Annual Report

2018-19

The Hon. Dominic Perrottet, MP
Treasurer
GPO Box 5341
Sydney NSW 2001

The Hon. Damien Tudehope, MLC
Minister for Finance and Small Business
GPO Box 5341
Sydney NSW 2001

Dear Shareholders

We are pleased to submit the WaterNSW Annual Report 2018-19 for presentation to the Parliament of NSW.

The report has been prepared in accordance with the *Annual Report (Statutory Bodies) Act 1984* and the *State Owned Corporations Act 1989*.

Yours sincerely

Anne McDonald
Chair

David Harris
Chief Executive Officer

WaterNSW ABN 21 147 934 787
169 Macquarie Street Parramatta NSW 2150
PO Box 398, Parramatta NSW 2124
T 1300 662 077 E Customer.Helpdesk@waternsw.com.au

Contents

Message from the Chair

Year in review

I am pleased to present the WaterNSW Annual Report for 2018-19 on behalf of the Board of Directors.

2018-19 was a positive year for WaterNSW with the underlying business performing strongly. We have delivered several strategic initiatives, including delivery of the Wentworth to Broken Hill Pipeline on time and below budget; implementation of Stage 1 of the Consolidated Information Management System (CIMS); commencement of a new WaterNSW Enterprise Agreement, unifying employees under one industrial instrument; and improvements in our systems and processes in response to the Ombudsman's inquiry into water compliance and enforcement.

The current drought is an area of substantial concern for our customers, and we are undertaking significant works to alleviate its impact. In the short term, WaterNSW is undertaking a range of emergency works and amending the ways that water is stored, ordered and delivered to maximise availability. In the longer term, our 20 Year Infrastructure Options Study for Rural valleys, released in June 2018, laid the groundwork for the announcement by the Australian and NSW Governments of a jointly funded package of around $1 billion for the planning and delivery of three new or augmented dams in NSW.

Our safety performance

Safety performance remains our number one priority. In 2018-19 we had five lost time injuries, which is five too many. We have several strategic priorities to minimise and hopefully prevent all such injuries, such as embedding our Safe4Life Program, our Safety Commitments and contemporary work health and safety procedures including the continued rollout of our health and wellbeing program and a fitness for work program. Improving WaterNSW's safety performance – and ultimately achieving zero harm – will remain a key priority during FY20.

Our financial performance

WaterNSW reported a net profit after tax for 2018-19 (excluding revaluation of property, plant and equipment) of $30.3 million. This performance was $11.0 million above budget expectations and was primarily driven by lower than expected borrowing costs due to the timing of our capital investments and lower than forecast interest rates, combined with higher than expected revenues from non-core business (i.e. third party construction, pumped hydro power leasing revenues and water monitoring services).This result was achieved in a challenging environment with lower rural water sales being partly offset with higher sales in Greater Sydney. In addition, WaterNSW also received an insurance payment from Insurance and Care NSW (icare) from a weather volatility insurance product entered into in 2017-18. This product was developed to protect WaterNSW from lower than forecasted variable revenues in several rural valleys.

Excluding the Broken Hill Pipeline investment, our overall capital expenditure performance of $132.7 million was significantly higher than 2017-18 (at $83.4 million), targeted primarily at the renewal of our assets to ensure continued and reliable water supply to our customers.

WaterNSW remains focussed on achieving an appropriate return for our shareholders whilst delivering sustainable price outcomes for our customers. In 2018-19 we submitted our Greater Sydney pricing proposal to the Independent Pricing and Regulatory Tribunal, which if accepted will result in an average price decrease over the four year regulatory period of 1% when excluding the impact of inflation.

We are also looking to improve our financial performance by identifying which of our land and water infrastructure assets have the potential to deliver dispatchable forms of renewable energy generation and/or storage. WaterNSW is currently considering a number of received proposals.

Board and Executive Leadership Team

The Board of WaterNSW works closely with the Executive Leadership Team to develop and implement our Strategic Priorities – a balance between ensuring governance and accountability and providing collaborative strategic input and direction. The Executive Leadership Team has remained very focussed on the strategic direction set for WaterNSW with a focus and absolute commitment to supporting our customers and communities, and I look forward to working with them to deliver further progress in 2019-20.

Our Shareholders and Customers

In conclusion, on behalf of the WaterNSW Board, I would like to thank our dedicated employees, valued customers and our shareholders for their support.

Anne McDonald

Chair

Message from the Chief Executive Officer

For more than two years now, we have been operating in a progressively worsening drought situation across NSW. In many areas of NSW this has become the worst drought on record and the latest forecasts from the Bureau of Meteorology show that dry conditions are likely to continue well into summer. We recognise that this is an extremely difficult period for our customers and communities, and we are taking steps to provide additional support to customers experiencing hardship.

Our modelling indicates that several river systems will stop flowing completely in coming months if not for operational and asset interventions by WaterNSW. There are two main factors underpinning the current drought situation: record low inflows; and rising average temperatures; resulting in declining storage levels in WaterNSW dams.

In rural valleys, WaterNSW is undertaking a broad range of actions to address the situation. Stricter limits on water availability for irrigation and environmental purposes have been implemented, as have changes to the delivery of water to limit losses. Several drought emergency projects are under way including the creation or raising of temporary weirs and completion of the Wentworth to Broken Hill Pipeline.

In October 2019, Prime Minister Scott Morrison and NSW Premier Gladys Berijiklian announced a jointly funded package of around $1 billion for the planning and delivery of three new or augmented dams in NSW, including:

- the raising of Wyangala Dam,
- a new dam on Dungowan Creek near Tamworth, and
- a Final Business Case for a new dam on the Mole River in the Border Rivers region.

This outcome has been enabled by the significant preparatory work WaterNSW has done in planning these new water security infrastructure solutions through our 20 Year Infrastructure Options Study for Rural Valleys.

In Greater Sydney, declining total dam levels have triggered drought response measures specified in the Metropolitan Water Plan, with start-up of the Sydney Desalination Plant triggered in January 2019 and level 1 water restrictions enforced from June 2019. We are working closely with Sydney Water to identify and develop a range of responses to deepening drought, from building resilience in our network to accessing more water should it be needed. We are also working with the

University of New South Wales to better understand the potential impacts of climate variability on water security.

An essential part of our role is to provide our customers and broader water stakeholders with factual information on the state of the water resources across NSW to better inform discussions around water management, regulation and water sharing. Our recently developed Water Insights dashboard brings key water resource information together on our website to answer our customers' expressed needs to have information more up to date, more specific to them, easier to access and easier to digest. Weekly drought updates are available for regional NSW and the Greater Sydney region on our website, along with information on major projects and infrastructure studies.

2018-19 saw the completion of several investigations into water compliance and enforcement, including the NSW Ombudsman's report. Prior to the release of the final report, the responsibility for compliance functions was transferred to the Natural Resources Access Regulator (NRAR), created on 1 April 2019. The report contained 36 recommendations, four of which related directly to WaterNSW. We have acted to implement the recommendations of the Ombudsman and appointed an independent third party to advise on and oversee our actions. We are also working closely with NRAR through a Memorandum of Understanding to assist in the delivery of its objectives.

This year has also been significant for WaterNSW. We introduced new ways of working to improve our efficiency and ability to respond to our customers' needs. We implemented a single consolidated information management system; unified our information and communications technology platforms; consolidated multiple industrial agreements into a single WaterNSW Enterprise Agreement; and introduced several other new systems and processes. Our quest to improve outcomes for customers will continue into the new year as we maximise the value of our investment on behalf of our customers.

Our response to the worsening drought crisis would not be possible without the significant work being done by employees from across all areas of the organisation. This year saw the introduction of the Splash program to recognise and reward our employees' contributions and commencement of our new WaterNSW Enterprise Agreement. We value our employees and continue to make safety our number one.

David Harris
Chief Executive Officer

About WaterNSW

Who we are

WaterNSW is a State-Owned Corporation established under the *Water NSW Act 2014* and operates under an Operating Licence issued and monitored by the Independent Pricing and Regulatory Tribunal (IPART).

What we do

- **Source water protection:** protection of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water, local councils and other distributors for treatment and distribution to their customers.
- **Bulk water supply:** supply water from our storages to customers in the Greater Sydney drinking water catchment, and in the state's regulated surface water systems.
- **System operator:** efficient management of the state's surface and groundwater resources to maximise reliability for users through operation of the state's river systems and bulk water supply systems, in collaboration with the Murray-Darling Basin Authority which directs operations of the River Murray system.
- **Infrastructure planning, delivery and operation:** meet customer-defined levels of service consistent with NSW Government policy and priorities to increase the security and reliability of water supplies to our customers and communities of NSW.
- **Customer water transaction and information services:** provide efficient and timely services to our customers for water licencing and approvals, water trades, billing and meet their water resource information needs for surface and groundwater quantity and quality.

Our purpose

To improve the availability of water resources that are essential for the people of NSW.

Our vision

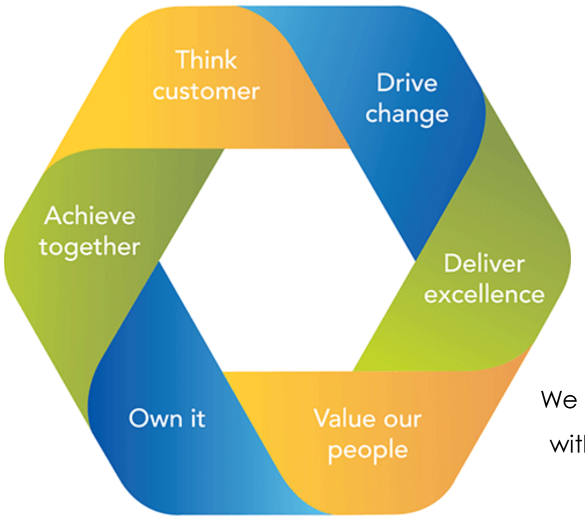
We are recognised and valued by our customers for excellence in efficiently delivering their water needs to help make our communities healthy and prosperous.

Our values

In every decision we make, consider the benefit to our customers.

We support each other and all work together as one team.

We do what we say we will do and take ownership of our actions.



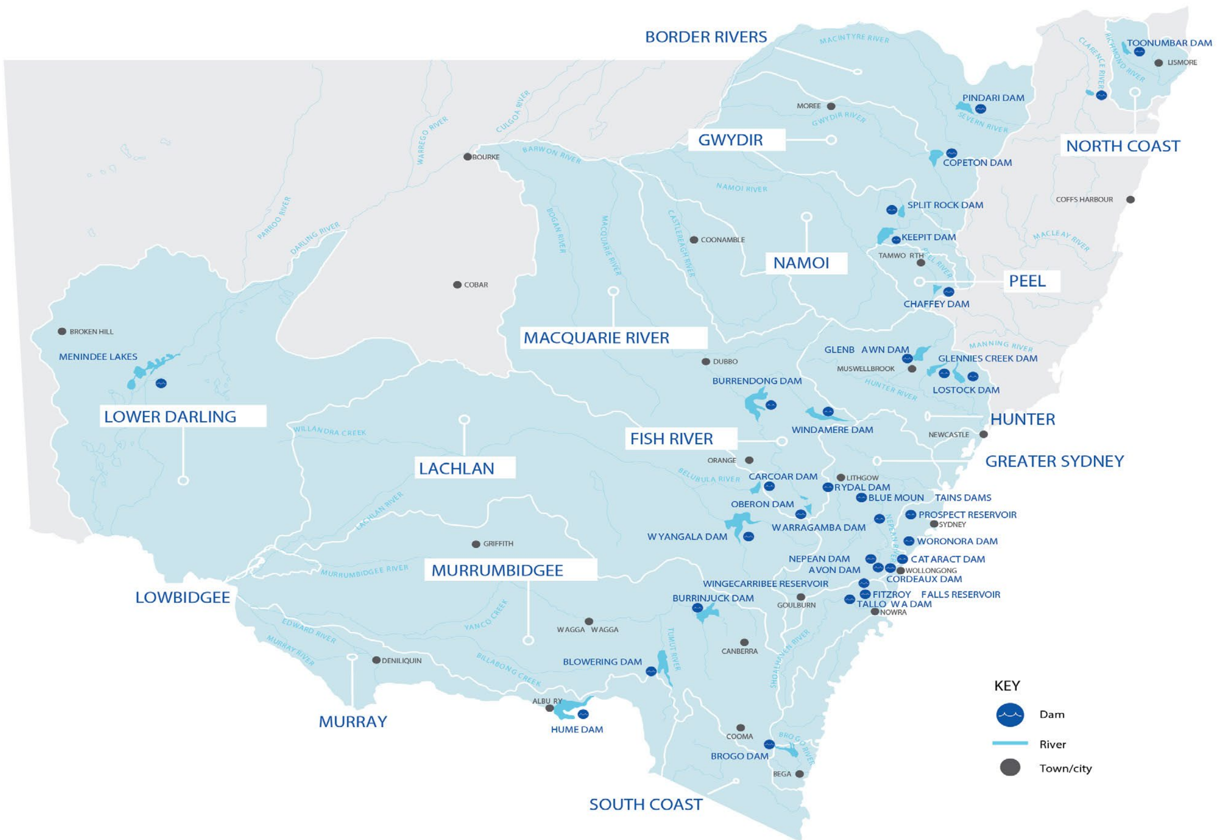
We are open to change and always improving the way we do things.

We take pride in Individual and corporate excellence.

We keep people safe, treat them with respect and are committed to growing our people.

Our area of operations

Through our hundreds of employees located across the state, we provide services daily to tens of thousands of customers across NSW and manage our extensive operational assets, water monitoring and metering networks.



Strategic plan 2018-2021

Our Strategic Goals

Our People & Safety
Develop our people and live our commitment to zero harm

Our Performance
Consistently deliver and continuously improve core performance

Our Business
Evolve our business to be responsive, resilient and enduring

Our Relationships
Connect and collaborate with our customers, communities and stakeholders

Our Water Solutions
Demonstrate thought leadership in providing holistic solutions to the state's water supply and water market challenges

Our Strategic Priorities

Be Safe4Life

Achieve our safety-first commitment to zero harm (employees, contractors and the public) through decisions, behaviours and leadership actions that embed and continually improve our safety performance.

Be a Customer Centric Organisation

Focus on activities that prioritise our customers in our decisions and actions so that we improve the value customers receive along with the quality of their experience. Ensure by 2021 more than 70% of our customers rank our service delivery as seven or greater out of 10.

Deliver Reliable Performance in a Changing Environment

Achieve reliable and consistently improving performance and operational strength across all of our key functional areas by continuing to build our capability, flexibility and resilience.

Develop Our People and the Effectiveness of Our Team

Create the high-performance business we want to be by investing in and developing the competencies and leadership capabilities of our people, and by uniting them into one engaged and effective team that takes personal accountability for outcomes.

Improve Organisational Performance

Improve organisational performance by embedding a mindset of 'real-world' continuous improvement in all that we do, by embracing new ideas from national and global benchmarking research and by creating effective internal customer delivery chains that are commercial and meet evolving customer needs and shareholder requirements.

Support Performance Through Innovation and Adoption of New Technology and Scientific Advances

Through innovation and adoption of new technology and scientific advances ensure we do things safer, automate routine activity, reduce waste and costs, provide value adding information products to our customers and improve our performance.

Provide Strategic Solutions

Proactively collaborate and demonstrate thought leadership so that we anticipate, influence and strategically respond to our changing external environment and paradigms, including the water market and the implementation of the Murray-Darling Basin Plan, and develop innovative solutions that go beyond traditional thinking and span asset, operational, rule change and funding solutions.

Leverage our Water Quality and Water Information Expertise

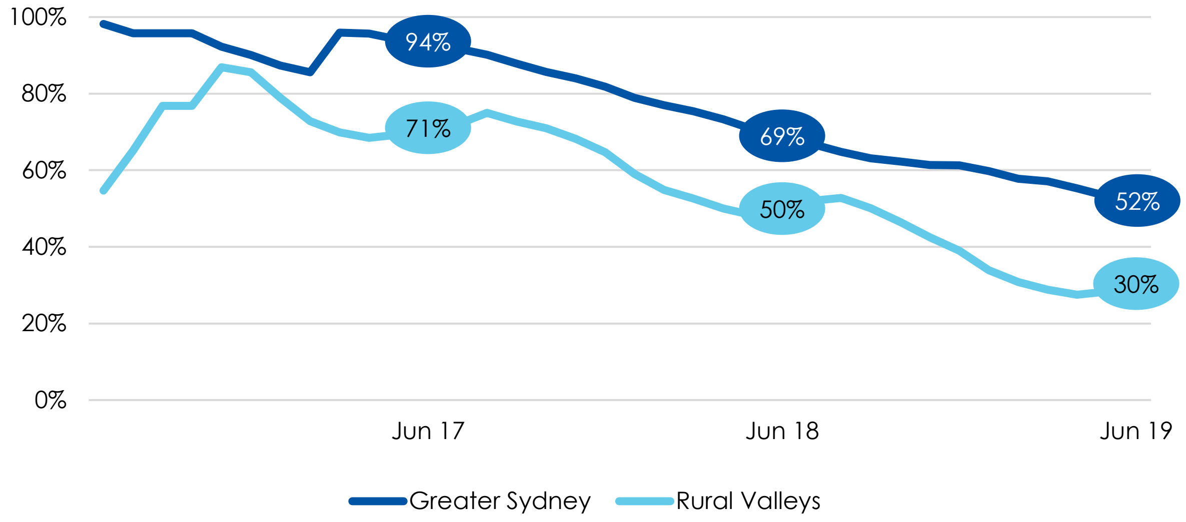
Use our specialised knowledge, leverage our water quality and water information expertise to provide enhanced services for water quality causes and effects consistent with the aspiration of our communities to ensure water quality outcomes across the state; and water information applications and modelling to enable us to convert data into value added information applications for our customers and improve our performance in operating water supply systems.

Year in review

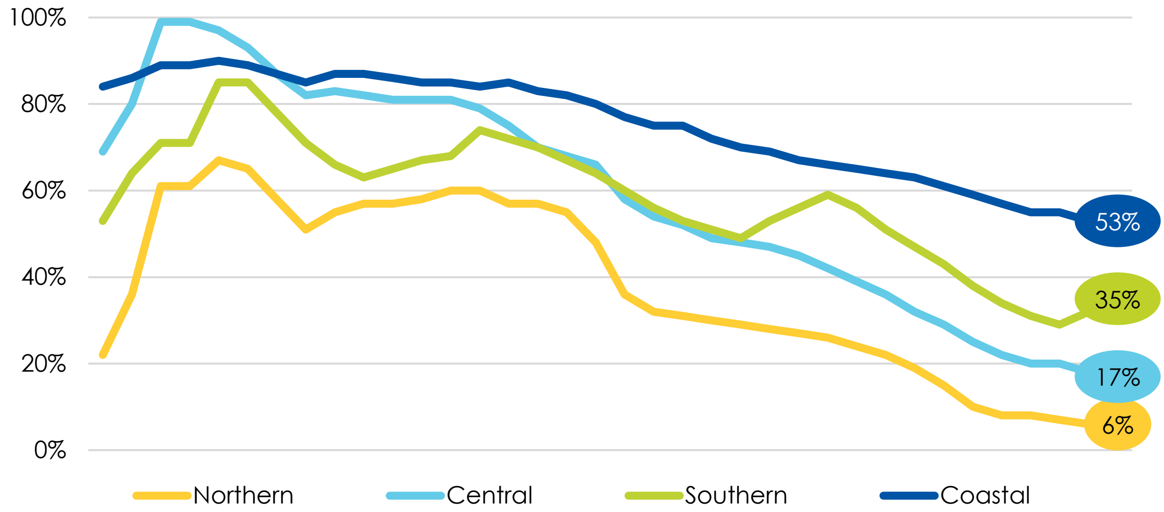
Impact of drought

NSW is experiencing one of the most severe droughts on record, with 98 percent of the state affected. Drought is having devastating impacts on the communities, businesses and the environment. There are two main factors underpinning the current drought situation: record low inflows; and rising average temperatures; resulting in declining storage levels in WaterNSW dams.

Storage levels - July 2016 to June 2019



Storage levels by rural valley grouping – July 2016 to June 2019



Since October 2016 below average rainfall has fallen across the majority of NSW. There have been extremely low inflows (the amount of water entering storages) with 2018-19 receiving one of the lowest recorded inflows in NSW history. Effective management of these storages by WaterNSW has extended water availability, delaying some of the worst impacts of the drought by up to 12 months.

For many parts of regional NSW such as Forbes, Condobolin, Narrabri, Walgett, Moree and Dubbo, the last major rainfall event was close to three years ago in late 2016. This low inflow pattern is worse than that experienced during previous droughts. One of the most affected systems is Burrendong Dam, near Dubbo, where over the last two years there have been just 25% of the inflows that occurred during the worst two years of the millennium drought.

The 2018-19 summer recorded some of the hottest temperatures in these areas of the country. Hot temperatures impact in two ways; they mean catchments are much drier than usual which reduces the runoff from the land as the soils are drier. Equally, greater rates of evaporation can also further reduce the already very low storage levels.

In Greater Sydney, the dam levels have dropped rapidly, without reprieve, from 94% capacity at 30 June 2017 to 52% in two years. Following record high temperatures and the hottest summer since 1910, WaterNSW's dams have been dropping by an average of around 0.4% per week since April 2017. The last major inflow into Sydney's water storages was on 11 April 2017, with total storage then peaking at 96.5%.

In late January 2019, the 60% total water storage trigger specified in the Metropolitan Water Plan 2017 activated the start-up of the Sydney Desalination Plant. This is a privately-operated desalination facility that can supply up to 250 million litres of water a day, which is approximately 15% of Sydney's ordinary summer water needs. This helps take some of the pressure off the other 21 dams that service Greater Sydney. Sydney Desalination Plant will continue to supply water until total dam storages increase to 70%.

From 1 June 2019 Sydney entered enforced water restrictions in response to the 50% total water storage trigger. Sydney Water's restrictions are relevant to everyone in metropolitan Sydney, Blue Mountains and the Illawarra.

Working to extend water supply in Rural Valleys

WaterNSW has worked hard to retain water in dams and river systems to enable us to provide the critical water needs of communities for as long as we can. An example of this is restricting water ordered and delivering ordered water in 'block releases', which is designed to reduce delivery losses and increase available water.

Stricter limits on water availability for irrigation and environmental purposes increased markedly in the past 12 months, as extremely low inflows have resulted in WaterNSW storages falling to very low levels. In many systems, without inflows the lack of water will continue to impact water quality and the natural environment, as well as restrict agricultural production and some industries.

WaterNSW has contributed to a series of government decisions to enact temporary pump restrictions on minor flow events in priority waterways to ensure that this water is only available for critical human needs, including town supply and basic domestic usage by local landholders. We are working closely with government environmental agencies to allocate their water where it is available to sustain critical river habitat for as long as possible.

Several drought emergency projects are being undertaken by WaterNSW to extend the availability of water for critical human needs, including:

- planning for a new weir at Wilcannia to augment town supply;
- temporarily raising Warren weir to extend supply from the Macquarie River to Warren and further west to Nyngan and Cobar;
- A temporary weir (block-bank) on the Peel River at Dungowan downstream of Chaffey Dam in order to reduce transmission losses; and then
- constructing a pipeline from Chaffey Dam to the existing Dungowan to Tamworth pipeline to help protect the city against further deepening of this drought and future droughts.

In October 2019, Prime Minister Scott Morrison and NSW Premier Gladys Berijiklian announced a jointly funded package of around $1 billion for the planning and delivery of three new or augmented dams in NSW, including:

- the raising of Wyangala Dam,
- a new dam on Dungowan Creek near Tamworth, and
- initially at least, a Final Business Case for a new dam on the Mole River in the Border Rivers region.

The groundwork for this announcement was laid with the release last year of our 20 Year Infrastructure Options Study for Rural Valleys. That study was a seminal piece of work - the first time a strategic level review of water infrastructure had been completed in NSW since the 1970s. It triggered very healthy community discussion and occasional debate about what water infrastructure options would provide our customers and communities to improve their levels of service from WaterNSW. It was this study that has informed the portfolio of projects announced by the NSW and Commonwealth Governments.

WaterNSW will use its expertise to plan and deliver these water infrastructure solutions.

Working to extend water supply in Greater Sydney

WaterNSW continues to devote considerable resources to secure the State's water security in light of the ongoing effects of drought. This includes working closely with the NSW Government and Sydney Water to identify and assess detailed drought supply options in accordance with the requirements of the 2017 Metropolitan Water Plan. This is a critical obligation for WaterNSW and a challenge that it has embraced.

Drought has affected many aspects of our business over the 2016 Determination period, including investments we were required to make to plan for major drought supply options. WaterNSW is forecasting to spend over $57 million on planning for drought resilience in 2019-20, investment that is critical to ensure water supply to Greater Sydney.

We have proposed initial expenditure of approximately $236 million for the construction of new infrastructure for accessing deep water that is currently inaccessible for supply at Avon Dam to enhance the resilience of our water supply network and to contribute to drought mitigation and a small level of expenditure for drought relief planning.

We have also worked closely with Sydney Water to ensure the millions of customers relying on this water understand the severity of the drought and what it means to you. As the current drought intensifies WaterNSW will continue to work closely with DPIE Water, Sydney Water, Shoalhaven Water and other government agencies.

In addition, WaterNSW launched a new online Greater Sydney dashboard to provide customers and other stakeholders daily updates on inflows into Warragamba Dam, total inflows, storage levels and supply.

1 How much rain have we had?

2 How much water is in our dams?

3 How much water have we used?

Future proofing our water supply

Climate change impacts for Greater Sydney Water Catchment have been assessed using regional climate models developed within the NSW and ACT Regional Climate Modelling (NARCliM) Project. Temperature increases were predicted consistently by all the models which could lead to drier catchments and reduced inflows during droughts, and major flooding with more extreme rainfall events.

While some models predicted increased rainfall closer to coastal areas, these models did not predict some of the longer-term climatic patterns which could potentially impact on long term rainfall variability and water security.

WaterNSW is currently funding a research project with the University of NSW to better understand these issues. WaterNSW currently includes natural variability as part of its long-term water supply planning and will update models once the research currently underway has been completed.

Customer and community engagement

WaterNSW is dedicated to keeping our customers informed in Greater Sydney and for regional NSW, valley by valley. We have engaged with drought-affected customers and communities though roadshows, River Operations Stakeholder Consultation Committee sessions, Customer Advisory Group meetings, one-one-meetings, council meetings, web site information, newsletters, customer notices, the Early Warning Network and through access to our customer call centre.

Information on changing climate conditions, storage status, predicted release patterns and operating conditions is available to help customers and communities to make decisions about their businesses and other activities is available through the new, interactive Water Insights portal. Regular drought updates are also available in the drought information section of our website.

The new River Operations Stakeholder Consultation Committee (ROSCCO) began meeting in 2018. The ROSCCOs are valley based, ongoing committees formed with key stakeholders to engage in discussions about river operations with the objective of improving understanding of stakeholder concerns and river operations. Another important role the ROSCCOs will play will be to share recommendations from the ROSCCOs into the NSW Government's Critical Water Advisory Panel which, in turn provides advice to the Minister on the current drought.

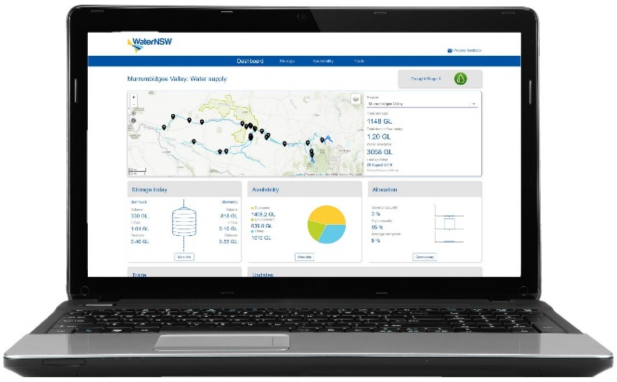
Providing financial support

To alleviate some of the financial pressures being experienced by our customers, WaterNSW has facilitated an automatic rebate of fixed charges to eligible licence holders of up to $4,000 in total in 2018-19 from the NSW Government's Emergency Drought Relief Package. The rebate of up to $4,000 will also be applied for similar 2019-20 charges.

WaterNSW is also a founding partner in NSW of the Thriving Communities Partnership (TCP), which is a cross sector collaboration to ensure customers experiencing financial hardship have access to essential services, including water. TCP is a fantastic opportunity for us to collaborate with other agencies across all sectors to influence positive change and provide a centralised solution for customers who are not able to pay their bills due to a range of circumstances including illness, natural disasters and family violence.

TCP is creating a 'One Stop One Story' hub where customers can tell their story just once and it will then be communicated to each organisation that they deal with to provide a simplified and dignified approach to asking for financial assistance. TCP's goals align with our current affordability assistance program, where we are committed to helping our customers who are having difficulty paying their bills by providing a range of payment options.

Providing water insights for our customers



At WaterNSW, we value and promote transparency about how NSW's water resources are managed and are making this information available via a new interactive site – Water Insights.

Water Insights is a dashboard that brings key water resource information together to answer our customers' and stakeholders' expressed needs to have information more up to date, more specific to them, easier to access and easier to digest.

One of the aims of this powerful new resource is to enable our customers to make more informed water resource planning decisions by presenting up to date and visual information. Another is to help our communities and other stakeholders to understand what water is present in the system, either in the storage or the river.

Linking water quality and river flow to improve predictive capacity around river stress

Fish deaths can occur at any time of year. However, they are more likely to occur when dissolved oxygen levels are low, during sudden storm or flood events, and when water levels are lower in freshwater systems.

WaterNSW has developed a fish-at-risk tool to provide ecosystem and water managers a decision support tool, highlighting sections of the Murray-Darling which are at risk of a fish deaths due to a combination of flow, water quality and forecasted meteorological changes.

WaterNSW collects flow and water quality data from a monitoring network across the Murray-Darling basin. The data includes:

- water quality (algal biomass and dissolved oxygen where available);
- river flow (weir discharge and weir level); and
- meteorology (change in air temperature in a 24 hour period).

Wentworth to Broken Hill Pipeline

To secure Broken Hill's long-term water supply, the NSW Government appointed WaterNSW in late 2016 to construct a 270 km pipeline from Wentworth to Broken Hill (W2BH). The pipeline is now operational, delivering raw water from the River Murray near Wentworth to Broken Hill. This achievement could not have come at a better time with Broken Hill, the far-west and indeed most of the river systems in this State currently dealing with the impacts of one of the worst droughts on record.

Construction commenced in January 2018. Assisted by our construction partners John Holland and MPC Kinetic, WaterNSW and our partners efficiently delivered all 270km of the Australian-sourced steel pipeline in just ten months, setting an Australian pipe laying record on the way. Four pump stations are required to deliver the water to Broken Hill, and a standalone 760 ML lined bulk water storage was constructed near Broken Hill to manage peak demands, optimise pumping strategy and mitigate supply risk.

The W2BH project team have seamlessly transitioned the operations and maintenance of the pipeline to our partner, John Holland TRILITY Joint Venture for a fixed price 20-year contract term.

WaterNSW Infrastructure Pty Ltd was established in November 2018 as a wholly owned subsidiary of WaterNSW to provide bulk water transmission services for the supply of raw water to Essential Water in Broken Hill as the local water provider.

Our customers

Customers continue to be embedded at the heart of our business and in 2018-19 we continued our focus on providing efficient services to customers for water trades, billing, licensing approvals and meeting their increasing need for up to date water information and insights.

In response to direct customer feedback, service improvements include a new state of the art billing system and additional payment options, improved customer contact telephony systems and expanded capabilities of our online billing calculator and Water Accounting System IWAS.

Customer newsletters are issued quarterly and posted with each regulated customer's bill. Customers can subscribe to receive regular email updates from WaterNSW on a range of information, including customer newsletters, water availability reports and drought updates at waternsw.com.au/subscribe.

Customer complaints

Complaints were at low levels throughout the period except for one specific issue in relation to metering charges in the Hawkesbury Nepean region. This issue caused complaints volume to increase in late 2017-18 and carry through into 2018-19 causing our median days to resolve increasing from our normal levels. This issue was resolved in the December 2018.

	2017-18	2018-19
Customer complaints outstanding at the beginning of the financial year	17	147
New complaints received	316	82
Complaints resolved/closed	186	226
Customer complaints outstanding at the end of the financial year	147	3

Investigations into water compliance and enforcement

As of 1 July 2016, compliance and enforcement functions were spilt between DPI Water and WaterNSW. DPI Water retained compliance functions for the entities which it licensed including major utilities, irrigation corporations and government agencies. WaterNSW acquired compliance functions in relation to those licence holders to whom it issued licences including irrigators and farmers.

In July 2017 the ABC, in its Four Corners program, broadcast allegations of non-compliance by various irrigators with water legislation which were occurring in the Barwon Darling River system. This led to investigations into the management of non-urban water compliance issues by the Governments of NSW and South Australia, the Murray Darling Basin Authority, the NSW Independent Commission Against Corruption, and a Commonwealth Senate Inquiry into the integrity of the water market in the Murray Darling Basin.

In New South Wales, the then Minister for Regional Water the Hon Niall Bair MLC commissioned an investigation and report into the issues which were aired in the Four Corners program. The investigation, conducted by Ken Matthews, resulted in an interim and final report with recommendations in September and November 2017.

One of the most significant recommendations which was adopted from the Matthews investigation was the creation of the National Resources Access Regulator (NRAR) which took over compliance functions from both DPI Water and WaterNSW as at 30 April 2018. The NRAR is an independent regulator.

Independent of the investigation conducted by Ken Matthews, the NSW Ombudsman conducted three prior investigations into the management of rural water issues and lack of enforcement. The investigations were initiated by complaints received from the public or public interest disclosures by members of staff. The final report by the Ombudsman: "Water: compliance and enforcement" (the Report) was tabled in the NSW Parliament in August 2018.

The Report concluded that the process of transferring compliance and other functions and employees from DPI Water to WaterNSW could have been better managed and implemented through the allocation of additional resources to compliance and investigation and paying greater attention to employee related issues associated with moving compliance functions from DPI Water to WaterNSW.

The Report also referred to actions taken by the NSW Government pursuant to its Water Reform Plan, the most significant of which was the establishment of NRAR which took over the compliance functions of both DPI Water and WaterNSW.

The Report made 35 recommendations across five separate agencies of which four directly related to WaterNSW. An additional recommendation required WaterNSW to provide certain documents to NRAR, which was done. The four recommendations relevant to WaterNSW focused on: policies and practices in relation to record keeping, recording information and decision making; the provision of training to senior management to identify staff issues; to undertake a check of compliance cases to assess if they have been appropriately dealt with, and to communicate with NRAR if any additional action was required.

WaterNSW provided three reports to the Ombudsman on the progress of implementing the recommendations in the Report. WaterNSW's reporting to the Ombudsman has concluded.

WaterNSW has strengthened its internal processes to ensure that information which is recorded, stored and shared is both accurate and consistent. This has been largely achieved though the development of an Information Assurance Framework. Furthermore, a Corporate Records Management Procedure has been developed in conjunction with mandatory staff training.

Stage 1 of the Consolidated Information Management System (CIMS) was launched in April 2019. This system integrates several legacy business systems into one operating environment which has enhanced data integrity, information sharing and data integrity across WaterNSW.

WaterNSW's electronic document management system facilitates the management and storage of information and records, is supported and enhanced through a culture and training which is supportive of good administrative and record keeping practices.

Since NRAR was allocated responsibility for compliance functions from 30 April 2018, WaterNSW has continued to work collaboratively and on a regular basis through a memorandum of understanding and supportive protocols for information sharing so as to assist NRAR deliver its functions.

Warragamba Dam raising proposal

In May 2017 the NSW Government released the Hawkesbury-Nepean Valley Flood Risk Management Strategy – 'Resilient Valley, Resilient Communities.' The strategy is a long-term framework for the government, councils, businesses and communities to work together to reduce and manage flood risk in the Sydney Region's most productive food bowl.

The strategy recommended raising Warragamba Dam to create a flood mitigation zone of around 14 metres as being the best option to reduce the risks to life, property and community assets posed by floodwaters from the extensive Warragamba River catchment.

WaterNSW, as the owner and operator of Warragamba Dam, is preparing a comprehensive environmental impact statement (EIS) in accordance with the *Environmental Planning and Assessment Act 1979* and the NSW Department of Planning and Environment Secretary's Environmental Assessment Requirements (SEARs). The project is considered state significant infrastructure under NSW legislation, and has also been declared a Controlled Action under the Australian Government *Environment Protection and Biodiversity Conservation Act 1999* due to the likely impact on matters of national environmental significance.

Modelling, surveys, technical studies and analysis are under way to inform the EIS, including Aboriginal Cultural Heritage Assessment in consultation with traditional owners, and detailed flora and fauna surveys and assessments. Community and stakeholder consultation is an important part of this process, with information displays located in several locations across the Hawkesbury-Nepean Valley. Community updates are also available on the WaterNSW website at https://www.waternsw.com.au/projects/greater-sydney/warragamba-dam-raising.

The concept design is being prepared at the same time as environmental studies to integrate environmental fieldwork findings and to inform the Environmental Impact Statement. Currently, key activities are focused on investigating the condition of the existing dam and its foundations, analysing the raised dam and defining the proposed design (which does not include any additional storage capacity).

The EIS for the Warragamba Dam Raising proposal is scheduled to be exhibited in 2020 and will inform a final business case prepared by Infrastructure NSW for consideration by the NSW Government in 2021.

Protecting the declared catchment area

In the past financial year WaterNSW has continued to express our concerns about the impacts of longwall coal mining in Sydney's declared catchment area. We have provided advice to a range of stakeholders that has helped to reduce the impacts of existing mining activities in the catchment and will also help to inform future decision-making.

WaterNSW has provided ongoing advice to the NSW Government on a range of mining applications at existing mines in the catchment. This advice has contributed to a decrease in mining-related impacts on important watercourses, including the Eastern Tributary at the Metropolitan coal mine and Wongawilli Creek at the Dendrobium coal mine, by adopting or increasing the setback from these watercourses.

In March 2019 WaterNSW also provided a detailed submission to the NSW government's Independent Expert Panel on Mining in the Catchment. This submission outlined the key risks to the quality and quantity of water in the catchment and made 15 recommendations, which will be considered by the Panel in preparing their final report due for release in October 2019.

Renewable energy and storage program

In response to increasing interest in access to WaterNSW land and dam assets, and industry concern for the dwindling energy generation resulting from the scheduled decommissioning of NSW coal fired power stations, WaterNSW proactively engaged with the NSW government (under the then Minister for Energy and Utilities and Resources, Don Harwin) and the former Renewable Energy Advocate (within the Department of Planning, Industry & Environment – DPIE) to lead a market based process to identify which of its land and water infrastructure assets were potential sources of opportunity to deliver dispatchable forms of renewable energy generation and/or storage.

The objective of the renewable energy generation and/or storage schemes designed by WaterNSW is to:

- improve power security requirements for NSW by developing renewable, dispatchable forms of energy generation such as pumped hydro and wind generating schemes on WaterNSW owned assets; and
- create an unregulated revenue stream by providing an opportunity for private sector developers to engage with WaterNSW for the development of renewable energy generation and storage projects on WaterNSW land (including pumped hydro and wind energy) using access to regional dam storages controlled by WaterNSW.

An Expression of Interest process was conducted jointly between WaterNSW and the Renewable Energy Advocate in June 2018. Following an evaluation process, a Request for Proposal process commenced in March 2019 which closed in September 2019. WaterNSW is in the process of considering the received proposals.

Consolidated information management system

WaterNSW executes functions previously provided by three legacy organisations (State Water, Sydney Catchment Authority and DPI Water). The Consolidated Information Management System (CIMS) project continued in 2018-19 to harmonise these disparate and obsolete information and communications technology systems with a single and contemporary business systems application.

Stage 1 of CIMS was successfully launched in April 2019. Stage 2 will look to leverage the benefits of the consolidated systems, including improved reporting, closure of systems whose functions are now delivered through CIMS, and completion of several enhancements and issues identified that were not considered critical in the initial implementation.

CIMS has enabled us to merge our business information into a robust, secured, enterprise wide business system for our employees, finances, customers and assets.

A better way of working

- ✓ Removing outdated legacy systems that no longer meet our business needs
- ✓ Connecting multiple business functions with one 'source of truth'
- ✓ Avoiding double-handling of business data
- ✓ Leveraging future developments with one integrated platform for business processes

Supporting a one WaterNSW culture

- ✓ A transparent way of operating with documented processes for everyone to easily access
- ✓ Simplifying inductions for new starters and delivery of business training

Reducing business risk

- ✓ One source of truth for financials, business planning and project reporting
- ✓ Improving timeliness of real-time information and removing duplication of data
- ✓ Integrating risk planning and reporting

Improving customer service

- ✓ A more complete, real-time view of our customers
- ✓ Efficiencies over time will lead to lower bills
- ✓ Capabilities to identify and deliver exciting new services to potential customers

Unified WaterNSW platform

WaterNSW undertook a significant program to consolidate and simplify our information and communications technology solutions:

- migrating all user accounts to a single WaterNSW domain;
- upgrading every machine to the same standard operating environment;
- rolling out the Microsoft Office 365 collaboration service suite;
- enrolling all mobile devices in a mobile device management solution; and
- introducing self-service for functions such as resetting passwords.

The program has enabled increased speed and clarity in decision-making with more engaged and effective communication so teams can work at maximum efficiency. It has also improved information security and regulatory compliance while reducing complexity.

DamGuard

Dams are regularly inspected to assess risks to dam integrity. The data from these inspections are combined with telemetry data from a range of gauging and monitoring stations to form a comprehensive picture of the state of the dam. Previously, it could take weeks to collect and process the data from various manual and telemetered sites. Through the implementation of a mobile application, a data lake to store data and advanced analytics, WaterNSW has dramatically increased the speed and effectiveness of dam surveillance and dam integrity management. The mobile application enable direct loading of data for the analysis tools and engineers are able to run multiple scenarios through computer modelling to an extent not previously available. The project has improved efficiency of our operations and our engineering risk assessments.

Spendwise

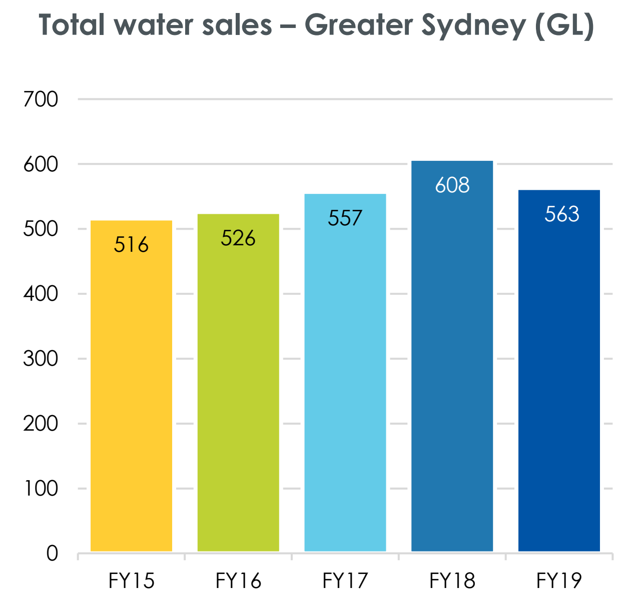
During 2018-19 WaterNSW implemented a significant program of improvement in procurement management and governance under the 'Spendwise' banner, including:

- a simplified procurement framework and associated procedures;
- a web portal for employees to access procurement information and support; and
- new software to manage the procurement process, engage with the market and analyse performance.

Regional co-location strategy

WaterNSW has continued our regional co-location strategy where it is efficient and effective to do so. Over the last year, we have added capacity and upgraded security in Parramatta and refurbished Kenny Hill and Leeton offices to increase team efficiency. We have established new leased premises in Coffs Harbour and Narrabri, increasing efficiency and safety by locating water monitoring and asset employees closer to their day to day operations.

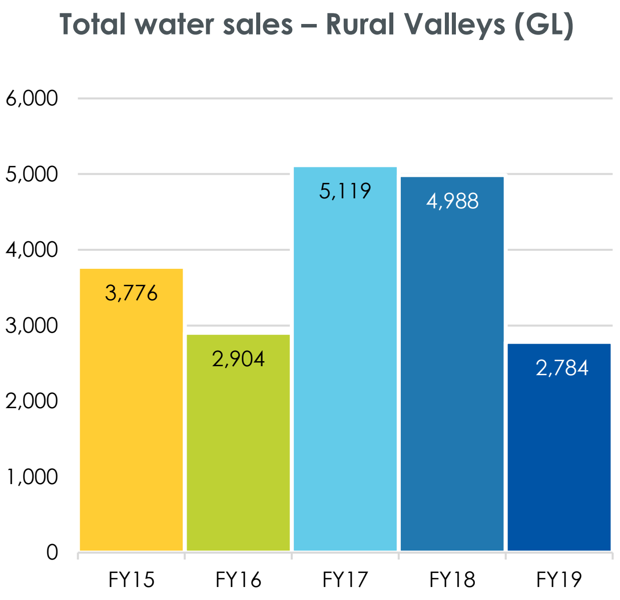
Water sales



Greater Sydney water volumes remained at the mid-range forecast for the water year and despite drought conditions,
2018-19 volumes were approximately 90% compared with the prior year.

The 60% total water storage trigger to activate Sydney's desalination plant was activated in January 2019.

The NSW Government agreed to implement Level 1 water restrictions for the Sydney basin earlier than the formal trigger.



Rural water availability remained low throughout the water year influencing the volumes ordered.

2018-19 volumes were approximately 50% compared with the prior year reflecting the impacts of drought.

Financial performance summary

	2015-16 Actual $'000	2016-17 Actual $'000	2017-18 Actual $'000	2018-19 Actual $'000	2018-19 Budget $'000	2018-19 Variance $'000	2019-20 Budget $'000
Revenue	338,989	380,938	395,232	416,377	388,035	28,342	392,696
Operating expenditure	(162,915)	(184,238)	(207,981)	(234,338)	(209,958)	(24,380)	(195,093)
Earnings before interest, tax, depreciation and amortisation	176,074	196,700	187,251	182,039	178,077	3,962	197,602
Depreciation and amortisation	(53,165)	(58,537)	(56,008)	(60,179)	(71,178)	10,999	(65,690)
Interest revenue	2,553	3,378	1,281	497	168	329	157
Interest expense	(29,937)	(32,871)	(47,553)	(61,335)	(80,017)	18,682	(84,686)
Tax	(58)	(42,913)	(28,931)	(30,706)	(7,703)	(23,003)	(14,215)
Net profit after tax excluding revaluation of property, plant and equipment	95,467	65,757	56,040	30,316	19,347	10,969	33,168
Revaluation of property, plant and equipment	(41,841)	34,305	27,297	38,268	0	38,268	0
Net profit after tax	53,626	100,062	83,337	68,584	19,347	49,237	33,168
Capital expenditure	(57,923)	(63,252)	(298,367)	(291,520)	(318,696)	27,176	(231,758)

Note: actual financial performance is presented in accordance with the relevant Accounting Standards and WaterNSW Accounting practices applicable in the year reported.

Revenue was higher than budget, primarily due to:

- asset construction works undertaken on behalf of Essential Energy that were funded by the NSW Government; and
- the partial recovery from Sydney Water of additional energy expenses incurred in transferring water in the Shoalhaven system.
- partially offset by lower water sales in rural valleys arising from the ongoing drought as discussed earlier in this report.

Operating expenditure was higher than budget, primarily due to:

- expenses incurred for asset construction works undertaken on behalf of Essential Water, which was offset by additional revenue noted above;

- additional energy expenses incurred in transferring water in the Shoalhaven system, which was only partially recovered by the receipt of additional revenue from Sydney Water; and
- higher employee related expenses as vacancy rates were lower than anticipated.

Interest expense was lower than budget, driven by:

- lower than anticipated borrowings balance at the beginning of the financial year,
- a lower interest rate being levied than expected; and
- allocation of interest to capital expenditure for the Wentworth to Broken Hill Pipeline.

Depreciation and amortisation were lower than budget, primarily due to lower than planned capital expenditure in the previous financial year.

Capital expenditure was lower than budget, primarily due to the final construction costs for the Wentworth to Broken Hill Pipeline project being lower than expected.

Key performance indicators

Financial

	Target	Actual
Total shareholder return	$61.1 million	$75.0 million
Core[1] operating expenditure	$155.3 million	$166.0 million
Core[1] capital expenditure - WaterNSW	$124.2 million	$132.7 million
Wentworth to Broken Hill pipeline – total project cost	$471.1 million	$441.7 million
Capital structure efficiency	Baa2 credit rating	Baa2 credit rating
	59% net debt to RAB [2]	57% net debt to RAB
Core EBITDA[3]	$171.1 million	$171.4 million
Non-core EBITDA[3]	$6.9 million	$10.7 million

1. Core expenditure forms part of a regulated pricing determination - refer to **Implementation of pricing determinations** for more information.
2. Regulated Asset Base
3. Earnings Before Interest, Tax, Depreciation and Amortisation

Non-financial

		Actual
Safety Excellence	Zero harm: lost time injuries	Five lost time injuries
	10 visible safety leadership activities by each Executive Manager	Average of 12.6 visible safety leadership activities per Executive Manager
	5% improvement on the 2017-18 Safety Culture Index	3.6% improvement on the 2017-18 Safety Culture Index
Customer	By 2021 more than 70% of our customers rank our service delivery as greater than 7 out of 10	We achieved 54.5% against the FY19 target of 63%. The result was driven by the inclusion of groundwater and unregulated customers, for whom a baseline score was not available when the target was established.
	Customer service index of 66%	We achieved 53.5% against the FY19 target. The result was driven by the inclusion of groundwater and unregulated customers, for whom a baseline score was not available when the target was established.
	Quality of relationship index of 66.2%	We achieved 67% against the FY19 target. The result was driven by the inclusion of groundwater and unregulated customers, for whom a baseline score was not available when the target was established.
	Water supplied to Sydney Water meets standards under the Raw Water Supply Agreement more than 95% of the time	Water supplied to Sydney Water meets standards under the Raw Water Supply Agreement more than 99% of the time
High Performing Culture	Customer Service focus improvement from 3.03 in 2015-16 to 3.94 out of 5	Customer Service focus improvement to 3.90 out of 5
	Development plans delivered for 100% of the leadership group	Development plans delivered for 100% of the leadership group
	5% improvement in values survey results	12.65% improvement in values survey results
Delivery of Asset Projects	Overall Measure of Delivery (measures weighted delivery progress of major projects) – 250 points available	213 points achieved
	More than 90% of Maintaining Capability Program projects planned for completion in 2018-19 are delivered	44% of projects planned for completion were delivered, due in part to the reprioritisation of projects to facilitate drought projects.

Corporate governance

Board

Anne McDonald, Chair – BEc, FCA, FAICD

Commenced: 1 March 2016

Current term: 15 February 2019 to 14 February 2022

Anne McDonald is an experienced director with over 35 years business and governance experience, including in the water industry and other price regulated businesses. Anne has broad based business and financial experience gained through working with a wide cross section of international and domestic companies. She is a non-executive director of two ASX listed companies (Link Group and Spark Infrastructure) and St Vincent's Health Australia Group. Anne has previously held non-executive director roles in a number of organisations including Sydney Water, GPT Group and Specialty Fashion Group. She was a partner of an international accounting firm for 15 years prior to pursuing a full-time career as a non-executive director.

Dr Nicholas Brunton – BA, LLB, PhD, FAPI

Commenced: 21 November 2012

Current term: 27 July 2017 to 26 July 2020

Dr Nicholas Brunton is a partner at the law firm of Norton Rose Fulbright, Sydney. He is also a Member of the Advisory Board for the Australian Centre for Climate Change and Environmental Law at the University of Sydney and a Fellow of the Australian Property Institute. Nicholas has expertise in environmental and planning law, catchment management, property, valuation, development, corporate governance and risk management for large organisations.

Rob Aldis – BE (Civil), FAICD

Commenced: 15 September 2014

Current term: 15 September 2017 to 14 September 2020

Rob spent 24 years working for the Leighton Group prior to joining the Infrastructure Advisory company Evans Peck where he was the Managing Director for 14 years. He has more than 40 years' experience in the Engineering and Construction Sector, particularly in relation to water supply infrastructure. He is Chairman of the NorthWestern Roads Group and its subsidiaries, owners of the M7 Motorway and NorthConnex Tunnel project in Sydney, and a member of the Project Advisory Group for the completion of the Pacific Highway in NSW.

Professor Andrew Wilson – BMed Sci, MBBS (Hons), PhD, FRACP, FAFPHM

Commenced: 27 May 2013

Current term: 3 November 2016 to 2 November 2019

Professor Wilson is Co-Director of the University of Sydney Menzies Centre for Health Policy and Professor of Public Health in the School of Public Health. He leads the NHMRC Prevention Partnership Centre and is Chair of the Pharmaceutical Benefits Advisory Committee for the Australian Department of Health. He has specialist qualifications in clinical medicine and public health, and a PhD in epidemiology.

Emma Stein – BSc (Hons), MBA, FAICD

Commenced: 3 November 2016

Current term: 3 November 2016 to 2 November 2019

Emma has worked as a non-executive director for listed ASX 50-200, private and government owned Australian and NZ oil and gas, power, energy and utilities, resources, engineering and industrial services companies. Her European executive career (1984-2003) spanned building materials, fuel distribution and energy retailing - as Managing Director of British Fuels Gas she ran the first independent domestic gas retailer, as Gaz de France's UK Managing Director she built a major industrial customer focused gas and electricity retailer. Emma is an honorary fellow at Western Sydney University.

Mark Barber – MA Fin, Grad Dip Agribusiness/Marketing, Dip FM Management, MAICD

Commenced: 3 August 2018

Current term: 3 August 2018 to 2 August 2021

Mark has over 30 years' experience in agribusiness investment management and operations. Mark's agricultural investment and operations experience spans Hassad Australia, Laguna Bay and currently Elders. Mark was the Agribusiness Practice Leader at ACIL Tasman for 10 years working in agriculture and water economics and policy. Mark is also a non-executive director of Agribusiness Australia and Remount. Remount is a not-for-profit organisation providing horsemanship skills for returned and serving service men and women suffering stress related problems.

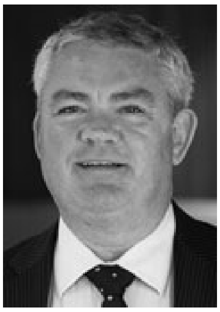
Bruce Berry – BComm, MBA, CA ANZ, GAICD

Commenced: 3 August 2018

Current term: 3 August 2018 to 2 August 2021

Bruce Berry has over 31 years of business experience covering, construction, property, financial management, infrastructure, and project finance in both Asia and Australia. Bruce was with Lend Lease Corporate for 22 years and with AMP Capital for 8 years. During this period, he held several senior management positions including Fund Manager for a diversified infrastructure fund and was seconded as the CFO for ASX listed DUET. Bruce is on the Board of Singapore Listed ESR-REIT and is Chair of the Audit Risk and Compliance Committee.

David Harris, Chief Executive Officer – BEc, LLB (Hons), AMP Harvard



David has led the transformation of WaterNSW since its formation in 2015, bringing the organisation to the point of being a recognised efficient and high performing bulk water supplier. Through his executive leadership team David has built a robust organisation with a cohesive corporate culture that puts safety first.

Prior to his appointment, David was for a short time CEO of both State Water Corporation and the Sydney Catchment Authority, the two entities that were merged to form WaterNSW.

David has over 20 years' experience in the Australian water industry and has been involved in various key policy and market reforms in the water, energy and utilities industries over that time. In 1995 David was part of the team that established DGJ Projects Pty Limited, a regulatory advisory and project management company that specialised in the design and implementation of competition focussed regulatory regimes within the water, energy and utilities industries. From 2002 to 2013 David was a key member of the Executive leadership team of Snowy Hydro Limited. In 2013 David completed the Advanced Management Program at Harvard Business School. David is a Director of the Water Services Association of Australia.

Board appointments and governance

Directors are appointed by the voting shareholders as set out in the *Water NSW Act 2014*. The Board complies with the governance standards included in the NSW Treasury policy and guidelines paper, *Guidelines for Governing Boards of Government Businesses* (TPP 17-10). Whilst measurable diversity objectives are reported annually, there is a focus on further developing diversity commitments.

Board committees

Committee	Assists in discharging obligations of due diligence with respect to	Membership at 30 June 2019
Assets	• Infrastructure solutions: water modelling, strategic planning. • Asset management: planning and maintenance, dam safety, management system. • Asset development: project and contract management • Asset operations: water delivery – flood operations, water modelling; IT delivery – operations, security and disaster recovery; corporate services – physical security, crisis and emergency management, incident management and fleet; customer operations – metering, billing and water accounting.	Rob Aldis (Chair) Bruce Berry Emma Stein
Audit & Risk	• Business improvement and assurance: internal controls, including fraud control; internal and external audit. • Regulatory compliance: laws, regulations, standards and best practice. • Finance and risk: statutory accounting, financial management, financial reporting, delegations and the risk management framework.	Bruce Berry (Chair) Emma Stein Nicholas Brunton
Customer Transactions and System Operations	• Ensuring effective strategies, evaluations and systems are in place to better understand, engage with and service WaterNSW customers. • Improvement of water system operations and water delivery.	Mark Barber (Chair) Emma Stein Nicholas Brunton
Water Quality, Health and Catchment Protection	• Public health: water quality, risk. • Science: operations, innovation. • Water quality: monitoring, reporting. • Catchment protection: planning, environment assessment and development, enforcement. • Environment: management system, operations.	Nicholas Brunton (Chair) Andrew Wilson
Safety, People and Capability	• Safety of our people: operations, management system, leadership program. • Organisational development: change management, internal communications, leadership, training, recruitment, performance management, terminations. • Remuneration: pay, conditions. • Organisational capability: workforce planning, structure, succession, talent management.	Anne McDonald (Chair) Andrew Wilson Mark Barber Rob Aldis
Nominations	• All Board members	

Board meeting attendance

The Board has ten scheduled meetings each year and additional meetings are held as Directors consider necessary. Meetings are held in accordance with WaterNSW's Constitution following an annual schedule of set meeting dates.

The table below reflects meetings attended by a Director in their capacity as a member only. Directors who are not members of a committee are welcome to attend any committee meeting as an observer. The Chief Executive Officer is an ex-officio member of all Board Committees.

Director	Board	Assets	Audit & Risk	Customer Transactions & System Operations	Water Quality, Health & Catchment Protection	Safety, People & Capability	Nomination
Anne McDonald	12	-	-	-	-	4	2
Rob Aldis	12	4	-	-	-	4	1
Mark Barber[1]	12	-	-	2	-	3	2
Bruce Berry[2]	12	2	3	-	-	-	2
Nicholas Brunton	11	-	6	2	4	-	2
Emma Stein	11	4	4	2	-	-	2
Andrew Wilson	10	-	-	-	4	4	1
David Harris	12	4	6	2	4	4	2
Meetings held	**12**	**4**	**6**	**2**	**4**	**4**	**2**

1. Mark Barber was appointed as a Director on 3 August 2018 and appointed to the Customer Transactions & System Operations and Safety, People & Capability Board Committees.
2. Bruce Berry was appointed as a Director on 3 August 2018 and appointed to the Audit & Risk and Asset Committees.

Independent Board member remuneration

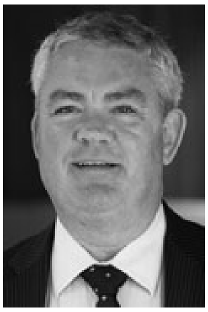
	2017-18[1]	2018-19
Number of Board members	5	7
Board fees	$304,000	$398,262
Committee fees[2]	$75,412	$75,992
Total remuneration	**$379,417**	**$474,254**

1. 2017-18 remuneration has been restated to conform to the current reporting period's presentation.
2. 2017-18 committee fees include $22,739 for meetings held in 2016-17.

Executive leadership team

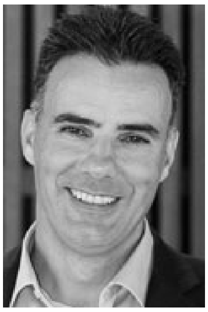
The Executive team oversees policy implementation and day-to-day management of our business, including the delivery of high level services to our customers.

David Harris - Chief Executive Officer, BEc, LLB (Hons), AMP Harvard



David has led the transformation of WaterNSW since its formation in 2015, bringing the organisation to the point of being a recognised efficient and high performing bulk water supplier. Through his executive leadership team David has built a robust organisation with a cohesive corporate culture that puts safety first.

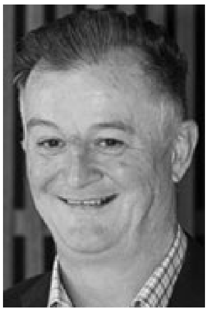
Joe Pizzinga - Chief Financial Officer, FCPA, BCom (Acc/LLB), AMP Harvard



Joining WaterNSW in October 2017, Joe leads our Finance, Economic Regulation, Property, Fleet and Procurement functions. Joe and his team are focussed on supporting the business through strong financial leadership and supply chain management.

Joe is an experienced CFO, having previously been CFO at a number of energy utility businesses.

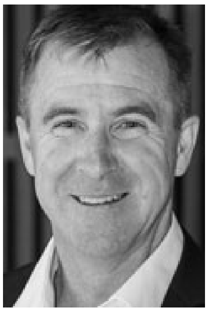
Ian Robinson - Chief Information Officer, BE (Elec)



Ian joined WaterNSW in March 2018. His passion for complex solution development and new product concepts where engineering and commercial acumen can be combined is helping our organisation rapidly transform into a high performing organisation supported by integrated systems, infrastructure and processes.

Ian has previous senior management experience as a CIO as well as operational and strategy roles in the energy and telecommunications sectors.

Adrian Langdon - Executive Manager System Operations, BAppSc, MEnvMan



Adrian joined WaterNSW upon its formation and had previous experience within water departments including NSW Health and the Department of Water and Energy. Adrian ensures efficient management of the state's water resources to maximise reliability for users through the operation of the state's river systems and bulk water supply systems, in collaboration with the Murray-Darling Basin Authority which directs operations in the River Murray system.

Andrew George - Executive Manager Water Solutions and Market Strategy, BE (Hons)

Andrew joined WaterNSW upon its formation, and is accountable for Regulatory and Market Strategy, Government Relations, Asset Strategy and Major Projects. Andrew has previously held executive level roles spanning engineering and asset management, as well as senior leadership roles in State Water Corporation and the engineering consultancy sector.

Daniel Lucas - Executive Manager Safety, People and Performance, BBus, CA

Daniel joined WaterNSW in September 2015. Daniel's responsibilities include Health, Safety and Environment, People and Culture, Industrial Relations, Corporate Program Management and Continuous Improvement.

Prior to joining WaterNSW, Daniel had 20 years in senior management positions in the utility and consumer goods sectors in Australia and internationally.

David Stockler - Executive Manager Customer and Community, Cert Bus, Fin & Marketing, GAICD

David joined WaterNSW in early 2016. David is responsible for all customer related functions including water ordering / sales, licensing and trade, contact centres, billing, credit, customer field services, and product development and insights. David is a director of NSW Energy & Water Ombudsman.

Prior to joining WaterNSW, David had extensive senior management experience in the telecommunications and energy sectors.

Fiona Smith - Executive Manager Water and Catchment Protection, BSc, MBA, GAICD

Fiona joined WaterNSW upon its formation. Fiona is primarily responsible for water quality, water monitoring data, land management and the protection of the Greater Sydney drinking water catchment. This includes the development of water quality and quantity models used for planning and operational needs. Fiona also manages the WaterNSW Science Program which continues to develop our understanding of risks to water quality and catchment health.

Fiona has extensive experience in the water industry working in senior management roles across the ACT, Victoria and NSW.

Helen Burgess - Executive Manager Legal, Governance and Risk BA, LLB (Hons)

Helen joined WaterNSW in December 2018, bringing with her extensive experience in legal, governance, company secretarial and communications functions. Helen oversees WaterNSW's Legal, Audit and Assurance, Communications and Media, Risk and Governance functions.

Helen has previous senior management experience in governance, legal and communications/corporate affairs within the transport industry. Her more recent experience has been at Roads and Maritime Services, NRMA and Sydney Airport Corporation Limited.

Ronan Magaharan – Executive Manager Assets, BE (Elec), BSc (Comp)

Joining WaterNSW in early 2016 as Manager, Asset Maintenance and Services, Ronan was promoted to the position of Executive Manager Assets at WaterNSW in December 2018. He is responsible for our assets portfolio, including Asset Management, Dam Safety, Engineering, Maintenance and our core Project Delivery functions. Prior to joining WaterNSW, Ronan worked at Snowy Hydro in a variety of engineering and senior management roles.

Executive remuneration[1]

TRP range	2017-18			2018-19		
	Average TRP	Male[1]	Female	Average TRP Range	Male	Female
Band 4 +	$579,856	1	-	$475,151 to $548,950	1	-
Band 3	$386,670	2	-	$337,101 to $475,150	3	1
Band 2	$290,226	3	2	$268,001 to $337,100	3	1
Band 1	$249,308	-	1	$189,900 to $268,000	1	-

1. The table above displays the total annual remuneration package for each member of the executive leadership team.
2. At 30 June 2018 the Chief Financial Officer was an agency contractor. Remuneration for this position is not included in the above table for the 2017-18 financial year.

Since December 2018 WaterNSW has appointed three permanent employees in to Executive leadership positions:

- Chief Financial Officer;
- Executive Manager Assets; and
- Executive Manager Legal Governance and Risk.

The estimated percentage of total employee related expenditure that relates to Executive Team members for 2018-19 is 4% (4% in 2017-18).

Risk management

WaterNSW's Risk Management Framework provides a basis for consistently managing risk to support the achievement of the organisation's objectives. The framework reflects AS ISO 31000:2009, the Australian Standard for Risk Management and the NSW Treasury Policy '*TTP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*'.

A risk review is undertaken annually to identify the top risks for WaterNSW, which are managed at the Executive level and cover both strategic and operational risks.

WaterNSW also has a comprehensive insurance program which is reviewed annually to ensure we effectively address the potential financial consequences of current and future risks.

Strategic Goal	Risk description
Develop our people and live our commitment to zero harm	Failure to keep our people safe
	Failure to demonstrate environmental and social responsibility
Consistently deliver and continuously improve core performance	Failure to act commercially and be financially responsible
Evolve our business to be responsible, resilient and enduring	Failure to maintain a resilient business
	Failure to operate the system to deliver water
	Failure to protect the declared catchment
	Failure to facilitate water transactions to customers
Connect and collaborate with our customers, communities and our stakeholders	Failure to provide adequate supply of water
Demonstrate thought leadership in providing holistic solutions to the state's water supply and water market challenges	Failure to develop and deliver a successful strategy

Our people

A key achievement has been the lift in how we are living our values. This has increased by 12.65%. This is largely due to:

- the rollout of our reward and recognition program;
- a focus on the development of our people;
- having our employees on a new, unified and modern Enterprise Agreement; and
- a commitment to improve the quality of our communication.

Reward and recognition program

Splash launched in May 2019 as part of WaterNSW's Strategic Priority 4: Developing our People and the Effectiveness of our Team. There are four program elements to Splash.

The Ripple Effect

- Building a culture of appreciation
- Value card stands installed at all locations
- 'Thank you' campaign

Dam Good Awards

- Recognising our stand-out achievers each quarter
- 27 nominees (23 individuals, 4 teams)
- 15 winners, 12 highly commended

Milestones

- Celebrating the contributions of employees who reach service milestones
- 240 employees recognised across nine locations across the state

Splash Awards

- Recognising the individuals and/or teams who have delivered significant and exceptional performance and achievements each year
- Selection of our employee of the year

Developing our people

WaterNSW has developed and deployed a **Corporate Training Calendar**. During 2018-19, there were 69 courses facilitated with 921 attendees, with extremely positive feedback received, including:

- Investment in You
- Understanding Self and Others
- Workplace Effectiveness
- Tackle Talk Foundations
- Tackle Talk for Success
- Tackle Courageous Conversations

The **RISE Leadership Program** is a key initiative building Leadership capability. This program is based on the WaterNSW Leadership Capability Framework. The modules include Communicating for Results, Driving Performance and Leading People through Change. There are two education streams in the RISE program, Senior Leaders and Leaders. Phase 1 of the RISE program commenced in September 2018 and by the end of April 2019, WaterNSW had 90 participants in the program.

Employees

	2015-16	2016-17	2017-18	2018-19
Number of employees at 30 June	532	765[1]	791	**771**

1. On 1 July 2016 WaterNSW welcomed 207 staff and all customer facing functions for surface and groundwater from DPI Water, marking Stage 2 of the NSW Government's Bulk Water Reform Program.

New industrial instrument

The WaterNSW Enterprise Agreement 2018 (WaterNSW EA) commenced operation on Wednesday 6 March 2019. Prior to the new EA our employees were employed under three different industrial instruments with disparate terms and conditions. The new agreement applies a common set of conditions for employees, including enhanced flexibility and a 36 hour week. The EA also introduced an element of performance pay that rewards corporate, team and individual performance linked to four key measures relating to Safety, Customer Satisfaction, Team Performance and Compliance.

Personnel policies and procedures

WaterNSW maintains personnel policies and procedures in relation to the following areas.

Learning and development

- Employee orientation
- Compliance
- Learning and development
- Study assistance

Employment conditions

- Code of conduct
- WaterNSW Enterprise Agreement 2018
- Managing excess employees
- Job evaluation
- Remuneration
- Bonus
- Salary packaging

Recruitment and selection

- Recruitment

Performance management

- Corrective and disciplinary action
- Management workplace complaints
- Performance development plans

Staff welfare

- Flexible work arrangements
- Leave
- Parental leave
- Fitness for work
- Return to work program
- Prevention of discrimination, bullying and harassment
- Transition to retirement

Overseas travel

Date of travel	Name	Destination	Purpose
January 2019	Heather Lacey	Singapore	Attend the Global Young Scientists Summit. Travel costs were funded by The University of Sydney and Nanyang Technological University.
June 2019	Charity Mundava	USA and Canada	Attend the Young Water Professionals Conference and visit six river basins as part of a research fellowship with the International River Foundation. Travel costs were funded by the fellowship.

Work health and safety

Safety remains our highest priority. During 2019-20 continued embedding of the Safe4Life Program, Safety Commitments and contemporary WHS procedures including continued rollout of the WaterNSW health and wellbeing program, a fitness for work program are our main priorities linked to the WaterNSW strategic plan.

WaterNSW has placed a strong focus on maintaining a certified Work Health and Safety (WHS) Management System. The management system was recertified to OHSAS 18001 in mid-2019. Next year we will be focussing on transitioning to the International Standard for Safety ISO 45001.

Safety strategic projects launched in 2018-19 included:

- The Safe4Life Program introduced a safety brand and communications program, rolled out an extensive business wide driver safety program including defensive driver training, continued the Switch On Safety Program including roll out to WaterNSW contractors, a safety observation program and development of a three year safety culture improvement strategy;
- MyWellbeing – a health and wellbeing program included rollout of the Virgin Pulse Global Challenge, Workplace Support Skills training from the Rural Adversity Mental Health Program (RAMHP), skin cancer and flu vaccination clinics including selection of a partner to assist with the rollout of health assessments, health coaching and health promotion;
- The WaterNSW Safety Commitments, which are our six highest work health and safety risks and mandatory controls;
- 'Think Safe4Life' training, the follow up stage two behavioural safety program designed to shift the safety culture towards a generative safety culture;
- Contractor Safety Framework; and
- WHS Implementation Project.

We have measured the safety culture using an internally developed index which has shown a year on year improvement since its launch in 2016. WaterNSW has also developed and deployed new technologies such as an electronic Start Card application, as well as drone technology and radio control monitoring equipment to eliminate the hazards associated with working in or near water.

There have been significant improvements in lowering operational incidents including a 60% reduction in vehicle related incidents and a 50% reduction in total injuries despite a slight increase in lost time injuries for 2018-19.
There were no prosecutions or breaches incurred by WaterNSW during the reporting period.

	2015-16	2016-17	2017-18	2018-19
Lost time injuries	4	5	3	5
Lost time days	438	20	214	74
Average lost time days per lost time injury	62	4	71	15

Workforce diversity

Trends in the representation of workforce diversity groups

	Benchmark (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
Women [1]	50.7	28.0	28.3	28.9	**29.1**
Aboriginal people and Torres Straight Islanders [2]	3.3	1.6	1.4	0.8	**0.5**
People whose first language spoken was not English [3]	23.2	7.5	12.8	5.5	**7.5**
People with a disability [4]	Refer Note 4	1.7	3.7	1.8	**0.9**
People with a disability requiring work-related adjustment	N/A	0.4	0.8	0.3	**0.1**

1. The benchmark of 50.7% for representation of women across the sector is intended to reflect the gender composition of the NSW community.
2. The NSW Public Sector achieved the 3.3% overall target of employees (non-casuals) who were Aboriginal people and Torres Straight Islanders in the year of 2018, set out in the Aboriginal Employment Strategy (AES) 2014-17. The NSW Public Sector AES 2014–17 aims to improve the distribution of Aboriginal employees at all levels of the sector, with an aspirational target of 1.8% representation across all classifications by 2021.

3. A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.
4. In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027.

Trends in the distribution index for workforce diversity groups

A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

	Benchmark (%)	2015-16 (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)
Women	100	93	95	96	**97**
Aboriginal people and Torres Straight Islanders	100	N/A	N/A	N/A	**N/A**
People whose first language was not English	100	112	111	112	**112**
People with a disability	100	N/A	90	N/A	**N/A**
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	**N/A**

Legal framework

Significant legislation

Water NSW Act 2014

Aside from establishing WaterNSW, the objectives of the *Water NSW Act 2014* are primarily focused on WaterNSW's 'capture, store, release', water quality, declared catchment and storage functions.

Water Management Act 2000 and the *Water Act 1912*

The *Water Management Act 2000* controls the extraction of water, the use of water, the construction of works and the carrying out of activities on or near water sources in NSW. The *Water Management Act 2000* will eventually replace in full the long-standing *Water Act 1912*, which remains in force in some areas of the state. The objectives of the *Water Management Act 2000* are to provide for the sustainable and integrated management of the water sources of the state.

Protection of the Environment Operations Act 1997

The *Protection of the Environment Operations Act 1997* is the primary NSW statute regulating pollution of the environment. Its objectives include the protection, restoration and enhancement of the environment, providing public access to information on pollution and reducing risks to human health and the environment. Relevantly for WaterNSW, it includes offences involving harm to the environment and land pollution, for non-scheduled activities that affect or are located within the WaterNSW declared catchments and controlled areas.

Environmental Planning and Assessment Act 1979

The *Environmental Planning and Assessment Act1979* is the primary NSW planning legislation. Its focus is on ensuring development meets the needs of people, protects the environment and encourages the proper management, development and conservation of resources (natural and artificial). Relevantly for WaterNSW, it includes special provision in a State Environment Planning Policy relating to development in the Sydney drinking water catchment relating to the protection of water quality.

Biodiversity Conservation Act 2016

The *Biodiversity Conservation Act 2016* is focused on the maintenance of a healthy, productive and resilient environment consistent with the principles of ecologically sustainable development (as described in the *Protection of the Environment Administration Act 1991*).

Dams Safety Act 2015

The objectives of the *Dams Safety Act 2015* are to:

- ensure that any risks that may arise in relation to dams including, risks to public safety and the environment and economic assets are of a level acceptable to the community;
- promote transparency in promoting dam safety;
- encourage the proper and efficient management of matters in relation to dam safety;
- encourage the application of risk management and principles of cost benefit analysis in relation to dam safety; and
- establish a regulatory and compliance framework and the appointment of authorised officers for this purpose.

Changes in Acts and subordinate legislation

Water Management Act 2000

Amendments to the *Water Management Act 2000* were passed by NSW Parliament in June 2018 to incorporate measures arising from the Matthews Inquiry, specifically relating to strengthening metering requirements, improved transparency obligations, and protecting environmental flows. The metering reforms in particular were strengthened through amendments to the *Water Management (General) Regulation 2018*, which itself was remade in 2018 and created prescribed requirements for metering equipment.

Dams Safety Act 2015

The commencement of the *Dam Safety Regulation 2019* on 1 November 2019 will trigger the commencement of the new regulatory framework set out in the *Dams Safety Act 2015*. The Regulation details a set of new requirements where dam owners will make decisions about their dams which will be informed by the implementation of a dam safety management system, a risk management framework, incident reporting and safety and record keeping.

Significant judicial decisions

WaterNSW v Barlow

WaterNSW brought charges against Mr Anthony Barlow for committing offences under ss 336C(1) (contravention of directions) and s 91I(2) (taking water when metering equipment not working) of the *Water Management Act 2000*.

The charges in relation to s 336C(1) were brought against Mr Barlow for taking water during an embargo on taking water under a Temporary Water Restriction Order made under s 324 of the *Water Management Act 2000*. The charges brought against Mr Barlow in relation to s 91I(2) related to Mr Barlow's instructions to his employee on two separate occasions to operate the relevant pumps to take the water while the required meter was not working. Mr Barlow pled guilty to committing the offences.

The Court found Mr Barlow guilty of the offences in March 2019 and fined him a total of $189,491 for the offences. The Court also ordered Mr Barlow to pay WaterNSW's legal costs for the prosecution.

Powers exercised

Water NSW Act 2014

Section 61(10)(a) Powers exercised by authorised officers

Section	Function exercised	2016-17	2017-18	2018-19
Section 61 (10)(a)(i)	Entered onto land – section 68	11	9	7
	Issued search warrants – section 69	0	0	0
Section 61 (10)(a)(ii)	Require a person to answer questions – section 70 (1) and (5)	0	0	0
	Issue a notice requiring a person to provide information and records – section 71	2	1	53
	Require a person to state name and address or produce driver's licence – section 73	0	0	2
Section 61 (10)(a)(iii)	Issued penalty notices under section 102	38	47	62
Section 61 (10)(a)(iv)	Commencement of prosecutions for offences against the *Water NSW Act 2014* or regulations and the outcome of prosecutions	0	0	0

Section 61(10)(b) Powers exercised by Water NSW under delegation

Section	Function exercised	2016-17	2017-18	2018-19
Section 70(2)	Issue a notice requiring a corporation to nominate a person to answer question	0	0	0
Section 71	Require a person to provide information and records	2	1	0
Section 74	Require an owner of a motor vehicle and others to give information	0	0	4
Section 77	Issue a catchment correction notice	0	0	0
Section 81	Issue a catchment protection notice	0	0	0
	Direct a public authority to take corrective action	0	0	0
Section 86	Issue compliance cost notice	0	0	0

Section 61(10) (c) Other information requested by the Minister with respect to the exercise of regulatory functions

The Minister did not request any other information.

Protection of the Environment Operations Act 1997

Section	Function exercised	2016-17	2017-18	2018-19
Section 91	Clean-up notices	4	0	1
Section 96	Prevention	16	1	0
Section 104	Compliance cost notices	2	0	0
Section 192 and 193	Requirements to provide information and records	1	5	5
Section 203	Requirements to answer questions	4	1	2
	Prosecutions commenced	6	0	0
	Penalty infringement notices issued	0	0	1
	Warning letters issued	117	0	3

Environmental Planning and Assessment Act 1979

	2016-17	2017-18	2018-19
Number of development applications assessed	170	168	**184**
Proportion (of total received) of development proposals assessed within statutory timeframes	99%	100%	**99%**
Proportion (of total received) of development proposals where concurrence withheld	0%	0%	**2%**

Implementation of pricing determinations

WaterNSW is subject to:

- Commonwealth price regulation in the Murray Darling Basin under the:
- *Water Act 2007* (Cth);
- *Water Charge (Infrastructure) Rules 2010* (WCIR) made under section 92 of the *Water Act 2007*;
- Australian Competition and Consumer Commission *Pricing principles for price approvals and determinations under the WCIR* of July 2011 (ACCC Pricing Principles); and
- New South Wales price regulation for monopoly services under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

WaterNSW was subject to three separate price determinations during 2018-19:

- services we supply to Sydney Water and some councils and minor customers in the Greater Sydney area are subject to the Independent Pricing and Regulatory Tribunal (IPART) Determination *WaterNSW, Maximum prices for water supply services from 1 July 2016 in relation to Sydney Catchment Functions*;
- services we supply to irrigators, regional councils, mines, energy companies and environmental water holders in rural areas are subject to the IPART Determination *WaterNSW, Prices for rural bulk water services from 1 July 2017*; and
- services we supply under our conferred Water Administration Ministerial Corporation (WAMC) functions are subject to the IPART Determination *Water Administration Ministerial Corporation, Maximum prices for Water Management services from 1 July 2016*. We share this revenue with the Department of Industry - Lands and Water and, from 1 May 2018, also with the Natural Resources Access Regulator as all three entities share responsibility for the delivery of WAMC functions.

These documents set out the maximum prices and methodologies for calculating the maximum prices WaterNSW can charge its customers for the services described in the decision and determinations. WaterNSW has implemented the outcomes of the decision and determinations by charging customers the maximum prices as set out in or as calculated by the decision and determinations.

WaterNSW's budget and financial targets in the annual Statement of Corporate Intent are also set to ensure the outcomes in the decision and determinations are met. WaterNSW has robust processes in place to ensure that over the period of the IPART determinations, it will not exceed the capital and operating expenditure allowances while meeting or exceeding NSW Treasury's financial targets.

Murray River to Broken Hill Pipeline

IPART released the final determination for the operation of the WaterNSW's prices to Essential Water for the Murray River to Broken Hill Pipeline (the Pipeline) in May 2019. The services we supply to Essential Water and a small number of landholders near Broken Hill for the Pipeline are subject to the maximum prices under the *WaterNSW Prices for water transportation services provided by the Murray River to Broken Hill Pipeline from 1 July 2019 Final Determination* which applies from 1 July 2019 to 30 June 2022. The maximum prices under this determination prevailing at 30 June 2022 continue to apply beyond 30 June 2022 until this determination is replaced.

Greater Sydney 2020-24 pricing proposal

On 1 July 2019 WaterNSW lodged our proposal with IPART for forecast revenue requirements and prices for bulk water in the Greater Sydney region from 1 July 2020 to 30 June 2024. The proposal is aligned to our ongoing commitment to be recognised and valued by our customers for excellence in efficiently delivering their water needs to help make our communities healthy and prosperous.

WaterNSW's role In the Greater Sydney area is to protect 16,000 square kilometres of drinking water catchments and manage dams, pipelines and other infrastructure that are used to supply customers with quality raw water. WaterNSW supplies raw water to urban water utilities for treatment and then consumption by Sydney, Illawarra, Blue Mountains, Southern Highlands and Shoalhaven communities. Our customers in Greater Sydney include Sydney Water, Wingecarribee Shire Council, Shoalhaven City Council and Goulburn-Mulwaree Council. WaterNSW also provides raw and unfiltered water supply to over sixty other smaller customers.

The proposed revenue requirement results in a proposed average price decrease over the period of 1% when excluding the impact of inflation.

Access to information

Government Information (Public Access) Act 2009

Proactive release of information

Under section 7 of the *Government Information (Public Access) Act 2009* (GIPA Act), agencies must regularly review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

During 2018-19 WaterNSW conducted regular reviews of the content and currency of information available on its website and welcomed any feedback from customers and members of the general public to make accessing our information easier.

WaterNSW proactively released information on its website, free of charge, about our dams, individual dam levels, customer news and updates, drought information, major projects, Early Warning Network, flood information, water supply and water quality.

WaterNSW focused on delivery of customer service and aimed to make doing business easy for its customers through its online services and customer helpdesk. WaterNSW has social media accounts on Facebook, Twitter, Instagram and YouTube which assisted with providing our customers and the communities of NSW with up-to-date information about WaterNSW.

Government Information (Public Access) Act 2009 applications received by WaterNSW

During 2018-19 WaterNSW received 28 valid applications under the *Government Information (Public Access) Act 2009*. Twenty-three applications were determined as shown below, with two applications transferred to other agencies. The processing period for the remaining three applications will extend into 2019-20.

Number of applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	Total
Media	-	1	-	-	-	-	-	-	**1**
Members of Parliament	-	1	-	-	-	-	-	-	**1**
Private sector business	-	-	-	-	-	-	-	-	**-**
Not for profit organisations or community groups	2	1	-	-	-	-	-	-	**3**
Members of the public (application by legal representative)	3	3	-	-	-	-	-	-	**6**
Members of the public (other)	8	3	1	-	-	-	-	-	**12**
Total	**13**	**9**	**1**	**-**	**-**	**-**	**-**	**-**	**23**

Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn	Total
Personal information applications	-	-	-	-	-	-	-	-	**-**
Access applications (other than personal information applications)	13	9	1	-	-	-	-	-	**23**
Access applications that are partly personal information applications & partly other	-	-	-	-	-	-	-	-	**-**
Total	**13**	**9**	**1**	**-**	**-**	**-**	**-**	**-**	**23**

Invalid applications

Reason application is invalid	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	3
Application is for excluded information of the agency (section 43 of the Act)	-
Application contravenes restraint order (section 110 of the Act)	-
Total number of invalid applications received	-
Invalid applications that later become valid applications	-
Total	**3**

Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to the Act

	Number of times consideration used*
Overriding secrecy laws	-
Cabinet information	-
Executive Council information	-
Contempt	-
Legal professional privilege	-
Excluded information	-
Documents affecting law enforcement and public safety	-
Transport safety	-
Adoption	-
Care and protection of children	-
Ministerial code of conduct	-
Aboriginal and environmental heritage	-
Total	**-**

* More than one public interest consideration can apply to an access application and, if so, each consideration is recorded (but only once per application). This also applies in relation to the following table.

Other public interest considerations against disclosure – matters listed in section 14

	Number of occasions when application not successful
Responsible and effective government	-
Law enforcement and security	1
Individual rights, judicial processes and natural justice	7
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	1
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-
Total	**11**

The above public interest considerations against disclosure includes two outcomes from the 2017-18 reporting period.

Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	17
Decided after 35 days (by agreement with the applicant)	13
Not decided within time (deemed refusal)	-
Total	**30**

Timeliness includes five outcomes from the2017-18 reporting period.

Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	-	1	**1**
Review by Information Commissioner*	1	1	**2**
Internal review following recommendation (section 93)	-	-	**-**
Review by NCAT	-	-	**-**
Total	**1**	**2**	**3**

* The Information Commissioner does not have the authority to vary decisions but can make recommendations to the original decision-maker.

Public interest disclosures

The purpose of the *Public Interests Disclosures Act 1994* (PID Act) is to facilitate and encourage the disclosure by public officials of instances of wrongdoing. A public official includes an employee of WaterNSW. For the purpose of the PID Act, wrongdoing extends to corrupt conduct, maladministration, serious and substantial waste of public money, breaches of the *Government Information (Public Access) Act 2009* and local government pecuniary interest contraventions.

WaterNSW is committed to the disclosure of wrongdoing. This commitment is supported through the Public Interest Disclosure Procedure which is published on WaterNSW's Intranet. The procedure confirms that WaterNSW will not tolerate any reprisal against an employee who reports an incident of wrongdoing or is believed to have reported an incident of wrongdoing.

The procedure establishes an internal reporting system for the purposes of the PID Act which assigns roles and responsibilities to WaterNSW and various employees in relation to PID reporting.

Disclosure officers have been appointed in urban and rural areas to receive reports. Disclosure officers provide advice, assist employees make reports and discuss with a reporter any concerns they have about reprisals or work place conflict. The Disclosures Co-Ordinator, located at Parramatta, has reporting and investigation responsibilities.

WaterNSW's Public Interest Disclosure Procedure is designed to complement normal communication channels between managers and their staff. Employees are encouraged to raise matters with their immediate manager but also have the option of making a PID report either internally or to an external oversight agency.

All WaterNSW employees are required to undertake annual training in fraud and corruption prevention awareness to ensure they are aware of the contents of the Public Interest Disclosure Procedure and the protections under the PID Act for a person who makes a public interest disclosure.

Public Interest Disclosures	
Number of public officials who made public interest disclosures	0
Number of public interest disclosures received in total	0

Financial performance

Consultancies

Category	Consultant	Project	Cost
Engineering	GHD Pty Ltd	Proposals for levels of service and 20 year infrastructure strategy	475,660
Management services	RHead Group Pty Ltd	Procurement, commercial and delivery strategy advice for the Warragamba Dam Raising project	345,828
Information technology	KPMG	Information & communications technology strategy and enterprise architecture refresh	241,414
Management services	Promontory Australia	Advice on Information Assurance Framework	150,000
Engineering	Shape Australia	Feasibility report – South West corridor	139,680
Finance, accounting and tax	Deloitte	Greater Sydney drought economic assessment	124,136
Organisational review	Hofmeyer Consulting	Finance realignment strategy	68,780
Information technology	Aither Pty Ltd	Integrated systems planning and strategy	67,987
Management services	Ernst & Young	Procurement strategy alignment with business plan	62,000
Management services	Scottish Water	Scoping study to develop best practice approach	57,678
Finance, accounting and tax	Sapere Research	Economic advice on customer tariff design options	50,000
Consultancies costing less than $50,000	Various	20 consultancies	373,582
Total consultancies			**2,156,745**

Disposal of land

WaterNSW did not dispose of any land with a value greater than $5 million during 2018-19.

Economic factors affecting performance

Lower than anticipated interest rates being levied on WaterNSW borrowings, combined with a lower than expected borrowings balance at the beginning of the financial year, resulted in financing costs being $11.6 million lower than forecast. An additional $7.1 million of financing costs were capitalised as part of the Wentworth to Broken Hill Pipeline project.

External production costs

No external costs were incurred in the production of this report.

Funds granted to non-government community organisations

No funds were granted to non-government community organisations in 2018-19.

Payment of accounts

Aged analysis at the end of each quarter

	< 30 days overdue $'000	30 to 60 days overdue $'000	61 to 90 days overdue $'000	> 90 days overdue $'000	Retention value[1] $'000
September	4,952	142	16	52	38
December	272	78	46	2,538	35
March[2]	0	0	0	0	0
June	9,836	577	213	160	27

1. Retention monies are held for major projects / upgrades / maintenance works completed. In the case of failure by the contractor to rectify any defect, WaterNSW may apply the retention monies or any other monies held for the purpose of rectifying such defects. The retention may be held for a number of years. Once the retention (or defects liability) period has expired the monies are released to the creditor.
2. WaterNSW introduced a new finance system in April 2019. All creditors with outstanding balances were paid at the end of March 2019.

Accounts due or paid within each quarter

Measure	Sep	Dec	Mar	Jun	Total
Accounts due for payment (number)	2,795	3,125	3,148	2,589	11,657
Accounts paid on time (number)	1,919	1,998	1,684	1,311	6,912
Accounts paid on time (percentage of number)	69	64	53	51	59
Accounts due for payment ($'000)	186,327	128,029	99,563	79,360	493,279
Accounts paid on time ($'000)	167,230	117,207	69,953	59,276	413,666
Accounts paid on time (percentage of $)	90	92	70	75	84
Accounts with interest overdue (number)	0	0	0	0	0
Interest paid on overdue accounts ($)	0	0	0	0	0

Invoices are actioned by the relevant site and then sent to Accounts Payable for processing and payment. WaterNSW sites may only be visited once a week to deliver mail due to their remote location. This can impact on payment timeframes. Purchase cards are used to pay invoices of less than $3,000 where possible to allow processing of low value invoices promptly.

Investment performance

WaterNSW has placed funds on deposit through TCorp. These deposits are like money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by respective banks is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits may vary.

At 30 June 2019 WaterNSW had $2,357 invested in at-call deposits with TCorp's IM Cash Fund. Performance of these investments is detailed below.

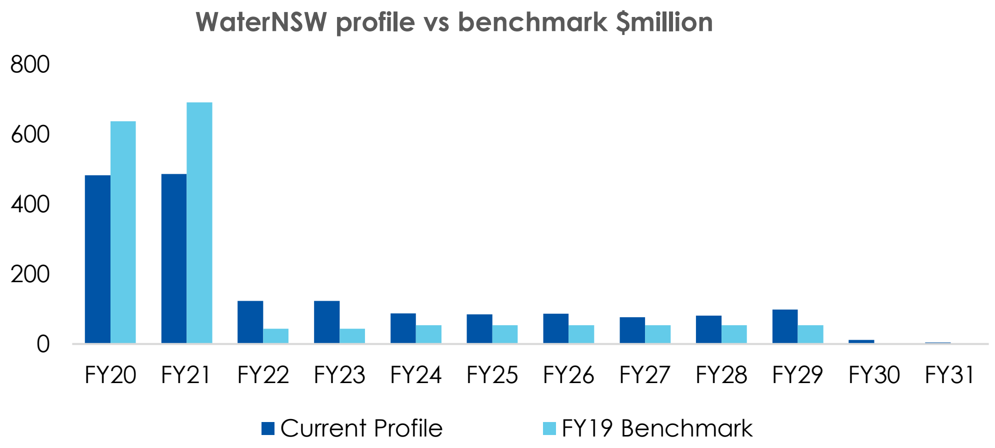
	1 year	3 year	5 year	7 year
Actual performance	2.34	2.23	2.38	2.64
Benchmark performance	1.97	1.86	2.08	2.34
Variance	0.36	0.37	0.30	0.30

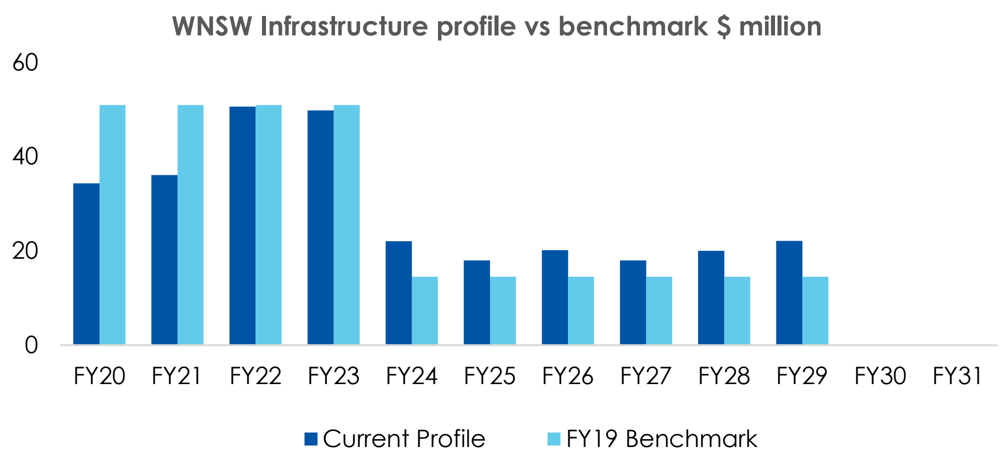
Liability management performance at 30 June 2019

WaterNSW has a financial capital and risk management policy in place which establishes a debt management benchmark in alignment with economic regulators' cost of debt methodologies, and includes policies to manage liquidity risk, refinancing risk, interest rate risk, inflation risk and foreign currency risk. Under the policy, an annual implementation plan is prepared by management which sets debt management limits around the benchmark, and regular reporting is provided to the WaterNSW board of directors.

WaterNSW has two liability portfolios:

- WaterNSW (parent entity); and
- WaterNSW Infrastructure Pty Ltd (controlled entity).





The benchmark reflects the Economic Regulators approach and assumption as to our refinancing profile in calculating the cost of debt allowance for regulatory pricing purposes.

Audited financial statements

Contents

General information

The financial statements cover both Water NSW as an individual entity and Water NSW consisting of Water NSW and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Water NSW's functional and presentation currency.

Statements of comprehensive income

For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Revenue				
Revenue from water supply and delivery	1	295,199	295,199	301,117
Grants and subsidies	2	49,629	49,629	45,572
Other revenue	3	72,046	66,296	49,824
Revaluation of property, plant and equipment	13	38,268	38,268	27,297
Total revenue		455,142	449,392	423,810
Expenses				
Employee related expenses	4	(99,635)	(99,635)	(94,460)
Depreciation and amortisation	6	(60,179)	(58,953)	(56,008)
Other operating expenses	5	(132,111)	(131,140)	(113,245)
Finance costs	7	(61,335)	(58,920)	(47,553)
Total expenses		(353,260)	(348,648)	(311,266)
Operating profit		101,882	100,744	112,544
Gains/(losses) on disposal	8	(2,592)	(2,592)	(276)
Profit before income tax expense		99,290	98,152	112,268
Income tax expense	9	(30,706)	(30,364)	(28,931)
Profit after income tax expense for the year attributable to the owners of Water NSW		68,584	67,788	83,337
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Gain on the revaluation of property, plant and equipment, net of tax	13	74,854	63,264	31,609
Remeasurement of the defined benefit superannuation net of tax	23	(16,215)	(16,215)	51,452
Other comprehensive income for the year, net of tax		58,639	47,049	83,061
Total comprehensive income for the year attributable to the owners of Water NSW		127,223	114,837	166,398

The above statements of comprehensive income should be read in conjunction with the accompanying notes

Statements of financial position

As at 30 June 2019

	Note	Consolidated	Parent	
		2019	2019	2018
Assets		$'000	$'000	$'000
Current assets				
Cash and cash equivalents	10	10,957	10,957	20,752
Trade and other receivables	11	125,000	125,750	126,805
Income tax refund due	9	3,784	3,784	-
Other current non-financial assets		18	18	220
Total current assets		139,759	140,509	147,777
Non-current assets				
Other non-current non-financial assets		897	897	204
Other financial assets	12	-	111,501	-
Property, plant and equipment	13	2,936,710	2,544,418	2,583,794
Intangible assets	14	29,180	29,180	11,094
Total non-current assets		2,966,787	2,685,996	2,595,092
Total assets		3,106,546	2,826,505	2,742,869
Liabilities				
Current liabilities				
Trade and other payables	16	88,153	98,089	111,319
Contract liabilities	20	305	305	416
Borrowings	17	465,174	461,089	56,981
Income tax	9	-	-	4,412
Provisions	18	67,279	67,279	140,992
Other	19	28,791	28,791	21,932
Total current liabilities		649,702	655,553	336,052
Non-current liabilities				
Contract liabilities	25	1,063	1,063	769
Borrowings	21	1,202,952	934,750	1,312,653
Deferred tax	9	212,971	207,667	181,662
Provisions	22	105,546	105,546	79,016
Other liabilities	24	89,584	89,584	92,440
Total non-current liabilities		1,612,116	1,338,610	1,666,540
Total liabilities		2,261,818	1,994,163	2,002,592
Net assets		844,728	832,342	740,277
Equity				
Contributed equity	26	388,132	388,132	390,883
Asset revaluation reserve		263,493	251,903	189,844
Retained profits		193,103	192,307	159,550
Total equity		844,728	832,342	740,277

The above statements of financial position should be read in conjunction with the accompanying notes

Statements of changes in equity
For the year ended 30 June 2019

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	390,883	189,844	159,550	740,277
Profit after income tax expense for the year	-	-	68,584	68,584
Other comprehensive income for the year, net of tax	-	74,854	(16,215)	58,639
Total comprehensive income for the year	-	74,854	52,369	127,223
Revaluation adjustment	-	(21)	-	(21)
Revaluation reserve on disposed assets	-	(1,184)	1,184	-
Transactions with owners in their capacity as owners				
Transfer of assets to Water Administration Ministerial Corporation (note 30)	(2,751)	-	-	(2,751)
Dividends declared (note 22)	-	-	(20,000)	(20,000)
Balance at 30 June 2019	388,132	263,493	193,103	844,728

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	390,883	189,844	159,550	740,277
Profit after income tax expense for the year	-	-	67,788	67,788
Other comprehensive income for the year, net of tax	-	63,264	(16,215)	47,049
Total comprehensive income for the year	-	63,264	51,573	114,837
Revaluation adjustment	-	(21)	-	(21)
Revaluation reserve on disposed assets	-	(1,184)	1,184	-
Transactions with owners in their capacity as owners				
Transfer of assets to Water Administration Ministerial Corporation (note 30)	(2,751)	-	-	(2,751)
Dividends declared (note 22)	-	-	(20,000)	(20,000)
Balance at 30 June 2019	388,132	251,903	192,307	832,342

The above statements of changes in equity should be read in conjunction with the accompanying notes

Statements of changes in equity

For the year ended 30 June 2019

	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Parent				
Balance at 1 July 2017	1,042,883	158,235	122,861	1,323,979
Profit after income tax expense for the year	-	-	83,337	83,337
Other comprehensive income for the year, net of tax	-	31,609	51,452	83,061
Total comprehensive income for the year	-	31,609	134,789	166,398
Transactions with owners in their capacity as owners				
Contributions of equity, bet of transaction costs	(652,000)	-	-	(652,000)
Dividends declared (note 22)	-	-	(98,100)	(98,100)
Balance at 30 June 2018	390,883	189,844	159,550	740,277

The above statements of changes in equity should be read in conjunction with the accompanying notes

Statements of cash flows

For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Cash flows from operating activities				
Receipts from customers		380,252	380,252	344,478
NSW Government contribution to operations		38,830	38,830	9,319
Receipts of Grants and Subsidies		22,043	22,043	15,017
Other receipts from NSW Department of Industry (equity transfer)		-	-	14,979
Payments to suppliers and employees		(262,512)	(262,512)	(250,885)
Restart funding		31,327	31,327	11,706
Interest received		450	450	2,494
Interest and other finance costs paid		(32,455)	(32,455)	(22,079)
Income taxes paid		(32,962)	(32,962)	(35,630)
Net cash from operating activities	27	144,973	144,973	89,399
Cash flows from investing activities				
Payments for property, plant and equipment and intangibles	13	(326,670)	(326,670)	(250,300)
Proceeds from disposal of property, plant and equipment		434	434	451
Net cash used in investing activities		(326,236)	(326,236)	(249,849)
Cash flows from financing activities				
Proceeds from borrowings		427,868	427,868	760,484
Dividends paid		(98,100)	(98,100)	(38,200)
Repayment of borrowings		(158,300)	(158,300)	(78,300)
Return of capital		-	-	(652,000)
Net cash from/(used in) financing activities		171,468	171,468	(8,016)
Net decrease in cash and cash equivalents		(9,795)	(9,795)	(168,466)
Cash and cash equivalents at the beginning of the financial year		20,752	20,752	189,218
Cash and cash equivalents at the end of the financial year	10	10,957	10,957	20,752

The above statements of cash flow should be read in conjunction with the accompanying notes

A General

Corporate information

Water NSW as a reporting entity (the Consolidated entity), comprises all the entities under its control, namely Water NSW (the Parent entity) and WaterNSW Infrastructure Pty Ltd (the Controlled entity).

1. Water NSW is a statutory State Owned Corporation domiciled in Australia and constituted under the *Water NSW Act 2014* (the Act). Water NSW's ultimate parent is the NSW Government.
2. The principal activities of Water NSW under its operating licence are to provide bulk water services, efficiently operate the state's river systems and to protect water catchment areas for its customers in its area of operations in NSW. Water NSW operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that Water NSW is a for-profit entity for financial reporting purposes.
3. WaterNSW Infrastructure Pty Ltd is a wholly owned subsidiary of Water NSW. It was established on 5/11/2018 under the *Corporations Act 2001* (the Corporations Act). WaterNSW Infrastructure Pty Ltd.'s ultimate parent is the NSW Government. WaterNSW Infrastructure Pty Ltd operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that WaterNSW Infrastructure Pty Ltd is a for-profit entity for financial reporting purposes.
4. The principal activity of WaterNSW Infrastructure Pty Ltd is to provide transportation services for the supply of raw water to Essential Water in Broken Hill as the local water provider.

The financial results, financial position and cash flows of the Consolidated entity are consolidated as part of the NSW Total State Sector Accounts.

Principles of consolidation

In the process of preparing the consolidated financial statements for the Consolidated entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The Parent entity has reviewed AASB 10 "*Consolidated Financial Statements*" and considers that the Parent entity maintains control of the Controlled entity under the standard.

Water NSW consolidated financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the board of directors on 25 September 2019.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared on a going concern basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- applicable International Financial Reporting Standards;
- Financial Reporting Directions mandated by the NSW Government Treasurer; and
- the requirements of Part 3 of the *Public Finance and Audit Act 1983*, the associated requirements of the *Public Finance and Audit Regulation 2015* and the *State Owned Corporations Act 1989*.

Reporting Period
The financial statements cover the financial performance and cash flows of the Consolidated Entity for the reporting period 1 July 2018 to 30 June 2019, and its financial position as at 30 June 2019.

Presentation Currency
The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000).

Key Judgements and Estimates
Judgements and estimates made by management in the application of Australian Accounting Standards that have significant effects on the financial statements are included in the following notes:

- Notes 1 and 11 – Estimated revenue accruals;
- Note 9 – Deferred tax assets and deferred tax liabilities;
- Note 15 – Fair value of property, plant and equipment;
- Notes 18 and 22 – Employee benefits and other provisions, including defined benefit superannuation obligations.

Comparatives Information
Where relevant, comparative amounts are restated to conform to the current reporting period's presentation. This could arise as a result of the requirements of new or revised Australian Accounting Standards and Australian Accounting Interpretations, a voluntary change in accounting policy or a reclassification of items presented. Where a material misstatement occurs, the nature, amount and reason for the reclassification is included in the notes to the financial statements.

The consolidated financial statements include separate financial statements for the Parent entity and the Consolidated entity for the year ended 30 June 2019 (Parent entity only for the year ended 30 June 2018 as Water NSW did not have any entity under its control).

B Summary of significant accounting policies

In preparing these financial statements, the accounting policies described below are based on the requirements applicable to for-profit entities and have been consistently applied to all reporting periods.

Property, plant and equipment, and assets held for sale are measured at the lower of carrying amount and fair value less cost to sell/cost to distribute. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

(a) New or amended Accounting Standards and Interpretations adopted

The following Accounting Standards and Interpretations are adopted by the Consolidated entity effective 1 July 2018:

AASB 9 Financial Instruments
The Consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at

fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using the lifetime ECL method. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance was adopted.

AASB 15 Revenue from Contracts with Customers

The Consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on the determination and allocation of the transaction price. (Refer to 'Revenue from Contracts with Customers' in (b) below). Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Costs to obtain and fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

(b) Revenue

The Consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative standalone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. For completed contracts that have variable consideration, AASB 15 para C5(b) allows entities to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

In accordance with AASB 15 para C5(c) the Consolidated entity adopted the practical expedient method of reflecting the aggregate effect of all modifications that occur before the beginning of the earliest period presented when:

- identifying the satisfied and unsatisfied performance obligations;
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

Water supply revenue

The Consolidated entity provides water services to its customers under the conditions of their licences. Revenue from rendering of these services comprises both fixed and variable charges. The fixed component is charged according to each licence entitlement, whereas the variable component is charged according to actual consumption and use by the licence holder. The variable usage charges are recognised when the services are provided. The fixed charges are recognised on periodic basis in accordance with the respective IPART Determinations.

The Consolidated entity also receives NSW Government contributions to fund part of its operations. The cost of providing rural bulk water services is shared between the NSW Government and customers under the IPART 2017-21 Rural Valley Bulk Water Determination. The Government Share of Revenue reflects IPART's view of the total efficient costs which should be recovered from the NSW Government on behalf of other parties and the broader community. The Government Share of Revenue is determined using IPART's cost sharing framework which allocates total efficient costs between the NSW Government and customers. Under this framework, IPART applies the 'impactor pays' principle in identifying the percentage of cost which should paid for by the NSW Government and customers for each activity undertaken by the Consolidated entity to provide rural bulk water services.

IPART can set regulated charges for customers which are less than full cost recovery based on a range of considerations, such as the impact of prices on customers, regulatory policy and community considerations. The Operating Subsidy represents IPART's estimate of the under-recovery of costs in the North Coast and South Coast valleys that would need to be borne by either the Parent or NSW Government (e.g. CSO or Community Service Obligation Payment), where the revenue generated by IPART charges is less than the revenue that is required to achieve full cost recovery (i.e. the customer's share of total efficient costs).

In 2017/18 and 2018/19 financial years as part of the Emergency Drought Relief Package announced by the NSW Government, all general security licenses (and supplementary water access licenses) in rural and regional NSW received or were entitled to receive a rebate. The rebate was applied to the fixed component of bills for general security licenses (and supplementary water access licenses) across surface and ground water systems, and to customers of Irrigation Corporation Districts (ICDs) for water entitlement costs incurred by customers of the ICDs (e.g. Government pass through costs such as WAMC & Water NSW fixed entitlement charges). The waiver was automatically applied to their bill notices. The rebate was recognised as follows: for the groundwater and unregulated surface water customers with annual bills the rebate was applied on their next annual bill, while regulated surface water customers on quarterly bills received a rebate on their next four quarterly bills.

Government grants and subsidies revenue

The Consolidated entity receives Government funding for agreed activities and for past and future capital investment.

Operating grants and subsidies that are receivable for expenses incurred or revenue foregone are recognised as revenue in profit or loss on a systematic basis over the periods for which the grant or subsidy is to apply.

Income for government funded projects is recognised once all attached conditions of the funding agreement have been satisfied. Funds received in advance or in excess of funding agreements are held as a liability.

For funding received relating to the construction of capital assets, the total grant amount received is treated as deferred revenue on receipt. Upon completion of the asset, the deferred revenue is then recognised in profit or loss on a systematic basis over the useful life of the asset.

Interest revenue

Interest revenue is recognised on an accrual basis using the effective interest method.

Rental income
Rental income from leased properties is recognised on a straight line basis over the term of the lease. Incentives granted over leased properties are recognised as an integral part of the total rent income.

Rendering of other services
Service revenue is recognised on an accrual basis and in accordance with the substance of the agreement covering such transactions.

Disposal of property, plant and equipment
Gains or losses on disposals are determined by comparing proceeds with the asset's carrying amount. The net gain or loss on the disposal of assets is included in profit or loss. Where an asset that has been previously revalued is disposed, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to retained earnings.

(c) Expenses

Expenses are recognised in profit or loss when incurred. Expenses include items that are incurred in the course of ordinary activities as well as various losses that arise from either disposal of property plant and equipment, impairment of assets or the re-measurement to fair value of some items as at reporting date that are required to be recognised in the profit or loss as per relevant applicable Australian Accounting Standards and Australian Accounting Interpretations.

Depreciation of property, plant and equipment and amortisation of intangible assets
Depreciation and amortisation are provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity. All material identifiable components of assets are separately depreciated over their respective useful lives. The useful lives of assets by class are set out in the following table:

Asset class	Useful life (2018-19)	Useful life (2017-18)
Infrastructure systems	5 to 150 years	5 to 150 years
Buildings	1 to 100 years	1 to 100 years
Plant and equipment	2 to 32 years	2 to 32 years
Vehicles	5 to 15 years	5 to 15 years
Furniture and fittings	3 to 15 years	3 to 15 years
Information systems	2 to 10 years	2 to 10 years
Water meters	20 years	20 years
Computer software/easements	3 to 25 years	3 to 25 years

Borrowing costs
Interest and other borrowing costs, such as government guarantee fees payable in respect of the Consolidated entity borrowings, are expensed as incurred within finance expenses in profit or loss unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets.

Qualifying assets are assets that take 12 months or more to be ready for their intended use. Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the projects giving rise to the qualifying assets.

Operating lease expenses
Payments made under operating leases are representative of the pattern of benefits derived from the leased assets and accordingly they are recognised as an expense in profit or loss in the periods in which they are incurred. Expense is recognised on a straight-line basis over the term of the lease. Lease incentives received are recognised as an asset and amortised over the term of lease.

(d) Taxation

Income tax
The Parent and Controlled Entity are subject to the National Tax Equivalent Regime (NTER) which is based on the *Income Tax Assessment Act 1936 and 1997* (as amended). Income tax equivalents are payable to Revenue NSW. Income tax on profit or loss comprises current and deferred tax respectively. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised and are expected to apply when the related deferred income tax asset/liability is realised/settled.

Tax consolidation
Water NSW decided to adopt the tax consolidation legislation from 5 November 2018 when Water NSW Infrastructure Pty Ltd was established. The Parent entity, Water NSW, and WaterNSW Infrastructure Pty Ltd continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Assets or liabilities arising under tax funding and tax sharing agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Under the terms of this agreement, the Controlled entity will reimburse Water NSW for any current income tax payable by Water NSW Infrastructure Pty Ltd arising in respect of their activities.

In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the Controlled entity in case of a default by Water NSW.

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows from investing and financing activities recoverable from or payable to the ATO are classified as cash flows from operating activities.

Where applicable, commitments are disclosed inclusive of GST (refer to Note 28).

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call and other short-term, highly liquid investments with a maturity period of three months or less which are readily convertible to known amounts of cash and which are subject to insignificant risk associated with changes in value.

(f) Trade and other receivables

Trade and other receivables represents amounts that are receivable by the Consolidated entity for providing services to customers prior to the end of the reporting period and that are yet to be collected.

Trade receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses.

Accrued unbilled usage charges comprises estimates for accrued revenue for water usage, where meters have not been read as at the reporting date. These charges are billed to customers with actual consumption once meters are read. The Consolidated entity estimates the accrual based on consumption data and other inputs.

(g) Contract assets

Contract assets are recognised when the Consolidated entity has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

(h) Property, plant and equipment

Asset classes

The Consolidated entity has the following asset classes comprising property, plant and equipment:

System assets

These are infrastructure assets that deliver, store and provide bulk water services to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use.

Market land and buildings
These are properties held and owned by the Consolidated entity and that have potential for alternative use.

Plant and equipment
These assets include office equipment and operating plant and machinery. This class is included as part of other property, plant and equipment items in Note 13.

Motor vehicles
These assets include motor vehicles and marine craft. This class is included as part of other property, plant and equipment items in Note 13.

Furniture and fitout
These assets include furniture and fitout assets. This class is included as part of other property, plant and equipment items in Note 13.

Information systems
These assets include computer hardware, such as servers, desktop computers, laptops and other associated computer peripherals. This class is included as part of other property, plant and equipment items in Note 13.

Acquisitions and capitalisation

Property, plant and equipment assets are recognised initially at the cost of acquisition, which includes costs directly attributable to bringing the relevant asset to the location and condition necessary for it to operate as intended.

Items costing $1,000 or more for information systems and $5,000 or more for all other plant and equipment individually and having a minimum expected working life of more than one year are capitalised.

In the case of system asset categories that work together to form an entire network ('system assets'), all expenditures are capitalised regardless of cost. For system assets constructed by the Consolidated entity for its own use, the initial cost capitalised includes the cost of construction including direct labour, materials, contractors' services costs, inspection costs, capital support costs and borrowing costs where applicable. These costs are capitalised initially as work in progress and then reclassified as completed assets when the asset becomes operational.

Subsequent expenditure on property, plant and equipment
Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Major inspection costs
The cost of the inspection is capitalised as part of the cost of the asset if it is probable that future economic benefits will flow to the Consolidated entity and the cost can be measured reliably. Any inspection cost capitalised is recognised as a component asset and depreciated over the period of time until the next inspection. When each major inspection cost is capitalised, any remaining cost or estimated cost of the previous inspection is derecognised.

Restoration costs
The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Maintenance
Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, which will extend the asset's economic life in which case the costs are capitalised and depreciated.

Asset valuations

Following initial recognition, each class of property, plant and equipment is stated in the statement of financial position at fair value less any subsequent accumulated depreciation and accumulated impairment losses.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximises relevant observable inputs and minimises unobservable inputs.

In determining the most appropriate measure of fair value for its assets, the Consolidated entity considers a number of factors such as the principal (or most advantageous) market in which an orderly transaction would take place for the asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis, and the assumptions that a market participant would use when pricing the asset.

When transactions are not directly observable in a market, which is the case with the vast majority of the Consolidated entity, property, plant and equipment assets, fair value is determined for each asset class using one of three valuation techniques permitted under Australian Accounting Standard AASB 13 '*Fair Value Measurement*':

- **market** approach - fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- **income** approach - fair value is determined by converting future cash flows to a single current (i.e. discounted) amount; or
- **cost** approach - fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

For some classes of assets (system assets including system land, market land and buildings), remeasurement to fair value is undertaken by way of an asset revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount prior to any impairment adjustments does not differ materially from the asset's fair value at the reporting date.

Treasury Policy Paper TPP 14-01 '*Valuation of Physical Non-Current Assets*' requires comprehensive revaluation of all classes of property, plant and equipment at least every five years and at least every three years for land and buildings and interim revaluations to be conducted between comprehensive revaluations, where cumulative changes to indicators/indices suggest fair value may differ materially from carrying value. Comprehensive revaluations and interim formal revaluations must be conducted using external professionally qualified valuers to either conduct the revaluation or to review the revaluation. The next independent valuation is due in 2019-20 financial year.

For each class of property, plant and equipment subject to valuation, revaluation increments are recognised in other comprehensive income and credited to an asset revaluation reserve within equity in the statement of financial position.

Where a revaluation decrement or an impairment loss reverses a previous revaluation increment within the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve until the original credit is extinguished. Any excess debit above the original credit is recognised as an expense in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss. Revaluation increments and decrements are offset against one another on an 'individual asset' basis.

Revaluation increments, and decrements are offset against one another on an 'individual asset' basis for revaluation purposes as follows:

- In respect of the class of **system assets** the Consolidated entity considers the unit of measure for an 'individual asset' in its single cash generating unit to be the entire system asset network.
- In respect of the Consolidated entity market **land and buildings**, the 'individual asset' is considered to be each individual land parcel together with any building improvements on the land parcel.

Upon disposal of assets or asset components that have been revalued, any asset revaluation reserve balance relating to the particular asset or asset component being disposed is transferred to retained earnings.

System assets

System assets are those infrastructure assets that deliver water distribution services to customers and end users. Due to the specialised nature of this class of assets where there is generally no active market, the fair value is determined using the income approach by discounting the future cash flows expected to be generated from the use of these assets under the price-regulated environment in which the Consolidated Entity operates as a for-profit entity (Note 15). The future cash flows generated from the use of the assets under this price-regulated environment are considered to be the primary factor that a market participant would consider when pricing these assets. The Consolidated entity aligns its approach to determining the future cash flows with the pricing methodology applied by its regulator, the Independent Pricing and Regulatory Tribunal (IPART). In addition to the cash flows for regulated assets under this approach, the Consolidated entity's fair value calculations also include estimated cash flows from non-regulated assets, which are not included in IPART's methodology.

System assets are assessed as an integrated network because of the interdependent nature of their operations, and they are grouped at a cash generating unit level because the IPART pricing methodology assesses future cash flows at that level. This is considered to be more relevant to a market participant than the estimated depreciated current replacement cost of these assets.

As IPART's methodology assesses the total fair value of all the Consolidated entity regulated assets, the asset values of non-regulated assets are added in order to determine the total fair value of all assets. The fair value of system assets is then derived by deducting the fair value of other classes of assets (that are valued using market or cost approach) from the total fair value of all assets.

Land and buildings

Land is valued by independent registered valuers on a three yearly cycle, unless market conditions necessitate an earlier valuation to be undertaken, using the market approach to determine fair value under Australian Accounting Standard AASB 13 '*Fair Value Measurement*'. At each reporting date, a review of the property market is undertaken to see if there has been a material change in the fair values of land and buildings since the revaluation date. Where there has been a material change, the carrying amounts in the statement of financial position are adjusted accordingly. Land is stated in the statement of financial position at market value and buildings are stated at fair value using income approach. Leasehold properties are stated at market value less accumulated amortisation. When these assets are revalued, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation increments or decrements. The last independent valuation was undertaken in 2016-17 financial year.

Other asset classes forming property, plant and equipment and work in progress
Property, plant and equipment asset classes other than system assets, market land and buildings and leasehold properties, such as plant and equipment and computer equipment and work in progress, are recognised initially at the cost of acquisition. These assets are not revalued as it is considered that their depreciated historical cost is an acceptable surrogate for their fair value if a market approach was applied under Australian Accounting Standard AASB 13 '*Fair Value Measurement*'.

(i) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are only recognised if it is probable that future economic benefits will flow to the Consolidated entity and the cost of the asset can be reliably measured. Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired, such as software, are recognised as acquisitions in progress at the reporting date. These assets are reclassified as completed intangible assets when the assets are fully acquired and are operational or available for use.

Following initial recognition, the cost approach is applied as it is considered that there is no active market that can be referenced for performing revaluations to a market-based fair value.

All research costs are expensed. Development costs are only capitalised when the criteria set out in AASB 138 '*Intangible Assets*' are met. The useful lives of intangible assets are assessed to be either finite or indefinite.

Where intangible assets are determined to have finite lives, they are amortised on a straight-line basis and the expense is recognised as part of the depreciation and amortisation line item in profit or loss. These assets are recognised in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses, where applicable.

Where intangible assets are determined to have indefinite lives, they are not amortised. These assets are recognised in the statement of financial position at cost less accumulated impairment, where applicable. Easements over property and the Instrument of Delegation for foreshore lands are typical assets that come under this category.

(j) Impairment of assets

At the end of each reporting period the Consolidated entity assesses impairment by evaluation of conditions and events that may be indicative of impairment. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in profit or loss, unless an asset has previously been revalued through the asset revaluation reserve, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation through the statement of other comprehensive income, with any excess recognised in profit or loss. Impairment losses recognised in respect of a cash generating unit are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis, except for those assets that have a separately determinable recoverable amount. The Consolidated entity has a single cash generating unit at the whole of entity level.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

Property plant and equipment fair value is defined consistently with AASB 13 '*Fair Value Measurement*'. The only difference between an asset's fair value and its fair value less costs of disposal are the direct incremental costs attributable to the disposal of the asset.

(k) Financial assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

A subsidiary is an entity over which the Consolidated entity has control. The Consolidated entity controls an entity when the Consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are stated in the financial statements of the Consolidated entity at cost less accumulated impairment losses.

Impairment of financial assets

The Consolidated entity recognises a loss allowance for expected credit losses on its financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(l) Trade and other payables

Trade and other payables represents liabilities for goods and services provided to the Consolidated entity and other amounts that remain unpaid at reporting date. They are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Invoices are generally payable in 30 days.

(m) Contract liabilities

Contract liabilities are recognised when a customer pays consideration, or when the Consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the

Consolidated entity has transferred the goods or services to the customer. The liability is the Consolidated entity's obligation to transfer goods or services to a customer from which it has received consideration.

(n) Refund liabilities

Refund liabilities are recognised where the Consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled to and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

(o) Borrowings

Interest-bearing borrowings obtained by the Consolidated entity from the NSW Treasury Corporation (TCorp) are recognised initially at the fair value of the consideration received, which incorporates any transaction costs associated with the borrowing. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any differences between the initial fair value and the final redemption value of borrowings, such as discounts and premiums. These differences are amortised to profit or loss as part of the finance costs over the period of the loan on an effective interest basis.

Gains or losses are recognised in profit or loss when liabilities are derecognised, such as through a debt restructuring or early repayment of debt, as well as through the amortisation process. Where there is an unconditional right to defer settlement of the borrowings for at least 12 months after the reporting date and management intends to defer the settlement, the borrowings are recognised as a non-current liability. All other borrowings that are to be settled within 12 months are recognised as a current liability.

Under the Debt Management Facility, the Consolidated entity is able to rollover its maturing debt to any term offered by its lender (TCorp), provided the total capital value of the debt remains within limits approved under the *Public Authorities (Financial Arrangements) Act 1987* (Refer Note 35(d)). The Consolidated entity also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State.

(p) Provisions

Provisions are liabilities of uncertain timing or amount. A provision exists when there is a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

If the obligation is to be settled greater than 12 months after the reporting date and the effect is material, the estimate of the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If the obligation is due to be settled less than 12 months after the reporting date, the provision is stated at the best estimate available and is not discounted.

When some or all of a provision is expected to be reimbursed by a third party, the reimbursement receivable is recognised as an asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

A provision is classified as a current liability if the Consolidated entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions recognised in the statement of financial position comprise some employee benefits and other provisions. These are described below.

Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service.

All short term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid.

Expenses for wages and salaries are recognised on an accrual basis as services are rendered by employees. Expenses for sick leave, which is non-vesting, are recognised when the absences occur.

Liabilities for wages and salaries are included within trade and other payables (refer to note 16).

Long term employee benefits

Long term employee benefits are all employee benefits other than short term employee benefits, post-employment benefits and termination benefits. In the case of the Consolidated entity, this refers specifically to employee benefits for long service leave and annual leave.

The liabilities for long service leave and annual leave at the reporting date represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting periods, less the fair value of any related assets (where applicable) at that date. The liability is required to be measured at present value in accordance with AASB 119 '*Employee Benefits*'.

Annual leave

The liability for annual leave benefits is actuarially calculated to determine the present value of the future benefit that employees have earned in return for their service up to the reporting date. Annual leave, which is not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service is required to be measured at present value in accordance with AASB 119 '*Employee Benefits*'. The discount rate used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating to the terms of the annual leave obligations.

If benefits are expected to be settled wholly within 12 months of the end of the reporting period, then they are measured at the undiscounted amount of the benefit.

Long service leave

The present value of the future benefit related to long service leave is calculated using an actuarial valuation method called the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Consideration is given to expected wages and salary levels, experience of employee departures and periods of service. The discount rate of 2.73% used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating to the terms of the long service leave obligations.

Unconditional entitlements to long service leave benefits are classified as current liabilities in the statement of financial position, while conditional and pre-conditional entitlements are classified as non-current liabilities as they do not fall due for settlement at the reporting date.

Termination benefits

Termination benefits are employee benefits payable as a result of an employee's decision to accept voluntary redundancy in exchange for those benefits. The liability for redundancy benefits for specific employees is measured at the non-discounted calculated entitlement that will be paid to those employees. The liability for redundancy benefits for employees that are subject to a restructuring program is recognised when a detailed formal plan for the restructuring exists and when a valid expectation in those affected has been raised.

Other provisions

Unused non-vesting sick leave does not give rise to a liability as it is considered improbable that sick leave taken in the future will be greater than the benefits accrued in the future. The outstanding amounts of payroll tax, workers compensation insurance premium and fringe benefit tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have also been recognised.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. In the case of the Consolidated entity, this refers specifically to benefits provided to employees and former employees through superannuation schemes. Superannuation schemes are classified as either defined contribution or defined benefit.

Defined contribution superannuation schemes

The Consolidated entity contributes to the First State Superannuation Scheme, a defined contribution scheme in the NSW public sector, as well as other private schemes to a lesser extent. Contributions to these schemes are recognised as an expense in profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid to these schemes in the following month.

Defined benefit superannuation schemes

The Consolidated entity contributes to three defined benefit superannuation schemes in the NSW Public Sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The net obligation in respect of defined benefits plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The benefit is also adjusted for any asset ceiling (i.e. the present value of economic benefits available as refunds from the plan or reductions in future contributions to the plan).

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through retained earnings) in the reporting period in which they occur. Such remeasurements include actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on the defined benefit liability or asset) and any change in effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The gains and losses on the settlement of a defined benefit plan are recognised when the settlement occurs.

AASB 119 '*Employee Benefits*' does not specify whether the current and non-current portions of the liability should be disclosed because at times the distinction can be arbitrary. Management has determined that the liability be disclosed as non-current as this best reflects when the liability will most likely be settled.

Assumptions underlying defined benefit superannuation expenses and liabilities are disclosed in Note 23.

(q) Restorations

Restoration costs in respect of leased premises are those costs that the Consolidated entity must incur under the terms of the lease to restore the relevant leased premises back to their original state at the end of the lease term.

Provisions are recognised at the inception of a lease when such restoration is a condition of the lease.

Unwinding of the discount is recognised as a finance cost in profit or loss. The restoration provisions are separately capitalised against assets that have been acquired as part of leasing the premises, such as fitout.

(r) Deferred Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are initially recognised as deferred income at fair value and are then recognised as income over the expected useful life of the asset on a straight-line basis. That portion of deferred government grants received in relation to capital expenditure that relates to useful life in excess of 12 months is treated as a non-current liability.

(s) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued and initially recognised at fair value plus, in the case of financial guarantees not at fair value through profit or loss, directly attributable transaction costs, where material. After initial recognition, the liability is measured at the higher of the amount determined in accordance with AASB 137 '*Provisions, Contingent Liabilities and Contingent Assets*' and the amount initially recognised, less accumulated amortisation, where appropriate.

The Consolidated entity has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2019 and as at 30 June 2018. Refer to Note 31 regarding disclosures on contingent liabilities.

(t) Administered activities

The Consolidated entity administers, but does not control, certain activities. The Consolidated entity is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the Consolidated entity's own objectives. Transactions and balances relating to the administered activities are not recognised as Water NSW income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Revenue', 'Administered Assets' and 'Administered Liabilities' (note 36). The accrual basis of accounting and applicable accounting standards have been adopted.

(u) Dividend

The dividend payable is agreed by the Board of Water NSW and the relevant Ministers in May of each financial year. This process establishes a present obligation for the future payment of a dividend. Accordingly, a provision for the full amount of the dividend is recognised in the statement of financial position.

The provision for dividend is calculated in accordance with requirements of TPP 14-04 *Financial Distribution Policy for Government Businesses*. The dividend payable in relation to the 2018-19 financial year has been agreed with shareholders at $20 million (2017-18: $98.1 million).

(v) Share capital and contributed equity

Water NSW is incorporated under the *State-Owned Corporations Act 1989* with issued capital of two fully paid $1 ordinary shares. Current shareholders are the Treasurer and the Minister for Finance and Small Business on behalf of the NSW Government. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Corporation. The $2 share capital is included in Contributed Equity in the Statement of Financial Position.

The contributed equity represents the net assets balance transferred between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies that are designated or required by Accounting Standards to be treated as contributions by owners. This treatment is consistent with AASB 1004 '*Contributions and Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities*'. Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. In most instances this will approximate fair value.

WaterNSW Infrastructure Pty Ltd is incorporated under the *Corporations Act 2001* with issued capital of one hundred (100) fully paid $1 ordinary shares. The current shareholder is Water NSW. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Corporation. The $100 share capital is included in Contributed Equity in the Statement of Financial Position.

(w) Equity transfers

The transfer of net assets between NSW public sector entities as a result of an administrative restructure is designated as contributions by owners and recognised as an adjustment to contributed equity. This treatment is consistent with the requirements set out in AASB 1004 '*Contributions*' and Australian Accounting Interpretation 1038 '*Contributions by Owners Made to Wholly-Owned Public Sector Entities*'.

Transfers involving statutory bodies are specifically addressed by TPP 09-3 '*Contributions by Owners made to Wholly-Owned Public Sector Entities*', which requires that transferred assets be recognised at fair value to the transferee.

During the year, certain assets of Water NSW were transferred to the Water Administration Ministerial corporation. The impact of this restructure is disclosed in Note 30.

C New standards and interpretations not yet adopted

The Australian Accounting Standards Board (AASB) has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to Water NSW. Water NSW has decided against early adoption of these Standards which is also in accordance with NSW Treasury requirements. The Consolidated entity's assessment of the impact of those relevant new standards and interpretations is set out below.

The following standards are applicable to periods beginning on or after 1 January 2019	
Standard/Interpretation	AASB 16 Accounting for Leases
Summary	The key changes introduced by AASB 16 include the recognition of most operating leases on statement of financial position. It requires all leases to be accounted for on the statement of financial position by lessees, other than short term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and largely retains the existing lessor accounting requirements in AASB 117.
Impact on the Consolidated entity financial report	Operating lease payments that are currently expensed in profit or loss will be replaced by depreciation of the recognised right-of-use asset and the interest expense incurred on the lease liability. Assessing impact on current operating leases existing at the reporting date, assets and liabilities of approximately $24.8 million would be recognised in the statement of financial position for the first time when the standard becomes operative. The standard also requires new and different disclosures about leases for the lessees. A lessee shall disclose information about its leases in a single note or separate section in its financial statements.
Standard/Interpretation	AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015 – 2017 Cycle
Summary	Minor changes to clarify wording, minor oversights or minor conflicts in AASB 13 Business Combinations, AASB 11 *Joint Arrangements*, AASB 112 *Income Taxes* and AASB 123 *Borrowing Costs*.
Impact on the Consolidated entity financial report	Changes are minor and will not have a material effect on the financial statements of Water NSW.
Standard/Interpretation	AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
Summary	Clarification on the calculation of current service cost and net interest when an entity remeasures the net defined benefit liability (asset) when a plan amendment, curtailment or settlement occurs.
Impact on the Consolidated entity financial report	The Consolidated entity, at this stage, assessed that this standard will not have a material impact on the financial statements of the Consolidated entity.
Standard/Interpretation	AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
Summary	Amends AASB 9 *Financial Instruments* to permit entities to measure at amortised cost or fair value through other comprehensive income of particular financial assets that would otherwise have contractual cash flows that are solely payments

	of principal and interest but do not meet that condition only as a result of a prepayment feature.
Impact on the Consolidated entity financial report	The Consolidated entity, at this stage, assessed that this standard will not have a material impact on the financial statements of the Consolidated entity.
Standard/Interpretation	Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4
Summary	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) Whether an entity considers uncertain tax treatments separately b) The assumptions an entity makes about the examination of tax treatments by taxation authorities c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates d) How an entity considers changes in facts and circumstances
Impact on the Consolidated entity financial report	The Consolidated entity, at this stage, assessed that this standard will not have a material impact on the financial statements of the Consolidated entity.
The following standards are applicable to periods beginning on or after 1 January 2020	
Standard/Interpretation	AASB 1059 Service Concession Arrangements: Grantors
Summary	This Standard addresses the accounting for a service concession arrangement by a grantor that is a public-sector entity. The Standard requires a grantor to: a) recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset. b) reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset c) initially measure a service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. After the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified d) recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator, using either (or both) the financial liability model or the grant of a right to the operator model.
Impact on the Consolidated entity financial report	The Consolidated entity, at this stage, assessed that this standard will not have a material impact on the financial statements of the Consolidated entity.

The following standards are applicable to periods beginning on or after 1 January 2021	
Standard/Interpretation	AASB 17 Insurance Contracts
Summary	AASB 17 replaces IAASB 4 Insurance Contracts and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
Impact on the Consolidated entity financial report	The Consolidated entity, at this stage, assessed that this standard will not have a material impact on the financial statements of the Consolidated entity.
The following standards are applicable to periods beginning on or after 1 January 2022	
Standard/Interpretation	AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
	AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
Summary	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
Impact on the Consolidated entity financial report	The Consolidated entity has, at this stage, assessed that this standard will not have a material impact on the financial statements of the Consolidated entity.

Notes to the consolidated financial statements
For the year ended 30 June 2019

1. Revenue from water supply and delivery

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Regulated - Greater Sydney	217,098	217,098	207,693
Regulated - Rural	45,496	45,496	58,313
Regulated and Unregulated – Other	30,992	30,992	33,439
Other revenue from water supply	1,612	1,612	1,672
Drought relief rebate provided to customers	(15,265)	(15,265)	-
Drought relief rebate received from NSW Government	15,266	15,266	-
Revenue from water supply and delivery	295,199	295,199	301,117

Disaggregation of revenue

The disaggregation of revenue from contracts with customers that relate to water supply and delivery is as follows:

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Greater Sydney Determination	217,098	217,098	207,693
Rural Valleys Determination	45,496	45,496	58,313
WAMC Determination	30,992	30,992	33,439
Drought rebates (net)	1	1	-
Other revenue from water supply	1,612	1,612	1,672
	295,199	295,199	301,117
Geographical regions			
NSW	295,199	295,199	301,117
Timing of revenue recognition			
Services transferred over time	294,298	294,298	297,005
Services transferred at a point in time	901	901	4,112
	295,199	295,199	301,117

The Consolidated entity's revenue streams from contracts with customers consist of only a single performance obligation and a single transaction price. The transaction price is determined either by IPART or by agreement with the customer. Regulated revenue and other revenue from water supply is represented by the following main streams:

Fixed availability charges

Fixed availability charges are fixed charges to customers to cover the costs of providing water supply services by the Consolidated entity. The Consolidated entity transfers control over the availability of the services and recognises revenue evenly over time as customers continue to receive their service connection.

1. Revenue from water supply and delivery (continued)

Volumetric charges
Volumetric charges reflect revenue derived from the consumption of water and water services. The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time.

The Consolidated entity recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of services. Consumption is measured through the reading of the Consolidated entity's installed meters.

Regulated river water charges
Regulated river water charges reflect revenue derived from the consumption of water and water services such as High security, General Security and Usage Charges in each of the following valleys: Border, Gwydir, Namoi, Peel, Macquarie, Lachlan and Belubula, Murrumbidgee, Lowbidgee, Murray and Lower Darling, North Coast, South Coast, Hunter and Paterson.

The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time.

The Consolidated entity recognised revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of services. Consumption is measured through the reading of the Consolidated entity's installed meters.

Unregulated river water charges
Unregulated river water charges represent 1 and 2 part tariffs for entitlement charge and usage charge in each of the rural valleys. The Consolidated entity transfers control over the services to customers who then simultaneously consume theses services, with the transfer and consumption considered to occur over time.

Other revenue from water supply
Revenue from consent charges, solicitors' enquiries and drillers licences is received at point in time, as payments are due when these services are provided.

2. Grants and subsidies

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
NSW Government contributions to operations	30,902	30,902	29,838
NSW Government subsidies	1,497	1,497	1,503
Other Government grants	17,230	17,230	14,231
	49,629	49,629	45,572

Notes to the consolidated financial statements
For the year ended 30 June 2019

3. Other revenue

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Murray-Darling Basin Authority (MDBA) and other utilities	8,477	8,477	6,594
Revenue from operating leases	3,112	3,112	2,635
Interest revenue	497	497	1,281
Ancillary services	4,382	4,382	1,039
Other minor revenue	9,664	9,664	2,382
External engagements	40,097	40,097	35,893
WaterNSW Infrastructure revenue	5,817	67	-
	72,046	66,296	49,824

Disaggregation of revenue

The disaggregation of revenue by geographic regions in presented in the table below:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Geographical regions			
NSW	72,046	66,296	49,824

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Services transferred over time	62,553	56,803	45,336
Services transferred at a point in time	304	304	320
Revenue out of scope of AASB 15	9,189	9,189	4,168
Total other revenue	72,046	66,296	49,824

4. Employee related expenses

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Employee related expenses (excluding post employee benefits)	114,398	114,398	97,690
Capitalisation of employee related expenses	(27,078)	(27,078)	(15,527)
Superannuation - Defined benefit plans	4,710	4,710	5,398
Superannuation - Defined contribution plans	7,605	7,605	6,899
	99,635	99,635	94,460

For further details refer to Note 23

5. Other operating expenses

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Contractors and consultancies	30,967	30,905	43,179
Electricity and other energy expenses	7,460	7,460	1,990
Operating lease expenses	5,718	5,708	5,554
Data management expenses	9,071	9,071	4,372
License fees	1,864	1,864	3,380
Materials, plant and equipment	6,744	6,744	4,427
Property	5,399	5,399	3,866
Transport and travel	6,655	6,655	6,393
Insurance	6,403	6,403	3,897
Other expenses from ordinary activities	18,231	18,206	13,359
Credit losses	256	256	(11)
Construction/installation for third parties	32,469	32,469	22,839
Operation and maintenance contract Broken Hill Pipeline	874	-	-
	132,111	131,140	113,245

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Reconciliation of total maintenance expenses			
Employee-related maintenance expenses	11,158	11,158	10,103
Contracted labour and other (non-employee related) expenses	13,072	13,072	16,911
Total maintenance expenses	24,230	24,230	27,014

NSW Treasury Policy TPP06-6 '*Capitalisation of Expenditure on Property, Plant and Equipment*' requires the total maintenance expense to be dissected into employee related maintenance and other maintenance.

6. Depreciation and amortisation

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Depreciation	56,863	55,637	53,840
Amortisation	3,316	3,316	2,168
	60,179	58,953	56,008

7. Finance costs

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Interest expense on loans	15,190	14,506	9,492
Government guarantee fee	24,343	23,522	17,931
Other borrowing costs	573	573	581
Unwinding of discounts on provision	39	39	38
Borrowing costs capitalised	(7,154)	(7,154)	(1,950)
Amortisation of deferred discounts (premiums) on loans	28,344	27,434	21,461
	61,335	58,920	47,553

8. Gains/(losses) on disposal

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Proceeds from sale of assets	434	434	451
Written down value of property, plant and equipment	(2,082)	(2,082)	(727)
Capital WIP write-off	(944)	(944)	-
Net gain/ (loss) on disposal	(2,592)	(2,592)	(276)

9. Income tax

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Income tax expense			
Current tax	24,766	24,760	27,345
Deferred tax - origination and reversal of temporary differences	5,940	5,604	1,586
Aggregate income tax expense	30,706	30,364	28,931
Deferred tax included in income tax expense comprises:			
Increase in deferred tax liabilities	5,940	5,604	1,586
Numerical reconciliation of income tax expense and tax at the statutory rate			
Profit before income tax expense	99,290	98,152	112,268
Tax at the statutory rate of 30%	29,787	29,446	33,680
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Other temporary differences	1	-	(4,815)
Non-deductible expenses	17	17	66
Derecognition of deferred tax balances (permanent)	591	591	-
Other differences	351	351	-
	30,747	30,405	28,931
Prior year temporary differences not recognised now recognised	(41)	(41)	-
Income tax expense	30,706	30,364	28,931

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Amounts charged directly to equity			
Deferred tax liabilities	25,367	20,400	16,524

9. Income tax (continued)

Consolidated – 30 June 2019	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(242,951)	(5,113)	(32,316)	(280,380)
Other creditors	1,032	3	-	1,035
Employee benefits	11,756	239	-	11,995
Leased premises	626	(115)	-	511
Defined benefit super	22,608	1,002	6,948	30,558
Allowance for impairment of receivables	105	59	-	164
Deferred government grants	29,429	(1,145)	-	28,284
Prior year SD40F	(6,359)	-	-	(6,359)
Other provisions and accruals	2,092	(871)	-	1,221
	(181,662)	(5,940)	(25,367)	(212,971)

Parent – 30 June 2019	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(242,951)	(4,776)	(27,349)	(275,076)
Other creditors	1,032	3	-	1,035
Employee benefits	11,756	239	-	11,995
Leased premises	626	(115)	-	511
Defined benefit super	22,608	1,002	6,948	30,558
Allowance for impairment of receivables	105	59	-	164
Deferred government grants	29,429	(1,145)	-	28,284
Prior year SD40F	(6,359)	-	-	(6,359)
Other provisions and accruals	2,092	(871)	-	1,221
	(181,662)	(5,604)	(20,401)	(207,667)

9. Income tax (continued)

Parent – 30 June 2018	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(223,472)	(5,937)	(13,542)	(242,951)
Other creditors	1,531	(499)	-	1,032
Employee benefits	12,202	(446)	-	11,756
Leased premises	393	233	-	626
Defined benefit super	19,638	5,952	(2,982)	22,608
Allowance for impairment of receivables	113	(8)	-	105
Deferred government grants	30,956	(1,527)	-	29,429
Prior year SD40F	(6,359)	-	-	(6,359)
Other provisions and accruals	1,446	646	-	2,092
	(163,552)	(1,586)	(16,524)	(181,662)

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Income tax refund due			
Income tax refund due	3,784	3,784	-

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Current tax liabilities			
Current tax liabilities	-	-	4,412

10. Current assets – cash and cash equivalents

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Cash at bank and on hand	10,955	10,955	2,715
NSW Treasury Corporation Hour Glass (Cash) Facility	2	2	18,037
	10,957	10,957	20,752

The above balance reconciles to cash and cash equivalents in the statements of cash flows.

11. Current assets – trade and other receivables

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Trade receivables	57,988	57,988	53,063
Allowance for expected credit losses	(236)	(236)	(348)
	57,752	57,752	52,715
Accrued revenue from unbilled charges	60,281	58,390	59,144
Other receivables	3,571	4,040	9,303
Prepayments	3,705	3,695	5,643
Less: Allowance for expected credit losses	(309)	(309)	-
	67,247	65,815	74,090
Other receivables from the subsidiary	-	2,182	-
	125,000	125,750	126,805

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	5.97%	2,659	159
31-60 days overdue	10.83%	-	-
61-90 days overdue	8.90%	-	-
More than 90 days overdue	11.14%	726	81
Sundry debtors	0.50%	1,873	9
Government clients	-	78,817	-
Other debtors (accruals)	1.03%	28,781	296
Lease incentive*	-	897	-
Prepayments	-	3,705	-
Other receivables not in scope of AASB 9	-	8,984	-
		126,442	545

*The carrying amount in this table includes lease incentive.

11. Current assets – trade and other receivables (continued)

Parent	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	5.97%	2,659	159
31-60 days overdue	10.83%	-	-
61-90 days overdue	8.90%	-	-
More than 90 days overdue	11.14%	726	81
Sundry debtors	0.50%	1,873	9
Government clients	-	79,108	-
Other debtors (accruals)	1.03%	28,781	296
Lease incentive*	-	897	-
Prepayments	-	3,705	-
Other receivables not in scope of AASB 9	-	9,443	-
		127,192	545

*The carrying amount in this table includes lease incentive.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Opening balance	348	348	375
Additional provisions recognised	256	256	(11)
Amount used	(59)	(59)	(16)
Closing balance	545	545	348

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 35.

The ageing of trade receivables past due but not impaired is presented in the table below.

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
31-60 days overdue	8,157	8,157	8,393
61-90 days overdue	8	8	864
>90 day overdue	24,687	24,687	14,780
	32,852	32,852	24,037

Notes to the consolidated financial statements
For the year ended 30 June 2019

12. Non-current assets – other financial assets

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Investment in WaterNSW Infrastructure	-	111,501	-

The values of assets and liabilities transferred to the subsidiary are as follows:

	2019
	$'000
Property, plant and equipment	375,743
Accrued expenses	(16,635)
T-Corp loans	(247,607)
Net investment	111,501

13. Non-current assets – property, plant and equipment

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Market Land – at fair value	32,381	32,381	31,361
System Land – at fair value	166,123	166,123	157,406
	198,504	198,504	188,767
Plant and equipment - at cost	40,406	40,406	40,210
Less: Accumulated depreciation	(23,401)	(23,401)	(21,000)
	17,005	17,005	19,210
Furniture and fit-out - at cost	14,607	14,607	15,638
Less: Accumulated depreciation	(4,297)	(4,297)	(3,464)
	10,310	10,310	12,174
Motor vehicles - at cost	15,538	15,538	12,228
Less: Accumulated depreciation	(6,944)	(6,944)	(5,791)
	8,594	8,594	6,437
Information systems - at cost	19,874	19,874	16,931
Less: Accumulated depreciation	(13,757)	(13,757)	(11,600)
	6,117	6,117	5,331
Work in progress (WIP)	163,217	161,999	363,018
Infrastructure - at fair value (income approach)	2,460,891	2,068,591	1,915,740
Less: Accumulated depreciation	(2,522)	(1,296)	(835)
	2,458,369	2,067,295	1,914,905
Water Meters - at fair value (income approach)	35,656	35,656	34,629
Less: Accumulated depreciation	(7)	(7)	(6)
	35,649	35,649	34,623
Buildings - at fair value (income approach)	39,043	39,043	39,427
Less: Accumulated depreciation	(98)	(98)	(98)
	38,945	38,945	39,329
	2,936,710	2,544,418	2,583,794

13. Non-current assets – property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System Land $'000	Market Land $'000	Other PP&E $'000	Total $'000
Balance at 30 June 2018	363,018	1,914,905	34,623	39,329	157,406	31,361	43,152	2,583,794
Additions	291,520	-	-	-	-	-	-	291,520
Disposals	-	(11)	-	-	-	-	(2,070)	(2,081)
Revaluation gain OCI*	-	94,333	3,709	1,251	7,844	33	-	107,170
Revaluation gain (loss) in profit and loss	-	35,994	383	31	873	987	-	38,268
Transfers from work in progress	(468,974)	459,669	-	62	-	-	9,243	-
Write off of the assets	(944)	-	-	-	-	-	-	(944)
Transfers in/(out)	(21,403)	(2,751)	-	-	-	-	-	(24,154)
Depreciation expense	-	(43,770)	(3,066)	(1,728)	-	-	(8,299)	(56,863)
Balance at 30 June 2019	163,217	2,458,369	35,649	38,945	166,123	32,381	42,026	2,936,710

*OCI – other comprehensive income

Notes to the consolidated financial statements
For the year ended 30 June 2019

13. Non-current assets – property, plant and equipment (continued)

Parent	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System Land $'000	Market Land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2017	103,005	1,867,674	36,218	39,829	157,406	31,361	33,027	2,268,520
Additions	298,367	-	-	-	-	-	-	298,367
Disposals	-	(107)	-	-	-	-	(621)	(728)
Revaluation gain OCI*	-	43,619	307	1,213	-	-	-	45,139
Revaluation gain (loss) in profit and loss	-	25,947	1,292	79	-	-	-	27,318
Transfers from work in progress	(37,372)	19,240	-	-	-	-	18,132	-
Transfers in/(out)	(982)	-	-	-	-	-	-	(982)
Depreciation expense	-	(41,468)	(3,194)	(1,792)	-	-	(7,386)	(53,840)
Balance at 30 June 2018	363,018	1,914,905	34,623	39,329	157,406	31,361	43,152	2,583,794
Additions	290,302	-	-	-	-	-	-	290,302
Transfer to the subsidiary	-	(375,743)	-	-	-	-	-	(375,743)
Disposals	-	(11)	-	-	-	-	(2,070)	(2,081)
Revaluation gain OCI*	-	77,776	3,709	1,251	7,844	33	-	90,613
Revaluation gain (loss) in profit and loss	-	35,994	383	31	873	987	-	38,268
Transfers from work in progress	(468,974)	459,669	-	62	-	-	9,243	-
Write off of assets	(944)	-	-	-	-	-	-	(944)
Transfers in/(out)	(21,403)	(2,751)	-	-	-	-	-	(24,154)
Depreciation expense	-	(42,544)	(3,066)	(1,728)	-	-	(8,299)	(55,637)
Balance at 30 June 2019	161,999	2,067,295	35,649	38,945	166,123	32,381	42,026	2,544,418

* OCI - Other comprehensive income

Refer to note 15 for further information on fair value measurement.

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Revalued assets measured at depreciated historical cost			
Infrastructure systems	1,748,103	1,373,586	1,323,783
Water meters	45,879	45,879	50,623
Buildings	25,250	25,250	25,831
Land	118,384	118,384	118,384
	1,937,616	1,563,099	1,518,621

14. Non-current assets – Intangible assets

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Intangibles - at cost	53,199	53,199	31,797
Less: Accumulated amortisation	(24,019)	(24,019)	(20,703)
	29,180	29,180	11,094

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 30 June 2018	-	3,862	7,232	11,094
Transfers from work in progress	(21,403)	-	21,403	-
Transfers from property, plant and equipment	21,403	-	-	21,403
Amortisation expense	-	(170)	(3,147)	(3,317)
Balance at 30 June 2019	-	3,692	25,488	29,180

Parent	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2017	-	4,046	8,234	12,280
Transfers from work in progress	(982)	-	982	-
Transfers from property, plant and equipment	982	(14)	14	982
Amortisation expense	-	(170)	(1,998)	(2,168)
Balance at 30 June 2018	-	3,862	7,232	11,094
Transfers from WIP	(21,403)	-	21,403	-
Transfers from property, plant and equipment	21,403	-	-	21,403
Amortisation expense	-	(170)	(3,147)	(3,317)
Balance at 30 June 2019	-	3,692	25,488	29,180

15. Fair value measurement

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair value of property, plant and equipment. To provide an indication about the reliability of the inputs used in determining the fair value, the Consolidated entity has divided property, plant and equipment into the three separate fair value hierarchy levels prescribed under Australian Accounting Standards.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	32,381	166,123	198,504
Infrastructure systems (infrastructure, water meters, buildings)	-	-	2,532,963	2,532,963
Other property, plant and equipment (including intangibles)	-	-	234,423	234,423
Total assets	-	32,381	2,933,509	2,965,890

Parent - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	32,381	166,123	198,504
Infrastructure systems (infrastructure, water meters, buildings)	-	-	2,141,889	2,141,889
Other property, plant and equipment (including intangibles)	-	-	233,205	233,205
Total assets	-	32,381	2,541,217	2,573,598

Parent - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	31,361	157,406	188,767
Infrastructure systems (infrastructure, water meters, buildings)	-	-	1,988,857	1,988,857
Other property, plant and equipment (including intangibles)	-	-	417,263	417,263
Total assets	-	31,361	2,563,526	2,594,887

15. Fair value measurement (continued)

Level 3 assets

Movements in level 3 assets during the current and previous financial year are set out below:

Consolidated	Infrastructure $'000	Land $'000	Other PP&E $'000	Available for sale $'000	Total $'000
Balance at 30 June 2018	1,988,857	157,406	417,262	-	2,563,525
Gains recognised in profit or loss	36,408	873	-	-	37,281
Gains recognised in other comprehensive income	99,293	7,844	-	-	107,137
Additions	459,732	-	(168,211)	-	291,521
Disposals	(11)	-	(2,070)	-	(2,081)
Depreciation/Amortisation	(48,563)	-	(11,616)	-	(60,179)
Other reclassifications and transfers	(2,751)	-	(944)	-	(3,695)
Balance at 30 June 2019	2,532,965	166,123	234,421	-	2,933,509

Parent	Infrastructure $'000	Land $'000	Other PP&E $'000	Available for sale $'000	Total $'000
Balance at 1 July 2017	1,943,721	157,406	148,310	-	2,249,437
Gains recognised in profit or loss	27,318	-	-	-	27,318
Gains recognised in other comprehensive income	45,139	-	-	-	45,139
Additions	19,240	-	317,481	-	336,721
Disposals	(107)	-	(621)	-	(728)
Depreciation/Amortisation	(46,454)	-	(9,554)	-	(56,008)
Other reclassifications and transfers	-	-	(38,354)	-	(38,354)
Balance at 30 June 2018	1,988,857	157,406	417,262	-	2,563,525
Gains recognised in profit or loss	36,408	873	-	-	37,281
Gains recognised in other comprehensive income	82,736	7,844	-	-	90,580
Additions	459,733	-	(169,430)	-	290,303
Disposals	(11)	-	(2,070)	-	(2,081)
Depreciation/Amortisation	(47,337)	-	(11,616)	-	(58,953)
Other reclassifications and transfers	(378,494)	-	(944)	-	(379,438)
Balance at 30 June 2019	2,141,892	166,123	232,202	-	2,541,217

Valuation techniques and inputs used to determine the fair value of land

Following initial recognition at cost, market land is carried at fair value in accordance with TPP 14-1 '*Valuation of Physical Non-Current Assets at Fair Value*'. Land is subject to an independent revaluation at least every three years. However, the carrying amount of land is reviewed each year to ensure that it does not differ materially from fair value.

15. Fair value measurement (continued)

The most recent revaluation of land was undertaken at 30 June 2017. Market land has been valued by the valuer on the basis that it is not contaminated. Refer to note 31 Contingent liabilities.

The market approach has been utilised to determine fair value. The market approach provides an indication of value by comparing the subject asset with similar assets for which price information is available. Price information for asset transactions is adjusted to reflect any differences in the legal, economic or physical characteristics of the transacted asset and the asset being valued.

There were no changes to the approach undertaken to revalue system land during the year.

The significant unobservable inputs used in the fair value measurement of the system land assets relate to the professional judgement utilised to adjust market prices and other relevant information generated by market transactions to arrive at fair value. The use of a significantly higher (lower) transaction would result in a significantly higher (lower) fair value measurement.

The impact on total land assets caused by movements in the value of the system land are as follows:

Consolidated - 2019	Scenario B	Scenario C	Scenario D	Scenario E
% change in land value	1	(1)	5	(5)
Value after increase (decrease in fair value) (in $'000)	167,784	164,461	174,429	157,816
% of total fair value of property, plant and equipment	6	6	6	6

Parent - 2019	Scenario B	Scenario C	Scenario D	Scenario E
% change in land value	1	(1)	5	(5)
Value after increase (decrease in fair value) (in $'000)	167,784	164,461	174,429	157,816
% of total fair value of property, plant and equipment	6	6	6	6

The sensitivity analysis indicates that movements up or down in value per hectare would have an immaterial impact on the overall valuation of the land. The valuation indicates that any movement of this magnitude is unlikely.

Valuation techniques and inputs used to determine the fair value of infrastructure systems and buildings
Buildings, system land and water meters are considered an integral part of system assets. Buildings and water meters are revalued using the income approach, system land is revalued using market approach. The fair value measurement of system assets has been categorised as Level 3 in the fair value hierarchy based on the unobservable inputs to the measurement calculation. Determining fair value is highly dependent on the inputs or assumptions used to estimate the future net cash flows that are able to be derived from the relevant assets. The forecast which is approved by the Board is developed by management through a comprehensive annual business planning and budgeting process. The approved budget takes into consideration limits set in Water NSW's Price Determinations.

System assets, including infrastructure, buildings and meters, are revalued on an annual basis using the income approach.

15. Fair value measurement (continued)

Cash Generating Units (CGUs)

The Consolidated entity considers it has three CGUs (parent - two CGUs), reflecting the segmented asset bases, customers and pricing determinations (revenue streams) of the Consolidated entity - Greater Sydney, Rural (including WAMC customers), Broken Hill business segments (parent entity - Greater Sydney and Rural (including WAMC customers) business units).

Income Approach

The Consolidated entity uses the income approach methodology. The model uses a discounted cash flow methodology over a five year period with a terminal value of the regulated asset base (RAB) for year five.

The following key methods and assumptions have been used to arrive at fair value:

- Application of three separate CGUs.
- Each CGU used the same income approach model with differing inputs based on their respective regulator.
- Discount rate – nominal pre-tax weighted average cost of capital (WACC) consistent with the formula and parameters as most recently published by the economic regulator(s).

Future cash flows:

- determined on a nominal basis (including indexation);
- estimated over 5 years based on SCI operating and capital expenditure budgets;
- based upon maintaining specialised assets in their current condition, consequently new capital expenditure increasing service potential were excluded; and
- future revenue estimates were based on SCI operating expenditure budgets and water supply volumes, with prices adjusted to reflect adjusted capital expenditure program (per above), and the consequential forecast roll-forward regulatory asset base (RAB) and new regulated revenue requirements.
- terminal value - at the end of the 5th year being the RAB (based on adjusted capital expenditure per above).
- expectations about possible variations in the amount and timing of future cash flows which reflect the most likely outcome as determined by management.

The following cash flows were used in the revaluation model of each CGU at the time of undertaking the revaluation:

	Year 1	Year 2	Year 3	Year 4	Year 5
Undiscounted cash flows - Consolidated	$'000	$'000	$'000	$'000	$'000
Greater Sydney CGU	48,300	20,600	26,700	43,800	76,000
Rural CGU	(22,800)	4,800	(500)	14,200	8,800
Broken Hill Pipeline CGU	20,900	21,700	22,000	23,200	23,200
	46,400	47,100	48,200	81,200	108,000

	Year 1	Year 2	Year 3	Year 4	Year 5
Undiscounted cash flows - Parent	$'000	$'000	$'000	$'000	$'000
Greater Sydney CGU	48,300	20,600	26,700	43,800	76,000
Rural CGU	(22,800)	4,800	(500)	14,200	8,800
	25,500	25,400	26,200	58,000	84,800

15. Fair value measurement (continued)

Changes to the cash flow estimates in the revaluation model will result in a higher or lower fair value measurement. Where the change is an increase (decrease) in estimated cash flows, the fair value of assets will increase (decrease). As the cash flow estimates are discounted by the WACC, the significance of the change in cash flows is largest in Year 1 when the effect of the discounting is smallest. The significance of the change reduces each year and is smallest in Year 5 when the effect of discounting is largest.
A change in the WACC will also change the measurement of fair value for a given set of estimated future cash flows. The following table presents the impact of a change to the WACC on the cash flows disclosed above.

Consolidated 2019	Actual revaluation $'000	Scenario A: +1% $'000	Scenario B: -1% $'000
Greater Sydney CGU			
Weighted average cost of capital (WACC)	7.55%	6.55%	8.55%
Fair value	1,694,300	1,627,800	1,764,000
Rural CGU			
Weighted average cost of capital (WACC)	7.55%	8.55%	6.55%
Fair value	879,000	842,100	917,300
Broken Hill Pipeline CGU			
Weighted average cost of capital (WACC)	7.55%	6.55%	8.55%
Fair value	392,300	378,000	407,300

Parent 2019	Actual revaluation $'000	Scenario A: +1% $'000	Scenario B: +1% $'000
Greater Sydney CGU			
Weighted average cost of capital (WACC)	7.55%	8.55%	6.55%
Fair value	1,694,300	1,627,800	1,764,000
Rural CGU			
Weighted average cost of capital (WACC)	7.55%	8.55%	6.55%
Fair value	879,000	842,400	917,300

A change in cash flow estimates will also change the measurement of fair value. The following table presents the impact of a change to the cash flow estimates above, assuming no change to WACC:

Consolidated 2019	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,694,300	1,703,200	1,685,500
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	879,000	879,026	878,956
Broken Hill Pipeline CGU			
Operating cash flows change		+5%	-5%
Fair value	392,300	396,900	387,700

15. Fair value measurement (continued)

Parent 2019	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,694,300	1,703,200	1,685,500
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	879,000	879,026	878,956

A change in RAB estimates will also change the measurement of fair value. The following table presents the impact of a change to the RAB assuming no change to cash flow estimates or WACC:

Consolidated 2019	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,694,300	1,770,300	1,694,300
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	879,000	923,000	837,100
Broken Hill Pipeline CGU			
Operating cash flows change		+5%	-5%
Fair value	392,300	407,300	377,200

Parent 2019	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,694,300	1,770,300	1,694,300
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	879,000	923,000	837,100

In revaluing other property, plant and equipment, the assets current use is considered their highest and best use.

There were no changes to the valuation technique adopted for other property, plant and equipment during the year.

Notes to the consolidated financial statements
For the year ended 30 June 2019

16. Current liabilities – trade and other payables

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Trade payables	10,787	10,789	8,467
Other Liabilities - MDBA pass through	11,441	11,441	3,936
Non-Trade payables and accrued expenses	31,711	30,842	73,921
Accrued salaries, wages and on-costs	6,134	6,134	4,063
Payable to WaterNSW Infrastructure	-	12,380	-
Accrued interest on loans	28,080	26,503	20,932
	88,153	98,089	111,319

Refer to note 35 for further information on financial instruments.

17. Current liabilities – borrowings

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Current borrowings	465,174	461,089	56,981

Refer to note 35 for further information on financial instruments.

18. Current liabilities – provisions

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Annual leave	10,838	10,838	10,442
Long service leave	27,654	27,654	26,752
Employee benefits - on costs	731	731	418
Dividends	20,000	20,000	98,100
Fringe benefit tax	85	85	95
Restoration	-	-	815
Restructuring	486	486	-
Remediation	1,749	1,749	454
Land tax	5,736	5,736	3,916
	67,279	67,279	140,992

18. Current liabilities – provisions (continued)

The provision for restoration is based on long term estimates to restore leased premises discounted to their present value. The restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fit outs. Where the Consolidated entity has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amounts are presented as current, since the Consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Annual leave	2,597	2,597	2,506
Long service leave	21,365	21,365	20,668
Total obligations expected to be settled after 12 months	23,962	23,962	23,174

19. Current liabilities – other

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Subsidies and grants received in advance	28,516	28,516	21,328
Refund liabilities	20	20	-
Other current liabilities	255	255	604
	28,791	28,791	21,932

20. Current liabilities – contract liabilities

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Contract liabilities	305	305	416

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $305,000 as at 30 June 2019 ($416,000 as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Within 6 months	305	305	416

21. Non-current liabilities – borrowings

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Borrowings - TCorp	1,202,952	934,750	1,312,653

Refer to note 35 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Borrowings - TCorp	1,668,126	1,395,839	1,369,634

Notes to the consolidated financial statements
For the year ended 30 June 2019

21. Non-current liabilities – borrowings (continued)

Financing arrangements

The following facilities were available at the reporting date:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Total facilities			
Long term borrowing facility	2,000,000	1,650,000	2,000,000
"Come & Go"	50,000	45,000	50,000
Intra-day facility	45,000	40,000	45,000
Credit card facility	1,500	1,500	1,500
Overdraft facility	15,000	14,000	15,000
Operating leases, including Broken Hill	50,000	49,000	50,000
	2,161,500	1,799,500	2,161,500
Used at the reporting date			
Long term borrowing facility	1,647,624	1,375,339	1,369,634
"Come & Go"	20,500	20,500	-
Intra-day facility	-	-	-
Credit card facility	330	330	301
Overdraft facility	-	-	-
Operating leases, including Broken Hill	30,793	30,793	42,469
	1,699,247	1,426,962	1,412,404
Unused at the reporting date			
Long term borrowing facility	352,376	274,661	630,366
"Come & Go"	29,500	24,500	50,000
Intra-day facility	45,000	40,000	45,000
Credit card facility	1,170	1,170	1,222
Overdraft facility	15,000	14,000	15,000
Operating leases, including Broken Hill	19,207	18,207	7,531
	462,253	372,538	749,119

Intra-day bank overdraft facility

The Consolidated entity has an intra-day facility of $45 Million (2017/18: $45 Million) with its corporate banker. This facility is used as and when required as part of the Corporation's daily cash management functions. Overdraft interest is charged on the basis of the corporate banker's debit rate that is calculated daily and applied to any overdrawn balances.

Purchase credit card facility

The Consolidated entity has the NSW Treasurer's approval for a purchase credit card facility limit of up to $1.5 million (2017/18: $1.5 million). The purchase credit card facility is used by the Corporation only as an efficient means for staff to purchase low value monetary items for the Consolidated entity.

'Come and Go' short-term borrowing facility

The Consolidated entity has a $50 million (2017/18: $50 million) 'Come and Go' short term borrowing facility in place with the NSW Treasury Corporation. The 'Come and Go' facility is used extensively as part of the Consolidated entity's daily cash management function during the reporting period.

21. Non-current liabilities – borrowings (continued)

Long term borrowing facility

The Consolidated entity has the NSW Treasurer's approval to obtain long-term borrowing facilities from the central borrowing authority, the NSW Treasury Corporation. NSW Treasury Corporation loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity. Additionally, the NSW Treasury Corporation provides CPI indexed bonds and resettable loans to the Consolidated entity.

Changes in liabilities arising from financing activities – Consolidated

	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Total $'000
Balance at 1 July 2018	98,100	56,981	1,312,653	1,467,734
Non-cash movements in the loan portfolio	20,000	408,193	(379,269)	48,924
Cash movements in the loan portfolio	(98,100)	-	269,568	171,468
Balance at 30 June 2019	20,000	465,174	1,202,952	1,688,126

Changes in liabilities arising from financing activities - Parent

	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Total $'000
Balance at 1 July 2018	98,100	56,981	1,312,653	1,467,734
Non-cash movements in the loan portfolio	20,000	404,108	(647,471)	(223,363)
Cash movements in the loan portfolio	(98,100)	-	269,568	171,468
Balance at 30 June 2019	20,000	461,089	934,750	1,415,839

22. Non-current liabilities – provisions

	Consolidated	Parent	
	2019 $'000	2019 $'000	2018 $'000
Employee benefits	2,081	2,081	1,992
Restoration	1,490	1,490	1,666
Payroll tax	113	113	-
Defined benefit superannuation scheme	101,862	101,862	75,358
	105,546	105,546	79,016

22. Non-current liabilities – provisions (continued)

Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

Consolidated - 2019	Restructuring $'000	Land tax $'000	Restoration $'000	Remediation $'000	Dividend $'000
Carrying amount at the start of the year	-	3,916	2,481	454	98,100
Additional provisions recognised	486	1,820	816	1,326	20,000
Amounts used	-	-	(1,850)	(31)	(98,100)
Other movements	-	-	-	-	-
Unwinding of discount	-	-	43	-	-
Carrying amount at the end of the year	486	5,736	1,490	1,749	20,000

Parent - 2019	Restructuring $'000	Land tax $'000	Restoration $'000	Remediation $'000	Dividend $'000
Carrying amount at the start of the year	-	3,916	2,481	454	98,100
Additional provisions recognised	486	1,820	816	1,326	20,000
Amounts used	-	-	(1,850)	(31)	(98,100)
Other movements	-	-	-	-	-
Unwinding of discount	-	-	43	-	-
Carrying amount at the end of the year	486	5,736	1,490	1,749	20,000

23. Non-current liabilities – defined benefit obligations

a) Defined benefit superannuation schemes

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS);
- State Superannuation Scheme (SSS);
- State Authorities Non-Contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All the Schemes are closed to new members.

23. Non-current liabilities – defined benefit obligations (continued)

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation:

- *Superannuation Act 1916*,
- *State Authorities Superannuation Act 1987*,
- *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected. The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy. An actuarial investigation of the Pooled Fund is performed every three years. The most recent investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with the Trust Deed and other applicable regulations.

Description of risks

There are a number of risks to which the Pooled Fund exposes the employer. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the employer will need to increase contributions to offset this shortfall.
- **Longevity risk** - The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** - The risk that wages or salaries (on which future benefits for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk that legislative changes could be made which increase the cost of providing the defined benefits; and

  The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

23. Non-current liabilities – defined benefit obligations (continued)

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

	Consolidated/Parent			
Reconciliation of the net defined liability/(asset)	SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2019				
Net defined benefit liability/(asset) at beginning of the year	9,515	2,323	63,520	75,358
Current service cost	586	237	600	1,423
Net interest on net defined benefit liability (asset)	384	94	2,668	3,146
Actual return on fund assets less interest income	(1,263)	(138)	(4,062)	(5,463)
Actuarial (gain)/loss from changes in demographic assumptions	43	11	(36)	18
Actuarial (gain)/loss from change in financial assumptions	3,609	342	26,722	30,673
Actuarial (gain)/loss arising from liability experience	3,303	370	(5,737)	(2,064)
Employer contributions	(766)	(182)	(281)	(1,229)
Net defined benefit liability at end of the year	15,411	3,057	83,394	101,862

	Parent			
Reconciliation of the net defined liability/(asset)	SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2018				
Net defined benefit liability/(asset) at beginning of the year	14,953	2,513	108,522	125,988
Current service cost	811	279	949	2,039
Net interest on net defined benefit liability (asset)	391	66	2,833	3,290
Actual return on fund assets less interest income	(2,073)	(272)	(5,716)	(8,061)
Actuarial (gain)/loss from changes in demographic assumptions	617	(126)	631	1,122
Actuarial (gain)/loss from change in financial assumptions	(5,352)	(513)	(45,391)	(51,256)
Actuarial (gain)/loss arising from liability experience	1,072	612	2,086	3,770
Employer contributions	(904)	(236)	(394)	(1,534)
Net defined benefit liability at end of the year	9,515	2,323	63,520	75,358

23. Non-current liabilities – defined benefit obligations (continued)

Reconciliation of the fair value of fund assets	Consolidated/Parent			
	SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2019				
Fair value of fund assets at beginning of the year	36,934	4,675	103,454	145,063
Interest income	1,448	168	4,218	5,834
Actual return on fund assets less interest income	1,264	138	4,062	5,464
Employer contributions	766	182	281	1,229
Contributions by participants	418	-	303	721
Benefits paid	(5,792)	(1,522)	(7,572)	(14,886)
Taxes, premiums and expenses paid	(77)	(14)	636	545
Fair value of fund assets at end of the year	34,961	3,627	105,382	143,970

Reconciliation of the fair value of fund assets	Parent			
	SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2018				
Fair value of fund assets at beginning of the year	38,544	5,386	98,180	142,110
Interest income	934	122	2,505	3,561
Actual return on fund assets less interest income	2,073	272	5,716	8,061
Employer contributions	904	236	394	1,534
Contributions by participants	469	-	336	805
Benefits paid	(5,911)	(1,174)	(4,322)	(11,407)
Taxes, premiums and expenses paid	(79)	(167)	645	399
Fair value of fund assets at end of the year	36,934	4,675	103,454	145,063

Notes to the consolidated financial statements
For the year ended 30 June 2019

23. Non-current liabilities – defined benefit obligations (continued)

Reconciliation of the Defined Benefit Obligation	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2019				
Present value of obligation at the beginning of the year	46,449	6,999	166,973	220,421
Current service cost	586	237	600	1,423
Interest cost	1,833	262	6,886	8,981
Contributions by participants	418	-	303	721
Actuarial (gain)/loss from changes in demographic assumptions	43	11	(36)	18
Actuarial (gain)/loss from change in financial assumptions	3,609	342	26,722	30,673
Actuarial (gain)/loss arising from liability experience	3,303	370	(5,737)	(2,064)
Benefits paid	(5,792)	(1,522)	(7,572)	(14,886)
Taxes, premiums and expenses paid	(77)	(14)	637	545
Present value of the obligation at the end of the year	50,372	6,685	188,776	245,832

Reconciliation of the Defined Benefit Obligation	Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2018				
Present value of obligation at the beginning of the year	53,497	7,900	206,700	268,097
Current service cost	811	279	949	2,039
Interest cost	1,325	188	5,338	6,851
Contributions by participants	469	-	336	805
Actuarial (gain)/loss from changes in demographic assumptions	617	(126)	631	1,122
Actuarial (gain)/loss from change in financial assumptions	(5,352)	(513)	(45,391)	(51,256)
Actuarial (gain)/loss arising from liability experience	1,072	612	2,086	3,770
Benefits paid	(5,911)	(1,174)	(4,321)	(11,406)
Taxes, premiums and expenses paid	(79)	(167)	645	399
Present value of the obligation at the end of the year	46,449	6,999	166,973	220,421

23. Non-current liabilities – defined benefit obligations (continued)

Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers and assets are not separately invested for each entity. As such, the disclosures below relate to total assets of the Pooled Fund.

	2019				2018			
Assets category	Quoted prices in market for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000	Totals $'000	Quoted prices in market for identical assets $'000	Significant observable inputs $'000	Unobservable inputs $'000	Totals $'000
Assets category								
As at 30 June								
Short Term Securities	2,135,561	1,906,555	-	4,042,116	2,185,469	2,215,695	-	4,401,164
Australian fixed interest	4,993	2,289,679	-	2,294,672	41,854	2,193,068	-	2,234,922
International fixed interest	6,826	1,952,396	8,871	1,968,093	8,116	1,387,991	-	1,396,107
Australian equities	7,818,302	547,571	3,055	8,368,928	8,719,442	548,908	3,055	9,271,405
International equities	8,795,299	2,592,132	8	11,387,439	8,499,476	2,391,501	373	10,891,350
Property	698,608	717,078	2,172,544	3,588,230	788,018	608,934	2,314,335	3,711,287
Alternatives	327,328	5,758,095	4,472,758	10,558,181	420,898	5,332,818	4,141,113	9,894,829
Totals	19,786,917	15,763,506	6,657,236	42,207,659	20,663,273	14,678,915	6,458,876	41,801,064

The percentage invested in each asset class at the reporting date is:

	2019 %	**2018 %**
Short term securities	9.60%	10.50%
Australian fixed interest	5.40%	5.30%
International fixed interest	4.70%	3.30%
Australian equities	19.80%	22.20%
International equities	27.00%	26.10%
Property	8.50%	8.90%
Alternatives	25.00%	23.70%
Total	100.00%	100.00%

23. Non-current liabilities – defined benefit obligations (continued)

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.
Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of the Pooled Fund's financial instruments
The disclosures below relate to total assets of the Pooled Fund. The fair value of the Pooled Fund assets as at 30 June 2019 includes $99.5 million in NSW Government bonds (30 June 2018: $97.7 million).

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $316 million (30 June 2018: $280 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $331 million (30 June 2018: $287 million).

Significant actuarial assumptions at the reporting date

	30 June 2019	30 June 2018
Discount rate	3.03% p.a.	4.23% p.a.
Salary increase rate (excluding promotional increases)	3.20% p.a.	3.20% p.a.
Rate of CPI increase		
2017/2018	-	2.00%
2018/2019 and 2019/2020	1.75%	2.25%
2020/2021	2.00%	2.50%
2021/2022 and 2022/2023	2.25%	2.50%
Thereafter	2.50%	2.50%

The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age.

23. Non-current liabilities – defined benefit obligations (continued)

Sensitivity analysis

Water NSW's total defined benefit obligation as at 30 June 2019 under several scenarios is presented below. The total benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2019. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Consolidated/Parent	Base case	Scenario A -1% discount rate	Scenario B +1% discount rate
Discount rate	as above	as above - 1% p.a.	as above - +1% p.a.
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	245,832	282,547	216,032

Consolidated/Parent	Base case	Scenario C +0.5% CPI rate change	Scenario D -0.5% CPI rate change
Discount rate	as above	as above	as above
Rate of CPI increase	as above	plus 0.5 p.a.	less 0.5 p.a.
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	245,832	262,093	231,057

Consolidated/Parent	Base case	Scenario E +0.5% salary rate increase	Scenario F -0.5% salary rate increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	plus 0.5% p.a.	less 0.5% p.a.
Defined benefit obligation ($'000)	245,832	247,059	244,647

Consolidated/Parent	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation ($'000)	245,832	249,870	243,320

* Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023.
**Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2019 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

23. Non-current liabilities – defined benefit obligations (continued)

Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.
Funding positions are reviewed annually, and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

The following is a summary of the 30 June 2019 and 2018 financial position of the Fund calculated in accordance with AASB 1056 '*Accounting Standard "Superannuation Entities*':

	Consolidated/Parent			
	SASS	SANCS	SSS	Total
As at 30 June 2019	$'000	$'000	$'000	$'000
Accrued benefits*	39,392	5,422	103,193	148,007
Net market value of fund assets	(34,962)	(3,624)	(105,384)	(143,970)
Net (surplus) / deficit	4,430	1,798	(2,191)	4,037

	Parent			
	SASS	SANCS	SSS	Total
As at 30 June 2018	$'000	$'000	$'000	$'000
Accrued benefits*	39,827	6,321	101,757	147,905
Net market value of fund assets	(36,935)	(4,674)	(103,455)	(145,064)
Net (surplus) / deficit	2,892	1,647	(1,698)	2,841

* There is no allowance for a contribution tax provision within the accrued benefit figure for AASB 1059. Allowance for contribution tax is made when setting the contribution rates.

	SASS Consolidated/Parent	SANCS Consolidated/Parent	SSS Consolidated/Parent
Contribution recommendations			
Recommended contribution rate for 2019	1.9/1.9	2.5/2.5	0.9(1.6)*/0.9(1.6)*
Recommended contribution rate for 2018	-/1.9	- /2.5	- /0.9(1.6)*

* Rural contribution rate

23. Non-current liabilities – defined benefit obligations (continued)

Economic assumptions

The economic assumptions adopted for the 30 June 2019 AASB 1056 '*Superannuation Entities*':

Weighted average assumptions	Per annum
Expected rate of return on Fund assets backing current pension liabilities	7.4% p.a.
Expected rate of return on Fund assets backing other liabilities	6.4% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.2% p.a.
Expected rate of CPI increase	2.2% p.a.

	Consolidated				Parent			
Financial year to 30 June 2020	SASS $'000	SANCS $'000	SSS $'000	Total $'000	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	768	181	247	1,196	768	181	247	1,196

	Consolidated				Parent			
30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Profit or loss impact								
Current service cost	586	237	600	1,423	586	237	600	1,423
Net interest	384	94	2,669	3,147	384	94	2,669	3,147
Profit or loss component of the defined benefit cost	970	331	3,269	4,570	970	331	3,269	4,570

	Consolidated				Parent			
30 June 2019	SASS $'000	SANCS $'000	SSS $'000	Total $'000	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Other comprehensive income								
Actuarial (gains) losses on liabilities	6,956	724	20,948	28,628	6,956	724	20,948	28,628
Actual return on Fund assets less interest income	(1,264)	(138)	(4,061)	(5,463)	(1,264)	(138)	(4,061)	(5,463)
Total remeasurement in other comprehensive income	5,692	586	16,887	23,165	5,692	586	16,887	23,165

23. Non-current liabilities – defined benefit obligations (continued)

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.7 years (12.9 years for Rural plans).

24. Non-current liabilities – other liabilities

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Lease inducement release	1,493	1,493	1,704
Subsidies and grants received in advance	88,058	88,058	90,703
Other liabilities	33	33	33
	89,584	89,584	92,440

25. Non-current liabilities – contract liabilities

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Contract liabilities	1,063	1,063	769

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $1,063,000 as at 30 June 2019 ($769,000 as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
12 to 18 months	1,063	1,063	769

26. Equity – Contributed equity

The contributed equity of the Corporation is divided into two equal shares. The Corporations' shareholders are: The Treasurer and Minister for Finance and Small Business. All shares are issued and fully paid up. The contributed equity balance represents transfers on formation of Water NSW, repayment of capital to NSW Government and various transfers of assets and liabilities to and from NSW Government owned entities.

Capital risk management

The Consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated entity, with approvals of the shareholders, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the previous Annual Report.

The Consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Current liabilities - trade and other payables (note 16)	88,153	98,089	111,319
Current liabilities - borrowings (note 17)	465,174	461,089	56,981
Non-current liabilities - borrowings (note 21)	1,202,952	934,750	1,312,653
Total borrowings	1,756,279	1,493,928	1,480,953
Current assets - cash and cash equivalents (note 10)	(10,957)	(10,957)	(20,752)
Net debt	1,745,322	1,482,971	1,460,201
Total equity	844,728	832,342	740,277
Total capital	2,590,050	2,315,313	2,200,478
Gearing ratio	67%	64%	66%

Notes to the consolidated financial statements
For the year ended 30 June 2019

27. Cash flow information

Reconciliation of profit after tax to net cash from operating activities in the statement of cash flows.

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Profit (loss) after tax	68,584	67,788	83,337
Depreciation	56,863	55,637	53,840
Amortisation	3,316	3,316	2,168
Fair value adjustment through profit and loss	(38,268)	(38,268)	(27,297)
Loss on disposal of property, plant and equipment	2,593	2,593	276
Decrease/(increase) trade and other receivables	(4,761)	1,055	(35,798)
Decrease/(increase) other operating assets	(492)	(492)	1,856
Increase/(decrease) trade and other payables	(12,191)	(13,229)	14,100
Decrease/(increase) income tax	(2,251)	(2,593)	(6,699)
Increase/(decrease) other costs of finance	64,207	61,793	19,992
Increase/(decrease) other provisions	3,180	3,180	1,555
Increase/(decrease) other operating liabilities	4,193	4,193	(17,931)
Net cash from operating activities	144,973	144,973	89,399

28. Commitments

	Consolidated	Parent	
	2019	2019	2018
Capital commitments	$'000	$'000	$'000
Committed at the reporting date but not recognised as liabilities, payable:			
Property, plant and equipment	112,356	112,356	286,720
Lease commitments - operating			
Committed at the reporting date but not recognised as liabilities; payable:			
Within one year	5,194	5,184	6,231
One to five years	20,829	20,829	19,621
More than five years	13,102	13,102	16,617
Representing non-cancellable operating leases	39,125	39,115	42,469
Receivable as lessor			
Within one year	2,439	2,439	3,299
One to five years	8,901	8,901	7,698
More than five years	41,781	41,781	43,731
Total commitments receivable	53,121	53,121	54,728
Representing: non-cancellable operating leases	53,121	53,121	54,728

28. Commitments (continued)

Amounts disclosed as capital commitments includes GST of $10.2 million (2018: $26.1 million) recoverable from the Australian Taxation Office.
Amounts disclosed as operating lease commitments includes GST of $3.6 million (2018: $3.9 million) recoverable from the Australian Taxation Office.

The Consolidated entity leases a number of office and depot facilities under operating leases. Leases generally have terms of one to twelve years. Lease agreements are subject to annual review in which rental amounts can be increased (usually by CPI). All leases allow for renewal at the end of the lease term and have been negotiated on commercial terms.

The Consolidated entity leases to other parties' positions to locate hydro-electric equipment and structures under non-cancellable operating leases. These leases also convey certain rights to access water discharges over the term of the agreement. These leases are for terms ranging from 10 years to 75 years (2018:10 years to 75 years) with option periods following, ranging up to 75 years.

29. Related party transactions

Parent entity

The entity has related party relationships with key management personnel (refer (a) below) and with entities that belong to the NSW Total State Sector Consolidated group controlled by the NSW government (refer (b) below).

Subsidiaries

Interests in subsidiaries are set out in note 34.

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

(b) Government-related entities

Government-related entities are those that are controlled or jointly controlled or significantly influenced by the NSW Government. The aggregate value of the transactions and outstanding balances are as follows:

Related party	Nature of transaction	Note reference
Sydney Water Corporation	Sale of water	Note 1
NSW Department of Industry	NSW Government contributions to operations	Note 2
NSW Department of Industry	Administered assets	Note 36
NSW Treasury Corporation	Borrowings and interest repayment	Note 17, Note 21
NSW Treasury	Return of capital	Statement of changes in equity
NSW Treasury	Dividends	Note 18
NSW Treasury	Government guarantee fee	Note 7
Revenue NSW	Income tax	Note 9
NSW Department of Industry	Rebates	Note 1
Essential Energy	Broken Hill Pipeline operation	Note 3

30. Equity transfer

During the year certain assets and liabilities of the Consolidated entity were transferred to the Water Administration Ministerial Corporation. This transaction was treated as an administrative restructure.

	Fair value $'000
Infrastructure assets	(2,751)
Fair value of the total consideration transferred	2,751

31. Contingent liabilities

Details of contingent liabilities are set out below. These are matters in which provisions are not required as it is not probable that a future sacrifice will be required, or the amount is not capable of reliable measurement.

Operational activities
Risk exposure occurs as a result of operational activities. These exposures comprise various matters that have or possibly could lead to disputes over past or existing contracts or other operational activities. Some project works undertaken by the Consolidated entity, either on its own behalf or on behalf of third parties, have been subject to delays and disruptions. As a result, the Consolidated entity has received and rejected claims from contractors for variations to contracted amounts, which are now the subject of dispute. Irrespective of the legal position with respect to these disputed claims, the amounts are either not material to the Consolidated entity or are the ultimate responsibility of third parties as pass through costs to the Consolidated entity.

Green State Power
Under the Green State Power transfer agreement Water NSW was paid a pre-tax cash amount of $7.15 million by Green State Power to cover potential obligations in the future. The obligations are for potential compensation to the hydro-operator during the first 30 year term for any power station unavailability that is caused by an act or omission of Water NSW (excluding planned works or force majeure). The potential liability is capped (for both Burrinjuck Dam and Keepit Dam combined) to $5 million.

Origin Energy
Under the Operations and Maintenance Agreement for the operation of the Kangaroo-Fitzroy Project with Origin Energy, the Consolidated entity has an exposure to pay Origin Energy liquidated damages if its assets are not available for use to transfer water to enable the generation of hydro-electricity. Liquidated damages are calculated on a sliding scale if asset availability falls below 94% in a calendar month. The maximum monthly exposure to liquidated damages is $250,000 if asset availability for the whole of the month is zero. Water NSW's maximum exposure to liquidated damages is $600,000 in any calendar year.

Site contamination
The consolidated entity has a potential exposure to risk from contaminated land and infrastructure that may contain hazardous materials and environmental incidents. There is an ongoing program for the management of contamination and remediation where required. It is not possible to estimate liabilities reliably, as the need for and the type of management and remediation is dependent on future events that cannot be determined at this time.

32. Key management personnel disclosures

The Consolidated entity has related party relationships with key management personnel (refer (a) below) and their related entities (refer (b) below).

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated entity, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various business units of the Consolidated entity, the Consolidated entity's two shareholder Ministers and its Portfolio Minister.
Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Consolidated entity.

The aggregate compensation made to directors and other members of key management personnel of the Consolidated entity is set out below:

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Short-term employee benefits	4,789	4,789	4,034
Post-employment benefits	279	279	229
Long-term benefits	54	54	51
Termination benefits	114	114	18
	5,236	5,236	4,332

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Directors, excluding Chief Executive Officer*	566	566	459
Senior executives, including Chief Executive officer	4,670	4,670	3,873
Remuneration of Key Management Personnel	5,236	5,236	4,332

* includes Rob Aldis' remuneration of $40,595 (2017-2018: $44,699) (excluding GST: $4,059, 2017-18: $4,470) for the work as the Chair of the Major Projects Advisory Board.

The above disclosures for senior executives are based on accruals of employee benefits during the reporting period in accordance with the requirements of AASB 124 '*Related Parties*' and AASB 119 '*Employee Benefits*'.

32. Key management personnel disclosures (continued)

(b) Other transactions with key management personnel

Any transactions undertaken with the key management personnel or entities related to them are conducted on an arm's length basis on commercial terms and conditions. In accordance with the requirements of TC 16-12 '*Related Party Disclosures*' the Consolidated entity collects arm's length transactions only in excess of $100,000. Such transactions are disclosed if it is concluded that they are either quantitatively or qualitatively material to the Consolidated entity's financial statements.

During the current reporting period the Consolidated entity paid membership fees and participated in the conferences and workshops conducted by the Water Services Association of Australia (WSAA) (transactions totalling $121,929 (excluding GST - $12,193) (2017-18-: $126,733 (incl GST - $11,521). The Chief Executive Officer of the Consolidated entity is a board member of WSAA. The Consolidated entity incurred $2,456,997 in legal fees to Norton Rose Fulbright (including GST $223,363) (2017-2018: $923,105 (including GST $84,607) in legal fees to Henry Davis York and $3,371,678 in legal fees to Norton Rose Fulbright).

Dr Nicholas Brunton is a board member of the Consolidated entity and a partner of Henry Davis York and Norton Rose Fulbright. Dr Brunton's term as a director of Water NSW expired on 19 March 2017. Dr Brunton was reappointed as a Board member on 27 July 2017. From 2001, he was also a partner of Henry Davis York and when that firm merged with Norton Rose Fulbright on 1 December 2017, he became a partner of Norton Rose Fulbright. On 30 August 2017, management notified to the Board the engagement of Henry Davis York by Water NSW to provide certain legal services. This engagement occurred at a time when Dr Brunton was not a director of Water NSW. In addition, the engagement of Henry Davis York occurred without the knowledge of Dr Brunton.

The engagement of Henry Davis York by management was considered appropriate because of the specific expertise and experience of other partners of Henry Davis York. Dr Brunton had no role whatsoever in the decision to appoint Henry Davis York. In addition, Dr Brunton had no role whatsoever in providing any legal services as part of the engagement of Henry Davis York and the ongoing provision of legal services by Henry Davis York and then Norton Rose Fulbright. The engagement of Henry Davis York and later Norton Rose Fulbright has been disclosed in the Water NSW disclosure register at all times since the date that Dr Brunton was reappointed to the Board of Water NSW.

There were no other related party transactions to disclose.

33. Auditors remuneration

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Auditors remuneration			
Financial audit of Water NSW	342	342	304
Financial audit of WaterNSW Infrastructure	25	-	-
Total remuneration	367	342	304

34. Interests in subsidiaries

	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
WaterNSW Infrastructure- 100 shares at $1 per share	Australia	100.00%	-

35. Financial instruments

(a) Risk management framework

The Consolidated entity's principal financial instruments are outlined below. These financial instruments arise directly from operations of the entity or are required by the entity to finance its operations. The Consolidated entity does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

The Consolidated entity's main risks arising from financial instruments are outlined below, together with the entity's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing identified risks. Risk management policies are established to identify and analyse the risks faced by the entity, as well as to set limits and controls and monitor identified risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continuous basis.

The totals for each category of financial instruments, measured in accordance with AASB 9 '*Financial Instruments*' and comparative period AASB 139 '*Financial Instruments: Recognition and Measurement*' as detailed in the accounting policies to these financials statements, are as follows:

	Consolidated	Parent	
	2019 $'000	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	10,957	10,957	20,752
Trade and other receivables* (category 2019: amortised cost, category 2018: amortised cost)	117,750	118,036	118,826
Financial assets – totals	128,707	128,993	139,578
Financial liabilities			
Trade and other payables* (category 2019: amortised cost, category 2018: amortised cost)	88,153	98,089	99,285
Contract liabilities* (category 2019: amortised cost, category 2018: amortised cost)	1,368	1,368	416
Borrowings (category 2019: amortised cost, category 2018: amortised cost)	1,668,126	1,395,839	1,369,634
	1,757,647	1,495,296	1,469,335

* Excludes statutory receivables, payables as well as prepayments and deferred income which fall outside the scope of AASB 7 '*Financial Instruments: Disclosures*'.

35. Financial instruments (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The consolidated entity's exposures to market risk are primarily through interest rate risks related to borrowings and other price risks associated with the movement in the unit price of the T-Corp IM Facility. The Consolidated entity has negligible exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting year). The sensitivity analysis is based on risk exposures in existence at the statement of financial position reporting date. The analysis is performed on the same basis as for 2018. The analysis assumes that all other variables remain constant.

Price risk

Other price risk - T-Corp IM Facility

Exposure to 'other price risk' primarily arises through the investment in the T-Corp IM Facility, which is held for strategic rather than trading purposes. The entity has no direct equity investments. The entity holds units in the following T-Corp investment trust:

Facility	Consolidated	Parent	
	30 June 2019	30 June 2019	30 June 2018
Investment Horizon – up to 1 ½ years	$'000	$'000	$'000
IM Facility	2	2	18,037

The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the number of units on issue in the facility. Unit prices are calculated and published daily.

T-Corp as trustee for the IM facility is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, T-Corp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. T-Corp has also leveraged off internal expertise to manage certain fixed income assets for the IM facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the IM facilities limits the Consolidated entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments. T-Corp provides sensitivity analysis information for the investment facility, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The facility is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by T-Corp) multiplied by the redemption value as at 30 June each year for the facility (balance from IM statement).

35. Financial instruments (continued)

	Change in unit price	Consolidated 30 June 2019 $'000	Parent 30 June 2019 $'000	Parent 30 June 2018 $'000
TCorp IM Facility	+/- 1%	-	-	180

Interest rate risk

Exposure to interest rate risk arises primarily through the Consolidated entity's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, through TCorp. The Consolidated entity does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity.

TCorp manages interest rate risk exposures applicable to specific borrowings of the Consolidated entity in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service. At reporting date, the carrying value of borrowings managed by TCorp for the Consolidated entity stood at $1,668 million (2017/18: $1,369 million).

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Fixed rate instruments			
Call loans to Authorities	24,606	20,521	9,104
Commonwealth guaranteed	14,011	14,011	26,660
Loans State guaranteed	1,607,242	1,339,042	1,311,962
CPI Indexed Year on year (YOY) loan	4,085	4,085	4,085
Loans to Authorities	18,180	18,180	17,777
Fixed rate instruments	1,668,124	1,395,839	1,369,588

	Consolidated 2019 $'000	Parent 2019 $'000	Parent 2018 $'000
Variable rate instruments			
Cash and cash equivalents (excluding Hour-Glass Cash Facility)	10,955	10,955	2,715

The Consolidated entity's exposure to interest rate risk is set out below. A reasonably possible change of +/- 100 basis points (bp) is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

35. Financial instruments (continued)

Consolidated – 2019	Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Cash and cash equivalents	+100bp	110	110	(100)bp	(110)	(110)

Parent – 2019	Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Cash and cash equivalents	+100bp	110	110	(100)bp	(110)	(110)

Parent – 2018	Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Cash and cash equivalents	+100bp	27	27	(100)bp	(27)	(27)

(c) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Consolidated entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment) in the statement of financial position. Credit risk arises from the financial assets of the Consolidated entity, including cash, receivables, and deposits. Credit risk associated with financial assets, other than receivables, is managed through the selection of counterparties and the establishment of minimum credit rating standards.

The Consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

No collateral is held by the Consolidated entity and no financial guarantees have been granted.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Credit risk associated with financial assets, other than receivables, is managed through the selection of counterparties and the establishment of minimum credit rating standards. The Consolidated entity's deposits held with NSW Treasury Corporation (T-Corp) are guaranteed by the State.

35. Financial instruments (continued)

Cash and cash equivalents

Credit risk related to business with banks and other financial institutions is managed by the Audit and Risk Committee in accordance with approved Board policy. Investment with individual counterparties is limited to T-Corp, and banks with a Moody's rating of A1 or A2.

Trade and other receivables

All trade receivables are recognised at amounts receivable at reporting date. The Consolidated entity monitors collectability of trade debtors on an ongoing basis and has policies in place to recover or write-off amounts outstanding. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. The entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. The expected loss rates are based on historical observed loss rates and forward-looking information. This analysis includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Debts which are known to be uncollectible are written off. All credit and recovery risks associated with trade debtors have been provided for in the statement of financial position

Under the *Water Act 1912* (Water Act) and the *Water Management Act 2000* (WM Act) if the New South Wales Department of Industry issues a new licence or transfers an existing licence then that licensee automatically becomes a customer of the Consolidated entity under the conditions of that licence. The Consolidated entity does not undertake any credit quality assessment or define any credit limits before accepting new water customers issued such licences. The Water Act allows outstanding monies to be charged on the land supplied with water, and if this charge is registered against the land title, the debt will pass with the land to any future owner. Given these facts, fees charged on a water access licence are largely perpetual and not standard commercial debt where only court action is available to collect a debt when a debt is considered doubtful, unless security is held against the debt. Generally prospective acquirers of a water access licence undertake searches on the licence they are seeking to acquire to determine whether there is any debt outstanding. If there is, the acquirer discounts the market value of the licence by the debt owing or arranges to settle the debt at the time of acquisition. The Consolidated entity also has trade receivables for non-water related charges. The majority of such debt relates to government related bodies and are considered low risk.

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated entity will be unable to meet its payment obligations when they fall due. The Consolidated entity continuously manages risk by monitoring its future cash flows and maturities and holding adequate amounts of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of readily accessible standby facilities.

The Consolidated entity has obtained approval under the *Public Authorities (Financial Arrangement) Act 1987* (note 21).

The Consolidated entity has access to the Transaction Negotiation Authority (TNA) facility of $33.5 million.
The Consolidated entity's Treasury Risk Management Policy establishes prudential limits on the percentage of debt which can mature in any one 12 month financial year. Planned future capital expenditure will be funded in part through T-Corp borrowings. Future committed expenditure is disclosed in Note 28.

35. Financial instruments (continued)

The Consolidated entity's current ratio is 0.22 (parent – 0.21). There is $465.1 million (Parent $461.1 million) in borrowings that mature in the next twelve months. However, management has the capacity to rollover the debt as and when it falls due. Under the debt management agreement with T-Corp, the Consolidated entity is able to rollover maturing debt into new debt so long as the total capital value of loan portfolio remains within the approved PAFA limit.

During the current and prior reporting year there were no defaults of loans payable. No assets have been pledged as collateral. The Consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods data and current assessment of risk. The contractual maturity of the Consolidated entity's non-derivative fixed rate financial liabilities for the comparative period is shown in the following table:

Remaining contractual maturities

The following tables detail the Consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	88,153	-	-	-	88,153
Non-derivatives					
Interest bearing					
Borrowings	518,881	499,460	359,501	464,319	1,842,161
Total non-derivatives	607,034	499,460	359,501	464,319	1,930,314

Parent - 2019	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	98,089	-	-	-	98,089
Non-derivatives					
Interest bearing					
Borrowings	481,638	460,623	230,874	361,675	1,534,810
Total non-derivatives	579,727	460,623	230,874	361,675	1,632,899

35. Financial instruments (continued)

Parent - 2018	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	99,701	-	-	-	99,701
Non-derivatives					
Interest bearing					
Borrowings	70,346	459,918	619,926	382,125	1,532,315
Total non-derivatives	170,047	459,918	619,926	382,125	1,632,016

The table above discloses the remaining contractual maturity for the Consolidated entity's financial liabilities. The table is based on the undiscounted interest and principal cash flows of financial liabilities according to the earliest date on which the Consolidated entity can be required to pay. The nominal amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore may not reconcile to the statement of financial position. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that borrowing facilities will be rolled forward.

(e) Fair value of financial instruments

Fair value recognised in the statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and as set out in Note 15:

	Consolidated			Parent		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
30 June 2019						
TCorp Hour-Glass Investment (Cash) facility	-	2	-	-	2	-
30 June 2018						
TCorp Hour-Glass Investment (Cash) facility	-	18,037	-	-	18,037	-

The IM Cash Facility is considered a level 2 measurement. Prices are observable; however, no active market exists for these facilities as they are only accessible to government agencies. The input used by the Consolidated entity to assess fair value is the current advised unit rate provided by NSW Treasury Corporation There were no transfers of financial instruments between levels 1 or 2 during the current and previous reporting years.

35. Financial instruments (continued)

Financial instruments are generally recognised at amortised cost, with the exception of the T-Corp Hour-Glass facilities, which are measured at fair value. Cash and cash equivalents, trade and other receivables, trade and other payables and other financial liabilities are short term instruments in nature whose carrying amounts are considered to be a reasonable approximation of their fair values. Borrowings are stated at amortised cost.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Consolidated entity are as follows:

Consolidated	2019 Carrying amount $'000	2019 Fair value $'000
Assets		
Cash at bank	10,955	10,955
Trade receivables	117,750	117,750
Cash – TCorp Hour-Glass Facility	2	2
	128,707	128,707
Liabilities		
Trade payables	88,153	88,153
Contract liabilities	1,368	1,368
Borrowings	1,668,126	1,753,238
	1,757,647	1,842,759

Parent	2019 Carrying amount $'000	2019 Fair value $'000	2018 Carrying amount $'000	2018 Fair value $'000
Assets				
Cash at bank	10,955	10,955	2,715	2,715
Trade receivables	2	2	18,037	18,037
Cash – TCorp Hour-Glass Facility	118,036	118,036	118,826	118,826
	128,993	128,993	139,578	139,578
Liabilities				
Trade payables	98,089	98,089	99,285	99,285
Contract liabilities	1,368	1,368	416	416
Borrowings	1,395,839	1,465,361	1,369,634	1,396,148
	1,495,296	1,564,818	1,469,335	1,495,849

f) Capital management

The Consolidated entity's agreed capital structure is reviewed every year as part of the Statement of Corporate Intent process. The purpose of such a review is to confirm whether or not the current capital structure continues to be appropriate and, if not, to negotiate revised arrangements between the Board and NSW Treasury.

For gearing level calculations please refer to the note 26.

35. Financial instruments (continued)

Dividend policy

The dividend of $20.0 million (2018: $98.1 million) is in line with NSW TPP 16-04 '*Financial Distribution Policy for Government Businesses*'.

36. Administered items

Administered revenue, assets and liabilities

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Administered revenue			
NOW*- water charges	10,712	10,712	11,017
YCATAC**-Yanco Columbo system levy	112	112	107
MDBA and BRC***	13,865	13,865	12,041
NRAR**** funding	4,579	4,579	-
Total administered revenue	29,268	29,268	23,165

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Administered assets			
Administered cash NOW*	9,879	9,879	2,855
Administered cash MDBA***	1,562	1,562	1,080
Debtors and accrued charges NOW*	6,607	6,607	11,110
Debtors and accrued charges MDBA***	4,538	4,538	2,386
Total administered assets	22,586	22,586	17,431

	Consolidated	Parent	
	2019	2019	2018
	$'000	$'000	$'000
Administered liabilities			
Creditors and accruals NOW*	16,486	16,486	13,965
Creditors and accruals MDBA and BRC***	6,100	6,100	3,466
Total administered liabilities	22,586	22,586	17,431

* NOW - New South Wales Office of Water
**YCATAC - Yanco Creek and Tributaries Advisory Council
***MDBA - Murray-Darling Basin Authority, BRC - The Dumaresq-Barwon Border Rivers Commission
****NRAR - Natural Resources Access Regulator

36. Administered items (continued)

These charges are payable by the Consolidated entity to the respective agencies as and when collected. Accrued charges are based on known entitlement charges and on usage, where applicable. Billing of customers is completed after year end.

The Consolidated entity held bank guarantees from various suppliers for the amount of $50.4 million as at 30 June 2019 (2017/2018: $82.2 million).

37. Events after the reporting date

No events after the reporting period

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Consolidated entity's operations, the results of those operations, or the Consolidated entity's state of affairs in future financial years.

End of audited financial statements

Water NSW

Director's Declaration

30 June 2019

Under Section 41C of the *Public Finance and Audit Act 1983* we state that the accompanying financial statements and notes thereto are general purpose statements which:

a) give a true and fair view of the financial position of Water NSW as at 30 June 2019 and its financial performance for the year then ended.

b) have been prepared in accordance with;

- applicable Australian Accounting Standards (including Australian Accounting Interpretations);
- part 3 of the *Public Finance and Audit Act 1983* and *the Public Finance and Audit Regulation 2015*; and
- the *State Owned Corporations Act 1989*

c) also comply with International Financial Reporting Standards

We are not aware of any circumstances at the date of this statement that would render any particulars included in the financial statements to be misleading or inaccurate.

At the date of this statement, there are reasonable grounds to believe that Water NSW will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Anne McDonald
Director

David Harris
Chief Executive

Independent auditor's report to the members of Water NSW

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Water NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Water NSW (the Corporation), which comprise the Statements of Comprehensive Income for the year ended 30 June 2019, the Statements of Financial Position as at 30 June 2019, the Statements of Changes in Equity and the Statements of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entity it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation and the consolidated entity are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Director's Declaration.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that arefree from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation and the consolidated entity or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 September 2019
SYDNEY

Index