"> • Energy Authorities • Urban Water Authorities • Other Water Authorities
GMW committees & other special interest groups	<ul style="list-style-type: none"> • GMW Water Services Committees • Community & Special Interest Groups • Land and Water Management Groups
Water entitlement holders	<ul style="list-style-type: none"> • Large GMW customers • Environmental Water Holders • Water Allocation Owners
Media	<ul style="list-style-type: none"> • Print Media • Radio Media • Social Media • Television Media
Environmental groups	<ul style="list-style-type: none"> • Peak Bodies
Indigenous groups	<ul style="list-style-type: none"> • Northern Victorian Aboriginal Corporations
Academic institutions	<ul style="list-style-type: none"> • Universities • Research Foundation • Leadership Groups
Employee organisations	<ul style="list-style-type: none"> • Unions

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 (**FC**) that are directly aligned to delivering efficient and affordable water for our customers. GMW's Fundamental Commitments are as follows:

FC 1 - Partnering with our customers

FC 2 - Creating the opportunity to increase production in northern Victoria over the next 20 years

FC 3 – A high performing organisation.

While 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 and reduce operating expenditure across the business by \$20 million¹, by 2018.

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

In preparing this Corporate Plan, it is acknowledged that there are several external factors that may influence some of the content within the plan. The factors of note that are considered to be major influences include:

- Essential Services Commission (**ESC**) determination for GMW's Pricing Submission
- The reset of the Connections Project by the State and Commonwealth Government
- Outcomes of the Water for Victoria discussion paper outlining the Victorian Water Plan

These factors are explored further in Section 2: Corporate Plan.

¹ **Affordable water services:** GMW is working to reduce recurrent operational expenditure costs within the business by \$20 million.

Section 1

Statement of Corporate Intent



3. Statement of Corporate Intent

3 a) Business Objectives

Our 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 articulated as what GMW is fundamentally committed to (the Fundamental Commitments), the Strategic Outcomes required to fulfil these commitments (the Strategic Outcomes) and the Initiatives to deliver the outcomes.

As part of ensuring our corporate strategy remains relevant and in an effort to simplify our strategy, GMW's Fundamental Commitments and related Strategic Outcomes (SO) are defined as follows:

FC 1: Partnering with our customers

Strategic Outcomes:

- **SO 1** – Our service levels meet our customer's needs
- **SO 2** – We are easy to deal with

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

Strategic Outcomes:

- **SO 3** - We deliver the Connections Project for the long term benefit of our region
- **SO 4** - Our stakeholders are enrolled in our sustainable future
- **SO 5** - We operate commercially to deliver sustainable, predictable and affordable pricing
- **SO 6** - We develop our business in support of our customers and community

FC 3: A high performing organisation

Strategic Outcomes:

- **SO 7** - We are world leaders in water storage and irrigation management systems
- **SO 8** - We have an ongoing depth of capability, opportunity and leadership throughout the organisation
- **SO 9** - Our processes, systems and technology enable our future

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.

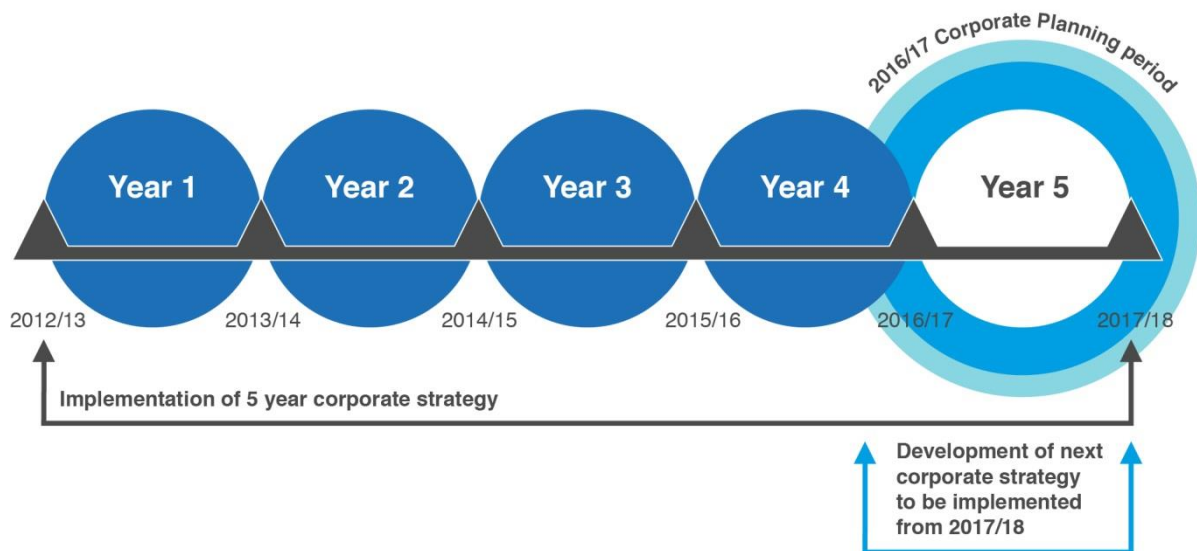
Our Conditions of Satisfaction are as follows:

- 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 meet our legal, contractual and regulatory obligations
- We listen to, understand and anticipate what is important to our customers.

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

GMW's corporate strategy is entering its fifth year in 2016/17. In 2016/17, planning will continue 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 relevant, aligned with customer and industry requirements and advancements. Ongoing macro and micro analysis is undertaken to allow GMW to maximise opportunities as they arise and to ensure we are prepared for potential changes and challenges in our customer and industry environments.

Figure 2 – GMW's 5 Year Corporate Strategy



Our Operational Business Objectives

GMW manages a range of operational business objectives to service our customers and stakeholders. Our key operational objectives for the corporate plan period 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 and maintenance of infrastructure for our irrigation and water districts
- 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 Functions

GMW's core business functions can be articulated as follows:

Delivering water to our region

- Store and deliver 70% of the State's stored water and 50% of underground water supply
- Provide water to our customers within agreed service standards

- Manage customer accounts including fees and charges
- Monitor compliance and appropriate usage of water allocation
- Minister's delegate for licensing ground water and surface water diversions and private dams.

Monitoring the quality of our water

- Monitor salinity and algae levels for public safety and irrigation use
- Ensure developments (proposed planning applications) do not impact the quality and/or quantity of the water.

Building and maintaining infrastructure

- Build, provide and maintain the infrastructure to support the storage and delivery of water
- Deliver on the State and Commonwealth Government's commitment to modernise and maintain water delivery infrastructure to improve water efficiency
- Facilitate hydroelectricity generation
- Provide construction and operational services for other Government agencies for delivering water (MDBA and Victorian Government).

Securing our water supply

- Allocate the agreed supply of water to meet our region's needs
- Provide water registry services for water trading
- Plan for the future to safeguard and maximise the diminishing water resource
- Support Government policy development and implementation regarding water resource management.

Supporting strong and vibrant communities

- Provide feedback to Government on their policy and the impacts on the diverse needs of our community
- Inform and engage the community on water resource management including resource availability, general operations and emergencies including flood safety
- Educate the community in better use of water for improved sustainability
- Facilitate recreational use on and around our rivers, lakes and reservoirs.

Meeting our legislative and reporting requirements

- Compliance with legislative requirements under the Water Act and other relevant governing legislation
- Meet reporting obligations to Government in accordance with statutory requirements
- Set prices to collect revenue for GMW's prescribed and non-prescribed services
- Comply with the regulator's requirements for setting of water prices.

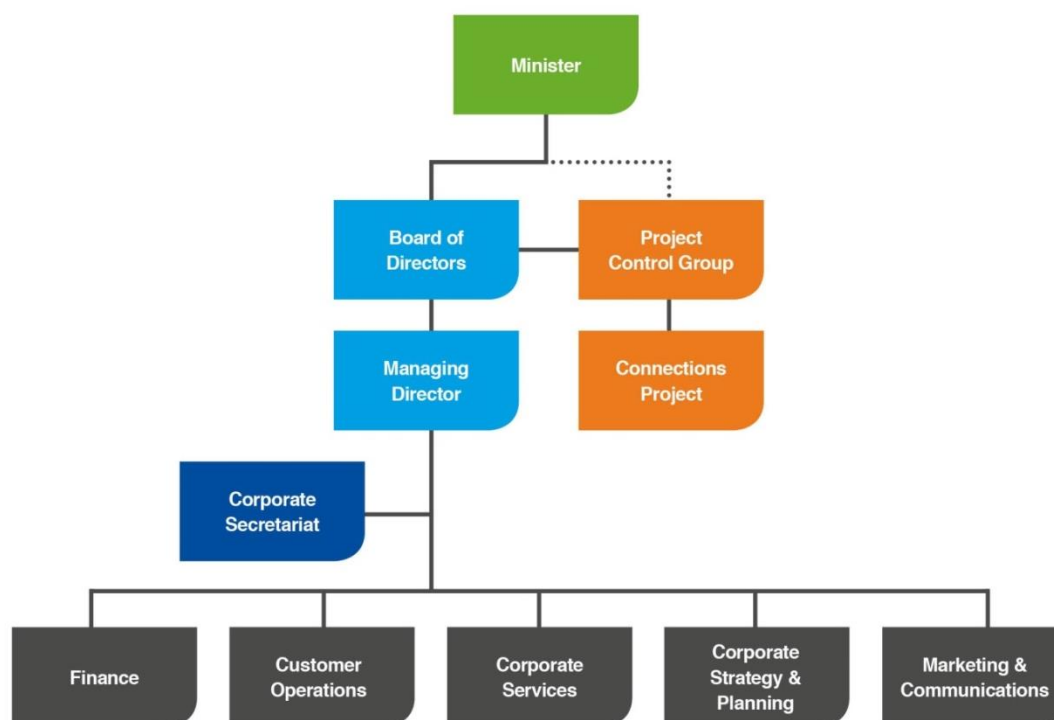
Our Business Units

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

- **Finance** - Provides support services to GMW in the areas of financial control, procurement, budgeting and forecasting, financial analytics and systems, and regulation and pricing.

- **Customer Operations** - Responsible for providing customer service, retail, wholesale and construction related operations. This includes, but is not limited to continual improvements in delivery of our customer experience, implementation of lean business processes and in doing so reducing costs for customers, operation and monitoring of key infrastructure including dams, channels, drains, pipelines and associated assets, and engineering and technical support.
- **Corporate Services** - Provides support services to GMW in the areas of human resources, training and development, safety, risk and compliance, facilities and property management along with Information, Communications and Technology operations, enterprise knowledge management and programme management.
- **Corporate Strategy and Planning** - Provides Corporate Strategy and Planning services to GMW focussing on three key areas: facilitating and coordinating corporate strategy, corporate policy and reform and planning and innovation. This will be achieved by coordinating and planning activities to ensure a cohesive long term direction for GMW. In addition the team works with the business to establish strong cross-functional working groups to facilitate the development of key business strategies and enhance the focus of innovation through research and development across the whole business to support delivery of our fundamental commitments.
- **Marketing and Communications** - Provides support services to GMW in the areas of Marketing and Communications strategy, media relations, community and stakeholder engagement, brand awareness and internal and external communications.
- **Corporate Secretariat** - Provides support services to GMW in the areas of strategic and operational corporate governance, business integrity, regulatory and statutory compliance, corporate legal matters for the Board, Executive Team and the overall business.
- **Connections Project** - Responsible for the delivery of the \$2 billion Connections Project the Project is the single most important upgrade of the GMID in its 100 year history. The Connections Project improves farm productivity, reduces the GMID footprint and benefits the health of local environment and the Murray Darling Basin by generating water savings through infrastructure upgrades. Further information relating to the Connections Project is available at Appendix A.

Figure 3 – GMW's Organisational Chart



3 b) Main Business Undertakings

Business achieved in 2015/16

Some of the key strategic initiatives that GMW achieved in line with our corporate strategy in 2015/16 are as follows:

FC1: Partnering with our customers

- **Deliver on our core services in line with agreed service standards, proposing new standards whilst holding operating expenditures constant**

We have continued to deliver our core services in line with our Water Plan 3 (WP3) Service Standards. In addition to our consultation with High Value Customers and Water Service Committees, we held 22 customer information sessions, three major account information sessions and seven customer drop-in sessions which informed changes to the Draft Pricing Submission document released in July 2015. Changes to our Service Standards are designed to:

- Make the standards more meaningful or reflective of sustained historical performance
- Provide greater customer service accountability
- Remove standards which are duplicated or cannot be met

- **Delivery of a Recreation and Land Strategy**

- Executive endorsement of discussion paper – 30 October 2015
- Board endorsement of discussion paper – 24 February 2016
- Final Strategy – April 2016

Related projects underway

- Draft Eildon Houseboats Business Strategy
- Draft Service Levels for recreation reserves
- Enhanced detail for financial reporting for recreational services being implemented by Finance
- Develop asset renewal & capital investment strategy
- Review current risk profile and develop prioritised actions
- Benchmark current leasing and licensing prices against industry rates
- Review all loss making activities with particular focus on club caravan parks

- **Customer Relationship Management systems to be upgraded to deliver greater process efficiencies resulting in reduced transaction fees and an enhanced customer experience**

GMW's customer relationship management and billing system was successfully upgraded in 2015. The system upgrade was an important foundation for the development of the online customer portal, which will be implemented by June 2016. The portal will provide customers with authenticated online access to their own billing and account information, the ability to pay multiple accounts in one transaction, and will offer a number of online requests including change of address, special meter readings and complaints. Customers will also be able lodge and pay for a range of applications online and check on the progress of applications they have submitted.

- **Undertake collaborative research with both Environmental Water Holders and Water Corporations to define service expectations, deliver mandatory obligations and expose opportunity for business improvement**

GMW continued close cooperation with environmental water holders and water corporations through 2015/16. GMW assisted the Victorian Environmental Water Holder to draft operating arrangements to define service expectations across northern Victoria and was a key partner in the research into the longer term benefits of environmental flows. GMW also collaborated with Goulburn Valley Water to introduce credits for return flows in the Goulburn system and prepare an operating agreement between the two corporations.

- **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**

We have completed macro and micro analysis, to understand the factors and trends that may impact our customers and GMW into the future.

- **Future Service Initiative (Wholesale and Retail)**

In service of delivering a Future Service Strategy throughout 2015/16 we completed research to gain a deeper understanding of our customer needs now and into the future.

This included:

- Completed a macro analysis to understand factors and trends effecting GMW and our Customers
- Conducted research to understand Customer appetite for choice in service offerings
- Customer Satisfaction Survey

In addition, we refreshed our core service standards and in consultation with customers, articulated these within our 2016 Water Plan.

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**

- A business process management system was successfully implemented in 2015. The focus of the first automation project was the customer change of ownership process. The system enables many aspects of this manual process to be automated, which has resulted in improvements in the end to end process time for customers, and a reduction in internal handling time by staff as well as a high quality outcome due to less risk of human error. Candidate processes for the next phase of this project are currently being assessed.
- During 2015/16 GMW worked closely with the Department of Land, Water and Environment on enhancements to the Victorian Water Register to provide an online automated service for Bore Construction Licence applications. The new service provides licensed drillers and customers with the ability to apply for, and gain automated approval for licences to drill bores for domestic and stock or investigation purposes. Application fees and turnaround times significantly reduced which has resulted in high levels of acceptance and uptake of the service.

- **Minor increases in average annual capital expenditure required to address high risk retail assets and undertake large dam safety projects**

The large dam safety projects relate to the Tullaroop Embankment works and the Lake Buffalo spillway hoist/gate works. The Tullaroop works have been brought forward from year 1 of Water Plan 4 to be mostly completed in the last year of WP3. These works are substantially complete and will be delivered for about \$1.5 million under the approved project budget. Likewise works on the Buffalo gates and hoists has commenced with works being delivered over both WP3 and Water Plan 4.

In the retail space it was proposed to bring forward works on a number of aged and failing structures along the East Goulburn Main channel as a contracted package of works. Additional funding has been allocated to address the remodelling and protection of priority channel banks in the Torrumbarry area.

- **Commence reform of the gravity and diversions tariffs and tariff reform for drainage and water districts**

In relation to Gravity Tariff Strategy

- GMW commenced development of gravity tariff reform in 2012 with establishment of the Tariff Strategy Advisory Group comprising Water Service Committee (WSC) chairs and GMW.
- Gravity Tariff Strategy published in Blueprint April 2013.
- Gravity Tariff Implementation Group comprising Chairs of WSC established in March 2015 including Terms of Reference.
- Working group to develop implementation plan and address implementation issues for convergence of Infrastructure Access Fee (IAF), Infrastructure Use Fee (IUF) (Uniform Delivery Charges) and service point fees for GMW's 2016 Price Review.

- GMW 2016 Price Review submission provided to the ESC in September 2015 set out GMW's proposed implementation of gravity irrigation uniform delivery charges to 2020.
- The ESC's Draft Decision on GMW's 2016 Price Review released in February 2016, proposes not to approve GMW's common gravity irrigation IAF and IUF structure, however it does consider GMW's cost structures in the districts, would be sufficient to justify common fees for gravity irrigation IAF and IUF for up to five of GMW's districts.
- GMW is currently considering its pricing reform proposal in response to the ESC's Draft Decision and will deliver a response to the Draft Decision by late April 2016.

In relation to Diversion Tariff Strategy:

- A comprehensive review of diversion services and existing tariffs was undertaken by GMW in consultation with a working group between September 2012 and July 2013. The working group, comprising Regional WSC members and GMW Board members, was established with a Terms of Reference to provide advice and input to a new draft Diverters' Tariff Strategy.
- A Draft Diverters' Tariff Strategy was developed and consulted with Regional WSCs and more widely with GMW's diversions customer base during July and August 2013.
- Following a public consultation process, a final Diverters' Tariff Strategy was approved by GMW's Board in September 2013 and published in October 2013.
- GMW's tariff implementation and transition plan was developed and agreed in consultation with Regional WSCs, in preparation for the commencement of tariff implementation in July 2014.
- A new diverters' tariff structure, consistent with the approved Diverters' Tariff Strategy, was implemented in 2014-15 as part of the annual price adjustment approved by the ESC.
- The transition to pricing changes associated with implementing the new diverter tariff commenced in 2015-16 as part of annual price review (APR) approved by the ESC.
- Although in the 2015/16 APR process, the ESC approved GMW's prices relating to diverter tariff implementation, they noted that GMW was required to submit its proposed diversion tariff changes and remaining pricing transition to full tariff implementation as part of its Pricing Submission.
- The ESC's Draft Decision on GMW 2016 Price Review released in February 2016, proposes to approve GMW's proposed diversion tariff structure subject to the transition to the service point based access fee being extended from 2 to 4 years. This extended transition is required to achieve reduced price volatility and impact on diverters with smaller volume entitlements.

In relation to Drainage Tariff Reform:

- Commenced the development of the tariff strategy in May 2014 including terms of reference.
- Developed Drainage tariff Strategy Issues Paper which was endorsed by the Board and released for consultation in February 2015.
- Development of Draft Tariff Strategy for drainage diversion, surface drainage and subsurface drainage currently underway. Scheduled completion by December 2016.
- Tariff Strategy communication and engagement strategy finalised for release of Draft Tariff Strategy in December 2016.
- The ESC's Draft Decision on GMW's 2016 Price Review released in February 2016, proposes to approve the current drainage tariff structure and prices proposed by GMW.

- GMW is currently considering a response to the ESC's Draft Decision and will deliver a response to the Draft Decision by late April 2016.

In relation to Water Districts:

- As proposed in GMW's 2016 Price Review submission, further consultation and development of tariff strategy for water districts is proposed in the fourth regulatory period.

- **Contract negotiations to realise savings**

Following a review of commercial contracts during the year, GMW has renegotiated our insurance contracts which will deliver a realised saving in 2016/17 of \$1M year to year against budget.

In addition GMW has generated estimated electricity savings of 19% per annum as a result of a successful tender process.

- **Reduce cost of management of Natural Resource services functions including water quality salinity mitigation**

GMW achieved savings by consolidating its Water Quality and Drainage Services functions into the Water Resources unit. Closer scrutiny of contract use allowed reduction of overall budget.

The Drainage Systems team led a review of surface and subsurface drainage tariffs across the GMID in partnership with customer representatives and the Goulburn Broken and North Central catchment management authorities. The review sought to reduce costs for both GMW and drainage customers while providing simpler tariffs. GMW will seek Board approval of the revised drainage strategy later this year.

- **GMW Stakeholder Engagement Framework**

Understanding our stakeholders' interests, concerns and having the benefit of their diverse experience, knowledge and perspectives in our planning processes will enable GMW to achieve outcomes for our customers and the broader community well beyond what we will be able to achieve in isolation.

It is with this in mind that we have developed the GMW Strategic Stakeholder Engagement Framework. It sets out GMW's position regarding the significance and value of engaging with our stakeholders and the importance of using a range of engagement methods. It also sets how we plan to embed stakeholder engagement within our business.

- **Investigation of potential partnering arrangements.**

As part of GMW's commitment to partner and work closely with our customers and stakeholders, GMW recently presented to Murray Dairy on water availability and seasonal outlooks at its recent seasonal conditions workshops held for dairy farmers across northern Victoria. The workshops allowed GMW to brief a large number of customers on the current water situation.

GMW continues to update water resources information for newsletters and attend grower meetings conducted by the Australian Processing Tomato Research Council.

GMW worked with environmental watering advisory groups on the development and endorsement of seasonal watering proposals prepared by catchment management authorities. The close cooperation helped GMW and the catchment management authorities plan environmental watering throughout the year.

- **Fleet Review Project**

The (light vehicle) fleet review project concluded with a number of cost savings and benefits to be realised. These include:

- Reduced future vehicle leasing costs due to a newly negotiated contract
- Allocating vehicles to positions based on both a measurable and demonstrated need and the type of business use
- Limiting vehicle choice, standardising contract conditions and greater tracking of usage to enable vehicle rotation to maximise utilisation and reduce penalty costs
- Selection of fit for purpose vehicles that consider safety and environmental performance
- Enhanced suite of policies for improved control and governance over the fleet
- Simplified business processes that reduce the complexity and administrative burden of current business processes.

- **Conditions Determination Project**

Conditions Determination developed and approved by GMW Board with effective date 1 July 2015, along with several related policies and procedures being updated and / or introduced.

FC3: A high performing organisation

- **Implementation of a corporate mentoring and coaching, succession planning, and performance management program across the business**

Mentoring & Coaching

A total of 25 Mentors and 25 Mentees commenced the 12 month program.

All Mentees were given the opportunity to finish the program with a presentation to the executive and seven chose to do this. They also indicated they would like to be future Mentors to continue their own growth and learning.

It is anticipated that these Mentees will become future leaders, enhancing GMW's potential leadership pool.

During the course of the program all mentees and mentors:

- Received regular newsletters and email bulletins
- Had the opportunity to participate in workshops and guest speaker events
- Completed the Clifton Strength Finder
- Actively contributed to the mentoring intranet page.

Succession Planning

- Succession planning framework has been completed and a pilot program commenced within Customer Operations. A further role out will be aligned to implementation of our Capability Framework.

Performance Management

- A performance management strategy has been developed to encompass team and individual performance, goal setting and professional development. This will be further enhanced when GMW implements a Human Resource Information System (HRIS) in the latter part of 2016.

- **Implementation of graduate and trainee programs**

In 2016 GMW once again offered its Kick Start University Student work experience program, which provides local young aspiring professionals the opportunity to work at GMW over their summer vacation period. This year's program hosted nine university students from a range of disciplines including engineering, technology, science, environmental and business studies. Following on from the success of the first Kick Start program in 2015, one of the participants was appointed into a Graduate Engineer role in early 2016.

GMW's ongoing commitment to trainee programs saw two trainees commence in our Information, Communication and Technology unit.

- **Achievements in support of our commitment to safety first**

The Connections Project's construction team safety data revealed that since the project was established in 2009, more than two million hours have been worked with only eight lost time injuries.

GMW maintained certification against AS/NZS 4801: Occupational Health and Safety Management Systems and achieved certification against OHSAS 18001: Occupational Health and Safety Management Systems, the internationally recognised standard.

3 c) Nature and Scope of Activities to be undertaken

The nature and scope of activities to be undertaken remain in service of achieving our Corporate Strategy. The table below lists the Strategic Initiatives and how they relate to the Strategic Outcomes and Fundamental Commitments.

For further detail on the Strategic Initiatives being undertaken during 2016/17, please see the Business Plan in Section 3.

Table 3 – Corporate Strategy Activities

Strategic Outcome	Strategic Initiative	Objective
FC1 Partnering with our customers		
SO1 Our service levels meet our customers' needs	SO1-01 Future Service Initiative (Wholesale and Retail)	To research and identify additional common services that customers are seeking and their preparedness to receive these on a cost recovery basis.
	SO1-02 Conditions Determination Project (completed 2015/16)	An implementation plan is developed and delivered including changes to policies, procedures and systematic changes in relation to determined flow rates.
	SO1-03 Future Service Initiative (Diversions Customers)	To deliver to customers, greater choice and flexibility in the way they hold and use their diversions and groundwater licenses.

Strategic Outcome	Strategic Initiative	Objective
	SO1-04 GMID Service Strategy	This service strategy will deliver the customer segmentation model for the GMID, Service standards and the capital and operating requirements for the GMID.
SO2 We are easy to deal with	SO2-01 Customer Experience Improvement Program	To significantly improve the way we deliver services to our customers and enhance their experience when dealing with GMW.
	SO2-02 Customer Policy reform	To identify opportunities where policy can be simplified, contemporised and reformed to improve customer outcomes and ensure transparency and understanding.
	SO2-03 Tariff Review	A simple tariff which is accountable to customers, able to be understood and explained easily.
	SO2-04 Customer Communications and Engagement Framework	Review current engagement and communications processes and establish consultation methods and metrics for evaluating satisfaction and plan for communication to customers.

Strategic Outcome	Strategic Initiative	Objective
FC2 Creating the opportunity to increase production in northern Victoria over the next 20 years		
SO3 We deliver the Connections Project for the long term benefit of our region	SO3-01 Connections Programme Plan	This initiative will focus on three key deliverables; 1) Connections Project long term business implications (e.g. whole of life) 2) Supporting the operational delivery of the Connections Project; 3) The Connections Project Reset.
SO4 Our stakeholders are enrolled in our sustainable future	SO4-01 GMW Stakeholder Engagement Framework	Develop the implementation plan for the Stakeholder Engagement Framework.
SO5 We operate commercially to deliver sustainable predictable and affordable pricing	SO5-01 Procurement Review	Review procurement support structure and contracts across the business to identify and capture cost efficiency savings.
	SO5-02 Fleet Project (completed 2015/16)	Identify cost savings across the business by streamlining light vehicle fleet policy.
	SO5-03 Field Workforce Mobility Initiative	To identify and implement solutions which enable our infield workforce to become more mobile and reduce the risks and costs associated with unnecessary travel to and from work sites.
	SO5-04 Asset Management Initiative	This initiative aims to reduce the whole of life cost of assets through the development of asset management plans and assessment of commercialisation ventures.
	SO5-05 Enterprise Agreement Initiative	To optimise our balance of customer service, productivity, employee retention and engagement, and cost reduction objectives.
	SO5-06 Estates Review Initiative	To develop a Future Estates Master Plan incorporating, property optimisation and revenue generation from our property portfolio.
SO6 We develop our business in support of our customers and community	SO6-01 Commercialisation Framework	To identify opportunities to generate alternative non prescribed revenue streams aligned to the core capability of our business.
	SO6-02 Recreation and Land Initiative	Identify opportunities to increase the utilisation of our key assets to enable us to generate positive revenue.

Strategic Outcome	Strategic Initiative	Objective
FC3 A high performing organisation		
SO7 We are world leaders in water storage and irrigation management systems	SO7-01 Water Management System Optimisation	To ensure that the automated delivery and data collection system is able to perform at a level that meets GMW's and customers' needs.
	SO7-02 Strategic Plan for All Dams	Develop a strategic plan for all dams that will assist in future investment decisions and long-term direction.
	SO7-03 Water Management System Roadmap	Identify a future desired state for the Water Management System allowing key business decisions to be made in service of that outcome.
	SO7-04 Water Delivery Efficiency Project	To understand forecast bulk entitlements and develop an Efficiency Improvement initiative.
	SO7-05 Low Inflows Strategy	Develop whole of business response to low water availability for customers arising from low inflows continuing into 2016/17 and for future low inflow sequences. Define operational and financial responses to mitigate revenue decline and customer financial stress and the appropriate implementation plan.
SO8 We have an ongoing depth of capability opportunity and leadership throughout the organisation	SO8-01 Our People Our Future	To develop a structured capability, succession and performance management framework.
	SO8-02 Innovation Leadership and Research and Development Program	To develop an Innovation, Research and Development program and supporting framework.
SO9 Our processes systems and technology enable our future	SO9-01 ICT Strategic Plan Delivery	To deliver technical capabilities around core systems, business data and reporting automation, systems sustainability and rationalisation of technologies.
	SO9-02 Internal Process Optimisation Program	To streamline internal business processes using process optimisation methodologies, maximising the use of technology and automation.
	SO9-03 Finance Structure Review	Evaluate opportunities to simplify the finance support structure whilst meeting business needs.

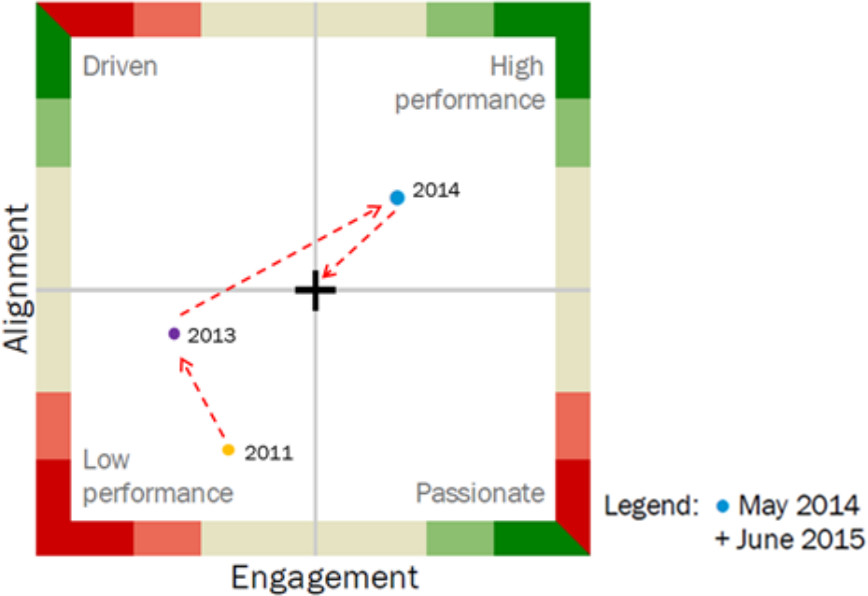
3 d) Performance Targets and Other Measures

The information below relates to internal KPIs developed by GMW. Section 2, part 6 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.

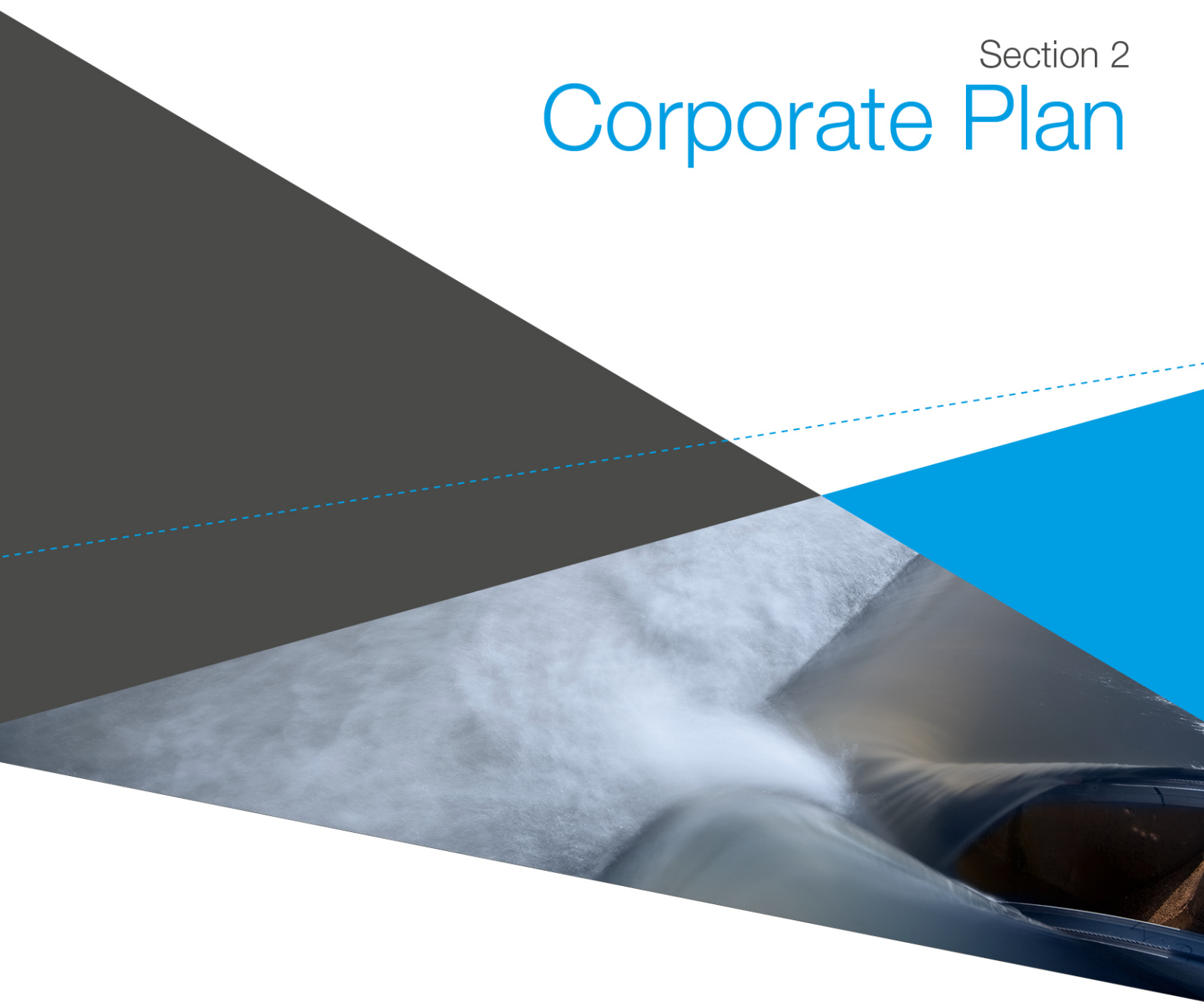
Table 4 – GMW's Internal KPIs

Corporate KPI	Latest Performance
FC1 Partnering with our customers	
Customer satisfaction is at 90% or higher as per the annual Customer Satisfaction Survey	<p>The annual Customer Satisfaction Survey was conducted in October and November 2015. Following feedback from previous surveys, and to ensure that we were asking the right questions to receive the right information to improve our services, we conducted a series of focus groups with our Water Services Committee members to hear about what they thought was important to our customers.</p> <p>In addition, we also asked a series of more in-depth questions about our Water Services Committees and their interactions with our customers. We surveyed 751 customers from across our region using a mix of yes/no questions, scaled questions and open-ended questions.</p> <p>Key findings included 88% of our customers indicating that they were satisfied with our overall service. This result exceeded our aspirational target was 85%.</p> <p>One of the most significant areas of improvement was in how we listen, communicate and consult with our customers. Not only are we continuing to improve the way we provide information to customers so it's easy to understand (10% increase in satisfaction from 2014), but customers are now feeling more consulted with about things that affect them than they have in the past as demonstrated with a 12% increase in satisfaction from 2014.</p>
FC2 Creating the opportunity to increase production in northern Victoria over the next 20 years	
Reduce operating expenditure across the business by \$20M by 2018	<p>Total operating expenditure savings forecast for 2015/16 is \$11.7M</p> <p>The target is measured against the annual expenditure figure for 2017/18 that accompanied GMW's Water Plan 3 submission.</p>
We have 85% water delivery efficiency by 2020	<p>Latest performance for this KPI is 77% water delivery efficiency.</p> <p>A number of different factors influence the system efficiency including the total volume of water delivered during the season, start of season channel fill and end of season channel drawdown, operation of local system storages, seasonal weather conditions and local catchment inflows.</p>
We have delivered the Connections project by 30 June 2018	<p>The recently completed Mid Term Review of the Connections Project found that the notwithstanding achievements of the Project to date, a reset of the Project is needed.</p> <p>The Commonwealth and State's decision on how the Project will be reset will determine the future outcomes and deliverables for the Project.</p>

Corporate KPI	Latest Performance
FC3 A high performing organisation	
<p>Employee engagement staff survey results are in the top quartile by 2017</p>	<p>Each year, GMW employees respond to an Alignment and Engagement Survey (Survey). The Survey is a world's best practice benchmarked employee survey designed to establish the extent to which the day-to-day operations of the organisation are aligned with its strategic goals, and levels of employee engagement.</p> <p>The Survey highlights areas of strength and areas where improvements can be made. It also acts as an internal benchmark against which the effectiveness of organisational performance improvement initiatives can be measured.</p> <p>The most recent Survey was conducted in May 2015* with a response rate of 73%. The following diagram shows the results of the Survey at the whole-of-business level. The colour coding indicates how GMW compares to other, like organisations in the benchmark database.</p>  <p>The results show that both alignment and employee engagement have declined since 2014, but remain well ahead of results from 2011. GMW has incorporated organisational performance improvement initiatives into its business plan to consolidate and build upon improvements to both alignment and engagement.</p> <p>*The results show June 2015 as this was when the data analysis was completed.</p>

Section 2

Corporate Plan



4. Areas of Focus

As part of GMW's corporate planning process, the Board and Management conduct a review of our corporate strategy in the context of the changing external environment and any emerging strategic issues or opportunities. At the 2016 Board Strategy day, GMW assessed and considered the following:

- Progress against our strategic outcomes in the delivery of our commitments;
- 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 most recent Board Strategy Day, held in April were as follows:

- A clear understanding for how each of our key strategic priorities contributes to the delivery of our current strategic plan
- An understanding of the importance of doing a comprehensive environmental scan in assessing current strategy and in planning for the development of our next strategy
- GMW identified the implications of climate change on water demand and future forecasts and the business
- GMW obtained clarity on Government policy direction
- GMW identified key issues facing one of our key customer segments
- GMW validated that our strategy is the right strategy to take us through to 2018 and confirmed our strategic priorities;
- GMW is actively considering what we want each of our stakeholder groups to be saying about us in 2025
- GMW has clarity on the strategic planning process, including critical milestones for developing our new strategic direction.

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

Table 5 below relates to the Corporate Plan requirements as per section 2.2 of the DTF Requirements.

Table 5 – Corporate Planning - Section 2.2 DTF Requirements

Detail	
Section - Operating Environment	
External factors impacting on performance (e.g.: regulatory constraints, competitive environment, economic and market conditions, opportunities and threats, Community Service Obligations)	<ul style="list-style-type: none"> • The government environment - laws, taxes, policies, for example the Water for Victoria strategy, GMW's pricing submission, Basin Plan, and the State and Commonwealth Government reset of the Connections Project, • The environment – climatic conditions - variable and reducing inflows as reflected in the current dry conditions; • Competitive environment - competition for water and the impact of water moving outside of the GMID to other regions.

Detail	
	<ul style="list-style-type: none"> • The finance market - equity, debt, exchange/interest rates, treasury • The labour market - for executives, employees and customers • The purchases market - raw materials, semi-/finished goods, food production, prices, import / export markets • Technology, data and smarter assets – cloud computing, mobile, cyber security • Areas of growth in Agriculture – Agriculture generates \$6bn of production value annually in Northern Victoria with optimism from anticipated growth in agricultural produce and demand for high quality produce both locally and internationally. • Customer needs and engagement - Consumer behaviours and needs are constantly evolving; customers want to be engaged more and need to be consulted;
<p>Internal factors impacting on performance (e.g.: competitive strengths and weaknesses, organisational structure, asset condition)</p>	<p>Key internal issues that will impact on performance:</p> <ul style="list-style-type: none"> • Connections Project Reset • Water resources – finite amount of water to share each year <p>Strengths:</p> <ul style="list-style-type: none"> • 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. <p>Weaknesses:</p> <ul style="list-style-type: none"> • 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 • Not leveraging opinion leaders. <p>Opportunities:</p> <ul style="list-style-type: none"> • GMID competitive advantage • Connections Project increase productivity • Improving stakeholder relationships • Better understand customer needs/wants • Change non-revenue services to generate revenue • Consult to help customers use water better • Commercial opportunities • Leveraging technology • Work with Government to develop and deliver on policy • Customer educations and expectation gap

Detail	
Key drivers of performance (e.g.: determinants of demand, key input costs, asset utilisation)	<ul style="list-style-type: none"> • Value of delivery share • Value of underlying water Threats: <ul style="list-style-type: none"> • Connections Project non delivery • Market forces – water trade • Can't control environmental threat • Delivery Shares – concern with intrinsic value • Government policy and implications on core business to be considered.
Identification of internal and external risks (e.g.: business risks, exposure to interest rate and currency movements, technological change, environmental impacts)	<p>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).</p> <p>GMW's risk management framework has been revised and a risk target level approach considered which also provides the opportunity to consider positive consequences associated with risks (opportunity compared to risk), and have both risks and opportunities underpin our risk acceptance tolerance.</p> <p>Key business risks and opportunities include:</p> <p>Opportunities</p> <ul style="list-style-type: none"> • Stakeholder engagement and relationship management • Customer engagement and relationship management • Changing environmental context • Commercialisation • Alternative revenue and cost reduction <p>Risks</p> <ul style="list-style-type: none"> • Connections project reset • Relationship management • Decline in water resource availability • Increase in major disaster events • Changing legislative context <p>Management will consider the above in the development of the revised business risk & opportunity register.</p>

Detail	
Section – Key Strategies	
Risk and asset management strategies	<p>Information relating to GMW's risk strategy is set out at section 2, part 4(c) below and at Appendix B.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>Key themes that are common across each of the pillars include:</p> <ul style="list-style-type: none"> • 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	<p>As set out in the Introduction at part 2, the following Fundamental Commitments serve to deliver efficient and affordable water services for our customers:</p> <ul style="list-style-type: none"> • FC 1 - Partnering with our customers • FC 2 - Creating the opportunity to increase production in Northern Victoria over the next 20 years. <p>As per section 1, part 3(a), the Strategic Outcomes that relate to these Fundamental Commitments are as follows:</p> <p>FC 1: 'Partnering with our customers':</p> <ul style="list-style-type: none"> • SO 1 - Our service levels meet our customers' needs • SO 2 - We are easy to deal with <p>FC 2: 'Creating the opportunity to increase production in Northern Victoria over the next 20 years':</p> <ul style="list-style-type: none"> • SO 3 - We deliver the Connections Project for the long term benefit of our region • SO 4 - Our stakeholders are enrolled in our sustainable future • SO 5 - We operate commercially to deliver sustainable predictable and affordable pricing

Detail	
	<ul style="list-style-type: none"> • SO 6 - We develop our business in support of our customers and community <p>As further set out in the Statement of Corporate Intent at part 3 c), 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 and reduce operating expenditure across the business by \$20 million², by 2018.</p>
Other strategies (pricing, marketing and customer service)	<p>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:</p> <p>FC 3: 'A high performing organisation':</p> <ul style="list-style-type: none"> • SO7 - We are world leaders in water storage and irrigation management systems • SO8 - We have an ongoing depth of capability opportunity and leadership throughout the organisation • SO9 - Our processes systems and technology enable our future.

Long-term and short-term key strategic business objectives and drivers

GMW manages water resources in accordance with legislation and government policy. Wherever possible, GMW looks to achieve multiple outcomes for the community through its management. Examples include the delivery of water for environmental water holders such that entitlement holders are not inconvenienced; adding variability to flows when delivering inter-valley trade water from the Goulburn system to the Murray system; working with local communities to maximise water availability for recreational use as storage levels decline under drought; and using reference committees of local water users when developing local management rules.

Simultaneously, GMW continues to prepare itself for extraordinary events that can significantly impact on its water management operations. Lessons learned from the millennium drought and policy responses are applied to maximise water availability during dry times; current dry conditions have had less impact on customers compared to during the millennium drought. Conversely, GMW has significantly strengthened its already strong flood management procedures to ensure consistency across all storages and the enhancement of staff skills to enable deployment of personnel across the entire storage portfolio.

GMW is working with the Department, as well as conducting its own investigations, to determine appropriate responses to climate change. While policy will drive much of the expected change to water management, GMW is addressing the needs of its customers in how they and their business adapt to climate change in the next 10 years.

The biggest risks are water availability and future cost of service.

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

Contributing factors are:

- Water availability – climate change, environment purchases (directly and on-farm efficiency programs), higher value uses (e.g. Mallee horticulture and urbans), government policies that encourage and facilitate trade of water to higher value uses.
- Cost of service – uncertain whole of life costs associated with modernised GMID, GMID footprint too large, weakening of current delivery share tariff regime.

4 b) Debt Management

GMW monitors debt in accordance with DTF treasury management guidelines and GMW's own treasury policy. Further detail is provided in the Financial Information at **Appendix C**.

4 c) 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**.

4 d) Financial business targets and projections

For financial business targets and projections please see the Financial Information at **Appendix C**.

4 e) Quarterly financial projections

For quarterly financial projections please see the Financial Information at **Appendix C**.

4 f) Impact on performance of high and low scenarios for key planning variables

For impact on performance of high and low scenarios for key planning variables, please see the Financial Information at **Appendix C** part 2 (d).

5. Planning Assumptions

5 a) Assumed water allocations

GMW Board has approved GMW Pricing response to the ESC Draft decision.

GMW assumed the Goulburn and Murray systems would receive seasonal determinations of 100% of high-reliability water shares throughout the 2016-2020 Water Plan. The assessment was derived from independent modelling that considered likely decreases in water availability under climate change and the ongoing changes in entitlement ownership in the GMID. Very dry conditions during 2015/16 are challenging these assumptions and GMW is reviewing the assessment as it finalises its Pricing Submission for the Essential Services Commission. Continued dry conditions would likely reduce the deliveries across the GMW region and reduce the variable revenue associated with GMID deliveries.

5 b) Assumed price changes and customer bills

To be updated subject to the ESC final decision on GMW Pricing.

5 c) All other relevant assumptions

All other relevant assumptions are detailed in the Financial Information at **Appendix C**.

6. Performance Reporting

6 a) 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 and financial KPIs are prescribed by the Victorian Water Industry Performance Reporting Framework. GMW has assigned targets for the Water Storage and Delivery business as outlined below. Please see Appendix C Financial Information for targets in relation to the Connections Project.

Table 9 - KPIs - Victorian Water Industry Performance Reporting Framework

Water Service Performance Indicators

KPI Number	Key Performance Indicator	Target for 2016/17 (%)
WSR1	Rural water supply deliveries (Number of orders delivered/total number of orders) * 100	Gravity is 93 Pumped is 98
WSR2	Unavailability of Domestic and Stock supply (Duration that domestic and stock service is unavailable in excess of on-property storage requirement/length of water season) * 100	1.5
WSR3	Groundwater supply (Number of transfers processed within target period / total number of transfers processed) * 100	78.3

Customer Responsiveness Performance Indicators

KPI Number	Key Performance Indicator	Target for 2016/17
CR4	Billing/payment issues complaints Number of complaints per 1000 customers	Target for 2016/17 will be calculated at end of 2015/16 based on rolling 5 year average

Environmental Performance Indicators

KPI Number	Key Performance Indicator	Target for 2016/17
E2	Total net CO₂ emissions Net tonnes CO ₂ equivalent	11,727 tonnes

Financial Performance Indicators

KPI Number	Key Performance Indicator	Budget 2016/17
F1	Cash Interest Cover Net operating cash flows before net interest and tax/net interest payments	2.9
F2	Gearing Ratio (Total Debt (including finance leases)/total assets) * 100	0.0
F3	Internal Financing Ratio (Net operating cash flow less dividends/net capital expenditure) * 100	30.7%
F4	Current Ratio Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	0.6
F5	Return on Assets (Earnings before net interest and tax/average assets) * 100	-1.3%
F6	Return on Equity (Net profit after tax/average total equity) * 100	-1.2%
F7	EBITDA Margin (Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue) * 100	10.9%



Section 3

Business Plan

7. Business Plan

Actions and strategies to achieve outcomes

The Business Plan below sets out GMW's Strategic Initiatives to be progressed and achieved in 2016/17. The Strategic Initiatives are sorted by priority order and grouped by quarter. They are complemented by the '*Nature and Scope of Activities to be undertaken*', as set out section 1, part 3(c) of this Corporate Plan.

Table 10 – Business Plan - Section 2.3 DTF Requirements

Strategic Initiative	Objective	Date Complete
SO8-01 Our People Our Future	To develop a structured capability, succession and performance management framework.	Q1 2016/17
SO1-01 Future Service Initiative (Wholesale and Retail)	To research and identify additional common services that customers are seeking and their preparedness to receive these on a cost recovery basis.	Q1 2016/17
SO7-05 Low Inflows Strategy	Develop whole of business response to low water availability for customers arising from low inflows continuing into 2016/17 and for future low inflow sequences. Define operational and financial responses to mitigate revenue decline and customer financial stress and the appropriate implementation plan.	Q1 2016/17
SO1-03 Future Service Initiative (Diversion Customers)	To deliver to customers, greater choice and flexibility in the way they hold and use their diversions and groundwater licenses.	Q1 2016/17
SO2-02 Customer Policy Reform	To identify opportunities where policy can be simplified, contemporised and reformed to improve customer outcomes and ensure transparency and understanding.	Q1 2016/17
SO4-01 GMW Stakeholder Engagement Framework	Develop the implementation plan for the Stakeholder Engagement Framework.	Q2 2016/17
SO5-05 Enterprise Agreement Initiative	To optimise our balance of customer service, productivity, employee retention and engagement, and cost reduction objectives.	Q2 2016/17
SO8-02 Innovation Leadership and Research and Development Program	To develop an Innovation, Research and Development program and supporting framework.	Q2 2016/17
SO9-03 Finance Structure Review	Evaluate opportunities to simplify the finance support structure whilst meeting business needs.	Q2 2016/17
SO2-01 Customer Experience Improvement Program	To significantly improve the way we deliver services to our customers and enhance their experience when dealing with GMW.	Q2 2016/17
SO1-04 GMID Service Strategy	This service strategy will deliver the customer segmentation model for the GMID, service standards and the capital and operating requirements for the GMID.	Q3 2016/17
SO5-01 Procurement Review	Review procurement support structure and contracts across the business to identify and capture cost efficiency savings.	Q4 2016/17

Strategic Initiative	Objective	Date Complete
SO7-03 Water Management System Roadmap	Identify a future desired state for the Water Management System allowing key business decisions to be made in service of that outcome.	Q4 2016/17
SO6-01 Commercialisation Framework	To identify opportunities to generate alternative non prescribed revenue streams aligned to the core capability of our business.	Q4 2016/17
SO7-02 Strategic Plan for All Dams	Develop a strategic plan for all dams that will assist in future investment decisions and long-term direction.	Q4 2016/17
GMW's New Strategic Direction	Development of the new corporate strategy for the period 2017/18 to 2021/22	Q4 2016/17
In addition to those Strategic Initiatives listed for completion above, the following initiatives will also be progressed during 2016/17.		
SO5-04 Asset Management Initiative	This initiative aims to reduce the whole of life cost of assets through the development of asset management plans and assessment of commercialisation ventures.	Q2 2018/19
SO2-04 Customer Communications and Engagement Framework	Review current engagement and communications processes and establish consultation methods and metrics for evaluating satisfaction and plan for communication to customers.	Q1 2018/19
SO2-03 Tariff Review	A simple tariff which is accountable to customers, able to be understood and explained easily.	Q4 2019/20
SO7-04 Water Delivery Efficiency Project	To understand forecast bulk entitlements and develop an Efficiency Improvement initiative.	Q4 2017/18
SO7-01 Water Management System Optimisation	To ensure that the automated delivery and data collection system is able to perform at a level that meets GMW's and customers' needs.	Q4 2017/18
SO9-01 ICT Strategic Plan Delivery	To deliver technical capabilities around core systems, business data and reporting automation, systems sustainability and rationalisation of technologies.	Q2 2018/19
SO9-02 Internal Process Optimisation Program	To streamline internal business processes using process optimisation methodologies, maximising the use of technology and automation.	Q2 2017/18
SO5-03 Field Workforce Mobility Initiative	To identify and implement solutions which enable our infield workforce to become more mobile and reduce the risks and costs associated with unnecessary travel to and from work sites.	Q2 2017/18
SO5-06 Estates Review Initiative	To develop a Future Estates Master Plan incorporating, property optimisation and revenue generation from our property portfolio.	Q3 2017/18
SO3-01 Connections Program Plan	This initiative will focus on three key deliverables; 1) Connections Project long term business implications (e.g. whole of life) 2) Supporting the operational delivery of the Connections Project 3) The Connections Project Reset.	TBC Subject to the Connections Project Reset

GMW is committed to delivering the above Strategic Initiatives 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 meet our legal, contractual and regulatory obligations
- We listen to, understand and anticipate what is important to our customers

Appendix A – The Connections Project

The Connections Project aims to 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 change to 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 focused on water savings and is working to provide long term sustainability of irrigation in the region. Delivering such a complex project is not without its challenges particularly given the many variables that need to be managed throughout the project.

PROJECT BACKGROUND

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

The Federal Government, Victorian Government and 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 Government's shares of the water savings will be used to deliver environmental benefits.

PROJECT DEVELOPMENTS IN 2015

In November 2015 the Project was independently reviewed, which was a condition in the Stage 2 contract with the Commonwealth Government. The review found the Commonwealth and Victorian governments, along with GMW, will need to reshape the project and agree on a mix of solutions to ensure it meets its goals.

The independent GHD review found that fundamental changes to the Connections Project were required to ensure its success. Reshaping the project will ensure we generate water savings by creating a leading water delivery system that boosts irrigator productivity, helps communities thrive and fosters healthy waterways and wetlands.

NEXT STEPS IN 2016

The Commonwealth and Victorian governments, along with GMW, are working with key stakeholders, irrigator and industry representatives to reshape the project. An independent company was engaged to hold consultation sessions across the region to ensure our irrigators and communities have a say on the project's future.

On March 3, 2016 Victorian Water Minister Lisa Neville announced the appointment of a new Project Control Group (PCG). The PCG's role is to drive change and streamline the decision making process. The PCG reports to the GMW Board and also directly to the Minister.

The Project will continue to make internal improvements to help achieve its contractual targets.

The reshape of the project will take place in the second quarter of 2016. GMW is committed to keeping staff, landowners and the public informed as we move through this process.

Appendix B – Operational Risk Assessment

FC 1: Partnering with our customers	Extreme	Significant	Medium	Low	Current Controls
Failure to deliver services to customers.	x				<ul style="list-style-type: none"> • 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				<ul style="list-style-type: none"> • 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				<ul style="list-style-type: none"> • 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				<ul style="list-style-type: none"> • 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				<ul style="list-style-type: none"> Undertake community consultation and awareness on Part 7A External audits to confirm water savings
Failure to build a high performing and engaged organisation.	x				<ul style="list-style-type: none"> 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			<ul style="list-style-type: none"> 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				<ul style="list-style-type: none"> 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				<ul style="list-style-type: none"> • 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				<ul style="list-style-type: none"> • 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				<ul style="list-style-type: none"> • 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 Our service levels meet our customers' needs	Extreme	Significant	Medium	Low	Current Controls
Failure to deliver services to customers.	x				<ul style="list-style-type: none"> 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				<ul style="list-style-type: none"> Annual Customer Satisfaction Survey Water Service Committees Communications and engagement strategy for the Connections Project
SO 2 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				<ul style="list-style-type: none"> Annual Customer Satisfaction Survey Water Service Committees Communications and engagement strategy for the Connections Project
Failure to deliver services to customers.	x				<ul style="list-style-type: none"> 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 the connections project for the long term benefit of our region Failure to deliver the Connections Project	Extreme	Significant	Medium	Low	Current Controls
	x				<ul style="list-style-type: none"> Undertake community consultation and awareness on Part 7A External audits to confirm water savings
Failure to deliver services to customers	x				<ul style="list-style-type: none"> 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 4 Our stakeholders are enrolled in our sustainable future Failure to deliver services to customers	Extreme	Significant	Medium	Low	Current Controls
			x		<ul style="list-style-type: none"> 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
			x		<ul style="list-style-type: none"> Annual Customer Satisfaction Survey Water Service Committees Development and implementation of Communications and Engagement Strategy for Connections Project
Failure to partner with customers and stakeholders to achieve mutually beneficial outcomes					
SO 5 We operate commercially to deliver sustainable predictable and affordable pricing Failure to maintain financial sustainability in the short and long term.	Extreme	Significant	Medium	Low	Current Controls
	x				<ul style="list-style-type: none"> Implementation plan Quarterly forecasting and annual budget process Monthly financial reporting and variance analysis Financial reporting framework

SO 6 We develop our business in support of our customers and community	Extreme	Significant	Medium	Low	Current Controls
	x				<ul style="list-style-type: none"> Annual customer satisfaction survey Water Services Committees Communications and Engagement strategy for the Connections Project
	x				<ul style="list-style-type: none"> Annual customer satisfaction survey Disaster Recovery Plans for all tier 1 and tier 2 ICT systems Water Services Committee monthly meetings
	x				<ul style="list-style-type: none"> 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 7 We are world leaders in water storage and irrigation management systems	Extreme	Significant	Medium	Low	Current Controls
	x				<ul style="list-style-type: none"> Annual Customer Satisfaction Survey Water Service Committees Communications and engagement strategy for the Connections Project
	x				<ul style="list-style-type: none"> 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 8 We have an ongoing depth of capability, opportunity and leadership throughout the organisation Failure to build a high performing and engaged organisation.	Extreme	Significant	Medium	Low	Current Controls <ul style="list-style-type: none"> 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 9 Our processes, systems and technology enable our future Failure to build a high performing and engaged organisation. Failure to maintain a safe and secure workplace, with the resilience to properly respond to and recover from emergency events.	Extreme	Significant	Medium	Low	Current Controls <ul style="list-style-type: none"> 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 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

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. GMW's 2016-17 Corporate Plan is the fourth plan following the integration of the Connections Project into GMW on 1 July 2012. The Connections Project is currently being reset. Future financial information for Connections will be subject to some change due to the current uncertainty around the project resetting outcomes. There is potential for future material changes to the projects financial information.

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 has submitted its Final Water Plan 4 (for the period 2016-17 – 2019-20) to the ESC and a Draft Decision has been published. While the financial efficiencies identified in the Corporate Plan are consistent with the GMW response to the Draft Decision, not all efficiencies have been identified to achieve the proposed reduced revenue beyond 2016/17.

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:

- Quarterly forecasting and annual budget process
- Monthly financial reporting and variance analysis
- 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
- 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:

- Managing the variability of water delivery requirements and impact upon variable revenue
- Managing the uncertainty of forecast dry conditions and the impact on water delivery costs, operational costs and cashflow
- Managing the year to year uncertainty of the externally funded works program
- Managing the uncertainty in the timing and final scope of the roll out of the Connections Project which is subject to variability, including timing of contractual arrangements with landholders
- Review and approval processes with the ESC in relation to Water Plan 4
- Dealing with regulatory and commercial matters which are drivers of GMW revenue and expenditure.

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) Debt Management

GMW monitors debt in accordance with DTF treasury management guidelines and GMW's own treasury policy.

GMW regularly reviews its debt position and borrowing needs via the monthly financial report to the Board as well as day to day cash flow management procedures.

In addition, a quarterly review of GMW's funding position and cash holdings is performed by TCV and a report prepared for management, the Audit Committee and Board. This review includes consideration of funding strategies, new funding products and interest rate management.

To provide for prudent interest rate and long term liquidity risk management, GMW has an approved strategy to structure the debt portfolio within predetermined maturity timeframes. This ensures an even spread of maturities and that a small proportion of debt is subject to repricing in any one period. Also consistent with GMW's interest rate risk management and debt maturity limits, GMW monitors the debt portfolio of fixed and floating interest rate components in accordance with an approved debt ratio.

In accordance with GMW's treasury policy, GMW incorporates an appropriate buffer in the form of an annual request for a temporary purpose financial accommodation. The amount of the accommodation is based on projected cash flows and the requirement to finance emergency expenditure in the case of a major asset failure.

d) 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 (Consolidating WS&D and Connections Project)
- WS&D financials³ - Appendix A
- Connections Project financials⁴ - 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.

³ 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.)

⁴ 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.

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.

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	Target ratio generates sufficient revenues to cover interest expense at a sustainable level. (GMW adjusts this ratio to exclude operating cash flows associated with revenue attributable to capital contributions).
Internal Financing Ratio	>40%	Target ratio indicates sufficient generation of operating cash flows to fund a portion of capital expenditure. Ensures that debt levels are not increasing unsustainably. (GMW adjusts this ratio to reflect equity contributions that are used to fund GMW's capital program).
RAB Gearing	<=60%	Matches GMW debt with regulatory assets that generate revenue under the regulatory model. 60% gearing is the benchmark level used by the regulator.

The following forecast performance indicators include the GMW response to the Essential Service Commission draft decision

Financial Performance Indicators	Target	2015-16 Forecast	2016-17 Budget	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Earnings Before Interest Tax & Amortisation (\$'000s)	Positive	24,538	16,417	16,155	23,632	25,345	28,592
Operating Cash Flows (\$'000s)	Positive	27,110	13,860	18,540	17,384	17,684	19,637
Cash Interest Cover (Underlying)	> 2 x	5.0	2.5	3.2	2.9	2.8	2.9
Internal Financing Ratio	>= 40%	58%	31%	55%	52%	63%	45%
Regulatory Gearing Ratio	<= 60%	31%	40%	39%	40%	39%	42%

As set out above, metrics for the Corporate Plan period are within GMW's sustainable limits. The metrics include revenue and operating expenditure savings based on the ESC draft decision on GMW's draft Water Plan 4 pricing submission.

In 2016-17 the Internal Financing Ratio is 31% in 2016/17 as a result of timing of the capital program and an assumed increase in debtors by \$5m due to the continuing dry conditions.

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 within the funding, on time and on budget. The project is currently undergoing a reset phase and at this stage it is too early to pre-empt any outcomes. The future financials included in the Consolidated and Connections sections are based on the Connections Implementation Plan 2 (CIP2) submission. CIP2 consisted of a full reforecast undertaken in December 2013, and is currently the formal budget referenced by the State pending any agreement to change scope arising from the project re-setting

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 most 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. However, 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.

The Connections Project cash holdings at the end of 2015-16 are forecast to be \$101m which provides a strong base to cover 2016-17 expenditure. Funding is accessible from the investors on a quarterly basis or on an 'as needed' basis as agreed with the Connections Project & DELWP.

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

e) Material Changes from the 2015-16 Corporate Plan

Changes in WS&D results for 2016-17 when compared to the 2015-16 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.

As described above the 2016/17 Connections forecast is based upon CIP2. There is some variability year on year over the comparative years largely reflecting changes in Connections Project phasing and revenue and expenditure recognition from adopting the CIP2 forecast.

(i) Profit & Loss

The financial position of GMW for 2016-17 does not change materially at a Net Loss after Tax position compared to last year's Corporate Plan. There is some variability year on year over the comparative years largely reflecting changes in Connections Project as detailed above.

(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.

Non-Current Assets Asset increase in future years as a result of transfers from Connections and an increase in WS&D capital works based on WP4.

GMW is currently undertaking a revaluation of non-financial assets as part of the mandatory five-year cycle required. While this is yet to be concluded, it is likely the value of infrastructure assets will materially increase with effect from June 2016. Associated depreciation expense would also increase.

Liabilities

The increase in unearned revenue from the previous Corporate Plan reflects the phasing of expenditure associated with the Connections Project as described above.

(iv) Capital Expenditure

Summary of capital expenditure spend 2016-17 vs 2015-16 Corporate Plan is set out below:

Capital Expenditure – Consolidated

Consolidated						
Actual figures from Corporate Plans	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	Total \$'000
2016/17 Corporate Plan	116,670	123,228	166,407	33,275	27,486	467,066
2015/16 Corporate Plan	150,850	151,281	112,107	38,338	30,735	483,311
Variance	(34,180)	(28,053)	54,300	(5,063)	(3,249)	(16,245)

Capital Expenditure – WS&D

Water Storage & Delivery						
Actual figures from Corporate Plans	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	Total \$'000
2016/17 Corporate Plan	45,588	45,218	33,034	33,275	27,486	184,601
2015/16 Corporate Plan	49,253	50,597	36,668	38,338	30,735	205,591
Variance	(3,665)	(5,379)	(3,634)	(5,063)	(3,249)	(20,990)

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	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	Total \$'000
2016/17 Corporate Plan	71,082	78,010	133,373	-	-	282,465
2015/16 Corporate Plan	101,596	100,684	75,439	-	-	277,719
Variance	(30,514)	(22,674)	57,934	-	-	4,746

The changes in capital expenditure from the 2015-16 Corporate Plan mainly reflects the timing of project delivery.

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

3. Corporate Reporting

The financial statements presented in this Corporate Plan cover the period 2016-17 to 2020-21. It is important to note that the Corporate Plan covers Water Plan 4 (2016-17 to 2019-20) and the first year of Water Plan 5 (2020-21). This Corporate Plan period assumes 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 1.068% has been applied to operating costs;
- Regulated revenue for 2016-17 is based on CPI of 1.068% and 2.0% 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 vary across future years. In 2016-17 customers are expected to utilise more carryover water entitlements although volumes have dropped by 100GL due to continuing dry conditions. In future years the ability to utilise carryover entitlements will be affected.
- In the absence of formal resolution to vary the timing, scope or funding pending an outcome of the re-setting phase, 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 5.64%
- 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. GMW Assets are currently being revalued with the findings expected at the end of 2015-16 financial year.
- Wages have been forecast to increase by 3% per annum over the Corporate Plan period. This includes the inflation rates noted above.

b) Statement of Financial Performance

Goulburn-Murray Water						
Consolidated Statement of Financial Performance						
	2015/16 Q2 Forecast	2016/17 Budget	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue From Operating Activities						
Retail	111,165	107,336	108,122	110,217	113,179	118,018
Bulk Water	13,979	13,345	13,151	13,485	13,827	14,207
Government Grants	1,321	790	622	416	425	433
Government Services Contract	1,532	1,004	607	619	631	644
MDBA Contract	13,245	11,346	17,634	15,401	15,709	16,023
Connections Project	120,067	157,222	384,970	-	-	-
Other Revenue	9,415	8,299	8,914	8,549	8,538	8,698
Total Revenue	270,724	299,342	534,020	148,687	152,309	158,023
Expenditure From Operating Activities						
Operations	47,115	47,379	48,387	48,703	49,432	50,440
Maintenance	28,053	29,135	29,827	30,231	30,733	31,347
Management & Administration	25,402	25,790	25,971	26,222	26,602	27,141
Government Grants	683	541	340	139	139	142
Government Services Contract	1,136	958	572	584	596	607
MDBA Contract	12,222	10,449	16,336	14,269	14,554	14,845
Connections Project	117,909	155,794	384,591	2,800	-	-
Environmental Contribution	1,686	1,708	1,708	1,708	1,708	1,708
Asset Disposals	10,200	10,123	10,200	3,200	3,200	3,200
Total Expenses	244,406	281,877	517,932	127,856	126,964	129,430
% of Revenue	90%	94%	97%	86%	83%	82%
EBITDA	26,318	17,465	16,088	20,831	25,345	28,593
% of Revenue	10%	6%	3%	14%	17%	18%
Statutory Depreciation	74,861	74,708	76,202	77,726	79,281	80,866
Interest	7,956	7,530	8,036	9,649	10,738	10,618
Net Profit (Loss) Before Tax	(56,499)	(64,773)	(68,150)	(66,544)	(64,674)	(62,891)
Tax (Expense)/Benefit	17,169	19,431	20,445	19,963	19,402	18,868
Net Profit (Loss) After Tax	(39,330)	(45,342)	(47,704)	(46,581)	(45,272)	(44,023)
Retained Profit (Loss) carried forward	(101,918)	(141,248)	(186,590)	(234,295)	(280,876)	(326,148)
Closing Retained Profit (Loss)	(141,248)	(186,590)	(234,295)	(280,876)	(326,148)	(370,171)

Revenue Highlights

- Tariff revenue for 2016-17 to 2019-20 is based on the ESC Draft Decision on GMW's Water Plan 4 pricing submission.
- Future pricing is affected by ESC draft decision and reduced volumes.
- Connections Project revenue is based on forecast project expenditure.
- Government Grants and MDBA contract works are forecast to decrease in 2016-17 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

- Expenditure savings have been included based on the ESC draft decision on GMW's Water Plan 4 pricing submission.
- GMW introduced a target as part of WP3 to reduce controllable expenditure by \$20m per annum by 2017/18. For 2016/17 the target was to reach \$17m - \$11.7m has been forecast for 2015/16 and includes savings achieved through prior years' actions.
- MDBA expenditure is consistent with the works plan and is aligned to the revenue.
- The Connections Project expenditure is based on the most recent forecast for 2015-16 and CIP2 for 2016-17. This results in expenditure being materially higher 2017-18 where the balance of the project expenditure has been allocated.
- 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						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Current Assets						
Cash	125,453	122,833	3,800	1,000	1,000	1,000
Receivables	24,879	29,865	29,148	28,827	28,712	28,712
Less Doubtful Debts	(704)	(704)	(704)	(704)	(704)	(704)
Accounts Receivable	24,175	29,161	28,444	28,123	28,008	28,008
Inventories	3,020	3,020	3,020	3,020	3,020	3,020
Total current assets	152,648	155,014	35,264	32,143	32,028	32,028
Non Current Assets						
Infrastructure Assets	4,607,061	4,615,574	4,727,727	4,671,516	5,100,108	5,055,852
Property, Plant and Equipment	85,440	85,256	83,831	83,320	82,018	82,132
Intangibles	14,670	18,740	13,938	16,070	16,487	19,121
Total non-current assets	4,707,171	4,719,570	4,825,496	4,770,906	5,198,613	5,157,105
TOTAL ASSETS	4,859,818	4,874,584	4,860,760	4,803,049	5,230,641	5,189,133
Current Liabilities						
Creditors & Accruals	25,864	25,910	23,372	22,600	21,800	20,970
Borrowings	1,695	11,695	41,695	1,695	16,695	4,195
Employee Entitlements	17,601	18,258	18,139	18,813	19,513	20,239
Total current liabilities	101,577	146,583	93,194	43,108	58,008	45,404
Non Current Liabilities						
Borrowings	108,965	106,612	131,852	148,018	143,107	179,721
Employee Entitlements	3,099	3,217	2,604	2,701	2,802	2,906
Deferred Tax Liability	576,975	557,560	535,626	513,463	489,819	470,132
Total non-current liabilities	689,039	667,389	670,082	664,182	635,728	652,759
TOTAL LIABILITIES	790,615	813,971	763,276	707,290	693,736	698,163
NET ASSETS	4,069,203	4,060,613	4,097,484	4,095,759	4,536,905	4,490,970
Equity						
Contributed Capital	2,642,165	2,678,878	2,766,930	2,816,918	3,294,094	3,294,094
Asset Revaluation Reserve	1,569,016	1,569,016	1,569,016	1,569,016	1,569,016	1,569,016
Accumulated Surplus / (Deficit)	(141,978)	(187,281)	(238,461)	(290,174)	(326,204)	(372,140)
TOTAL EQUITY	4,069,203	4,060,613	4,097,484	4,095,759	4,536,905	4,490,970

Key Balance Sheet Highlights

- Revaluation of infrastructure, property plant and equipment is currently underway with the findings expected later in the 2015-16 financial year. Higher values are expected.
- 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.

d) Statement of Cash Flows

Goulburn-Murray Water Consolidated Statement of Cashflows						
	2015/16 Forecast \$'000	2016/17 Budget \$'000	2017/18 Forecast \$'000	2018/19 Forecast \$'000	2019/20 Forecast \$'000	2020/21 Forecast \$'000
Cash flows from Operations						
Receipts						
Fixed and Variable charges	112,236	103,306	109,912	111,737	114,285	119,029
Government Contributions/Grants	96,344	192,402	293,967	1,035	1,056	1,077
GST Received From ATO	10,644	9,878	9,373	8,925	8,499	10,058
Other Income	38,898	35,041	42,433	38,848	39,499	40,388
Total Cash Receipts from Operations	258,122	340,627	455,685	160,545	163,339	170,552
Payments						
Payments to suppliers and employees	(245,292)	(278,292)	(537,657)	(129,080)	(130,566)	(134,594)
Interest and other costs of finance paid	(7,956)	(7,530)	(8,842)	(12,987)	(11,166)	(12,354)
GST Paid to ATO	(1,930)	(1,738)	(2,443)	(2,186)	(2,215)	(2,259)
Environmental Contributions	(1,686)	(1,708)	(1,708)	(1,708)	(1,708)	(1,708)
Total Cash Payments for Operations	(256,864)	(289,268)	(550,650)	(145,961)	(145,655)	(150,915)
Net Cash Inflow (Outflow) from Operating Activities:	1,258	51,359	(94,965)	14,584	17,684	19,637
Cash flows from Investing Activities						
Payments for Infrastructure Assets	(109,081)	(116,897)	(162,371)	(27,236)	(23,972)	(36,479)
Payments for Property, Plant & Equipment	(4,318)	(2,726)	(2,164)	(2,194)	(1,399)	(2,725)
Payments for Intangible Assets	(5,180)	(4,024)	(3,024)	(4,320)	(2,601)	(4,747)
Proceeds from Sale of Assets	246	216	200	200	200	200
Net Cash Inflow (Outflow) for Investing Activities:	(118,332)	(123,432)	(167,359)	(33,549)	(27,772)	(43,750)
Cash flows from Financing Activities						
Proceeds from Borrowings	-	9,449	67,155	18,201	12,252	41,412
Capital Contributions from Victorian Government	77,618	61,805	88,052	40,000	-	-
Repayment of Borrowings	(6,695)	(1,802)	(11,915)	(42,035)	(2,163)	(17,299)
Payment of Dividends	-	-	-	-	-	-
Net Cash Inflow (Outflow) from Financing Activities:	70,923	69,452	143,292	16,166	10,089	24,114
Net Increase (Decrease) in Cash	(46,152)	(2,621)	(119,032)	(2,799)	-	-
Opening Cash Balance	171,605	125,453	122,833	3,800	1,000	1,000
Closing Cash Balance	125,454	122,832	3,800	1,000	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 2016-17 and 2017-18.

e) Capital Investment Program

Capital Expenditure Program

GMW's capital expenditure program over the period 2016-17 to 2020-21 is budgeted at a total of \$394m of which \$212m 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

The GMW Capital Plan has been prepared in accordance with the ESC WP4 draft determination. 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 forecasted in line with CIP2 as discussed above.

Goulburn- Murray Water Consolidated Capital Expenditure Forecast 2015/16 to 2020/21 Nominal dollars							
	Project Total \$'000s	Forecast 2015/16 \$'000s	Forecast 2016/17 \$'000s	Forecast 2017/18 \$'000s	Forecast 2018/19 \$'000s	Forecast 2019/20 \$'000s	Forecast 2020/21 \$'000s
Wholesale (Water Storage & Delivery)							
Tullaroop - Dam Improvement Embankment Works*	10,391	6,300	4,091	-	-	-	-
Buffalo - Dam Improvement Embankment Works**	7,260	-	-	210	536	877	5,636
Projects Less than \$5M	51,039	6,494	12,293	7,544	8,705	6,147	9,856
Total Wholesale (Water Storage & Delivery)	68,689	12,794	16,384	7,754	9,241	7,025	15,492
Retail (Water Storage & Delivery)							
Central Goulburn Channels 1-4*	553	553	-	-	-	-	-
Projects Less than \$5M	158,827	32,241	28,834	25,280	24,034	20,462	27,976
Total Retail (Water Storage & Delivery)	159,380	32,794	28,834	25,280	24,034	20,462	27,976
Total Water Storage & Delivery	228,069	45,588	45,218	33,034	33,275	27,486	43,468
Connections Project*	282,465	71,082	78,010	133,373	-	-	-
Total G-MW	510,534	116,670	123,228	166,407	33,275	27,486	43,468

*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: \$10.4m

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:** \$7.2m (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.

Other Capital Expenditure

Capital expenditure over the planning period will see a continued commitment to programmes 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 Programme**Driver:** Replacement at end of life & Reduce maintenance costs**Outcomes:** Maintain Customer Service & Reduces Whole of Life Costs**Date:** Ongoing**Cost:** \$42.7m (programme 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:** \$44.5m (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:

Borrowings Table	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Water Storage & Delivery	110,660	118,307	133,547	149,713	159,802	183,916
Connections Project	-	-	40,000	-	-	-
Total	110,660	118,307	173,547	149,713	159,802	183,916

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 in both operating and capital 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) Statutory Financial Performance Ratios

Goulburn-Murray Water Consolidated Financial Performance Ratios						
	2015/16 Q2 Forecast	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
Cash Interest Cover (MRD01)	1.2	8.8	-12.7	2.3	2.9	3.0
Net Operating cash flows before net interest and tax / net interest payments						
Gearing Ratio (debt to assets)	2.3%	2.4%	3.6%	3.1%	3.1%	3.5%
Total Debt (including finance leases) / Total Assets						
Internal Financing Ratio	1.1%	39.1%	-57.1%	46.4%	71.6%	47.1%
Net operating cash flow less dividends/ net capital expenditure						
Current Ratio	3.4	2.8	0.4	0.7	0.6	0.7
Current assets / current liabilities (excluding revenue in advance)						
Return on Assets (statutory)	-1.3%	-1.5%	-1.6%	-1.6%	-1.1%	-1.0%
Earnings Before net Interest and Tax/Average Assets						
Return On Equity	-1.0%	-1.1%	-1.2%	-1.1%	-1.0%	-1.0%
Net Profit After Tax / Average Total Equity						
EBITDA Margin	9.7%	5.8%	3.0%	14.0%	16.6%	18.1%
Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue						
Quick Ratio	1.5	1.0	0.3	0.7	0.5	0.6
Current Assets less Inventories / Current Liabilities						

4. Water Storage & Delivery Financial Statements

Goulburn-Murray Water						
Water Storage & Delivery - Statement of Financial Performance						
	2015/16 Q2 Forecast	2016/17 Budget	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue From Operating Activities						
Retail	111,165	107,336	108,122	110,217	113,179	118,018
Bulk Water	13,979	13,345	13,151	13,485	13,827	14,207
Government Grants	1,321	790	622	416	425	433
Government Services Contract	1,532	1,004	607	619	631	644
MDBA Contract	13,245	11,346	17,634	15,401	15,709	16,023
Connections Project	8,934	8,026	7,889	-	-	-
Other Revenue	9,415	8,299	8,914	8,549	8,538	8,698
Total Revenue	159,591	150,148	156,938	148,687	152,309	158,023
Expenditure From Operating Activities						
Operations	47,115	47,379	48,387	48,703	49,432	50,440
Maintenance	28,053	29,135	29,827	30,231	30,733	31,347
Management & Administration	25,402	25,790	25,971	26,222	26,602	27,141
Government Grants	683	541	340	139	139	142
Government Services Contract	1,136	958	572	584	596	607
MDBA Contract	12,222	10,449	16,336	14,269	14,554	14,845
Connections Project	8,555	7,647	7,442	-	-	-
Environmental Contribution	1,686	1,708	1,708	1,708	1,708	1,708
Asset Disposals	10,200	10,123	10,200	3,200	3,200	3,200
Total Expenses	135,053	133,731	140,783	125,055	126,964	129,431
% of Revenue	85%	89%	90%	84%	83%	82%
EBITDA	24,538	16,417	16,155	23,632	25,345	28,592
% of Revenue	15%	11%	10%	16%	17%	18%
Statutory Depreciation	74,861	74,708	76,202	77,726	79,281	80,866
Interest	7,956	7,530	8,036	9,649	10,738	10,618
Net Profit (Loss) Before Tax	(58,279)	(65,820)	(68,083)	(63,743)	(64,673)	(62,893)
Tax (Expense)/Benefit	17,484	19,746	20,425	19,123	19,402	18,868
Net Profit (Loss) After Tax	(40,795)	(46,074)	(47,658)	(44,620)	(45,271)	(44,025)
Retained Profit (Loss) carried forward	(89,181)	(129,976)	(176,050)	(223,708)	(268,328)	(313,600)
Closing Retained Profit (Loss)	(129,976)	(176,050)	(223,708)	(268,328)	(313,600)	(357,624)

WATER STORAGE & DELIVERY						
Statement of Financial Position						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Current Assets						
Cash	24,494	1,000	1,000	1,000	1,000	1,000
Accounts Receivable	24,175	29,161	28,444	28,123	28,008	28,008
Inventories	3,020	3,020	3,020	3,020	3,020	3,020
Total current assets	51,689	33,181	32,464	32,143	32,028	32,028
Non Current Assets						
Infrastructure Assets	4,470,953	4,499,683	4,727,727	4,671,516	5,100,108	5,055,852
Property, Plant and Equipment	84,735	84,667	83,831	83,320	82,018	82,132
Intangibles	10,888	12,993	13,938	16,070	16,487	19,121
Total non-current assets	4,566,576	4,597,343	4,825,496	4,770,906	5,198,613	5,157,105
TOTAL ASSETS	4,618,265	4,630,524	4,857,960	4,803,049	5,230,641	5,189,133
Current Liabilities						
Creditors & Accruals	24,833	24,116	23,372	22,600	21,800	20,970
Borrowings	1,695	11,695	1,695	1,695	16,695	4,195
Employee Entitlements	16,861	17,488	18,139	18,813	19,513	20,239
Total current liabilities	43,389	53,299	43,206	43,108	58,008	45,404
Non Current Liabilities						
Borrowings	108,965	106,612	131,852	148,018	143,107	179,721
Employee Entitlements	2,421	2,511	2,604	2,701	2,802	2,906
Deferred Tax Liability	573,916	554,186	532,272	510,949	489,819	470,132
Total non-current liabilities	685,302	663,309	666,728	661,668	635,728	652,759
TOTAL LIABILITIES	728,691	716,608	709,934	704,776	693,736	698,163
NET ASSETS	3,889,574	3,913,916	4,148,026	4,098,273	4,536,905	4,490,971
EQUITY						
Contributed Capital	2,450,534	2,520,914	2,806,157	2,806,157	3,294,094	3,294,094
Asset Revaluation Reserve	1,569,016	1,569,016	1,569,016	1,569,016	1,569,016	1,569,016
Accumulated Surplus / (Deficit)	(129,976)	(176,014)	(227,147)	(276,900)	(326,204)	(372,140)
TOTAL EQUITY	3,889,574	3,913,916	4,148,026	4,098,273	4,536,906	4,490,971

Water Storage & Delivery Statement of Cashflows						
	2015/16 Forecast \$'000s	2016/17 Budget \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s	2019/20 Forecast \$'000s	2020/21 Forecast \$'000s
Cash flows from Operations						
Receipts						
Fixed and Variable charges	112,236	103,306	109,912	111,737	114,285	119,029
Government Contributions/Grants	11,803	9,951	9,118	1,035	1,056	1,077
GST Received From ATO	10,644	9,878	9,373	8,925	8,499	10,058
Other Income	37,848	33,991	41,383	38,848	39,499	40,388
Total Cash Receipts from Operations	172,531	157,126	169,786	160,545	163,339	170,552
Payments						
Payments to suppliers and employees	(133,849)	(132,290)	(138,253)	(129,080)	(130,566)	(134,594)
Interest and other costs of finance paid	(7,956)	(7,530)	(8,842)	(10,187)	(11,166)	(12,354)
GST Paid to ATO	(1,930)	(1,738)	(2,443)	(2,186)	(2,215)	(2,259)
Environmental Contributions	(1,686)	(1,708)	(1,708)	(1,708)	(1,708)	(1,708)
Total Cash Payments for Operations	(145,421)	(143,266)	(151,246)	(143,161)	(145,655)	(150,915)
Net Cash Inflow (Outflow) from Operating Activities:	27,110	13,860	18,540	17,384	17,684	19,637
Cash flows from Investing Activities						
Payments for Infrastructure Assets	(37,999)	(38,887)	(29,222)	(27,236)	(23,972)	(36,479)
Payments for Property, Plant & Equipment	(3,908)	(2,306)	(1,733)	(2,194)	(1,399)	(2,725)
Payments for Intangible Assets	(5,180)	(4,024)	(3,024)	(4,320)	(2,601)	(4,747)
Proceeds from Sale of Assets	246	216	200	200	200	200
Net Cash Inflow (Outflow) for Investing Activities:	(46,840)	(45,002)	(33,780)	(33,549)	(27,772)	(43,750)
Cash flows from Financing Activities						
Proceeds from Borrowings	-	9,449	27,155	18,201	12,252	41,412
Repayment of Borrowings	(6,695)	(1,802)	(11,915)	(2,035)	(2,163)	(17,299)
Payment of Dividends	-	-	-	-	-	-
Net Cash Inflow (Outflow) from Financing Activities:	(6,695)	7,647	15,240	16,166	10,089	24,114
Net Increase (Decrease) in Cash	(26,426)	(23,495)	-	-	-	-
Opening Cash Balance	50,920	24,494	1,000	1,000	1,000	1,000
Closing Cash Balance	24,495	999	1,000	1,000	1,000	1,000

Water Storage & Delivery

Financial Performance Ratios

	2015/16 Q2 Forecast	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
Cash Interest Cover (MRD01)	5.2	2.9	3.1	2.7	2.6	2.6
Net Operating cash flows before net interest and tax / net interest payments						
Gearing Ratio (debt to assets)	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt (including finance leases) /Total Assets						
Internal Financing Ratio	57.6%	30.7%	54.6%	51.5%	63.2%	44.7%
Net operating cash flow less dividends/ net capital expenditure						
Current ratio	1.2	0.6	0.8	0.7	0.6	0.7
Current assets / current liabilities (excluding revenue in advance)						
Return on Assets (statutory)	-1.2%	-1.3%	-1.4%	-1.3%	-1.2%	-1.0%
Earnings Before net Interest and Tax/Average Assets						
Return On Equity	-1.1%	-1.2%	-1.3%	-1.2%	-1.1%	-1.0%
Net Profit After Tax / Average Total Equity						
EBITDA Margin	15.4%	10.9%	10.3%	15.9%	16.6%	18.1%
Earning Before Interest, Tax, Depreciation and Amortisation / Total Revenue						
Quick Ratio	1.1	0.6	0.7	0.7	0.5	0.6
Current Assets less Inventories / Current Liabilities						

Goulburn-Murray Water					
Profit and Loss Statement - Water Storage & Delivery					
	2016/17 Quarter 1 Budget \$'000	2016/17 Quarter 2 Budget \$'000	2016/17 Quarter 3 Budget \$'000	2016/17 Quarter 4 Budget \$'000	2016/17 Total Budget \$'000
Revenue From Operating Activities					
Retail	26,834	26,834	26,834	26,834	107,336
Bulk Water	3,336	3,336	3,336	3,336	13,345
Government Grants	149	321	188	133	790
Government Services Contract	263	249	247	245	1,004
MDBA Contract	3,043	2,722	2,730	2,851	11,346
Connections Project	2,090	1,998	1,975	1,963	8,026
Other Revenue	2,317	2,041	2,022	1,919	8,299
Total Revenue	38,032	37,501	37,332	37,281	150,148
Expenditure From Operating Activities					
Operations	11,696	12,068	11,949	11,666	47,379
Maintenance	7,588	7,147	7,073	7,328	29,135
Management & Administration	6,781	6,189	6,601	6,220	25,790
Government Grants	136	131	139	135	541
Government Services Contract	251	237	236	234	958
MDBA Contract	2,655	2,557	2,564	2,674	10,449
Connections Project	1,991	1,904	1,882	1,870	7,647
Environmental Contribution	427	427	427	427	1,708
Asset Disposals	2,613	2,510	2,500	2,500	10,123
Total Expenses	34,137	33,170	33,370	33,054	133,731
% of Revenue	90%	88%	89%	89%	89%
EBITDA	3,895	4,331	3,962	4,227	16,417
% of Revenue	10%	12%	11%	11%	11%
Statutory Depreciation	18,677	18,677	18,677	18,677	74,708
Interest	1,882	1,882	1,882	1,882	7,530
Net Profit (Loss) Before Tax	(16,664)	(16,228)	(16,597)	(16,332)	(65,820)
Tax (Expense)/Benefit	4,646	5,093	5,101	4,906	19,746
Net Profit (Loss) After Tax	(12,018)	(11,135)	(11,496)	(11,426)	(46,074)
Retained Profit (Loss) carried forward	(129,976)	(141,994)	(153,129)	(164,625)	(129,976)
Closing Retained Profit (Loss)	(141,994)	(153,129)	(164,625)	(176,051)	(176,050)

WATER STORAGE & DELIVERY				
Statement of Financial Position				
	2016/17 Quarter 1 Budget \$'000	2016/17 Quarter 2 Budget \$'000	2016/17 Quarter 3 Budget \$'000	2016/17 Quarter 4 Budget \$'000
Current Assets				
Cash	10,852	20,788	12,801	1,000
Accounts Receivable	30,763	18,989	26,449	29,161
Inventories	3,020	3,020	3,020	3,020
Total current assets	44,635	42,797	42,270	33,181
Non Current Assets				
Infrastructure Assets	4,459,595	4,447,944	4,435,663	4,499,684
Property, Plant and Equipment	84,667	84,575	84,446	84,667
Intangibles	11,325	11,721	12,050	12,993
Total non-current assets	4,555,586	4,544,240	4,532,159	4,597,344
TOTAL ASSETS	4,600,222	4,587,037	4,574,429	4,630,524
Current Liabilities				
Bank Overdraft				
Creditors & Accruals	23,497	26,181	29,406	24,116
Borrowings	1,695	1,695	1,695	11,695
Employee Entitlements	17,018	17,175	17,331	17,488
Total current liabilities	42,210	45,051	48,433	53,299
Non Current Liabilities				
Borrowings	108,560	108,078	107,660	106,612
Employee Entitlements	2,443	2,466	2,488	2,511
Deferred Tax Liability	568,972	564,302	559,623	554,186
Total non-current liabilities	679,975	674,846	669,772	663,309
TOTAL LIABILITIES	722,185	719,897	718,205	716,608
NET ASSETS	3,878,036	3,867,140	3,856,224	3,913,915
EQUITY				
Contributed Capital	2,450,534	2,450,534	2,450,534	2,520,914
Asset Revaluation Reserve	1,569,016	1,569,016	1,569,016	1,569,016
Accumulated Surplus / (Deficit)	(141,514)	(152,410)	(163,326)	(176,014)
TOTAL EQUITY	3,878,036	3,867,140	3,856,224	3,913,915

WATER STORAGE & DELIVERY					
Statement of Cashflows - Quarterly					
	2016/17	2016/17	2016/17	2016/17	2016/17
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	Budget	Budget	Budget	Budget	Budget
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
CASH FLOWS FROM OPERATIONS					
Receipts					
Fixed and Variable charges	21,723	35,234	23,846	22,503	103,306
Government Contributions/Grants	2,437	2,194	3,131	2,190	9,951
GST Received From ATO	3,065	2,196	2,381	2,237	9,878
Other Income	7,860	12,761	4,177	9,194	33,991
Total Cash Receipts from Operations	35,085	52,384	33,534	36,123	157,127
Payments					
Payments to suppliers and employees	(31,478)	(29,030)	(29,230)	(42,553)	(132,290)
Interest and other costs of finance paid	(559)	(3,221)	(545)	(3,204)	(7,530)
GST Paid to ATO	(568)	(359)	(384)	(427)	(1,738)
Environmental Contributions	-	(560)	(560)	(588)	(1,708)
Total Cash Payments for Operations	(32,605)	(33,170)	(30,718)	(46,773)	(143,267)
Net Cash Inflow (Outflow) from Operating Activities:	2,480	19,214	2,816	(10,649)	13,859
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for Infrastructure Assets	(8,857)	(8,463)	(7,822)	(13,747)	(38,887)
Payments for Property, Plant & Equipment	(525)	(502)	(464)	(815)	(2,306)
Payments for Intangible Assets	(917)	(876)	(810)	(1,422)	(4,024)
Proceeds from Sale of Assets	113	51	52	-	216
Net Cash Inflow (Outflow) for Investing Activities:	(10,187)	(9,789)	(9,044)	(15,984)	(45,002)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Borrowings	-	-	-	9,449	9,449
Repayment of Borrowings	(405)	(482)	(418)	(497)	(1,802)
Net Cash Inflow (Outflow) from Financing Activities:	(405)	(482)	(418)	8,952	7,647
NET INCREASE (DECREASE) IN CASH	(13,642)	9,935	(7,987)	(11,801)	(23,495)
Opening Cash Balance	24,495	10,853	20,789	12,802	24,494
Closing Cash Balance	10,853	20,789	12,802	1,000	1,000

5. Connections Project Financial Statements

Connections Project Statement of Financial Performance						
	2015/16 Q2 Forecast	2016/17 Budget	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Government Grants	119,015	156,174	383,920	-	-	-
Interest	1,050	1,050	1,050	-	-	-
Total Revenue	120,066	157,223	384,970	-	-	-
Expenses						
Operations Expenses	22,919	11,226	3,323	-	-	-
Depreciation and Amortisation	728	420	7,645	-	-	-
Stage 1 Project Costs	11,817	19,345	43,885	-	-	-
Stage 2 Project Costs	83,551	125,182	330,185	-	-	-
Interest payments	-	-	-	2,800	-	-
Total Expenses	119,015	156,174	385,038	2,800	-	-
Net Profit (Loss) Before Tax	1,051	1,049	(68)	(2,800)	-	-
Tax (Expense)/Benefit	(315)	(315)	20	840	-	-
Net Profit (Loss) after Tax	736	734	(47)	(1,960)	-	-
Retained Profit (Loss) carried forward	(12,737)	(12,002)	(11,267)	(11,314)	-	-
Closing Retained Profit (Loss)	(12,002)	(11,267)	(11,314)	(13,274)	-	-

CONNECTIONS						
Statement of Financial Position						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Budget	Forecast	Forecast	Forecast	Forecast
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Current Assets						
Cash	100,959	121,833	2,800	-	-	-
Total current assets	100,959	121,833	2,800	-	-	-
Non Current Assets						
Infrastructure Assets	136,108	115,891	-	-	-	-
Property, Plant and Equipment	705	589	-	-	-	-
Intangibles	3,782	5,747	-	-	-	-
Total non-current assets	140,595	122,227	-	-	-	-
TOTAL ASSETS	241,553	244,060	2,800	-	-	-
Current Liabilities						
Creditors & Accruals	1,031	1,794	-	-	-	-
Borrowings	-	-	40,000	-	-	-
Employee Entitlements	740	770	-	-	-	-
Unearned Revenue	56,417	90,720	9,988	-	-	-
Total current liabilities	58,188	93,284	49,988	-	-	-
Non Current Liabilities						
Employee Entitlements	678	706	-	-	-	-
Deferred Tax Liability	3,059	3,374	3,354	2,514	-	-
Total non-current liabilities	3,737	4,080	3,354	2,514	-	-
TOTAL LIABILITIES	61,924	97,363	53,342	2,514	-	-
NET ASSETS	179,629	146,697	(50,542)	(2,514)	-	-
EQUITY						
Contributed Capital	191,631	157,964	(39,227)	10,761	-	-
Accumulated Surplus / (Deficit)	(12,002)	(11,267)	(11,314)	(13,274)	-	-
TOTAL EQUITY	179,629	146,697	(50,542)	(2,514)	-	-

Connections Project Statement of Cashflows						
	2015/16 Forecast \$'000s	2016/17 Budget \$'000s	2017/18 Forecast \$'000s	2018/19 Forecast \$'000s	2019/20 Forecast \$'000s	2020/21 Forecast \$'000s
Cash flows from Operations						
Receipts						
Government Contributions/Grants	93,475	190,477	292,738	-	-	-
Other Income	1,050	1,050	1,050	-	-	-
Total Cash Receipts from Operations	94,525	191,527	293,788	-	-	-
Payments						
Payments to suppliers and employees	(120,377)	(154,028)	(407,293)	-	-	-
Interest and other costs of finance paid	-	-	-	(2,800)	-	-
Total Cash Payments for Operations	(120,377)	(154,028)	(407,293)	(2,800)	-	-
Net Cash Inflow (Outflow) from Operating Activities:	(25,852)	37,499	(113,505)	(2,800)	-	-
Cash flows from Investing Activities						
Payments for Infrastructure Assets	(71,082)	(78,010)	(133,149)	-	-	-
Payments for Property, Plant & Equipment	(410)	(420)	(431)	-	-	-
Net Cash Inflow (Outflow) for Investing Activities:	(71,492)	(78,430)	(133,580)	-	-	-
Cash flows from Financing Activities						
Proceeds from Borrowings	-	-	40,000	-	-	-
Capital Contributions from Victorian Government	77,618	61,805	88,052	40,000	-	-
Repayment of Borrowings	-	-	-	(40,000)	-	-
Net Cash Inflow (Outflow) from Financing Activities:	77,618	61,805	128,052	-	-	-
Net Increase (Decrease) in Cash	(19,726)	20,874	(119,033)	(2,800)	-	-
Opening Cash Balance	120,685	100,959	121,833	2,800	-	-
Closing Cash Balance	100,959	121,833	2,800	-	-	-

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