WaterNSW

Annual Report

2020-21

Acknowledgment of country

In the spirit of reconciliation WaterNSW acknowledges the Traditional Custodians of Country throughout Australia and their ongoing cultural and spiritual connections to land, water and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples across our area of operations.

Cover image: Wyangala Dam

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The Hon. Matt Kean MP

Treasurer and Minister for the Environment

GPO Box 5341

Sydney NSW 2001

The Hon. Damien Tudehope MLC

Minister for Finance and Small Business

GPO Box 5341

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Dear Shareholders

We are pleased to submit the WaterNSW Annual Report 2020-21 for presentation to the Parliament of NSW.

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

Yours sincerely

Kaye Dalton

Interim Chair

Andrew George

Chief Executive Officer

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Contents

Message from the Board

The scale and diversity of our challenges has been met by the capability and commitment of our people. The Board acknowledges the resilience and commitment of all our employees this past year.

Despite the present and ongoing spectre of COVID-19, WaterNSW has continued to focus on the needs of our customers, stakeholders, and local communities. Our achievements highlight the adaptability of WaterNSW and cements its place as a key partner of the water sector in NSW.

The past year has seen the drought of record break across all valleys in NSW with all major storages replenished. This has brought renewed optimism in the local communities we serve. We have managed major inflow events and sought to maximise water resources. Through prudent management we aim to achieve a balance between water security whilst working closely with communities in flood prone valleys to manage airspace and mitigate the impact of dam releases.

In addition to responding to our core business responsibilities, there has been Government policy and sectoral changes for WaterNSW to navigate. Most notable this year were changes in the delivery model for the Critical State Significant Infrastructure (CSSI) projects of the Mole River, Dungowan and Wyangala Dams. In line with ongoing reform of the NSW Water sector, Water Infrastructure NSW (WINSW) was established within the Department of Planning, Industry and Environment (DPIE) to lead the delivery of these and other major water projects. WaterNSW continues to work with WINSW to effect a smooth transition of these projects, including the transfer of contracts and procurement arrangements, specialist staff, systems, and corporate knowledge.

With the changes accompanying water reform, WaterNSW has taken the opportunity to reset strategy around our core business functions and the Board has recently approved a new Corporate Strategic Plan. This plan has a significant focus on collaboration across the water sector, broadening our partnerships across the community and ensuring we continue to meet the needs and expectations of our customers and local communities.

The Board are pleased to see the work being done across WaterNSW to improve our capability, commitment, and collaboration with Aboriginal communities. We acknowledge this is an area in which we can improve and we have committed to the establishment of a Reconciliation Action Plan along with a range of supporting initiatives. This work is now one of WaterNSW's top corporate priorities for the coming year.

With a year involving significant impact on our employees the Board were pleased to see that our annual engagement survey resulted in a positive uplift in our employee engagement levels, and I acknowledge the work of our CEO Andrew George and our senior leadership team in this area. We want WaterNSW to be an employer of choice that attracts and retains talented employees.

WaterNSW reported a net profit after tax for 2020-21 (excluding gains on revaluation of property, plant and equipment) of $0.8 million. This performance was $4.2 million below budget expectations, primarily due to implementation of an agenda decision by the International Financial Reporting Standards Interpretations Committee (IFRIC) on configuration or customisation expenses in a cloud computing environment. This resulted in $22.4 million being recognised as an operating rather than a capital expense. Our net profit after tax result (excluding gains on revaluation of property, plant and equipment) prior to the accounting adjustment for the IFRIC decision was $16.4 million, or $11.4 million above budget.

Our capital expenditure performance of $133.3 million was $219.1 million below budget. This performance was significantly influenced by changes in scheduling of pre-construction activities for the CSSI Regional Priority Dams, lower requirements for drought-related capital expenditure following the breaking of the drought and significant replenishment of our major storages, and the agenda decision by the IFRIC on the configuration or customisation expenses in a cloud computing environment, which resulted in capital expenditure being recognised as operating expenditure.

WaterNSW remains focused on achieving an appropriate return for our shareholders whilst delivering sustainable price outcomes for our customers. In September 2021, we received the final determinations from the Independent Pricing and Regulatory Tribunal (IPART) for rural bulk water (Rural Valleys) and Water Administration Ministerial Corporation (WAMC) charges from 1 October 2021.

In the final determinations, IPART found that WaterNSW needs higher levels of expenditure to deliver effective services into the future, leading to rural bulk water charges increasing by 30 percent on average. IPART also found that additional investment is required to provide a more sustainable and reliable water resource management system for WAMC customers. This investment will be partly funded by the NSW Government as IPART's determination constrained the increase in WAMC water management charges to a maximum of 2.5 percent per year over the next four years (before inflation) based on an assessment of customer affordability.

IPART has also introduced five new charges for WaterNSW to recover the efficient costs of implementing the NSW Government's non-urban metering reforms. IPART's decision on metering charges incorporates the NSW Government's funding of $14.6 million for the capital costs of upgrading government-owned meters and $9 million to fund a rebate for water users switching to telemetry. The NSW Government funding will complement a further $12.5 million being invested by the Federal Government to boost metering and telemetry in northern NSW.

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 strategic input and support.

In February this year we welcomed Kaye Dalton to the Board as a Director, and in September 2021 we bid farewell to our Chair, Anne McDonald. Anne has guided WaterNSW through fires, floods, droughts and pandemics over her five and a half years with WaterNSW, and we wish her well in her future endeavours. Kaye Dalton assumed the role of Interim Chair from 1 October 2021 and will remain until a permanent Chair is appointed.

We welcomed Beth Winchester to the Executive team as acting Executive Manager for Safety, People and Culture, replacing Daniel Lucas who has been tasked with now being our executive lead for water reforms and corporate strategy.

The WaterNSW Board would like to thank our dedicated employees, valued customers and our shareholders for their ongoing and valued support. The Board commends the work done across the organisation and recommends this Annual Report to our shareholders, customers, stakeholders and communities.

Kaye Dalton
Interim Chair

Message from the Chief Executive Officer

The significant and ongoing recovery in water storages from increased rainfall and inflows following one of the worst droughts on record in many valleys has been the theme for 2021. With a significant shift in weather patterns and replenished storages across the State, this has led to increased community confidence addressing the very real concerns about water security for towns and communities following years of intense drought.

The challenges of managing these major inflow events are significant for our teams across NSW. We want to ensure we capture as much water as possible for our customers, but we also want to work closely with local communities and environmental water holders in understanding how best to manage large inflow events, storage airspace and local flooding impacts. We do this in collaboration with a range of stakeholders, and notably the Bureau of Meteorology, State Emergency Service, NSW Health and local councils.

The ability of our teams and people right across NSW to adjust to changing priorities, major weather events, floods, and working closely with local communities has been and continues to be extraordinary. Managing such events in real time requires the highest levels of operational and technical expertise, catchment knowledge and working closely with other agencies. Our customers and stakeholders across our operations have seen first-hand the dedication of our people to do the best and right thing by local communities.

There has been no greater privilege in my career to date than to lead this organisation and the hundreds of talented, committed and highly skilled people spread out across NSW, dealing with these and many other challenges.

Harnessing this commitment and drive is key to obtaining the best possible outcomes for our customers and stakeholders. We run an annual employee engagement survey to measure the sentiment of our people and it was pleasing to see not only an 18 percent uplift in employee engagement but also an increase in the number of employees who responded to the survey. These improved results set a positive tone for the future and our ability to meet both current and changing needs of our customers and communities.

Given the impacts of COVID-19 restrictions and lockdowns, our top priority of safety for our all employees has been adapted and expanded into providing mental health support and related services. From our operational teams adapting to COVID-19 safe work practices, to supporting employees during office closures and the individuals who have had family and friends impacted directly, our safety focus has never been more dynamic.

Having committed staff is as essential to a successful organisation as the enabling infrastructure that supports them. In this respect we have progressed our commitments with our technology and digital programs, including our flagship WAVE project that will drive better outcomes for our customers. In particular, the launch and ongoing evolution of our Water Insights portal is now widely regarded as the benchmark and one stop shop for all water related information in NSW. We have more initiatives in the pipeline to further improve our customers' ability to manage their water needs and in turn support on farm efficiency and productivity.

Feedback on our annual customer service survey has been mixed this past year, with improvements made in reputation, relationships and value for money, but with more work to do in customer services, which will be a priority over the coming year. Feedback from our stakeholders has also shown that we are valued for showing up when it is needed and being part of our local communities. We have responded to the feedback with 'working together in partnership' now being a central priority of our new corporate strategic plan.

This past year, the Board and Executive team have supported my commitment to improve how we engage with and support Aboriginal communities. This signifies an important start to an ongoing journey for WaterNSW, and I'm thrilled that we have now committed to developing our first Aboriginal Reconciliation Action Plan with the support of a highly regarded group of Aboriginal community leaders and representatives, who are supporting and guiding us on this most important of journeys. In preparation for this work, WaterNSW undertook several two day, on country cultural competency and awareness training programs. The time spent on country with local elders, visiting sites and sharing story has had a profound and positive impact on those who have participated to date.

In 2020-21 we took the opportunity for a major strategic reset of our business focus and operations. With the transition of the CSSI Regional Priority Dams to WINSW, we can now focus on delivering our new Corporate Strategic Plan for the next three to five years. This plan has a significantly increased focus on community and stakeholder engagement, partnerships, sustainability and delivering operational excellence - all supported by continuing to invest in the development of our people and their capabilities.

Andrew George
Chief Executive Officer

About WaterNSW

Our purpose Water, delivered when and where it matters

Our vision To support the resilience of NSW communities through our leadership in delivering water services, for generations to come

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).

- We operate the state's rivers and water supply systems in accordance with the rules set out by regulators
- With more than 40 dams across the state, we supply two-thirds of water used in NSW to regional towns, irrigators, Sydney Water Corporation and local water utilities
- We also own and operate the largest surface and groundwater monitoring network in the southern hemisphere and build, maintain and operate essential infrastructure.

What we do

We supply and seek to improve availability of water that is essential for water users and the communities throughout NSW. We do this through:

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 - Supplying water from its storages to customers in the Greater Sydney drinking water catchment and in the state's regulated surface water systems.

System operation - Efficient management of the state's surface and groundwater 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 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 customers and the communities of NSW.

Customer water transaction and information services - Providing efficient and timely services to customers for water licensing and approvals, water trades, billing and to meet their water resource information needs for surface and groundwater quantity and quality.

What guides our business

WaterNSW's activities are guided and regulated by:

- Principal legislation, including the *Water NSW Act 2014*.
- An operating licence granted by IPART, which enables WaterNSW to exercise its functions under the *Water NSW Act 2014*.
- Water sharing plans developed under the *Water Management Act 2000* that articulate the rules by which water is distributed to various users.
- Memoranda of Understanding with various stakeholders to establish cooperative and consultative relationships and allow for the exchange of data and information.
- Water supply agreements that document how water is provided to some customers, including Sydney Water.
- Pricing determinations made by IPART that specify the prices WaterNSW can charge for its bulk water services.
- The Roles and Responsibilities Agreement between WaterNSW, the Department of Planning, Industry and Environment - Water (DPIE-W) and the Natural Resources Access Regulator (NRAR) that sets out how the three agencies collaborate and work together to deliver key water management functions.

Our values

Our values are the principles and behaviours that drive us to succeed as both teams and individuals every day at WaterNSW. They reflect who we are and what we represent.

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

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

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

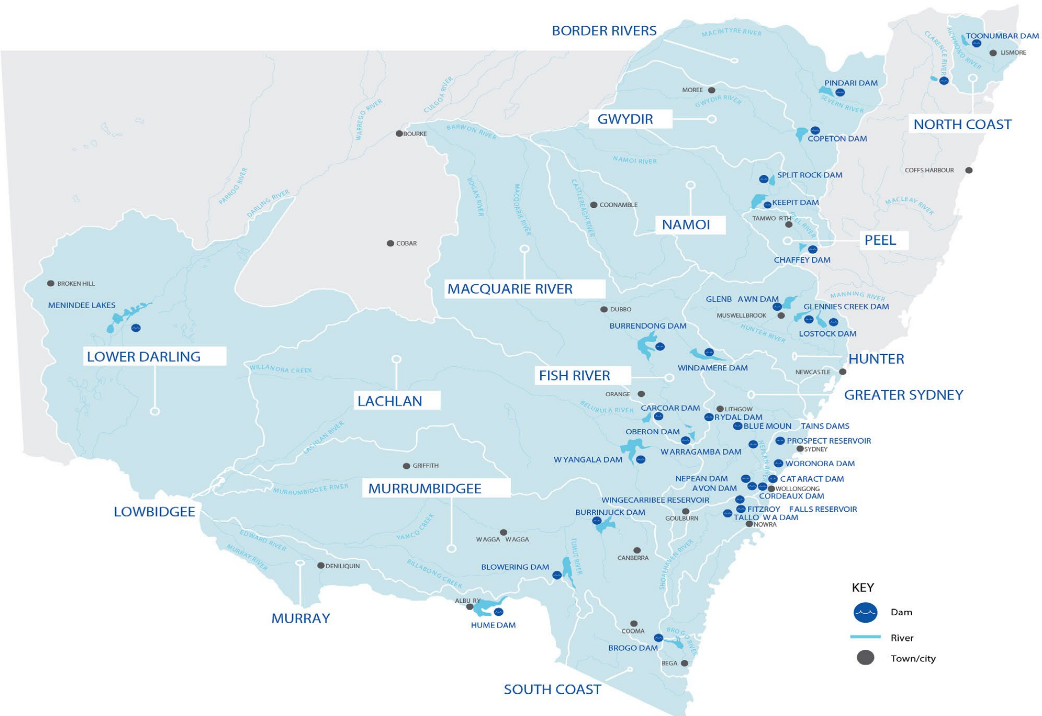
Drive change - We are open to change and always improving the way we do things.

Deliver excellence - We take pride in individual and corporate excellence.

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

Area of operations

Through our hundreds of employees located right across NSW in more than 40 locations, in 2020-21 we provided services to about 41,000 licence and approval holders across NSW and managed our extensive operational assets, water monitoring and metering networks.



Our strategic plan

Our new corporate strategy 2021-2026

WaterNSW has come a long way since its inception in 2015, building a solid foundation of excellent safety performance and the provision of critical water services. We have continued to perform through the challenges presented by drought, fire, flood and a global pandemic.

Our new corporate strategy seeks to build on this foundation, taking on the challenges and seizing opportunities that are present in our current and future operating environment and working with other agencies in the water sector to deliver maximum value for the people and communities of New South Wales. This is reflected through our new purpose and vision statements that will align our organisation and provide focus for our future effort.

Key initiatives

Delivering operational excellence

Business transformation program: An initiative that will align our business operating model with the new corporate strategy, the outcomes of water sector reform and improve operational effectiveness and efficiency.

Water Added Value Environment (WAVE): A portfolio of work that commenced as an initiative under the previous corporate strategy that will deliver significant improvements in our core customer, community, water delivery and water modelling operations through the streamlining, automation and digitalisation of processes.

Building a sustainable future

Our environmental, social and governance strategy and action plan: Environmental, social and governance (ESG) issues are increasingly prominent and this initiative will deliver an approach specific to WaterNSW aligned with principles and best practice applied across industy and governments.

Developing our people and capabilities

Inclusion and diversity program: An initiative that will help us create a diverse, high performing workforce and will support the social obligations of our ESG strategy.

Our people strategy: Supporting the corporate strategy by ensuring WaterNSW has the right culture, the right people with the right capabilities at the right time.

Respected by the customers and communities we serve

Customer and community engagement program: An initiative designed to further improve our customer, community and stakeholder engagement.

Reconciliation Action Plan: A key priority for WaterNSW that will enable us to begin our corporate journey of reconciliation in line with an agreed and widely adopted framework used by both public and private sectors that will be developed in consultation with Aboriginal Community leaders and stakeholders.

Working together in partnership

Water sector reform: There are a number of Government led initiatives aimed at lifting the performance of the sector. We will continue to engage constructively and contribute to these wide ranging initiatives.

Regional, rural and local water utilities engagement: Working with others to determine how WaterNSW can best support rural communities and local water utilities to improve water security and water quality outcomes in regional areas.

Strategic plan 2018-2021

2020-21 was the third and final year of the 2018-2021 Strategic Plan. As such, the review of operations contained in this Annual Report has been presented against the strategic goals detailed below.

Some of the key achievements under the 2018-2021 Strategic Plan include:

- An improved safety performance driven by our focus on safety culture, contractor safety, health and wellbeing support, our management of COVID-19 with an emphasis of mental health programs.
- The development of a comprehensive Finance Plan aimed at strengthening the financial health of the business.
- Participation in Water Sector reforms such as the establishment and transition of projects to Water Infrastructure NSW.
- An 18 percent rise in employee engagement, driven by an investment in leadership development, the rollout of a reward and recognition program, improved employee communication and establishing a unified and common Enterprise Agreement.

- The delivery of infrastructure projects such as the Broken Hill Pipeline and the development of a new infrastructure project delivery model which has been recently transitioned to Water Infrastructure NSW.
- Improved relationships with community stakeholders through the establishment of new engagement forums such as the River Operations Stakeholder Consultation Committee forums (ROSCCo).
- A renewed focus on Aboriginal engagement with the development of a Reconciliation Action Plan and an Aboriginal Cultural Competency training program.
- Demonstrated thought leadership through our input to the State Water strategy, regional water strategies and Greater Sydney Water Strategy.
- Maintaining water quality and supply in Metropolitan Sydney through droughts, bushfires and floods.
- The design, development and rollout of a digitalisation strategy and supporting program known as WAVE.

As part of developing our new corporate strategy covering the period 2021 to 2026, we reviewed the progress made in delivering our previous strategy and have incorporated any relevant elements that should remain a focus as we go forward.

Review of operations

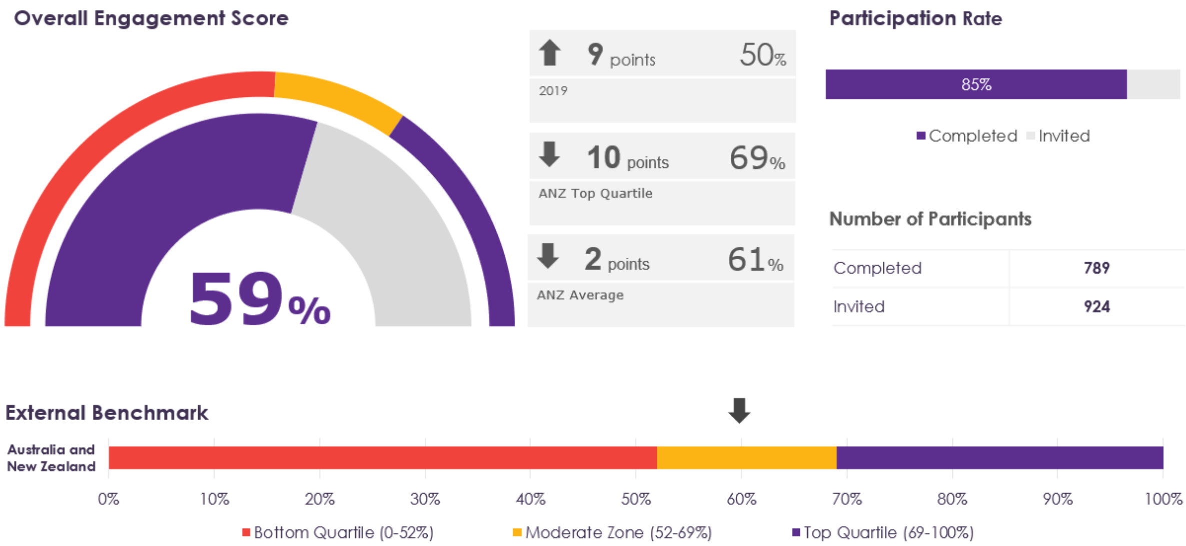
Our people and safety

Develop our people

Employee engagement

Following on from our first Employee Engagement Survey (My Say) conducted in late 2019, we ran our second survey in June 2021 with a strong participation rate of 85 percent (up from 75 percent in 2019). Our Employee Engagement saw a pleasing improvement in our Employee Engagement from 50 percent to 59 percent (2019 to 2021).

This uplift occurred in what was a very difficult and challenging time for everyone given the impacts and effects of COVID-19. It was interesting to note that WaterNSW went against the trend that other employers experienced during this period.



Our goal is to continue to improve our engagement levels (target 5 points) by retaining the levels of positive engagement we have achieved and shifting those who are less engaged whilst we are still managing challenging circumstances, including the COVID pandemic and water reform. The key areas identified as having the potential to improve engagement are:

- infrastructure - improving our work processes and improving speed of decision making
- talent - retaining our people to achieve our business goals
- collaboration - improving the cooperation between business areas
- future focus - providing a clear and compelling vision for the future, communicating that well and taking action to position the organisation well for the future.

Reward and recognition program

Through our Splash recognition program, we proudly value and appreciate the contributions of our people and encourage everyone to show appreciation and recognise each other when they are living our Values and delivering great results. There are four program elements to Splash and the awards for the year are highlighted below.

The Ripple Effect

Building a culture of appreciation

- 503 Values eCards sent to say 'thank you' and recognise people who are living our Values

Dam Good Awards

Recognising our stand-out achievers each quarter

- 175 nominees (129 individuals, 46 teams)
- 40 winners (24 individuals, 16 teams)

Milestones

Celebrating the contributions of employees who reach service milestones

- 128 employees recognised at 30 locations across the State

Splash Annual Awards

Recognising the individuals and teams who have delivered significant and exceptional results each year

- 31 Finalists (19 individuals, 12 teams)
- 7 Winners (3 individuals, 4 teams)

Developing our people

WaterNSW has continued to invest in the development of our people during 2020-21 and has been able to quickly adapt and change the delivery mechanism of our programs due to the impact of COVID-19. Our people have responded extremely well to virtual learning with very positive feedback received.

With an increased focus on supporting the mental health and wellbeing of our people, and equipping leaders to manage teams in a remote working environment, 1,779 attendees participated in corporate courses including:

- Respect@Work Bullying & Harassment Prevention
- Understanding & Managing your Mental Health
- Managing for Team Wellbeing
- Connected Leaders Series
- Elevate Professional Skills Program

Training programs

The LIFT Supervisor Program launched in 2021 with a focus on giving our people supervisors an opportunity to grow their people leadership skills. The first cohort will complete their six month virtual program in September 2021.

A leadership program called RISE was launched in 2018 as a key initiative designed to build leadership capability. This program based on the WaterNSW Leadership Capability Framework and has continued to be delivered in a remote environment. During the year there were five cohorts involved in the program of which two have now completed the 12 month program.

Corporate Orientation has continued to be delivered in a remote manner and we had 122 new starters attend the streamlined virtual program over the 12 month period.

Learning management system

The WaterNSW Learning Management System (LMS) manages our learning and development administration, delivery, monitoring and reporting of online learning and corporate training programs. The LMS has allowed the business to quickly pivot and continue with employee learning and training initiatives during the COVID-19 pandemic.

The LMS, along with collaboration tools such as Zoom and Microsoft Teams, has provided the business with the capability to use the digital space to deliver face to face programs in a virtual environment. The LMS has also provided the opportunity to deliver COVID-19 related corporate training such as priority course offerings around employee health, wellbeing and safety, whilst continuing our corporate offerings.

WaterNSW Enterprise Agreement

The WaterNSW Enterprise Agreement 2018 (WaterNSW EA) commenced operation on 6 March 2019. 2020-21 is the final year of the agreement and bargaining is underway for the development of a new agreement using an interest-based bargaining approach. The previous agreement has worked very well, bringing together several different agreements and reducing complexity of conditions.

Performance pay continues to be a feature of this agreement.

Number of employees

	2017-18	2018-19	2019-20	2020-21
Total number of employees at 30 June	791	798	914	958
Number of employees at 30 June - Aboriginal people and Torres Straight Islanders	6	4	5	7

The increase in employee numbers in 2020-21 is due to an increase in the Greater Sydney maintenance services team, extensive works to repair damaged sites arising from the 2019-20 Black Summer wildfires, a project to implement Government owned meter upgrades or replacements as part of the non-urban metering reform program, and a combination of permanent, term and casual roles including graduates and replacement of employees on transition to retirement programs. FTE engaged progressively since 2019-20 to support the CSSI Regional Priority Dams projects were subsequently seconded to WINSW in 2021-22.

The increase in employee numbers in 2019-20 is primarily as a result of managing the drought and bushfire recovery works, supporting an increased capital program, for example the CSSI Regional Priority Dams and drought related capital works, and supporting a number of strategic priorities across the business.

Overseas travel

No overseas travel was undertaken by WaterNSW employees or officers during 2020-21.

Policies and procedures

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

Recruitment and selection: recruitment.

Conditions: Code of Conduct, Enterprise Agreement, managing excess employees, job evaluation, remuneration, bonus and short-term incentives, salary packaging.

Learning and development: employee orientation, compliance, learning and development, study assistance.

Performance management: corrective and disciplinary action, managing workplace complaints, performance and development plans.

Welfare: flexible work arrangements; leave; parental leave; fitness for work; return to work program; prevention of discrimination, bullying and harassment; transition to retirement.

Workforce diversity

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark (%)	2017-18 (%)	2018-19 (%)	2019-20 (%)	2020-21 (%)
Women [1]	50	28.9	28.4	30.6	30.8
Aboriginal people and Torres Straight Islanders [2]	3.3	0.8	0.5	0.6	1.0
People whose first language spoken was not English [3]	23.2	5.5	7.6	11.3	22.1
People with a disability [4]	5.6	1.8	1.8	1.3	2.2
People with a disability requiring work-related adjustment	N/A	0.3	0.1	0.1	0.5

1. The benchmark of 50 percent for representation of women across the sector is intended to reflect the gender composition of the NSW community.
2. The NSW Public Sector AES 2019–25 aims to build on the success of the AES 2014-17 under which the proportion of the workforce identified as aboriginal increased from 2.6 to 3.3 percent overall by 2018 and set an aspirational target of 3 percent (from 1.8 percent) aboriginal employment at each grade of the public sector by 2025.
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 percent is the percentage of the NSW general population born in a country where English is not the predominant language.
4. The diversity target in the Premier's Priority for a World Class Public Service in 2019 incorporated a diversity target aiming to double the representation of people with disability in the NSW public sector from an estimated 2.8 percent to 5.6 percent by 2025.

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 employees. 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 employees.

Workforce diversity group	Benchmark (%)	2017-18 (%)	2018-19 (%)	2019-20 (%)	2020-21 (%)
Women	100	96	97	99	100
Aboriginal people and Torres Straight Islanders	100	Distribution index not calculated[1]			
People whose first language was not English	100	112	107	108	108
People with a disability	100	Distribution index not calculated[1]			89
People with a disability requiring work-related adjustment	100	Distribution index not calculated[1]			

1. The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Live our commitment to zero harm

At WaterNSW, the safety of our people is our highest priority. In 2020-21 our safety management system was certified against ISO 45001, having previously been certified against OHSAS 18001. We regularly review and update our safety systems and processes, which this year included the continuation of our hazardous materials reinspection program and delivery of revised hazardous materials registers and review of our work health and safety (WHS) procedures to simplify the documents and make them easier for the end user to interpret and follow.

Safety performance

We have measured our safety culture using a newly developed survey which can be benchmarked against other organisations and industry. The incident severity rate, included as a Key Corporate Performance Indicator for the first time in 2020-21, allows WaterNSW to track incidents with potential for severe harm while tracking other safety incidents for trends and themes. Our safety performance for severe actual or potential incidents has improved since the new measure was introduced when compared to prior years.

There were no prosecutions or breaches incurred by WaterNSW during the reporting period, with a low number of lost time injuries reported.

The table below summarises our lost time injury (LTI) performance. While the number of LTIs increased from the previous year, all four incidents were assessed as having an actual and potential low risk, low severity outcome. WaterNSW has actively managed risks during 2020-21 with a range of safety communications, commencement of a fitness for work project, training, and updates to risk and ergonomic assessments.

	2017-18	2018-19	2019-20	2020-21
Lost time injuries	3	5	1	4
Lost time days	214	74	2	84
Average lost time days per lost time injury	71	15	2	21

Note: this table only includes incidents involving WaterNSW employees

Safety programs

WaterNSW has a range of targeted programs and initiatives designed to foster the safety and wellbeing of our people.

During 2020-21 the focus has been on continued embedding and finalising of the three year safety culture improvement program known as Safe4Life.

During 2020-21, the behavioural safety program titled Think Safe4Life was redeveloped as an online program due to the COVID pandemic and the transition to working from home for some of our people.

WaterNSW finalised and embedded our six safety commitments, which support our collective commitment to safe behaviours. In addition, the development of a fitness for work program linked to the WaterNSW Strategic Plan has been developed and will be implemented over the next year.

In 2020-21 WaterNSW introduced the Safety Action Manager or SAM, an online application designed to improve the quality of our safety data and strive towards a generative safety culture. SAM helps us by introducing more efficient and user-friendly ways to capture better data, ensuring we collect the data necessary to predict trends and improve our understanding of our safety environment.

SAM is available to all WaterNSW employees and contractors to report safety hazards, record safety conversations, capture safety programs such as training, and all other activities related to the safe delivery of WaterNSW projects and activities.

WaterNSW provides employees with the support, encouragement, motivation and assistance to improve their physical and psychological wellbeing through our MyWellbeing program.

WaterNSW is delivering a range of proactive initiatives focussed on physical and mental health in partnership with Sonic Health Plus, including a 12 month health and wellbeing calendar following on from employee health assessments and health coaching completed in 2018-19. WaterNSW also partnered with the Black Dog Institute to deliver a mental health training program for leaders and employees.

The continuation of the COVID-19 pandemic also resulted in the development of safety plans, safe access protocols, office reopening activities including the development of the Good2Go app to record attendance at WaterNSW sites, training and support for employees to safely work from home, and a review of future ways of working.

Contractor safety

Our Safe4Life program includes a specific focus on the safety of contractors working on our sites. In 2020-21 WaterNSW performed a review of the contractor engagement and management process from inception to completion of works, with an emphasis on higher risk activities largely associated with capital projects.

The review resulted in the introduction of the following initiatives to assist in reducing contractor safety incidents, including:

- a pre-qualification process that requires potential suppliers to describe their safety management systems and provide evidence of past performance;
- all requests for tender now include the key safety risks associated with the work and require respondents to describe how they will manage these risks;

- an on-line system to store key qualifications and their expiry dates, such as white cards, and the ability to perform site inductions prior to attending the site;
- checklists the contract manager can review to ensure all relevant document, processes and systems are in place prior to the contractor arriving on site;
- a risk-based approach to the presence of WaterNSW employees on site to oversee the work of contractors; and
- a video message from the Chief Executive Officer of WaterNSW that can be accessed using a QR code on display at work sites which emphasises our safety culture and gives anyone permission to stop unsafe work and to report safety concerns without recourse.

While these initiatives have not eliminated safety incidents involving contractors, they are improving the safety culture and have contributed to our achievement of zero Class 4 or 5 severity safety incidents in 2020-21.

Our performance

Our Finance Plan

In 2020-21, WaterNSW developed a Finance Plan aimed at strengthening the financial health of our business in a manner that projects and improves financial value and delivers balanced outcomes for both customers and the shareholder.

The plan focuses on prudent operating cost management, financial risk management, improving our capital efficiency and productivity to establish a solid foundation for future years. Implementing the elements of the plan will result in:

- operating expenses aligning with the annual regulatory allowances in the last year of the regulatory period, thereby supporting prices being held constant in real terms; and
- capital investments aligning with our regulatory allowances, with investments aligned to supporting the achievement of our Corporate Strategic Plan.

Implementation of the Finance Strategic Plan will commence in 2021-22.

Pricing submissions

Greater Sydney

WaterNSW's role in the Greater Sydney area is to protect 16,000 square kilometres of drinking water catchments and to 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. WaterNSW's largest customer is Sydney Water, which accounts for approximately 99 percent of WaterNSW's bulk water sales.

2020-21 marked the first year of the four year 2020 Determination issued by IPART. Preparations will commence in 2021-22 for the 2024 Greater Sydney Determination, which requires WaterNSW to submit a pricing proposal to IPART on 30 June 2023 for new bulk water charges as of 1 July 2024.

Rural Valleys

WaterNSW provides rural bulk water services to around 6,300 customers including private irrigators and Irrigation companies, environmental water holders and local councils. We meet community needs by providing water for stock and domestic users and are responsible for delivering environmental flows on regulated rivers.

The NSW Government plays a considerable role in funding (in whole or in part) the costs of providing bulk water services to our rural customers.

In June 2020 WaterNSW submitted a one year pricing proposal with IPART for forecast revenue requirements and prices for bulk water in NSW Rural Valleys from 1 July 2021 to 30 June 2022. The proposal was 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. During the review process, IPART specified its preference for a four year determination period, resulting in WaterNSW revising our initial submission to include forecasts for the subsequent three years (that is, 2022-23 to 2024-25).

In September 2021 IPART released its Final Determination for WaterNSW's rural bulk water charges from 1 October 2021. IPART's review found that for WaterNSW to deliver efficient services into the future, our expenditure needs to be higher than was allowed for in IPART's 2017 review. The Final Determination noted that prices and customer bills are generally higher, but lower than WaterNSW proposed:

- Bulk water charges increase (on average) by approximately 30 percent, based on a 29 percent increase (on average) for entitlement charges and 31 percent increase (on average) for usage charges (before inflation) in most valleys. This returns prices and bills to levels similar to those under the 2014 Australian Consumer and Competition Commission (ACCC) Decision. However, in the North Coast and South Coast valleys, the charges remain constant and increase by inflation only.
- Murray-Darling Basin Authority (MDBA) charges generally increase by up to about 15 percent (before inflation, for some charges), while Border Rivers Commission (BRC) fixed charges decrease, and the water charges increase slightly.
- Most charges for Fish River customers increase by up to 36 percent (before inflation), except for Oberon Council, where charges will be held constant and increase for inflation only.
- Most miscellaneous charges are held constant and increase by inflation only.

Water Administration Ministerial Corporation

WaterNSW is responsible for the discharge of a subset of the Water Administration Ministerial Corporation (WAMC) functions or activities that are covered in the 2016 WAMC Determination as set out in Schedule A of the WaterNSW Operating Licence. For the most part these relate to water licensing activities for WaterNSW's licensees (customers other than specific customers listed in Schedule A), water monitoring on behalf of DPIE-W and some metering functions. DPIE-W and, more recently, NRAR are responsible for the remainder of the WAMC activities.

In July 2020, WaterNSW lodged its proposal with IPART for forecast revenue requirements and prices for services provided on behalf of the WAMC for a four year period commencing on 1 July 2021. WaterNSW's component of the proposed pricing increases reflects the efficient costs of administering the licensing regime combined with higher information technology costs arising from the need to renew end-of-life systems and provide customers and stakeholders with more timely and valuable information.

In September 2021 IPART released its Final Determination for WAMC charges from 1 October 2021 to 30 June 2025. The Final Determination reflected IPART's assessment that additional investment is required to provide a more sustainable and reliable water resource management system and that price rises are necessary. IPART determined that this investment will be largely funded by the NSW Government, however water users will also need to make a greater contribution through higher prices. WAMC prices will transition towards the levels required to fully recover users' share of efficient costs over time.

Water management charges under the Final Determination will increase by 2.5 percent per year (before inflation) and a maximum of 10.4 percent (before inflation) over the four year period based on IPART's assessment of customer affordability. IPART decided to set separate MDBA and BRC price components at full cost recovery from 2021-22.

Non-urban metering reform charges

WaterNSW supports the Government's water reform action plan through the active implementation of key components of the non-urban metering framework. As part of the reforms, all Water Supply Works Approvals above mandated thresholds will be progressively required to have in place metering equipment that complies with specified standards and in some cases requires telemetry to be installed, used and properly maintained.

These reforms are designed so that non-urban water take in NSW can be appropriately measured and metered. In turn, the timelier receipt of data from this metering equipment will help to better inform the management of water resources in NSW by multiple agencies.

In its June 2021 Supplementary Draft Report, IPART noted that WaterNSW made considerable progress in developing its cost estimates and has undertaken additional program assurance activities to address many of IPART's previous concerns.

Consistent with WaterNSW's metering submission, and as incorporated in the IPART 2021 Rural Valleys and WAMC Final Determinations issued in September 2021, IPART has made a final decision to introduce five new charges for WaterNSW to recover the efficient costs of implementing the NSW Government's non-urban metering reforms:

- A **scheme management charge** to each licence, which would apply to all licensed customers. It includes the wider costs associated with the introduction of the reform such as recording and reporting, customer self-reporting, general enquiries and education whereby the benefits extend beyond any individual user.
- A **telemetry charge** to each metering installation for customers that use telemetry applied to customers with privately owned and government owned meters to recover the costs of compliance activities, water take assessments, meter reading and meter data services.
- A **non-telemetry charge** to each metering installation for customers that do not use telemetry capacity applied to customers with privately owned and government owned meters without telemetry.
- A **meter service charge – operating costs** and **meter service charge – capital costs** to each metering installation for customers with government owned meters. These charges will be applied as an annual fee per metering installation.

IPART stated in the Final Determination that the efficient costs of implementing the non-urban metering reforms are 12.3 percent less than the base case of WaterNSW's revised proposal, and that the efficient cost will decrease further as the proportion of users that opt-in to telemetry increases. The user share of efficient costs is set at 100 percent after considering the NSW Government's funding for the capital costs of upgrading government owned meters.

IPART's decisions take account of the NSW and Australian Governments' suite of programs to support the uptake of metering and telemetry equipment. The NSW Government and Australian Government will each provide $9 million in funding to deliver a telemetry rebate program across NSW. The rebate will automatically be applied as a one-off $975 credit on a water bill when an eligible water user with a meter connects to the NSW Government's telemetry system. This will provide a financial incentive for metered non-urban water users to use telemetry to remotely transmit their water take information.

The NSW Government is also providing funding of $14.6 million to WaterNSW to cover the capital costs of upgrading government owned meters, which will complement a further $12.5 million being invested by the Federal Government to boost metering and telemetry in northern NSW. The aim of the funding is to ensure that the costs of bringing these meters into compliance with the non-urban metering rules is not borne by users.

IPART's 2021 Final Determinations for Rural Valleys and WAMC, which include charges for WaterNSW to implement the NSW Government's non-urban metering reforms, take effect from 1 October 2021.

Wentworth to Broken Hill Pipeline

The 270 kilometre Wentworth to Broken Hill Pipeline is designed to provide raw water to Essential Water to meet the needs of the community of Broken Hill. WaterNSW also owns and operates a bulk water storage facility that can supply Essential Water's need for water for around 22 days while providing emergency supplies.

WaterNSW submitted a pricing proposal to IPART on 30 June 2021 for new water transportation service charges from 1 July 2022. Our proposal for a five year determination period with risk mitigation measures, primarily relating to the costs of electricity, is to support an efficient allocation of risk and provide WaterNSW with accountability for those factors within our reasonable control. If appropriate risk mitigation measures are not implemented, we proposed a shorter determination period of three years to reasonably manage risk in the outer years and to align to our Rural Valleys and WAMC determination timelines.

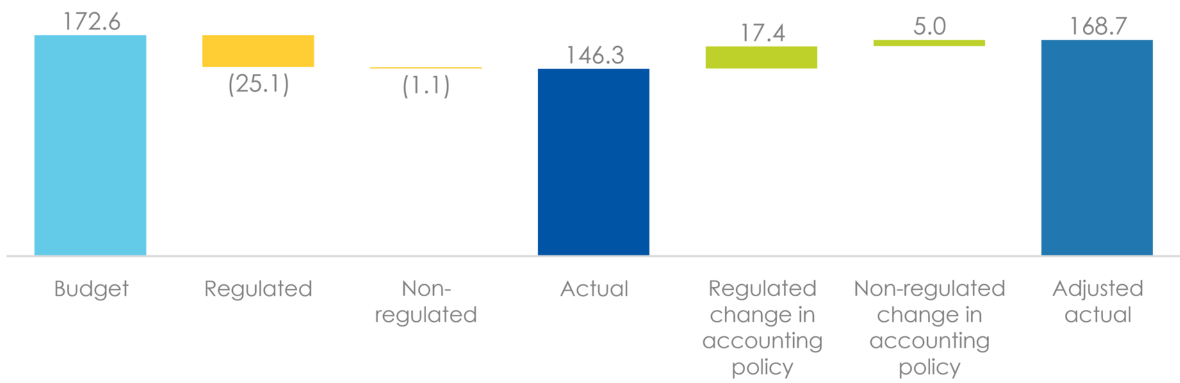
Our proposal includes the costs of targeted investments to operate and maintain the pipeline assets in manner that is in the best interest of customers, while continuing to minimise costs to customers. Under our proposal, the tariff structures from the 2019 Determination will be maintained with average bills proposed to decrease by 4.9 percent for Essential Water and 2.5 percent for offtake customers (excluding inflation).

IPART's review process is expected to include an Issues Paper in September 2021, a Draft Determination and public forum in March 2022 and the Final Determination in May 2022, with new prices to take effect from 1 July 2022.

Financial performance

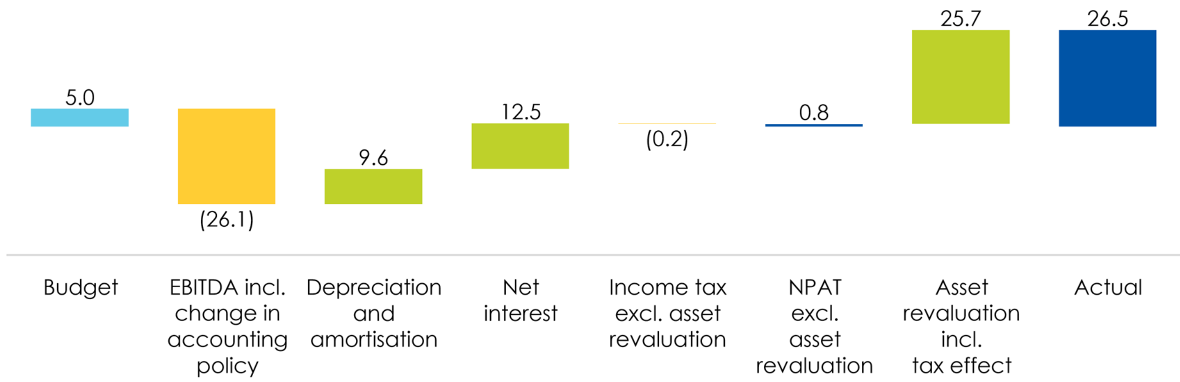
In a year where the business had to manage a variety of significant events, our financial performance was generally strong.

WaterNSW EBITDA performance against budget by business segment ($million)



Earnings before interest, tax, depreciation and amortisation (EBITDA) were $26.2 million lower than target, primarily due to implementation of an IFRIC agenda decision on accounting for configuration or customisation expenses in a cloud computing environment which resulted in $22.4 million being recognised as operating rather than capital expense. Excluding the IFRIC agenda decision, EBITDA was $3.8 million below budget, primarily due to lower than expected regulated revenues ($9.4 million).

WaterNSW 2020-21 NPAT performance against budget ($million)



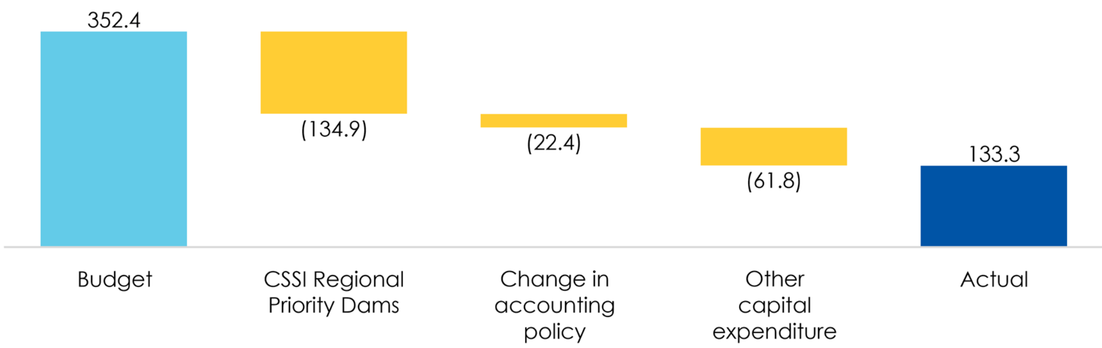
Note: performance in the graph above has not been adjusted for the impact of the change in accounting policy.

Depreciation and amortisation were favourable to budget ($9.6 million), primarily due to capital expenditure being lower than budget in 2019-20 ($19.4 million) and 2020-21($219.1 million) and lower amortisation arising from implementation of the IFRIC decision.

Net interest expense was favourable to budget ($12.5 million), primarily due to lower borrowings as a result of lower capital expenditure ($219.1 million) and increased capitalisation of borrowing costs ($4.2 million).

Revaluation of assets was favourable to budget ($25.7 million) due to use of a lower discount rate, higher forecast cash flows from increased regulated revenue, and lower forecast renewal capital expenditure.

WaterNSW 2020-21 capital expenditure performance against budget ($million)



Capital expenditure was lower than budget ($219.1 million), primarily due to changes in the scheduling of pre-construction activities for the CSSI Regional Priority Dams, delays in the asset renewal and replacement program, configuration or customisation expenses in a cloud computing environment being recognised as operating rather than capital expense, and lower expenditure on drought projects following the increased availability of water. Capital expenditure was also impacted by the Greater Sydney flood event in March/April 2021, and to a lesser extent COVID-19 work restrictions.

Summary of financial performance

	2017-18 Actual $ million	2018-19 Actual $ million	2019-20 Actual* $ million	2020-21 Actual $ million	2020-21 Budget $ million	2020-21 Variance $ million	2021-22 Budget $ million
Revenue	395.2	416.4	409.3	448.9	464.7	(15.9)	422.1
Operating expenditure	(208.0)	(234.3)	(238.2)	(302.5)	(292.2)	(10.4)	(286.3)
EBITDA	**187.3**	**182.0**	**171.1**	**146.3**	**172.6**	**(26.2)**	**135.8**
Depreciation & amortisation	(56.0)	(60.2)	(76.6)	(82.5)	(92.1)	9.6	(93.0)
Interest revenue	1.3	0.5	0.4	0.0	0.2	(0.2)	0.2
Interest expense	(47.6)	(61.3)	(67.0)	(60.4)	(73.2)	12.8	(58.9)
NPBT excl asset revaluation	**85.0**	**61.0**	**27.9**	**3.5**	**7.5**	**(4.0)**	**(15.9)**
Income tax	(20.7)	(19.2)	(8.1)	(2.7)	(2.5)	(0.2)	4.6
NPAT excl asset revaluation	**64.2**	**41.8**	**19.8**	**0.8**	**5.0**	**(4.2)**	**(11.3)**
Asset revaluation and other gains/(losses)	27.3	38.3	(65.9)	48.7	0.0	48.7	0.0
Tax effect of asset revaluation	(8.2)	(11.5)	19.8	(14.6)	0.0	(14.6)	0.0
Net profit after tax	**83.3**	**68.6**	**(26.3)**	**34.8**	**5.0**	**29.9**	**(11.3)**
Capital expenditure	**(298.4)**	**(291.5)**	**(251.2)**	**(133.3)**	**(352.4)**	**219.1**	**(137.3)**

* Restated as a result of the change in accounting policy discussed in Note 2 of the 2020-21 audited financial statements.

Key performance indicators

Performance against financial KPI targets was also significantly impacted by implementation of the IFRIC agenda decision on configuration or customisation expenses in a cloud computing environment. As this decision was not known when establishing the financial targets, and to assist with better understanding WaterNSW's performance, the table below shows the performance outcomes both including and excluding the impact of the IFRIC decision.

Financial	Target	Actual	Actual (excl impact of IFRIC decision	Performance drivers (excluding impact of IFRIC decision)
Returns to shareholders[1]	$52.4m	$51.3m	$51.3m	Lower government guarantee fee due to lower borrowings was substantially offset by higher income tax due to lower depreciation expense and interest costs. Dividend of $20.0 million was in line with target.
Regulated[2] operating expenditure	$181.0m	$196.7m	$179.3m	Lower than projected employee-related and contractor expenses.
Regulated[2] capital expenditure	$351.9m	$133.3m	$155.7m	A change in scheduling and accountability for managing of major projects, and staff being diverted to assist with the March 2021 floods.
Capital structure efficiency	Baa2 credit rating	BBB+ credit rating, equivalent to Baa1	BBB+ credit rating, equivalent to Baa1	Recognition of WaterNSW's actions in relation to protection of revenue through a volatility insurance product and forecast efficiency measures.
	60% net debt to RAB[3]	55.4%	55.4%	Lower borrowings due to lower capital expenditure.
EBITDA	$172.6 million	$146.5 million	$168.9 million	Slightly lower revenue due to lower water sales, was offset by lower employee-related and contractor expenses.

1. Returns to shareholders is comprised of dividends, current income tax, government guarantee fee and returns of capital. The GGF is a fee paid to NSW Treasury, in accordance with competitive neutrality principles, based on the differential between the market rate of borrowings for a private sector business of similar risk and WaterNSW's cost of debt obtained from TCorp, which borrows using the State's credit rating.
2. Regulated expenditure is incurred in relation to pricing determinations issued by IPART.
3. Regulated asset base in relation to a pricing determination.

Non-financial	Target	Actual	Performance drivers
Zero harm	Zero lost time injuries	Six lost time injuries	Four LTIs were reported for WaterNSW employees and two for principal contractors
Incident severity rate	Four or less Class 4 (severe hurt) or 5 (fatality) severity incidents	Zero Class 4 or 5 severity incidents	The severity rate classifies safety incidents by actual and potential harm
Skyline	49.3% of customers rank our service delivery as greater than 7 out of 10	48.3% of customers rank our service delivery as greater than 7 out of 10	This is a 2.5% improvement over the 2019-20 performance of 47.1%
Quality of water supplied	Meets agreed criteria more than 95% of the time	Met agreed criteria 99.2% of the time	Raw water quality was impacted throughout the year by successive large inflow events following the 2019-20 bushfires but did not impact treatment processes
Minimise operational water losses	River system water losses do not exceed long term average losses by more than 5%	36% lower than long term average losses	Low resource availability in the first half of the year, tributary flows and a mild summer reduced water loss
Improve business performance and resilience	No more than 10 significant improvement recommendations not addressed within agreed timeframes	10 significant improvement actions not addressed within agreed timeframes	Regular reporting to the Executive Leadership Team on actions due for completion has resulted in achievement of this target
Employee engagement	At least 55% of employees are fully engaged	59% employee engagement score	This uplift occurred in a very difficult and challenging time and was against the trend experienced by other employers
Overall measure of delivery - asset projects	250 points	104 points	Rain events resulting in flooding and higher reservoir levels, disruptions to project execution due to the COVID pandemic and revisions to project scope during the initiation and planning phased delayed the achievement of planned milestones

Our business

CSSI Regional Priority Dams

In collaboration with our delivery partner WaterSecure and Water Infrastructure NSW (WINSW), WaterNSW continued with the planning and delivery of the following three Critical State Significant Infrastructure (CSSI) projects:

- the raising of Wyangala Dam wall to improve water security and drought resilience in the Lachlan Valley;
- the construction of the new Dungowan Dam and pipeline to deliver improved water security for Tamworth and the Peel Valley; and
- a final business case for a new dam on Mole River, in the Border Rivers region of NSW.

The contract to construct the Dungowan pipeline was awarded to MPC Kinetic in February 2021, and the preferred route for the pipeline was released by the NSW Government in March 2021.

Acciona and Seymour Whyte were shortlisted for the main construction contract for the Wyangala project in March 2021, with the $4 million Wyangala Water Treatment Plant contract awarded to Enviropacific in April 2021.

Stantec/GHD were engaged to develop the Environmental Impact Statement (EIS) for the Wyangala and Dungowan projects in early 2020. During 2020-21 they have undertaken investigations of the potential impacts on flora and fauna, biodiversity, noise, hydrology and aquatic environments. They have also undertaken assessments of contaminated land, land use and property, cultural heritage and social impact, geotechnical investigations and traffic and transport surveys. Early EIS consultation with the community began in May 2021 for the Wyangala project and June 2021 for the Dungowan project.

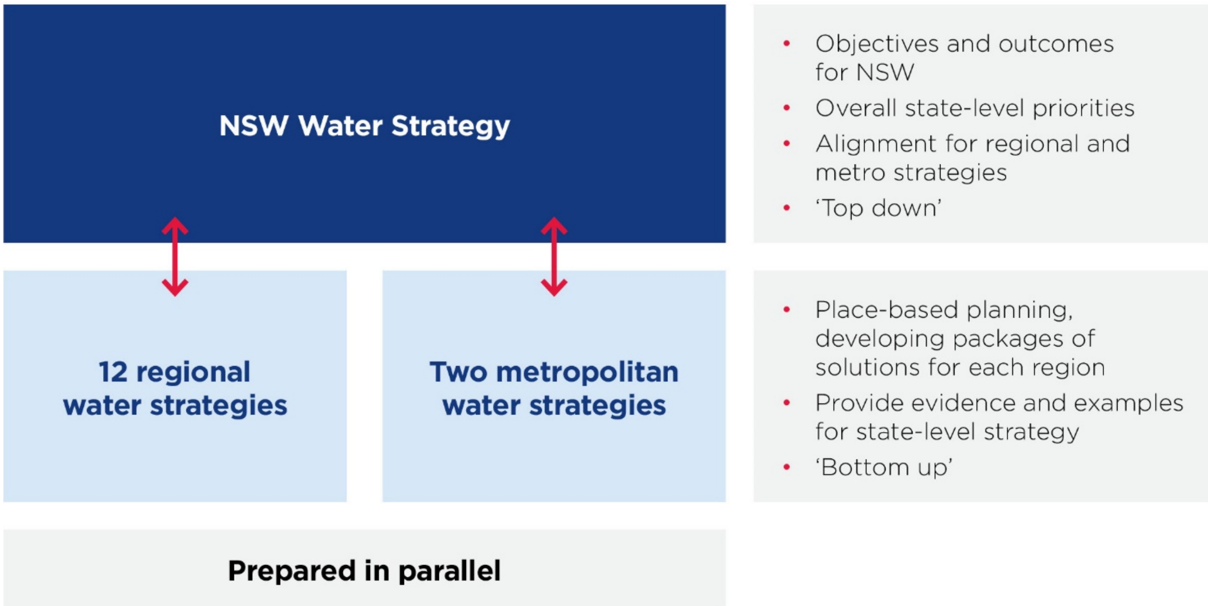
A wide range of investigations were also undertaken for the Mole River project, supported through the engagement of SMEC/EMM, in consultation with impacted landholders, Aboriginal stakeholders, Tenterfield Shire Council and wider stakeholders.

Community engagement is a key component of these projects. At the end of June 2021 WaterNSW had run about 90 information events, held more than 130 stakeholder briefings and had more than 100 meetings with impacted landowners. More than 580 local businesses had registered their interest in being involved with and supporting the Wyangala and Dungowan projects.

From 1 September 2021 responsibility for delivering these projects was transferred to WINSW.

Water Strategies

The NSW Department of Planning, Industry and Environment - Water (DPIE-W) are leading the development of long-term strategies to guide the management of the state's water resources. As the state's bulk water provider, WaterNSW is a key stakeholder and contributor to the development of these plans.



NSW Water Strategy

The NSW Water Strategy will address key challenges and opportunities for water management and service delivery across the state and set the strategic direction for the NSW water sector over the long-term. The strategy provides high-level objectives and priorities to inform the catchment-based regional and metropolitan strategies.

After a period of public consultation, the final NSW Water Strategy and associated implementation plan was released in September 2021. WaterNSW, together with other NSW Government agencies and utilities, will be involved in the delivery of these actions.

Regional Water Strategies

DPIE-W are preparing 12 new regional water strategies that will bring together the best and latest climate evidence with a wide range of tools and solutions to plan and manage the water needs in each NSW region over the next 20 to 40 years. Draft plans have been released for many of the valleys, while the development of others is currently underway.

The water strategy regions are:

- Border Rivers
- Far North Coast
- Greater Hunter
- Gwydir
- Lachlan
- Macquarie-Castlereagh
- Murray
- Murrumbidgee
- Namoi
- North Coast
- South Coast
- Western

WaterNSW has been a key contributor to the development of these plans, providing advice on modelling, asset strategy and options assessment.

Metropolitan Water Strategies

Two Metropolitan Water Strategies are also in progress. The draft Lower Hunter Water Security Plan was released in mid-2021 Plan, and the draft Greater Sydney Water Strategy was released on public exhibition in September 2021. Both plans will provide the NSW Government's strategic direction for ensuring the security and sustainability of each water system over the next twenty years.

As a bulk water provider in each catchment, the outcomes and decisions arising from both plans will necessarily guide how WaterNSW operates. WaterNSW has provided technical input, including modelling advice, into the development of the plans.

Our relationships

Reconciliation Action Plan

WaterNSW's operations, land management, projects and related activities require varying degrees of consultation and engagement with Aboriginal communities and stakeholder groups. As the state's operator of dams and water, WaterNSW is fundamentally associated with Aboriginal communities' cultural connection to water.

WaterNSW appointed an Aboriginal Engagement Manager in February 2021 to lead the develop and implementation of a WaterNSW Reconciliation Action Plan (RAP). Utilising the RAP framework developed by Reconciliation Australia, WaterNSW has committed to undertake a Reflect RAP that is best suited to organisations just starting their reconciliation journey. The Reflect RAP will allow WaterNSW to spend time scoping and developing relationships with Aboriginal and Torres Strait Islander stakeholders and deciding on our vision for reconciliation before committing to specific actions or initiatives. This process will help to produce future RAPs that are meaningful, mutually beneficial, and sustainable.

The RAP will drive a positive, culturally-appropriate approach to WaterNSW business and delivery of services to communities throughout NSW. It will also outline our broader commitment to reconciliation, working with and engaging with Aboriginal communities and support better outcomes in terms of Aboriginal employment, training, and procurement while building a deeper understanding and cultural awareness within WaterNSW.

Fundamental to the development and successful implementation of any RAP is the formation of a reference group or working group to engage the business across functions on its development, guide objective settings and build internal support and awareness. The process of developing a RAP also provides an ideal platform to begin these important conversations internally, demonstrate commitment by the organisations leadership and to start the journey of building a more culturally competent and aware organisation.

A RAP Committee was formed following an external expression of interest process. The RAP Committee's purpose is to provide WaterNSW with strategic advice on the views, needs and interests of Aboriginal Torres Strait Islander people in the NSW Regions in relation to the operations, water management and projects managed by WaterNSW. The RAP Working Group will inform and monitor WaterNSW Reconciliation Action Plan implementation through collaboration, communication, and positive internal and external relationships.

Our RAP Committee is made up of seven external Aboriginal Community members and three Aboriginal WaterNSW employees. The Committee is jointly chaired by our Aboriginal Projects and Programs Manager and our Head of Community Engagement.

The WaterNSW RAP is due for completion in late 2021 before being submitted to Reconciliation Australia in early 2022.

Aboriginal competency cultural program

WaterNSW is committed to improving how we engage, communicate and support first nations communities, not just for projects but to enhance understanding about water and river management across our operations.

To ensure we do better and deliver meaningful change, WaterNSW commenced an internal Aboriginal Cultural Competency training program in 2021. Developed in collaboration with specialist Aboriginal Cultural training providers, this two day course commences with an introduction to theory and background to improve understanding for participants and follows up with a day held on country visiting local sites and having the theory explained and demonstrated by local elders.

Two sessions of the program were held in 2021 involving the Chief Executive Officer, some Executive Leadership team and Board members, and over 50 employees. Additional sessions are planned in 2022.

This training has had a profound effect on all those who have participated, supporting greater engagement in driving change not just in our approach to engagements and partnerships, but the importance of working more closely with first nations peoples in all aspects of our operations and projects.

Wilcannia Weir award

WaterNSW has been leading the planning and community engagement for a new weir at Wilcannia. The project team committed itself to undertaking community engagement for the project in a far more culturally appropriate and collaborative approach.

In June 2021 at the TAFE NSW GILI AWARDS, the Wilcannia Weir project won the TAFE Industry Partnership. TAFE NSW nominated the partnership with WaterNSW, Murdi Paaki Regional Assembly and REDIE for this award which acknowledges the success of working together and achieve outcomes to deliver training courses in construction, tourism and hospitality.

The award is testament to the incredible teamwork shown by all involved and the commitment of WaterNSW to undertake a new approach to Aboriginal community engagement and partnerships designed in consultation and collaboration with the local community.

Customer complaints

Customer complaint volumes continued to be low in 2020-21 as a percentage of total customer inbound interactions with WaterNSW.

WaterNSW reports on complaint management performance every month with a focus on timely and effective resolutions for our customers. Front line employees also complete annual complaint management training.

If a customer is unhappy with the complaint resolution, they may contact the Energy and Water Ombudsman of NSW and request an independent review of the complaint.

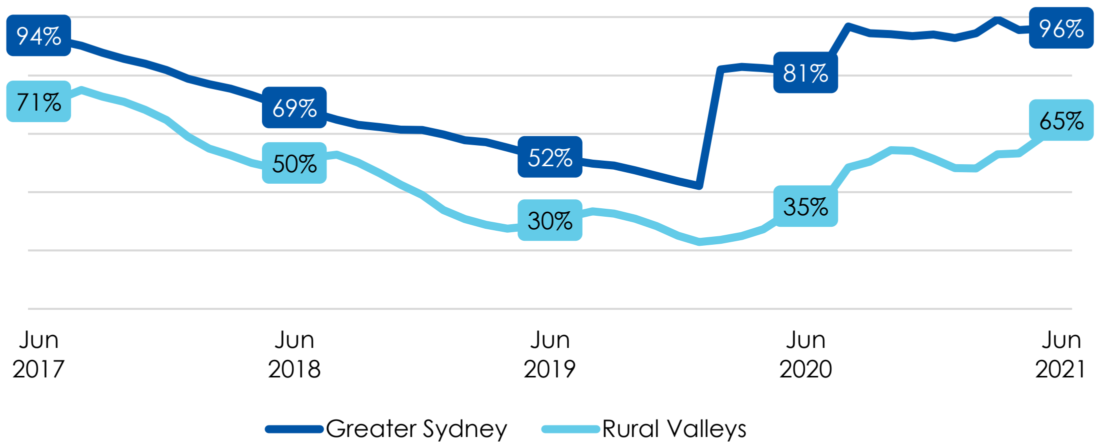
	2018-19	2019-20	2020-21
Customer complaints outstanding at 1 July	147	3	2
New complaints received	82	73	98
Complaints resolved/closed	226	74	84
Customer complaints outstanding at 30 June	3	2	15

Our water solutions

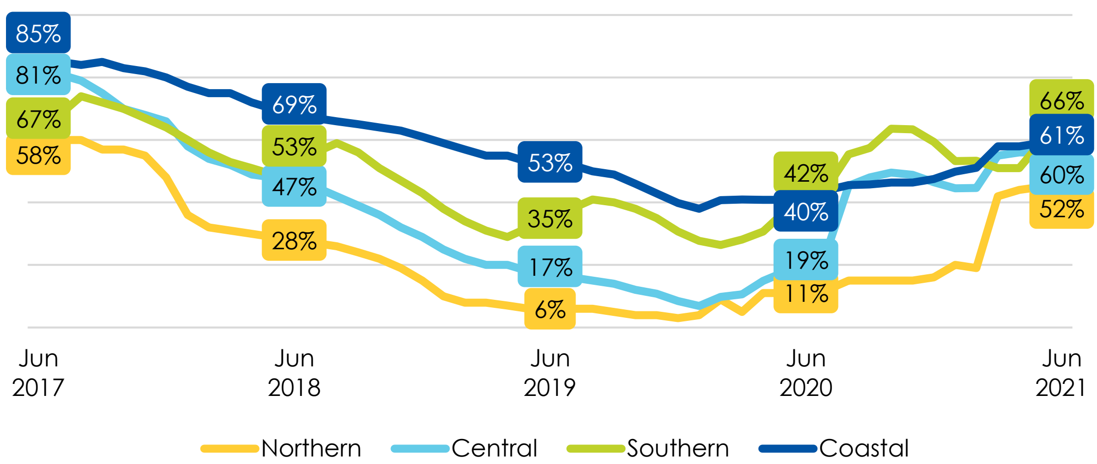
Water storage levels

The past 12 months has seen the drought of record break across all valleys in NSW with major storages receiving significant replenishment. This period of wetter weather, improved inflows and increased storage levels has brought renewed optimism in the local communities we serve.

Active storage volume - 30 June 2017 to 30 June 2021

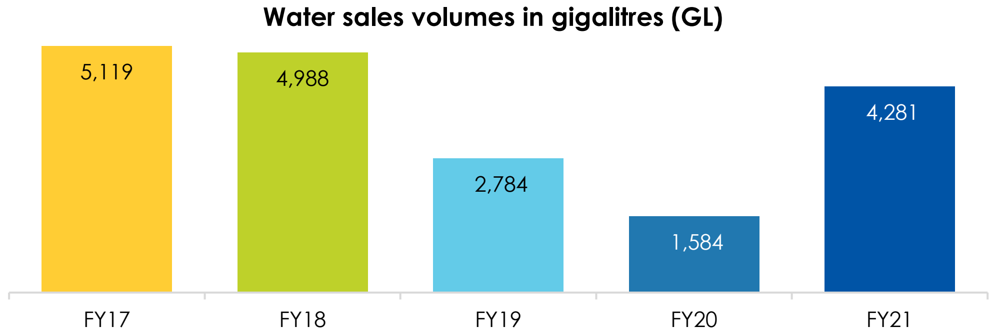


Active storage volume - 30 June 2017 to 30 June 2021 by Rural Valley grouping



Water sales

Rural Valleys



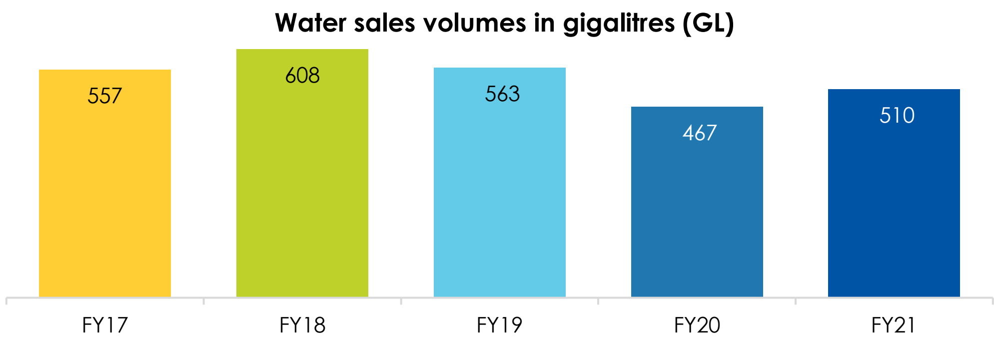
Rural water sales improved significantly on the prior year as availability increased following drought breaking rain. Improvement was seen initially in the South and mid-West late in the first half of the year, and in the North into the last quarter of 2020-21.

Water usage was driven by the preparation of summer cropping returning to normal levels for Southern valleys, and a little slower in the North with a later than usual harvest due to weather conditions and slower water availability.

The assistance customers received from NSW Government in the form of the drought rebate also benefited WaterNSW, which began to wind down during the year with final payments completed in the last quarter of 2020-21 as part of the year end invoicing.

Water sales volumes for 2020-21 were 184 percent higher than the previous year, with revenue of $49.3 million favourable to budget by $4.1 million.

Greater Sydney



Despite drought conditions easing, level 1 restrictions remained in place for a significant part of the year, resulting in water sales being only 19 percent above that of the prior year.

Water sales volumes for 2020-21 were 19 percent higher than the previous year, with revenue of $197.9 million unfavourable to budget by $2.0 million.

Environmental water delivery

In 2020-21 WaterNSW partnered with the NSW Department of Environment, Energy and Science (NSW Environmental Water Holder) and the Commonwealth Environmental Water Holder to deliver over 500 GL of licenced environmental water to sites across the basin. This included over 360 GL in the Murrumbidgee and Lowbidgee, 68 GL in the Lachlan Valley and 53 GL in the Macquarie. WaterNSW also managed over 1,700 GL of planned environmental water delivery during the year.

During the year the initial breaking of the drought saw water becoming available in the southern and central parts of the state for licence holders. This provided an opportunity for environmental water customers to use their licenced water to provide for environmental triggers for fish breeding events and to assist in rebuilding environmental resilience in the critical Lowbidgee, Macquarie Marshes and Gwydir wetlands.

WaterNSW also supported the planning and protection of environmental water being delivered from Northern tributary storages (Copeton and Glen Lyon) to provide for environmental flows into the Barwon Darling. This water was delivered in early January 2021 after the Barwon Darling had ceased to flow for over three months. Through the newly developed active management rules in the Barwon Darling water sharing plan, WaterNSW protected over 5 GL to ensure this water reached Wilcannia.

The breaking of the drought and increased flows in the Barwon Darling over March and April 2021 saw a further 68 GL of water that had been purchased by environmental water customers in the Barwon Darling protected along the length of the river right through to Menindee Lakes. This was the first year the active management rules were in place and WaterNSW was able to partner effectively with the environmental water customers to deliver environmental water to assist in river recovery after the worst drought on record. The drought resulted in many of the northern basin rivers ceasing to flow for extended periods between 2018 to 2020.

Water Added Value Environment

The Water Added Value Environment (WAVE) portfolio of work commenced in September 2020 and is progressing well. WAVE will comprehensively rebuild water data driven business functions, replacing outdated and stand-alone systems and processes with a simplified, automated and consolidated business platform that enables data driven decision making without the need for manual data management processes.

WAVE provides an opportunity to significantly improve our interactions with customers, make data driven decisions and provide information to our broader community and specialised stakeholders. The portfolio consists of three complementary programs, which are discussed below.

Customer, stakeholder and water markets program

With a vision of transforming the systems and processes that drive our business and customer service, this program will increase the efficiency and effectiveness of capturing and presenting information.

In 2020-21 this program has delivered a new digital portal for customers to submit applications for Basic Landholder Rights (BLR) Bores. This is one type of work approval that now includes a digital data entry form that guides customers through the process and validates the information provided to allow an automated approval to be provided in many cases. The new process automates look up of land ownership, Aboriginal Heritage, location of the bore in relation to prohibited locations and a range of other customer validations. The intent has been to take out manual checking work that takes up a lot of time in processing customer transactions. The same process will be replicated, with relevant variations, across all other license and works approval processes.

Water data program

The program focuses on ensuring the integrity of data is built into the data flows so that the manual work of checking data, correcting human error in manual processes and undertaking complex calculations are simplified allowing operators to consider complex operational issues rather than get the data right.

In 2020-21 this program developed a set of new dashboard capabilities to enable improved data based decisions to be made on water releases to deliver water to our customers. In addition, a range of new capabilities in the Water Insights Portal have been released to the public through the year. Water Insights is an interactive dashboard available on the WaterNSW website.

Water delivery and visualisation program

The aim of this program is to improve the way we collect and present data from a range of sources to reduce the number of data processing steps, increase the timeliness of information provision and optimise water management across the state.

Work is progressing on rebuilding the telemetry systems that collect surface water gauges as well as the field collection of data, through a mobile application. The data will then flow through new automated business rules to enable near real time visibility on the Water Insights Portal, Systems Operations dashboard or other modelling tools.

The WAVE program continues to discover ways to transform the way data is collected so it is as accurate as possible, available for use in as near to real time as possible and directs us to the gauges requiring calibration or repair due to changes in the dynamic river or lake environment that they are placed.

Bushfire response

The 2019-20 Black Summer wildfires burnt up to 5.4 million hectares of NSW and about 30 percent of the Sydney Drinking Water Catchments. By the end of January 2020 the catchment surrounding Lake Burragorang, which supplies Warragamba dam and up to 80 percent of Sydney's raw drinking water, had about 300,000 ha of burnt areas, or 80 percent of the surrounding designated Special Areas.

WaterNSW undertook extensive monitoring, modelling and investigations into the impacts the fire had on water quality after a major rainfall event mobilised ash and soil from the burnt catchment into the lake. During the event water intrusions bringing poorer quality water were managed and water was able to be supplied that was able to be treated by Sydney Water for drinking water supply.

Building on the lessons learned from this event, WaterNSW has developed a comprehensive research plan to strengthen our knowledge and ability to protect water quality from bushfire events in the future, including understanding of habitat variability for post-bushfire contaminant generation and improvements to ash mobilisation modelling in our water quality models.

Science program

A strategic review of the WaterNSW Science Program was undertaken in 2020 to maximise the value to our business. The resulting 2021-2025 Science Program provides a road map on how science projects will be prioritised and implemented to ensure alignment to strategic objectives, maximising the value the science program delivers to our business. The program has a budget of $10 million over the five year period.

The Science Program has nine goals to achieve strategic research objectives for the understanding of catchments and water quality including priority on catchment health metrics, future of the catchment, water quality impacts from fire and impacts of water transfers on lake water quality and ecosystem function. These goals sit under two themes of Catchment Resilience and Integrated Water Management, ensuring our regulatory obligations will be met whilst delivering the highest benefit to our customers, stakeholders and communities.

The Science Program will be delivered using a combination of internal resources, partnerships with industry bodies such as Water Research Australia and collaborative research centres for industry-wide issues, and individual engagements for expertise relating specifically to WaterNSW.

WaterNSW mining principles

The *WaterNSW Act 2014 requires* WaterNSW to manage the catchments of the metropolitan water storages to protect the source water quality of five million Sydneysiders. Underground mining in these catchments is a challenging issue for us to manage with competing stakeholder, community and environmental interests. WaterNSW responds to the challenges of mining proposals in the Sydney catchment area in accordance with our published Mining Principles.

In February 2021, the Independent Planning Commission of NSW refused the Dendrobium Extension Project and acknowledged WaterNSW's objection to the proposal. WaterNSW had consistently raised concerns about the proposal's likely impacts in catchment water resources in its current form. Throughout the assessment process, our teams worked closely with DPIE and the mining company in an attempt to address these concerns. Minor amendments only were made to the project by the proponent. The Independent Planning Commission concluded that the impacts remained significant and the project was refused.

Water Reform Implementation Program

The Water Reform Implementation Program was a NSW Government initiative, led by DPIE-W, to deliver against the recommendations of the Matthews Plan. The WRIP has since concluded, with remaining actions taken up in other work streams.

WaterNSW introduced the following measures as part of the program, including:

- In conjunction with DPIE-W increased public transparency in system operations and water management by delivering the Water Insights Portal, as part of the One-Stop-Shop project.

- Successful implementation of Active Management in the Barwon Darling to improve management of water designated for environmental purposes and implement rules to protect the first flows are a dry period which are transparent to the community.
- New systems and changes to procedures to enable the new non-urban meter policy, floodplain harvesting measurement and associated changes to Water Licence conditions.

Corporate governance

Board

Governance principles and disclosure requirements

The NSW Treasury Policy and Guidelines Paper TPP17-10 *Guidelines for Governing Boards of Government Businesses* is a component of the NSW Government's Commercial Policy Framework. The Commercial Policy Framework is a suite of policies aiming to replicate in commercially focused government businesses the disciplines and incentives that lead private sector businesses toward efficient commercial practices.

The purpose of the Guideline is to outline the Government's expectations for standards of corporate governance that should be adopted by all governing boards of NSW Government businesses, which includes WaterNSW. Boards are required to use 'if not, why not' reporting in the adoption of the recommendations in these Guidelines.

WaterNSW has adopted the standards of corporate governance contained in TPP17-10. Informal arrangements that are consistent with the spirit of the recommendations exist in relation to having a timely disclosure policy.

Power and functions

The Board sets the overall policy, strategy and direction of WaterNSW. Under Section 20L of the *State Owned Corporations Act 1989*, all decisions relating to the operation of WaterNSW are to be made by or under the authority of the Board. The Chief Executive Officer is responsible for the day-to-day management of WaterNSW in accordance with the general policies and specific directions of the Board. The Board has adopted a Charter which builds on key legislation and instruments such as the *WaterNSW Act 2014* and WaterNSW Constitution. The Charter is available on the WaterNSW website.

Board performance review

The Board is committed to undertaking annual board performance reviews. Every three years the review is conducted by an external and independent facilitator. The next external review will be conducted in the second half of 2021.

Indemnity and insurance

Schedule 10 of the *State Owned Corporations Act 1989* provides the legislative basis for WaterNSW to indemnify its officers against certain liabilities incurred in their capacity as officers. In line with this and the WaterNSW Constitution, directors have been granted an indemnity with the prior approval of the voting shareholders as required by the NSW Treasury Policy and Guidelines Paper TPP 18-10 *Directors and Officers Indemnity Policy for State Owned Corporations.* WaterNSW has an insurance policy for directors and officers liability which reinforces and supplements the indemnity granted under the *State Owned Corporations Act 1989*.

Directors

Appointments

The *WaterNSW Act 2014* requires the Board to consist of not fewer than three and not more than eight directors appointed by the voting shareholders. The person holding office as Chief Executive Officer of WaterNSW is to be a director of the Board. The persons appointed as directors are required to have, between them, the necessary expertise, skills and knowledge that will enable WaterNSW to meet its objectives.

Over the past 12 months, the composition of the Board has changed following the retirement of Dr Nicholas Brunton on 26 July 2020. Kaye Dalton was appointed on 15 February 2021 to fill this vacancy.

Members as at 30 June 2021

Anne McDonald

BEc, FCA, FAICD

Commenced: 1 March 2016

Current term: 15 February 2019 to 30 September 2021

Independent Non-Executive Chair

- Chair of the Nominations Committee
- Chair of the Safety, People and Capability Committee

Anne 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 Link Group, an ASX listed company 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.

Kaye Dalton

BSc (Forestry)

Commenced: 15 February 2021

Current term: 15 February 2021 to 14 February 2024

Independent Non-Executive Director and Interim Chair from 1 October 2021

- Member of the Customer Transactions and System Operations Committee
- Member of the Water Quality, Health and Catchment Protection Committee

Kaye has over 30 years of experience working in the natural resource and water sectors and is a former Non-Executive Director of Murrumbidgee Irrigation Limited. Kaye has designed and managed complex water recovery projects aimed at returning water to the environment and has a background in water policy and water reform. Kaye is Managing Director of The Risorsa Group Pty Ltd, a consulting company specialising in engagement and communication in the water industry.

Andrew George

BE (Hons), FIE Aust, CPEng, EngExec

Commenced: 4 May 2020

Chief Executive Officer and Executive Director

Andrew was formally appointed as CEO by the Board on 30 August 2021. Andrew has been the acting CEO since 2020 and also held a number of Executive positions in WaterNSW since its inception in 2015. Andrew was part of the inaugural WaterNSW executive team and has since been involved in the strategic transformation of the NSW water sector.

Andrew has over 11 years' experience in bulk water supply utilities with extensive experience in regulatory and market strategy, government relations, engineering, asset management, and major Infrastructure delivery.

Andrew is also a Director of the Water Services Association of Australia.

Rob Aldis BE (Civil)

Commenced: 15 September 2014

Current term: 17 March 2021 to 16 March 2022

Independent Non-Executive Director

- Chair of the Assets Committee
- Member of the Safety, People and Capability Committee

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. In addition to these infrastructure roles, Rob is also the Chairman of Middle Harbour Yacht Club which has significant Marina and Yachting activities based at the Spit, Mosman, Sydney.

Professor Andrew Wilson

BMed Sci, MBBS (Hons), PhD, FRACP, FAFPHM

Commenced: 27 May 2013

Current term: 4 November 2019 to 3 November 2022

Independent Non-Executive Director

- Chair of the Water Quality, Health and Catchment Protection Committee
- Member of the Safety, People and Capability Committee

Andrew 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: 4 November 2019 to 3 November 2022

Independent Non-Executive Director

- Member of the Assets Committee
- Member of the Audit and Risk Committee
- Member of the Customer Transactions and System Operations Committee

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 2021 to 2 August 2024

Independent Non-Executive Director

- Chair of the Customer Transactions and System Operations Committee
- Member of the Safety, People and Capability Committee

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 2021 to 2 August 2024

Independent Non-Executive Director

- Chair of the Audit and Risk Committee
- Member of the Assets Committee
- Member of the Water Quality, Health and Catchment Protection Committee

Bruce 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.

Committees

The WaterNSW Board of Directors has established the following six Board committees. Each Committee meets at least four times per year. Charters for all Board committees are available on the WaterNSW website.

Committee	Purpose
Assets	Advise the Board on the strategies, plans, governance, capital investment and delivery of WaterNSW's assets.
Audit and Risk	Assist the Board in fulfilling its audit, risk, assurance, regulatory compliance and financial reporting and management responsibilities.
Customer Transactions and System Operations	Assist the Board in ensuring there are effective strategies, evaluations, and systems in place to better understand, engage with and service WaterNSW customers, and to better understand, manage and improve water system operations and water delivery.
Nominations	Assist the Board in fulfilling its nomination responsibilities.
Safety, People and Capability	Assist the Board in fulfilling its people and safety responsibilities.
Water Quality, Health and Catchment Protection	Assist the Board in ensuring effective and accountable systems are in place to protect and monitor the quality and quantity of water in declared catchment areas: to protect public health in relation to WaterNSW's supply of bulk and treated drinking water; and the protection of the declared catchment areas.

Board member remuneration

	2019-20	2020-21
Number of board members during the year	6	8
Total remuneration	$0.6 million	$0.6 million

Independent board member remuneration excludes remuneration paid to the Chief Executive Officer, whose remuneration is reported as part of the Executive Leadership Team. Further information on key management personnel compensation is included in Note 34 of the audited financial statements.

Meetings

Board meetings are held in accordance with the Board Charter and WaterNSW's Constitution, following an annual schedule of set meeting dates. Additional meetings are called when directors see fit.

The table below reflects meetings attended by directors in their capacity as a member only, however directors are able to attend any meeting as an observer. The Chief Executive Officer is an ex-officio member of all board committees.

	Board	Assets	Audit & Risk	Customer Transactions & System Operations	Safety People & Capability	Water Quality Health & Catchment Protection	Nominations
Meetings held	**14**	**5**	**6**	**4**	**4**	**4**	**1**
Anne McDonald	14	–	–	–	4	–	1
Rob Aldis	13	5	–	–	4	–	1
Andrew Wilson	14	–	–	–	3	4	1
Emma Stein	13	3	4	4	–	–	1
Mark Barber	13	–	–	4	4	–	1
Bruce Berry[1]	14	5	6	–	–	2 (2)[3]	1
Kaye Dalton[2]	5 (6)[3]	–	–	1 (1)[3]	–	1 (1)[3]	0
Andrew George	13	3	5	1	3	3	0

1 Appointed as a member of the Water Quality, Health and Catchment Protection Committee on 27 January 2021, with two meetings held during the term of appointment.

2 Appointed as a Director on 15 February 2021 and a member of the Customer Transactions and System Operations and Water Quality Health and Catchment Protection Committees effective 1 April 2021.

3 ( ) Indicates the number of meetings held during the time the Director held office or was appointed as a Committee member.

– Not a Member of the relevant committee.

Executive leadership team

Members

Andrew George

Chief Executive Officer

BE (Hons), FIE Aust, CPEng, EngExec

Andrew was formally appointed as CEO by the Board on 30 August 2021. Andrew has been the acting CEO since 2020 and also held a number of Executive positions in WaterNSW since its inception in 2015. Andrew was part of the inaugural WaterNSW executive team and has since been involved in the strategic transformation of the NSW water sector.

Andrew has over 11 years' experience in bulk water supply utilities with extensive experience in regulatory and market strategy, government relations, engineering, asset management, and major Infrastructure delivery.

Andrew is also a Director of the Water Services Association of Australia.

Joe Pizzinga

Chief Financial Officer

FCPA, BCom (Acc/LLB), AMP Harvard

Joe Pizzinga is an experienced financial leader, with a respected catalogue of Chief Financial Officer roles in the utilities industry. 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's aptitude for finance and business operations was finessed during his five years as CFO of Ausgrid, and nearly another five years prior to that at Endeavour Energy.

Ian Robinson

Chief Information Officer

BE (Elec)

Ian is a seasoned CIO and executive leader with 25 years' progressively responsible experience in leadership, strategy, large program delivery and operational management.

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.

Adrian Langdon

Executive Manager System Operations

BApp Sc, MEnvMan

Adrian is a strategically focused management professional with over 25 years' experience in the fields of water and waste water management, strategic planning for water supply systems, integrated water cycle management, water supply health regulation, water recycling river operations and water and wastewater treatment.

Prior to joining WaterNSW (upon its formation), Adrian managed the water operations of State Water and urban water strategic planning and policy for the NSW Department of Water and Energy.

Daniel Lucas

Executive Manager Corporate Strategy and Reform

BBus

Daniel is a senior leader with more than 35 years' experience in Australia and overseas. His experience includes Chief Financial Officer in publicly listed companies such as National Foods and multinationals such as Unilever. He has also held Corporate Strategy and Mergers and Acquisition roles for seven years while based in London and New York.

Daniel joined WaterNSW in September 2015. Immediately prior to this, he worked in the energy sector for Networks NSW as the Group Executive for People and Services. Prior to that he was with Endeavour Energy where over time held positions of Deputy CEO, CFO and Group General Manager – Corporate Development.

David Stockler

Executive Manager Customer and Community

Cert Bus, Fin & Marketing, GAICD

David is a highly practised leader in the field of customer experience and operations, having developed his skills over many years working in the utilities and telecommunications sectors. David joined WaterNSW in early 2016 after serving in senior positions at Optus and AGL, amongst others.

At WaterNSW, 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.

In addition to his role at WaterNSW, David also serves on the Board of the NSW Energy and Water Ombudsman.

Fiona Smith

Executive Manager Water and Catcment Protection

Acting Executive Manager Water Solutions and Market Strategy

BSc, MBA, GAICD

Fiona joined WaterNSW upon its formation, having worked for Sydney Catchment Authority since 2011, most recently as Executive General Manager.

Fiona is responsible for the collection and management of water monitoring data across NSW, the use of this data to develop water quality and quantity models used for planning and operational needs and the WaterNSW Science Program to continue to develop our understanding of risks to water quality and catchment health.

Fiona is also responsible for WaterNSW's Land Management and Catchment Protection programs with a focus on managing the Greater Sydney Declared Catchment as part of our role to provide raw water for treatment and supply to customers.

Helen Burgess

Executive Manager Legal, Governance & Risk

BA, LLB (Hons)

Helen joined WaterNSW in December 2018, bringing extensive experience in legal, governance, company secretarial and communications functions.

Most recently, Helen worked with Roads and Maritime Services. Prior to that she was with the NRMA for over 12 years, where she progressed through the organisation having started as General Counsel and Company Secretary and moved to be EGM Legal Governance and Corporate Relations as well as EGM People, Corporate Relations and Governance.

Ronan Magaharan

Executive Manager Assets

BE (Elec), BSc (Comp)

Ronan is an experienced leader in Asset Management of heavy industrial plants, predominantly in the water and power generation industries.

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, asset renewals, and our project delivery functions.

Beth Winchester

Executive Manager Safety, People and Culture

BComm, CPA

Beth is an experienced senior leader across multiple business functions who started her career in Chartered Accounting. After several finance roles within the Lend Lease Group, Beth transitioned into human resources, holding positions that included Regional and Global leadership responsibilities. Beth then became Executive General Manager People & Culture for Fuji Xerox Australia Pty Ltd where she was responsible for the Human Resources, Internal Communications and Property portfolios of the Australian operations for 12 years.

Since joining WaterNSW in 2018, Beth held the senior leadership role of Manager People and Culture before moving to an acting Executive Manager Safety, People and Culture position in April 2021.

Beth has held a number of volunteer committee and board positions including serving on the KU Children's Services Board for a five year term.

Executive remuneration

Remuneration by payment bands

	2019-20			2020-21		
	Average TRP Range	Male	Female	Average TRP Range	Male	Female
Band 4 +	$487,051 to $562,650	1	-	$487,051 to $562,650	1	-
Band 3	$345,551 to $487,050	2	1	$345,551 to $487,050	2	1
Band 2	$274,001 to $345,550	4	2	$274,001 to $345,550	4	2
Band 1	$192,600 to $274,700	-	-	$192,600 to $274,700	-	-

Percentage of total remuneration

	2019-20	2020-21
Total executive remuneration	$5.1 million	$4.6 million
Total employee remuneration including executive remuneration	$148.0 million	$154.9 million
Executive remuneration as a percentage of total remuneration	3.4%	3.0%

Further information on key management personnel compensation is included in Note 34 of the audited financial statements.

Risk management

WaterNSW is committed to embedding and maintaining a positive culture of risk management that enables the ongoing development and innovation of our operations through strategic initiatives while supporting the efficient delivery of essential water supply to our customers.

The objective of WaterNSW's Risk Management Framework is to preserve and where possible, create value for the community and our partners. The framework aligns to ISO 31000:2018, the International Risk Management Standard and NSW Treasury Policy *TTP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*.

Strategic, financial and operational risks events that may impact the achievement of corporate objectives are documented in the Corporate Risk Management Plan and categorised by Business Risk Category. Identified risks are assessed to determine the appropriate treatment and are managed to levels that are tolerable and in line with the Board approved Risk Appetite Statement.

Documented risk events and identified emerging risks are reviewed and assessed on an ongoing basis by Executive Leadership Team members in consultation with subject matter experts, with identified changes reported to the Board Audit and Risk Committee on a quarterly basis.

WaterNSW also has a comprehensive insurance program which is reviewed annually to effectively limit the potential financial consequences of risks where applicable.

Business Risk Category	Description
Safety	Potential to cause harm to an employee, contractor or member of the public
Water Delivery	Significant impact related to assets and operations resulting in an inability to operate or deliver water supply
Water Quality	Potential impact on public health, aesthetic water quality or water quality within the declared catchment and non-declared catchment areas
Environment	Significant environmental incident arising from operations and / or other activities that occur within WaterNSW lands / Declared Catchment Area (e.g. Sydney Catchment area).
People	Failure to deliver performance and outcomes through our people
Finance	Insufficient revenue or loss of assets to achieve WaterNSW strategic objectives
Compliance / Regulation	Liability associated with a dispute or material breach of Legislation, Operating Licence or contractual obligations
Reputation	Sustained criticism of WaterNSW
Customer Transactions	Significant impact on customer arising from inability to undertake water transactions
Technology	Significant Business Information, Communication and Technology (ICT) and/or Operational Technology (OT) system failure
Strategy Development	Strategic objectives are not delivered, and business opportunities are lost

Legislation

Principal legislation

Water NSW Act 2014

Aside from establishing WaterNSW, the *Water NSW Act 2014* primarily focuses on WaterNSW's principal objectives, namely: to capture, store, release and supply water with appropriate standards of quality; the management and protection of catchment areas and works; and the promotion of public health, public safety and the protection of the environment.

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. It will eventually entirely replace the *Water Act 1912*, which remains in force in some areas of NSW. The objectives of the *Water Management Act 2000* are to provide for the sustainable and integrated management of the state's water sources.

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 about pollution and reducing risks to human health and the environment. Relevantly for WaterNSW, the Act includes offences involving harm to the environment and water 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 Act 1979* is the principal 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 provisions 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 Operations Act 1997*).

Dams Safety Act 2015

The objectives of the *Dams Safety Act 2015* are to: ensure that the risks associated with dams, including those associated with public safety, the environment and economic assets, are appropriately and efficiently addressed; promote transparency, and the application of risk management and principles of cost benefit analysis, in relation to dam safety; and establish a regulatory and compliance framework, including the appointment of authorised officers, in respect of dam safety.

Changes in principal legislation

Water NSW Regulation 2020

The *Water NSW Regulation 2020* replaces the previous *Water NSW Regulation 2013* (2013 Regulation) which, in accordance with the *Subordinate Legislation Act 1989* was due to lapse on 1 September 2020. The changes in legislation included, inter alia, the following amendments:

- broadening the nature of chemicals regulated by including 'environmentally hazardous chemicals' as defined by the *Environmentally Hazardous Chemicals Act 1985* alongside references to 'pesticides';
- allowing authorised officers to respond to offensive conduct and prohibiting the consumption of alcohol in certain areas;
- expanding the definition of 'aircraft' to prohibit operation of unmanned vehicles on Schedule 1 land and Schedule 2 land, for example, drones;
- broadening the prohibition of commercial activities on Schedule 1 land and Schedule 2 land. WaterNSW raised a concern that commercial activities are leading to illegal dumping, for example, fruit sellers and other commercial activities located on access roads;
- amending the clause relating to animal management on land by inserting definitions that are used in the Standard Instrument – Principal Local Environmental Plan, and deleting clause 28(3)(a) as this is a duplication of clause 28(2) of the 2013 Regulation;

- an amendment to address pollution originating from land adjacent to special areas and controlled areas;
- increases in penalties by way of Penalty Infringement Notice for some offences; and
- Schedule 1 land updates.

Water Management Act 2000

The *Statute Law (Miscellaneous Provisions) Act 2020* introduced changes to the *Water Management Act 2000* to clarify the legal position of certain matters, including:

- to make corrections to terminology and clarify that the operation of proclamations previously made under sections 55A and 88A is not affected by the addition of a water source to a management plan or the replacement of a management plan;
- to remove an inconsistency between section 60F(2) and section 85A in order to clarify the operation of the defences available under section 60F(2). Section 60F is a general defence to offences under Part 2 (Access Licences) and includes offences such as taking water without an access licence. Section 85A permits a management plan to allow water take that is not credited to a water allocation account. The new section of the Act (section 60F(2)(a1) clarifies that water take under s85A is not an offence; and
- to make it clear that, on the imposition of the mandatory condition on a water supply work approval under section 101A of the Act requiring metering equipment to be installed, used and properly maintained in connection with the work, any other condition imposed on the approval under the Act, or any other instrument made under the Act, ceases to have effect.

The *COVID-19 Recovery Act 2021* amended section 338B of the *Water Management Act 2000* to permit an appointed authorised officer to require answers using, for example, a telephone or an audio-visual link which may include video conferencing. The provisions mirror those previously contained in the *COVID-19 Legislation Amendment (Emergency Measures – Miscellaneous) Act 2020*, which were repealed on 13 November 2020. The provisions are now in place until 31 March 2022.

Water Management (General) Regulation 2018

The *Water Management Regulation 2018* was amended by various amending regulations to include provisions that:

- ensure that a person undergoing training to become a duly qualified person in relation to metering equipment is authorised to carry out work on meters under the supervision of a duly qualified person in connection with that training (see *Water Management (General) Amendment (Metering Equipment) Regulation 2020*);

- ensure that records required to be made and kept under a condition of an authority are retained, despite the termination of that requirement, for the period that the records were required to be retained when the records were made (see *Water Management (General) Amendment (Metering Equipment) Regulation 2020*);
- to declare certain land to be the Lower Namoi Valley Floodplain, the Border Rivers Valley Floodplain and the Macquarie Valley Floodplain for the purposes of the WM Act (see *Water Management (General) Amendment (Lower Namoi and Border Rivers Floodplains) Regulation 2020* and *Water Management (General) Amendment (Macquarie Valley Floodplain) Regulation 2020*);
- to remake special statutory provisions allowing meetings in which authorised officers take evidence and answers to questions to be conducted by audio link or audio visual link (these provisions ceased to operate on 26 March 2021) (see *Water Management (General) Amendment (COVID-19) Regulation 2020*);
- to facilitate the carrying out of urgent works (emergency works) to remove groundwater and overland flow water in response to emergency events by providing for exemptions from requirements under the *Water Management Act 2000* that would otherwise apply to the works (see *Water Management (General) Amendment (Emergency Works Exemption) Regulation 2021*);
- to amend the mandatory conditions imposed on access licences and approvals in relation to the reporting requirements of holders of access licences or approvals as to water taken (see *Water Management (General) Amendment (Miscellaneous) Regulation 2021*);
- to provide for exemptions from requirements under the *Water Management Act 2000* for a landholder:
    - to hold a water supply work approval to use a tailwater drain for the purpose of collecting rainfall run-off from an irrigated field that is part of the land; and
    - to hold a water access licence to take water from a tailwater drain for the purpose of collecting rainfall run-off from an irrigated field that is part of the land,

  (see *Water Management (General) Amendment (Exemption for Rainfall Run-off Collection) Regulation 2021*);
- to amend the regulatory requirements applying to water supply authorities in relation to annual performance reports, strategic business plans and integrated water cycle management strategies (see *Water Management (General) Amendment (Water Supply Authorities) Regulation 2021*); and

- to extend, by two years, the period during which the holder of a water supply work approval is exempt from holding an access licence in relation to the taking of more than three megalitres of groundwater in a water year from certain groundwater sources (see *Water Management (General) Amendment (Exemption) Regulation 2021*).

Significant judicial decisions

WaterNSW v Harris

WaterNSW brought one charge each against Mr Peter Harris and Mrs Jane Harris (the "Defendants") in the NSW Land and Environment Court alleging that the Defendants had committed an offence against section 91G(2) of the *Water Management Act 2000*. The charges alleged that between 22 June 2016 and 27 June 2016 (the "charge period"), at the property known as Beemery Farm located at Brewarrina, the Defendants took water in contravention of a term or condition of an approval, issued under the *Water Management Act 2000*, which they jointly held.

On 19 March 2020 the Land and Environment Court convicted the. An appeal by the Defendants was heard in the NSW Court of Criminal Appeal on 28 September 2020 and was dismissed on 9 August 2021. On 6 September 2021 the Defendants served an application seeking special leave to appeal to the High Court. The High Court's decision on the application is yet to be delivered.

WaterNSW v Kiangatha Holdings Pty Ltd and Natale

In October 2018 WaterNSW commenced prosecutions in the NSW Land and Environment Court against Kiangatha Holdings Pty Ltd and its Director, Laurence Natale (the "Defendants") for alleged offences against section 120 of the *Protection of the Environment Operations Act 1997*. The alleged offences relate to the excavation of a road approximately 10 kilometres long through land at Ganbenang, NSW during the period of May 2017 to October 2017 without implementing any sediment or erosion control measures. WaterNSW alleged that this resulted in the pollution of waters.

In July 2019, the Defendants applied for orders from the Land and Environment Court that the proceedings filed by WaterNSW be quashed or permanently stayed on the basis of patent or latent duplicity and uncertainty. The application was dismissed by the Land and Environment Court on 20 December 2019.

The Defendants subsequently appealed the decision to the Criminal Court of Appeal, which was upheld, setting aside the orders of the Land and Environment Court, and stayed the proceedings until such time that WaterNSW elected and particularised a single offence for each summons. WaterNSW has attended to that and has filed a motion for leave to rely on its amended summonses. The motions are listed for hearing on 11-12 August 2021.

Legislative powers exercised

Water NSW Act 2014

Section	Function exercised	2017-18	2018-19	2019-20	2020-21
Section 68	Entered onto land	9	7	6	8
Section 69	Issued search warrants	0	0	0	0
Section 70 (1) & (5)	Require a person to answer questions	0	0	5	1
Section 71	Issue a notice requiring a person to provide information and records	1	49	2	53
Section 73	Require a person to state name and address or produce driver's licence	0	2	12	8
Section 74	Require an owner of a motor vehicle and others to give information	0	4	138	179
Section 77	Issue a catchment correction notice	0	0	0	0
Section 81	Issue a catchment protection notice	0	0	0	0
	Direct a public authority to take corrective action	0	0	0	0
Section 86	Issue compliance cost notice	0	0	0	0
Section 102	Issue penalty notice	47	62	90	143
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	0

Protection of the Environment Operations Act 1997

Section	Function exercised	2017-18	2018-19	2019-20	2020-21
Section 91	Clean-up notices	0	1	0	9
Section 96	Prevention	1	0	0	0
Section 104	Compliance cost notices	0	0	0	0
Section 192 and 193	Requirements to provide information and records	5	5	0	2
Section 203	Requirements to answer questions	1	2	1	0
	Prosecutions commenced	0	0	0	0
	Penalty infringement notices issued	0	1	1	0
	Warning letters issued	0	3	0	0

Environmental Planning and Assessment Act 1979

	2017-18	2018-19	2019-20	2020-21
Number of development applications assessed	168	184	141	151
Proportion (of total received) of development proposals assessed within statutory timeframes	100%	99%	100%	100%
Proportion (of total received) of development proposals where concurrence withheld	0%	2%	0%	0%

Implementation of pricing determinations

In 2020-21, WaterNSW was subject to:

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

WaterNSW formalised its notification pursuant to Rule 81(11) of the WCR that WaterNSW has become aware of a matter that may result in it ceasing to be a Part 6 operator under the

WCR which would 'hand-back' the regulatory responsibility of price approvals and determinations in the MDB valleys to the State's regulatory regime under the IPART Act.

On 29 May 2020, the NSW Minister for Customer Service made the Standing Reference under section 12(1) of the IPART Act that requires IPART to investigate and report the determination of pricing for the Murray Darling Basin (MDB) Services. The Standing Reference further requires IPART to consider '*the approach to approving infrastructure charges provided for under rule 29(2)(b) of the [Water Charge Rules]*'.

WaterNSW considers that the Standing Reference is a matter that we have become aware of that should lead to the ACCC concluding that we have ceased to be a Part 6 operator.

WaterNSW continues to work with the ACCC to ensure that WaterNSW is appropriately regulated under the IPART Act for the MDB valleys.

WaterNSW was subject to four separate pricing determinations during 2020-21:

- services we supply to Sydney Water and some councils and minor customers in the Greater Sydney area are subject to the IPART Determination *WaterNSW, Maximum prices for water supply services from 1 July 2020 in relation to Sydney Catchment Functions,* which applies until 30 June 2024;
- 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,* which remains in effect until replaced as expected in 30 September 2021;
- 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 Planning, Industry, and Environment and, from 1 May 2018, also with the Natural Resources Access Regulator as all three entities share responsibility for the delivery of WAMC functions. The current determination applies until replaced as expected by a new determination in September 2021 to commence on 1 October 2021; and
- services we supply to Essential Water and a small number of landholders near Broken Hill for the Murray River to Broken Hill Pipeline are subject to the maximum prices under the IPART Determination *WaterNSW Prices for water transportation services provided by the Murray River to Broken Hill Pipeline from 1 July 2019,* which applies from 1 July 2019 to 30 June 2022.

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

The NSW Government continued to provide financial assistance of up to $4,000 to all general security licence holders and high security licence holders where there was no access to water in NSW and to customers of Irrigation Corporations for the water year, in line with the maximum revenue targets set out in the decisions and determinations.

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

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 2020-21, WaterNSW:

- reviewed its programs for the release of government information, including to: ensure ongoing compliance with the GIPA Act; confirm the currency and content of released information; and consider, where appropriate, any feedback received from its customers and the general public regarding access to information. Importantly, WaterNSW adopted a stakeholder centric approach to the release of information and sought to ensure that information was made available to its customers in a timely, efficient and effective manner; and
- proactively released information to its customers and the general public, free of charge, through its customer helpdesk, website and online services, and via various social media channels such as Facebook, Twitter, Instagram and YouTube. The

information that was released covered a broad range of subject-matter concerning WaterNSW and its operations, including: our people and assets; dam levels; customer news and updates; water insights and water quality; flood information; and the Early Warning Network.

GIPA Act applications received by WaterNSW

During 2020-21 WaterNSW received 36 valid applications under the GIPA Act. Thirty-two applications were determined as shown below, with one application transferred to another agency. The processing period for the remaining three applications extends into 2021-22.

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 if information is held	Application withdrawn	Total
Media	-	-	-	-	-	-	-	-	**-**
Members of Parliament	-	1		-	-	-	-	-	**1**
Private sector business	-	-	-	-	-	-	-	-	**-**
Not for profit organisations or community groups	1	2	-	-	-	1	-	-	**4**
Members of the public (application by legal representative)	4	11	-	1	-	-	-	-	**16**
Members of the public (other)	5	3	1	1	1	-	-	-	**11**
Total	**10**	**17**	**1**	**2**	**1**	**1**	**-**	**-**	**32**

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 if information is held	Application withdrawn	Total
Personal information applications	-	-	-	-	-	-	-	-	**-**
Access applications (other than personal information)	10	17	1	2	1	1	-	-	**32**
Access applications that are partly personal information applications & partly other	-	-	-	-	-	-	-	-	**-**
Total	**10**	**17**	**1**	**2**	**1**	**1**	**-**	**-**	**32**

Invalid applications

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

Conclusive presumption of overriding public interest against disclosure

Public interest consideration listed in Schedule 1*	Number of times used**
Overriding secrecy laws	-
Cabinet information	3
Executive Council information	1
Contempt	-
Legal professional privilege	3
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	**7**

* The public interest considerations against disclosure includes one outcome from the 2019-20 reporting period.

** 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 listed in Section 14

Public interest consideration*	Number of occasions when application not successful
Responsible and effective government	6
Law enforcement and security	1
Individual rights, judicial processes and natural justice	13
Business interests of agencies and other persons	-
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-
Total	**20**

* The public interest considerations against disclosure includes one outcome from the 2019-20 reporting period.

Timeliness of response

Response time*	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	32
Decided after 35 days (by agreement with the applicant)	3
Not decided within time (deemed refusal)	-
Total	**35**

* Timeliness includes three outcomes from the 2019-20 reporting period.

Applications reviewed under Part 5

	Decision varied	Decision upheld	Total
Internal review	-	2	**2**
Review by Information Commissioner*	1	-	**1**
Internal review following recommendation (section 93)	1	-	**1**
Review by NCAT	1	1	**2**
Total	**3**	**3**	**6**

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

Applications transferred to other agencies

	Number of applications
Agency-initiated transfer	1
Applicant-initiated transfer	-
Total	**1**

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 and requires all employees to undertake awareness sessions in fraud and corruption prevention, including the Public Interest Disclosure Scheme. This commitment is further supported through the organisation’s Public

Interest Disclosure Procedure, titled Reporting and Responding to Alleged Wrongdoing and Criminal Conduct which:

- is published on WaterNSW's Intranet;
- 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; and
- encourages disclosures and 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.

WaterNSW's *Reporting and Responding to Alleged Wrongdoing and Criminal Conduct Procedure* is designed to complement normal reporting and management lines that are available for making disclosures. To that end, employees always have the option to either raise matters with their immediate manager or to use the Public Interest Disclosure Scheme.

In addition, during the last financial year, WaterNSW engaged an independent service provider – Your Call – as an avenue for any discloser who does not feel comfortable to report wrongdoing internally or would prefer to have a degree of anonymity around their disclosure.

Disclosure officers have been appointed in urban and rural office locations to receive reports of alleged wrongdoing, and to provide advice and assistance to employees making disclosures. A Disclosures Coordinator is also located at WaterNSW's head office in Parramatta.

Public Interest Disclosures	Number
Made by public officials	0
Total public interest disclosures received	0

Financial

Consultants

Name	Project	2020-21 $'000[1]
Ernst & Young	Strategic advice in relation to water reform and corporate strategy development	670
KPMG	Corporate strategy	510
Elton Consulting	Communications strategy for the Wyangala Dam Wall Raising and Dungowan Dam projects	427
RHead Group Pty Ltd	Procurement, commercial and delivery strategy advice for the Warragamba Dam Raising project	377
Newgate Research	Corporate affairs strategy	129
Department of Planning, Industry and Environment	WaterNSW's share of consultant's fee to prepare the water sector reform business case and implantation plan	96
GHD Pty Ltd	Gwydir priority catchment water security	62
Marsdon Jacob Associates Pty Ltd	Warragamba short term flood mitigation	53
Various	14 engagements each costing less than $50,000	272
Total		**2,596**

1. Amounts include GST.

Disposal of land

WaterNSW did not dispose of any land with a value of greater than $5.0 million in 2020-21.

External production costs

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

Grants to non-government organisations

No grants were made to non-government organisations in 2020-21.

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.

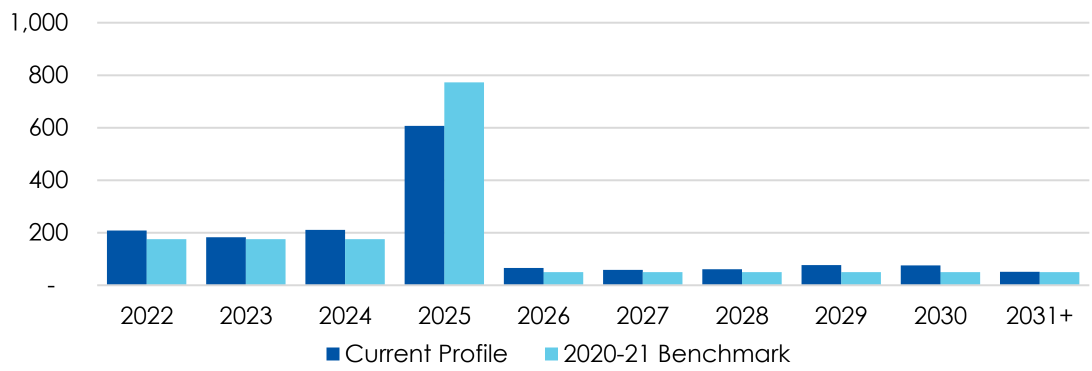
At 30 June 2021 WaterNSW had $127 invested in at-call deposits with TCorp's IM Cash Fund, with a similar amount invested throughout the year to maintain access to this facility.

Liability management performance

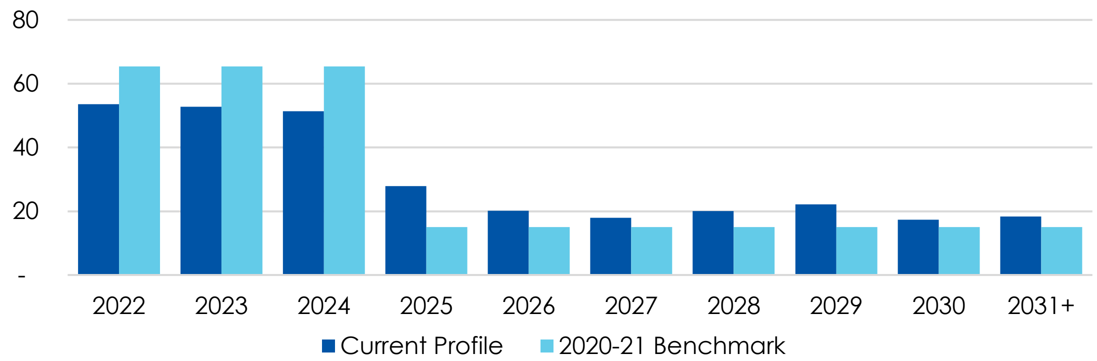
WaterNSW has a financial capital and risk management policy in place which established a debt management benchmark in alignment with the economic regulator's cost of debt methodologies. The policy includes strategies to manage liquidity risk, refinancing risk, interest rate risk, inflation risk and foreign currency risk. Under the policy, an annual implementation plan is prepared which sets debt management limits around the benchmark, and regular reporting is provided to the WaterNSW Board.

The charts below provide details of WaterNSW's liability portfolio performance against the benchmark. The benchmark is a notional portfolio constructed as risk neutral by the Treasurer.

WaterNSW profile vs benchmark $ million



WaterNSW Infrastructure Pty Ltd profile vs benchmark $ million



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
September	6,941	645	36	858
December	4,279	2,176	203	218
March	7,879	324	86	1,878
June	8,613	1,204	181	189

Accounts due or paid within each quarter

Number of accounts	Sep	Dec	Mar	Jun	Total
Accounts due for payment	3,989	3,194	2,835	3,322	13,340
Accounts paid on time	2,179	1,902	1,249	1,741	7,071
Accounts paid on time (percentage of number)	55	60	44	52	53
Dollar amount of accounts	**Sep**	**Dec**	**Mar**	**Jun**	**Total**
Accounts due for payment ($'000)	86,239	91,455	63,118	78,267	319,079
Accounts paid on time ($'000)	54,548	49,400	29,915	47,948	181,811
Accounts paid on time (percentage of dollars)	63	54	47	61	57
Interest on overdue accounts	**Sep**	**Dec**	**Mar**	**Jun**	**Total**
Accounts with interest overdue (number)	54	0	0	0	54
Interest paid on overdue accounts ($'000)	3	0	0	0	3

Payment performance

Performance in the tables above does not include immediate payments made using purchase cards or virtual cards.

WaterNSW purchasing is business-led with support provided from a centralised Procurement function for high risk and/or high value purchases. Invoices are actioned by the relevant site and then sent to Accounts Payable in Dubbo for processing and payment once all terms and conditions have been met, which can impact on payment timeframes.

WaterNSW uses virtual cards to pay suppliers for safety and protection workwear, corporate wear, and travel booked through a centralised service provider including flights, accommodation and motor vehicle hire. A virtual card is a credit card that is not issued as a physical card, rather a 16-digit number provided to the supplier for use in card-not-present transactions. Virtual cards are issued to WaterNSW for use with a single supplier.

Purchase cards (credit cards) are used to promptly pay invoices less than $5,000 that are ad-hoc or irregular in nature. In 2021-22 a review of systems and processes will be performed to allow this limit to be increased to $10,000 in accordance with NSW Treasury Circular TC21-01 *NSW Payments Digital Reform – Digital Payment Adoption*.

Audited financial statements

Contents

General information

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 November 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.

Water NSW
Statements of comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020* $'000	Parent 2021 $'000	Parent 2020* $'000
Revenue					
Revenue from water supply and delivery	3	303,004	310,082	277,540	284,917
Grants and subsidies	4	125,511	50,896	125,511	50,896
Other revenue	5	20,373	48,783	24,629	53,380
Total revenue		448,888	409,761	427,680	389,193
Expenses					
Employee related expenses	6	(126,794)	(111,317)	(126,794)	(111,317)
Depreciation and amortisation	8	(82,463)	(76,634)	(77,493)	(71,753)
Other operating expenses	7	(176,760)	(125,785)	(173,233)	(121,081)
Finance costs	9	(60,412)	(67,036)	(49,757)	(56,446)
Total expenses		(446,429)	(380,772)	(427,277)	(360,597)
Operating profit		2,459	28,989	403	28,596
Gains/(losses) on disposal	10	1,013	(1,117)	1,013	(1,117)
Other gains/losses	11	1,853	(1,921)	1,853	(1,921)
Gains/(losses) on revaluation of property, plant and equipment	16	46,802	(63,956)	46,802	(63,956)
Profit/(loss) before income tax (expense)/benefit		52,127	(38,005)	50,071	(38,398)
Income tax (expense)/benefit	12	(17,316)	11,714	(15,738)	13,183
Profit/(loss) after income tax expense)/benefit for the year attributable to the owners of Water NSW		34,811	(26,291)	34.333	(25,215)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain/(loss) on the revaluation of property, plant and equipment, net of tax	16	38,277	2,897	31,855	(1,252)
Actuarial gain on defined benefit superannuation plans, net of tax	29	6,992	7,170	6,992	7,170
Other comprehensive income for the year, net of tax		45,269	10,067	38,847	5,918
Total comprehensive income for the year attributable to the owners of Water NSW		80,080	(16,224)	73,180	(19,297)

* Restated. Refer to Note 2 for detailed information on restatement of comparatives.

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

Water NSW

Statements of financial position

As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020* $'000	Consolidated 1 July 2019* $'000	Parent 2021 $'000	Parent 2020* $'000	Parent 1 July 2019* $'000
Assets							
Current assets							
Cash and cash equivalents	13	83,361	31,115	10,957	83,082	30,572	10,957
Trade and other receivables	14	74,695	100,920	125,000	90,314	116,276	125,750
Income tax refund due	12	3,706	7,886	3,784	3,706	7,886	3,784
Other non-financial assets		-	-	18	-	-	18
Total current assets		161,762	139,921	139,759	177,102	154,734	140,509
Non-current assets							
Other non-financial assets		816	937	897	816	937	897
Other financial assets	15	-	-	-	79,201	96,001	111,501
Property, plant and equipment	16	3,204,716	3,055,618	2,954,457	2,807,410	2,662,517	2,562,165
Right-of-use assets	17	16,438	26,012	-	16,438	26,012	-
Intangible assets	18	16,846	12,052	11,433	16,351	12,052	11,433
Total non-current assets		3,238,816	3,094,619	2,966,787	2,920,216	2,797,519	2,685,996
Total assets		3,400,578	3,234,540	3,106,546	3,097,318	2,952,253	2,826,505
Liabilities							
Current liabilities							
Trade and other payables	21	96,648	98,102	88,153	90,765	92,741	98,089
Contract liabilities	25	1,996	782	305	1,996	782	305
Borrowings	22	261,475	636,700	465,174	237,650	626,166	461,089
Provisions	23	79,398	71,024	67,279	79,397	71,024	67,279
Dividend payable	24	20,000	20,000	-	20,000	20,000	-
Other	25	53,405	43,622	28,791	53,405	43,622	28,791
Total current liabilities		512,922	870,230	649,702	483,213	854,335	655,553
Non-current liabilities							
Contract liabilities	31	297	429	1,063	297	429	1,063
Borrowings	27	1,626,038	1,179,657	1,202,952	1,389,188	939,109	934,750
Deferred tax	12	221,166	193,392	212,971	206,835	183,009	207,667
Provisions	28	90,675	101,995	105,546	90,675	101,995	105,546
Other liabilities	30	80,891	80,333	89,584	80,885	80,331	89,584
Total non-current liabilities		2,019,067	1,555,806	1,612,116	1,767,880	1,304,873	1,338,610
Total liabilities		2,531,989	2,426,036	2,261,818	2,251,093	2,159,208	1,994,163
Net assets		868,589	808,504	844,728	846,225	793,045	832,342
Equity							
Contributed equity	32	388,132	388,132	388,132	388,132	388,132	388,132
Asset revaluation reserve		321,954	283,268	280,601	299,787	267,527	269,011
Retained profits		158,503	137,104	175,995	158,306	137,386	175,199
Total equity		868,589	808,504	844,728	846,225	793,045	832,342

* Restated. Refer to Note 2 for detailed information on restatement of comparatives.

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

Water NSW
Statements of changes in equity
For the year ended 30 June 2021

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	388,132	263,493	193,103	844,728
Adjustment for change in accounting policy (Note 2)	-	17,108	(17,108)	-
Balance at 1 July 2019 - restated	388,132	280,601	175,995	844,728
Loss after income tax benefit for the year	-	-	(26,291)	(26,291)
Other comprehensive income for the year, net of tax	-	2,897	7,170	10,067
Total comprehensive income/(loss) for the year	-	2,897	(19,121)	(16,224)
Reclassification on disposal of assets	-	(230)	230	-
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(20,000)	(20,000)
Balance at 30 June 2020	388,132	283,268	137,104	808,504

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	388,132	283,268	137,109	808,509
Profit after income tax expense for the year	-	-	34,811	34,811
Other comprehensive income for the year, net of tax	-	38,277	6,992	45,269
Total comprehensive income for the year	-	38,277	41,803	80,080
Reclassification on disposal of assets	-	409	(409)	-
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(20,000)	(20,000)
Balance at 30 June 2021	388,132	321,954	158,503	868,589

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

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	388,132	251,903	192,307	832,342
Adjustment for change in accounting policy (Note 2)	-	17,108	(17,108)	-
Balance at 1 July 2019 - restated	388,132	269,011	175,199	832,342
Loss after income tax benefit for the year	-	-	(25,215)	(25,215)
Other comprehensive income/(loss) for the year, net of tax	-	(1,252)	7,170	5,918
Total comprehensive income/(loss) for the year	-	(1,252)	(18,045)	(19,297)
Reclassification on disposal of assets	-	(232)	232	-
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(20,000)	(20,000)
Balance at 30 June 2020	388,132	267,527	137,386	793,045

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	388,132	267,527	137,386	793,045
Profit after income tax expense for the year	-	-	34,333	34,333
Other comprehensive income for the year, net of tax	-	31,855	6,992	38,847
Total comprehensive income for the year	-	31,855	41,325	73,180
Reclassification on disposal of assets	-	405	(405)	
Transactions with owners in their capacity as owners:				
Dividends declared	-	-	(20,000)	(20,000)
Balance at 30 June 2021	388,132	299,787	158,306	846,225

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

	Note	Consolidated 2021 $'000	Consolidated 2020* $'000	Parent 2021 $'000	Parent 2020* $'000
Cash flows from operating activities					
Receipts from customers		381,001	389,375	353,255	362,869
NSW Government contribution to operations		34,304	19,469	34,304	19,469
Receipts of grants and subsidies		91,207	16,653	91,207	16,653
Payments to suppliers and employees		(315,910)	(230,416)	(309,575)	(223,094)
Restart funding		2,627	34,207	2,627	34,207
Payments to the Controlled entity		-	-	-	(8,132)
Tax (losses)/liabilities transferred from the Controlled entity		-	-	383	(1,832)
Interest received		20	748	19	675
Interest and other finance costs paid		(46,188)	(45,485)	(39,391)	(41,774)
Income taxes paid		(4,530)	(16,278)	(4,530)	(16,278)
Net cash from operating activities	38	142,530	168,273	128,298	142,763
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(128,624)	(220,682)	(128,136)	(220,922)
Proceeds from disposal of property, plant and equipment		1,611	1,327	1,611	1,327
Net cash used in investing activities		(127,013)	(219,355)	(126,525)	(219,595)
Cash flows from financing activities					
Proceeds from borrowings		344,718	313,252	354,718	313,252
Loans received from the Controlled entity		-	-	25,700	25,207
Dividends paid		(20,000)	(20,000)	(20,000)	(20,000)
Repayment of borrowings		(284,600)	(219,300)	(284,600)	(219,300)
Repayment of lease liabilities		(3,389)	(2,712)	(3,389)	(2,712)
Repayment of loans to the Controlled entity		-	-	(21,692)	-
Net cash from financing activities		36,729	71,240	50,737	96,447
Net increase in cash and cash equivalents		52,246	20,158	52,510	19,615
Cash and cash equivalents at the beginning of the financial year		31,115	10,957	30,572	10,957
Cash and cash equivalents at the end of the financial year	13	83,361	31,115	83,082	30,572

* Restated. Refer to Note 2 for detailed information on restatement of comparatives.

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

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Principles of consolidation

In the process of preparing the consolidated financial statements for the Consolidated entity, consisting of the Parent and the Controlled entity, 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 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 29 September 2021.

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;
- the requirements of the *Government Sector Finance Act 2018* (GSF Act);
- Treasurer's Directions issued under the GSF Act; and
- the requirements of 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 2020 to 30 June 2021, and its financial position as at 30 June 2021.

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

- Notes 1, 3, 14 and 21 - Estimated revenue and expenses accruals
- Note 2 - Configuration and customisation costs for Software as a Service (SaaS) arrangements
- Note 12 - Deferred tax assets and deferred tax liabilities
- Note 20 - Fair value of property, plant and equipment
- Notes 23 and 29 - Employee benefits and other provisions, including defined benefit superannuation obligations
- Note 14 - Expected credit losses

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Consolidated entity based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact on the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

1. Significant accounting policies (continued)

Comparatives information

Where relevant, comparative amounts are restated to conform to the presentation in the current reporting period. 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.

Comparative information has been restated as a result of a change in accounting policy in relation to cloud based arrangements. Refer later in this note and Note 2 for further information.

The consolidated financial statements include separate financial statements for the Parent entity and the Consolidated entity for the year ended 30 June 2021.

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 2021 and as at 30 June 2020. Refer to Note 37 regarding disclosures on contingent liabilities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

1. Significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (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 statements of cash flows on a gross basis. The GST components of cash flows from investing and financing activities that are 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 36).

Changes to significant accounting policy

Software-as-a-Service (SaaS) arrangements

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued an agenda decision on configuration or customisation costs in a cloud computing arrangement. This decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

Implementation of this agenda decision has resulted in a reclassification of applicable software intangibles as expenses in the Statement of Comprehensive Income, impacting both the current and prior periods presented. The new accounting policy is presented in Note 18.

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements (Note 2).

(a) New or amended Accounting Standards and Interpretations adopted

AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) has been adopted by the Consolidated entity effective 1 July 2020.

Based on the Consolidated entity's assessment of the existing arrangements, the first-time adoption of AASB 1059 did not have any impact on the transactions and balances recognised in the financial statements for the year ending 30 June 2021.

1. Significant accounting policies (continued)

(b) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the annual reporting period ended 30 June 2021. The impact of these new or amended Accounting Standards and Interpretations is disclosed below.

Standard	Effective date	Summary	Impact on the financial report
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	on or after 1 January 2022	Amendments to existing accounting standards, particularly in relation to: • AASB 1 – simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. • AASB 3 – to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. • AASB 9 – to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. • AASB 116 – to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. • AASB 137 Provisions, Contingent Liabilities and Contingent Assets – to specify the costs that an entity includes when assessing whether a contract will be loss-making	No material impact at this stage
AASB 17 *Insurance Contracts*	on or after 1 January 2023	AASB 17 replaces AASB 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.	No material impact at this stage
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	on or after 1 January 2023	Amends AASB 101 to require a liability be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	No material impact at this stage

2. Restatement of comparatives

Change in accounting policy

Comparative information has been restated as a result of a change in accounting policy in relation to cloud based arrangements. Refer to Note 1 and Note 2 for further information.

Software-as-a-Service (SaaS) arrangements - critical estimates

Note 18 describes the entity's accounting policy in respect of configuration and customisation costs incurred in implementing SaaS arrangements. In applying the Consolidated entity's accounting policy, the following key judgements were made that may have the most significant effect on the amounts recognised in financial statements.

1. Determination of whether configuration and customisation services are distinct from the SaaS access costs. Where costs to configure or customise the cloud provider's application software are considered to be distinct, they are recognised as operating expenses when the services are received.
2. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised. Non-distinct configuration and customisation costs are expensed over the SaaS contract term.
3. Where non-distinct configuration and customisation activities significantly enhance or modify a SaaS cloud-based application, judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

In implementing SaaS arrangements, the Consolidated entity has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

2. Restatement of comparatives (continued)

Statements of comprehensive income

	Consolidated		
	2020 $'000 Reported	$'000 Adjustment	2020 $'000 Restated
Revenue			
Revenue from water supply and delivery	310,082	-	310,082
Grants and subsidies	50,896	-	50,896
Other revenue	48,783	-	48,783
Expenses			
Employee related expenses	(107,747)	(3,570)	(111,317)
Depreciation and amortisation	(81,470)	4,836	(76,634)
Other operating expenses	(116,017)	(9,768)	(125,785)
Finance costs	(66,767)	(269)	(67,036)
Operating profit/(loss)	37,760	(8,771)	28,989
Gains/(losses) on disposal	(1,117)	-	(1,117)
Other gains/(losses)	(1,921)	-	(1,921)
Gains/(losses) on revaluation of property, plant and equipment	(77,286)	13,330	(63,956)
Profit/(loss) before income tax benefit	(42,564)	4,559	(38,005)
Income tax (expense)/benefit	13,082	(1,368)	11,714
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Water NSW	(29,482)	3,191	(26,291)
Other comprehensive income			
Gain/(loss) on the revaluation of property, plant and equipment, net of tax	6,088	(3,191)	2,897
Actuarial gain on defined benefit superannuation plans, net of tax	7,170	-	7,170
Other comprehensive income for the year, net of tax	13,258	(3,191)	10,062
Total comprehensive income/(loss) for the year attributable to the owners of Water NSW	(16,224)	-	(16,224)

2. Restatement of comparatives (continued)

	Parent		
	2020 $'000 Reported	$'000 Adjustment	2020 $'000 Restated
Revenue			
Revenue from water supply and delivery	284,917	-	284,917
Grants and subsidies	50,896	-	50,896
Other revenue	53,380	-	53,380
Expenses			
Employee related expenses	(107,747)	(3,570)	(111,317)
Depreciation and amortisation	(76,589)	4,836	(71,753)
Other operating expenses	(111,313)	(9,768)	(121,081)
Finance costs	(56,177)	(269)	(56,446)
Operating profit/(loss)	37,367	(8,771)	28,596
Gains/(losses) on disposal	(1,117)	-	(1,117)
Other gains/(losses)	(1,921)	-	(1,921)
Gains/(losses) on revaluation of property, plant and equipment	(77,286)	13,330	(63,956)
Profit/(loss) before income tax benefit	(42,957)	4,559	(38,398)
Income tax (expense)/benefit	14,551	(1,368)	13,183
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Water NSW	(28,406)	3,191	(25,215)
Other comprehensive income			
Gain/(loss) on the revaluation of property, plant and equipment, net of tax	1,939	3,191	(1,252)
Actuarial gain on defined benefit superannuation plans, net of tax	7,170	-	7,170
Other comprehensive income/(loss) for the year, net of tax	9,109	(3,191)	5,918
Total comprehensive income/(loss) for the year attributable to the owners of Water NSW	(19,297)	-	(19,297)

2. Restatement of comparatives (continued)

Statements of financial position at the beginning of the earliest comparative period

	Consolidated		
	1 July 2019 $'000 Reported	$'000 Adjustment	July 2019 $'000 Restated
Assets			
Current assets			
Cash and cash equivalents	10,957	-	10,957
Trade and other receivables	125,000	-	125,000
Income tax refund due	3,784	-	3,784
Other non-financial assets	18	-	18
Total current assets	139,759	-	139,759
Non-current assets			
Other non-financial assets	897	-	897
Property, plant and equipment	2,936,710	17,747	2,954,457
Intangible assets	29,180	(17,747)	11,433
Total non-current assets	2,966,787	-	2,966,787
Total assets	3,106,546	-	3,106,546
Liabilities			
Current liabilities			
Trade and other payables	88,153	-	88,153
Contract liabilities	305	-	305
Borrowings	465,174	-	465,174
Provisions	67,279	-	67,279
Other	28,791	-	28,791
Total current liabilities	649,702	-	649,702
Non-current liabilities			
Contract liabilities	1,063	-	1,063
Borrowings	1,202,952	-	1,202,952
Deferred tax	212,971	-	212,971
Provisions	105,546	-	105,546
Other liabilities	89,584	-	89,584
Total non-current liabilities	1,612,116	-	1,612,116
Total liabilities	2,261,818	-	2,261,818
Net assets	844,728	-	844,728
Equity			
Contributed equity	388,132	-	388,132
Asset revaluation reserve	263,493	17,108	280,601
Retained profits	193,103	(17,108)	175,995
Total equity	844,728	-	844,728

2. Restatement of comparatives (continued)

	Parent		
	1 July 2019 $'000 Reported	$'000 Adjustment	1 July 2019 $'000 Restated
Assets			
Current assets			
Cash and cash equivalents	10,957	-	10,957
Trade and other receivables	125,750	-	125,750
Income tax refund due	3,784	-	3,784
Other non-financial assets	18	-	18
Total current assets	140,509	-	140,509
Non-current assets			
Other non-financial assets	897	-	897
Other financial assets	111,501	-	111,501
Property, plant and equipment	2,544,418	17,747	2,562,165
Intangible assets	29,180	(17,747)	11,433
Total non-current assets	2,685,996	-	2,685,996
Total assets	2,826,505	-	2,826,505
Liabilities			
Current liabilities			
Trade and other payables	98,089	-	98,089
Contract liabilities	305	-	305
Borrowings	461,089	-	461,089
Provisions	67,279	-	67,279
Other	28,791	-	28,791
Total current liabilities	655,553	-	655,553
Non-current liabilities			
Contract liabilities	1,063	-	1,063
Borrowings	934,750	-	934,750
Deferred tax	207,667	-	207,667
Provisions	105,546	-	105,546
Other liabilities	89,584	-	89,584
Total non-current liabilities	1,338,610	-	1,338,610
Total liabilities	1,994,163	-	1,994,163
Net assets	832,342	-	832,342
Equity			
Contributed equity	388,132	-	388,132
Asset revaluation reserve	251,903	17,108	269,011
Retained profits	192,307	(17,108)	175,199
Total equity	832,342	-	832,342

2. Restatement of comparatives (continued)

Statements of financial position at the end of the earliest comparative period

	Consolidated		
	2020 $'000 Reported	$'000 Adjustment	2020 $'000 Restated
Assets			
Current assets			
Cash and cash equivalents	31,115	-	31,115
Trade and other receivables	100,920	-	100,920
Income tax refund due	7,886	-	7,886
Total current assets	139,921	-	139,921
Non-current assets			
Other non-financial assets	937	-	937
Property, plant and equipment	3,037,642	17,976	3,055,618
Right-of-use assets	26,012	-	26,012
Intangible assets	30,028	(17,976)	12,052
Total non-current assets	3,094,619	-	3,094,619
Total assets	3,234,540	-	3,234,540
Liabilities			
Current liabilities			
Trade and other payables	98,102	-	98,102
Contract liabilities	782	-	782
Borrowings	636,700	-	636,700
Provisions	71,024	-	71,024
Dividend payable	20,000	-	20,000
Other	43,622	-	43,622
Total current liabilities	870,230	-	870,230
Non-current liabilities			
Contract liabilities	429	-	429
Borrowings	1,179,657	-	1,179,657
Deferred tax	193,392	-	193,392
Provisions	101,995	-	101,995
Other liabilities	80,333	-	80,333
Total non-current liabilities	1,555,806	-	1,555,806
Total liabilities	2,426,036	-	2,426,036
Net assets	808,504	-	808,504
Equity			
Contributed equity	388,132	-	388,132
Asset revaluation reserve	269,348	13,920	283,268
Retained profits	151,024	(13,920)	137,104
Total equity	808,504	-	808,504

2. Restatement of comparatives (continued)

	Parent		
	2020 $'000 Reported	$'000 Adjustment	2020 $'000 Restated
Assets			
Current assets			
Cash and cash equivalents	30,572	-	30,572
Trade and other receivables	116,276	-	116,276
Income tax refund due	7,886	-	7,886
Total current assets	154,734	-	154,734
Non-current assets			
Other non-financial assets	937	-	937
Other financial assets	96,001	-	96,001
Property, plant and equipment	2,644,542	17,975	2,662,517
Right-of-use assets	26,012	-	26,012
Intangible assets	30,027	(17,975)	12,052
Total non-current assets	2,797,519	-	2,797,519
Total assets	2,952,253	-	2,952,253
Liabilities			
Current liabilities			
Trade and other payables	92,741	-	92,741
Contract liabilities	782	-	782
Borrowings	626,166	-	626,166
Provisions	71,024	-	71,024
Dividend payable	20,000	-	20,000
Other	43,622	-	43,622
Total current liabilities	854,335	-	854,335
Non-current liabilities			
Contract liabilities	429	-	429
Borrowings	939,109	-	939,109
Deferred tax	183,009	-	183,009
Provisions	101,995	-	101,995
Other liabilities	80,331	-	80,331
Total non-current liabilities	1,304,873	-	1,304,873
Total liabilities	2,159,208	-	2,159,208
Net assets	793,045	-	793,045
Equity			
Contributed equity	388,132	-	388,132
Asset revaluation reserve	253,609	13,918	267,527
Retained profits	151,304	(13,918)	137,386
Total equity	793,045	-	793,045

3. Revenue from water supply and delivery

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Regulated - Greater Sydney	196,410	220,001	196,410	220,001
Regulated - Rural	48,586	35,006	48,586	35,006
Regulated and Unregulated - Other	29,004	28,348	29,004	28,348
Other revenue from water supply	3,499	1,542	3,499	1,542
Drought relief rebate provided to customers	(16,716)	(22,858)	(16,716)	(22,858)
Drought relief rebate received from NSW Government	16,757	22,878	16,757	22,878
Regulated - Broken Hill Pipeline	25,464	25,165	-	-
	303,004	310,082	277,540	284,917

Disaggregation of revenue

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Greater Sydney Determination	196,410	220,001	196,410	220,001
Rural Valleys Determination	48,586	35,006	48,586	35,006
WAMC Determination	29,004	28,057	29,004	28,057
Drought rebates (net)	41	20	41	20
Other revenue from water supply	3,499	1,833	3,499	1,833
Broken Hill Pipeline Determination	25,464	25,165	-	-
	303,004	310,082	277,540	284,917
Geographical regions				
NSW	303,004	310,082	277,540	284,917
Timing of revenue recognition				
Services transferred over time	302,690	309,509	277,226	284,344
Services transferred at a point in time	314	573	314	573
	303,004	310,082	277,540	284,917

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 (Independent Pricing and Regulatory Tribunal) 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. These charges are regulated and approved by the Independent Pricing and Regulatory Tribunal of NSW (IPART). 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.

3. Revenue from water supply and delivery (continued)

Volumetric charges

Volumetric charges reflect revenue derived from the consumption of water and water services. These charges are regulated and approved by IPART. 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. These charges are regulated by the Australian Competition and Consumer Commission. 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.

Unregulated river water charges

Unregulated river water charges represent 1 and 2 part tariffs for the 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 these 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 a point in time, as payments are due when these services are provided.

Recognition and measurement

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

3. Revenue from water supply and delivery (continued)

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 periods.

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 a periodic basis in accordance with the respective IPART Determinations.

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 (i.e. the customer's share of total efficient costs) is less than the revenue that is required to achieve full cost recovery.

Emergency Drought Relief Package

In 2020 and 2021 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 & WaterNSW 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.

4. Grants and subsidies

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
NSW Government contributions to operations	31,562	31,427	31,562	31,427
NSW Government subsidies	1,634	1,576	1,634	1,576
Other Government grants	92,315	17,893	92,315	17,893
	125,511	50,896	125,511	50,896

Recognition and measurement

The Consolidated entity receives NSW Government contributions from the NSW Department of Planning, Industry and Environment 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

4. Grants and subsidies (continued)

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 be paid for by the NSW Government and customers for each activity undertaken by the Consolidated entity to provide rural bulk water services.

Government grants and subsidies revenue

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

Government grants and contributions are recognised and measured in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

Operating grants and contributions 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 contribution 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.

During the year, the Parent received $63.2 million from the NSW Department of Planning, Industry and Environment to reimburse costs incurred in progressing the final business cases for the Wyangala, Dungowan and Mole River Dam Projects.

5. Other revenue

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Murray-Darling Basin Authority (MDBA) and other utilities	11,664	14,737	11,664	14,737
Revenue from operating leases	2,440	2,802	2,440	2,802
Interest	23	441	21	392
Ancillary services	1,693	2,495	1,693	2,495
Other minor revenue	1,220	1,917	1,150	1,917
External engagements	3,102	10,699	3,102	10,699
Intra-group revenue – pipeline services	-	-	1,128	146
Insurance recoveries	231	15,692	231	15,692
Dividend from the Controlled entity	-	-	3,200	4,500
	20,373	48,783	24,629	53,380

5. Other revenue (continued)

Disaggregation of revenue

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
NSW	20,373	48,783	24,629	53,380

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Services transferred over time	16,378	22,030	17,506	22,176
Services transferred at a point in time	645	1,143	645	1,143
Revenue out of scope of AASB 15	3,350	25,610	6,478	30,061
Total other revenue	20,373	48,783	24,629	53,380

Interest revenue

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

Revenue from operating leases

Revenue 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.

6. Employee related expenses

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Employee related expenses (excluding post employee benefits)	140,603	134,314	140,603	134,314
Capitalisation of employee related expenses	(28,128)	(36,661)	(28,128)	(36,661)
Superannuation - Defined benefit plans	3,771	4,536	3,771	4,536
Superannuation - Defined contribution plans	10,548	9,128	10,548	9,128
	126,794	111,317	126,794	111,317

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

7. Other operating expenses

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Contractors	90,873	33,728	90,770	32,593
Electricity and other energy	2,158	8,884	2,157	8,884
Data management	23,168	11,224	23,129	11,220
License fees	2,663	2,684	2,663	2,684
Materials, plant and equipment	5,999	5,308	5,975	5,292
Property	6,389	4,636	6,305	4,564
Transport and travel	4,293	5,843	4,292	5,843
Insurance	5,766	6,712	5,766	6,712
Other expenses from ordinary activities	9,075	14,937	9,043	14,905
Credit losses	(49)	273	(49)	273
Construction/Installation for third parties	2,810	4,929	2,810	4,929
Operation and maintenance contract Broken Hill Pipeline	3,202	3,367	-	-
Expenses from insurable events	-	1,792	-	1,792
Expenses related to short term and low value leases	1,873	939	1,864	903
Consultants	3,496	6,551	3,464	6,509
Water monitoring	7,316	5,784	7,316	5,784
Land management	7,728	8,194	7,728	8,194
	176,760	125,785	173,233	121,081

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Reconciliation of total maintenance expenses				
Employee-related maintenance expenses	14,600	14,864	14,600	14,864
Contracted labour and other (non-employee related) expenses	18,538	19,710	18,538	19,710
Total maintenance expenses	33,138	34,574	33,138	34,574

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.

8. Depreciation and amortisation

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Depreciation	74,791	69,681	69,821	64,800
Amortisation	4,647	2,730	4,647	2,730
Depreciation - right-of-use assets	3,025	4,223	3,025	4,223
	82,463	76,634	77,493	71,753

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

Recognition and measurement

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 (2020-21)	Useful life (2019-20)
Infrastructure systems	5 to 150 years	5 to 150 years
Buildings	1 to 100 years	1 to 100 years
Plant and equipment	2 to 50 years	2 to 32 years
Vehicles	5 to 20 years	5 to 15 years
Furniture and fittings	3 to 20 years	3 to 15 years
Information systems	2 to 10 years	2 to 10 years
Water meters	4 to 20 years	4 to 20 years
Computer software/easements	3 to 25 years	3 to 25 years

9. Finance costs

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Interest expense on loans	20,412	17,186	17,087	14,212
Government Guarantee Fee	24,870	26,460	21,144	22,849
Other borrowing costs	84	569	84	569
Unwinding of discounts on provision	72	34	72	34
Borrowing costs capitalised	(3,966)	(6,622)	(3,966)	(6,622)
Amortisation of deferred discounts on loans	18,168	28,334	14,564	24,329
Interest expense on leases	772	1,075	772	1,075
	60,412	67,036	49,757	56,446

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

9. Finance costs (continued)

Recognition and measurement

Interest and other borrowing costs, such as the Government Guarantee Fee 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.

Where funds are borrowed specifically to acquire or construct the qualifying asset, then the borrowing costs capitalised are the actual costs incurred on the borrowings, net of any investment income earned from temporarily investing surplus funds.

Where funds come from general borrowings, then a capitalisation rate is applied to project expenditure.

The Consolidated entity applies a capitalisation rate methodology (including Government Guarantee Fee) as the financing activity of the Consolidated entity is co-ordinated centrally. The capitalisation rate is the weighted average of the borrowing costs applicable to the Consolidated entity's general outstanding borrowings for that period.

Borrowing costs capitalised in an accounting period will be determined based on the average project spend (net of any third party capital contribution).

Where construction of an asset is partially funded by way of customer contribution or government grant, the average expenditure on the qualifying asset which is eligible for application of the capitalisation rate will be cumulative expenditure net of actual customer contributions or government grants received.

Qualifying assets are assets that take 12 months or more to be ready for their intended use with the project value in excess of $1 million (net of government grant or customer capital contribution).

10. Gains/(losses) on disposal

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Proceeds from sale of assets	2,188	1,372	2,188	1,372
Written down value of property, plant and equipment	(1,175)	(2,489)	(1,175)	(2,489)
Net gain/(loss) on disposal	1,013	(1,117)	1,013	(1,117)

Recognition and measurement

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.

11. Other gains/losses

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Impairment – Right-of-use assets	1,853	(1,921)	1,853	(1,921)

Please refer to Note 17 for further details.

12. Income tax

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Income tax expense/(benefit)				
Current tax	8,709	12,177	8,326	14,009
Deferred tax - origination and reversal of temporary differences	8,607	(23,891)	7,412	(27,192)
Aggregate income tax expense/(benefit)	17,316	(11,714)	15,738	(13,183)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate				
Profit/(loss) before income tax (expense)/benefit	52,127	(38,005)	50,071	(38,398)
Tax at the statutory rate of 30%	15,638	(11,400)	15,021	(11,519)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Other temporary differences	-	(1)	(1)	(1)
Non-deductible expenses	42	24	42	24
Intercompany dividend	-	-	(960)	(1,350)
Prior year temporary differences not recognised now recognised	1,636	(337)	1,636	(337)
Income tax expense/(benefit)	17,316	(11,714)	15,738	(13,183)

12. Income tax (continued)

Consolidated - 30 June 2021	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing Balance $'000
Deferred tax balance				
Property, plant and equipment	(270,487)	(7,379)	(16,170)	(294,036)
Other creditors	1,002	(983)	-	19
Employee benefits	13,561	2,215	-	15,776
Leased premises	708	(121)	-	587
Defined benefit superannuation	28,476	526	(2,997)	26,005
Allowance for impairment of receivables	223	(59)	-	164
Deferred government grants	29,877	(1,842)	-	28,035
Other provisions and accruals	3,248	(964)	-	2,284
	(193,392)	(8,607)	(19,167)	(221,166)

Consolidated - 30 June 2020*	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing Balance $'000
Deferred tax balance				
Property, plant and equipment	(286,738)	17,490	(1,239)	(270,487)
Other creditors	1,035	(33)	-	1,002
Employee benefits	11,995	1,566	-	13,561
Leased premises	511	197	-	708
Defined benefit superannuation	30,558	991	(3,073)	28,476
Allowance for impairment of receivables	164	59	-	223
Deferred government grants	28,284	1,593	-	29,877
Other provisions and accruals	1,220	2,028	-	3,248
	(212,971)	23,891	(4,312)	(193,392)

Parent - 30 June 2021	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing Balance $'000
Deferred tax balance				
Property, plant and equipment	(260,005)	(6,274)	(13,417)	(279,696)
Other creditors	1,055	(1,036)	-	19
Employee benefits	13,561	2,215	-	15,776
Leased premises	708	(121)	-	587
Defined benefit superannuation	28,476	526	(2,997)	26,005
Allowance for impairment of receivables	223	(59)	-	164
Deferred government grants	29,877	(1,842)	-	28,035
Other provisions and accruals	3,096	(821)	-	2,275
	(183,009)	(7,412)	(16,414)	(206,835)

12. Income tax (continued)

Parent - 30 June 2020*	Opening balance $'000	Recognised in income $'000	Recognised in equity/retained earnings $'000	Closing Balance $'000
Deferred tax balance				
Property, plant and equipment	(281,435)	20,891	539	(260,005)
Other creditors	1,035	20	-	1,055
Employee benefits	11,995	1,566	-	13,561
Leased premises	511	197	-	708
Defined benefit superannuation	30,558	991	(3,073)	28,476
Allowance for impairment of receivables	164	59	-	223
Deferred government grants	28,284	1,593	-	29,877
Other provisions and accruals	1,221	1,875	-	3,096
	(207,667)	27,192	(2,534)	(183,009)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Income tax refund due				
Income tax refund due	3,706	7,886	3,706	7,886

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

Recognition and measurement

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.

12. Income tax (continued)

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

The Consolidated entity formed a tax consolidated group with effect from 5 November 2018, when WaterNSW Infrastructure Pty Ltd was established. The Parent entity and Controlled entity 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 the Parent entity for any current income tax payable by the Controlled entity arising in respect of its 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 Parent entity.

13. Current assets - cash and cash equivalents

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash at bank	17,360	31,115	17,081	30,572
NSW Treasury Corporation 11am at Call Facility	66,001	-	66,001	-
	83,361	31,115	83,082	30,572

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

Recognition and measurement

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.

14. Current assets - trade and other receivables

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade receivables	9,378	23,819	7,224	21,415
Allowance for expected credit losses	(298)	(420)	(298)	(420)
	9,080	23,399	6,926	20,995
Accrued revenue from unbilled charges	62,002	67,330	59,841	65,011
Other receivables	838	4,692	774	4,773
Prepayments	3,023	5,820	3,021	5,818
Less: Allowance for expected credit losses	(248)	(321)	(248)	(321)
	65,615	77,521	63,388	75,281
Other receivables from the Controlled entity	-	-	20,000	20,000
	74,695	100,920	90,314	116,276

Allowance for expected credit losses

The ageing of trade receivables for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2021 %	Expected credit loss rate 2020 %	Carrying amount 2021 $'000	Carrying amount 2020 $'000	Allowance for expected credit losses 2021 $'000	Allowance for expected credit losses 2020 $'000
Not overdue	9.84%	9.75%	637	163	62	16
31-60 days overdue	11.31%	11.93%	1,009	2,137	114	255
61-90 days overdue	15.43%	16.18%	-	89	-	14
More than 90 days overdue	13.92%	14.10%	403	852	56	120
Sundry debtors	3.75%	4.50%	437	310	16	14
Government clients	-	-	48,378	67,888	-	-
Other debtors (accruals)	3.75%	4.93%	7,942	6,523	298	322
Prepayments	-	-	3,023	5,820	-	-
Other receivables not in scope of AASB 9	-	-	12,866	17,138	-	-
			74,695	100,920	546	741

14. Current assets - trade and other receivables (continued)

Parent	Expected credit loss rate 2021 %	Expected credit loss rate 2020 %	Carrying amount 2021 $'000	Carrying amount 2020 $'000	Allowance for expected credit losses 2021 $'000	Allowance for expected credit losses 2020 $'000
Not overdue	9.84%	9.75%	637	163	62	16
31-60 days overdue	11.31%	11.93%	1,009	2,137	114	255
61-90 days overdue	15.43%	16.18%	-	89	-	14
More than 90 days overdue	13.92%	14.10%	403	852	56	120
Sundry Debtors	3.75%	4.50%	437	310	16	14
Government clients	-	-	43,998	63,245	-	-
Other debtors (accruals)	3.75%	4.93%	7,943	6,523	298	322
Prepayments	-	-	3,021	5,820	-	-
Other receivables not in scope of AASB 9	-	-	32,866	37,157	-	-
			90,314	116,296	546	741

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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
31-60 days overdue	388	3,423	388	3,423
61-90 days overdue	-	4	-	4
>90 days overdue	523	5,749	523	5,749
	911	9,176	911	9,176

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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Opening balance	741	545	741	545
Additional provisions recognised	-	275	-	275
Amount used	(146)	(79)	(146)	(79)
Unused amounts reversed	(49)	-	(49)	-
Closing balance	546	741	546	741

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 40.

14. Current assets - trade and other receivables (continued)

Recognition and measurement

Trade and other receivables represent 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 recognised 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.

COVID-19 impact

No significant impact of the COVID-19 pandemic on the expected credit losses provision has been identified. NSW Government customers are not expected to default or have a reduced ability to meet their obligations in the next 12 months.

Only water (non-government) customers balances have been assessed for expected credit losses, which have been estimated based on a forward-looking economic assessment derived from the Reserve Bank of Australia economic outlook and NSW Treasury economic outlook.

15. Non-current assets - other financial assets

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Investment in WaterNSW Infrastructure Pty Ltd	-	-	79,201	96,001

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Opening carrying amount	-	-	96,001	111,501
Capital dividend	-	-	(16,800)	(15,500)
Closing carrying amount	-	-	79,201	96,001

15. Non-current assets - other financial assets (continued)

Recognition and measurement

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.

16. Non-current assets - property, plant and equipment

	Consolidated 2021 $'000	Consolidated 2020* $'000	Parent 2021 $'000	Parent 2020* $'000
Market Land	38,246	38,211	38,246	38,211
System Land	202,022	192,079	202,022	192,079
	240,268	230,290	240,268	230,290
Plant and equipment - at cost	19,748	19,061	19,748	19,061
Less: Accumulated depreciation	(15,058)	(13,819)	(15,058)	(13,819)
	4,690	5,242	4,690	5,242
Furniture and fit-out - at cost	15,426	14,724	15,426	14,724
Less: Accumulated depreciation	(7,542)	(5,887)	(7,542)	(5,887)
	7,884	8,837	7,884	8,837
Motor vehicles - at cost	23,382	19,803	23,382	19,803
Less: Accumulated depreciation	(9,429)	(8,309)	(9,429)	(8,309)
	13,953	11,494	13,953	11,494
Information systems - at cost	34,227	28,825	34,227	28,825
Less: Accumulated depreciation	(21,361)	(19,199)	(21,361)	(19,199)
	12,866	9,626	12,866	9,626
Work in progress (WIP)	240,310	307,400	239,823	306,421
Infrastructure - at fair value (income approach)	2,629,170	2,423,238	2,232,351	2,031,116
Less: Accumulated depreciation	(2,881)	(2,210)	(2,881)	(2,210)
	2,626,289	2,421,028	2,229,470	2,028,906
Water Meters - at fair value (income approach)	23,805	26,937	23,805	26,937
Less: Accumulated depreciation	(17)	(17)	(17)	(17)
	23,788	26,920	23,788	26,920
Buildings - at fair value (income approach)	34,929	34,997	34,929	34,997
Less: Accumulated depreciation	(261)	(217)	(261)	(217)
	34,668	34,780	34,668	34,780
	3,204,716	3,055,618	2,807,410	2,662,517

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

16. 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 1 July 2019	163,217	2,458,369	35,649	38,945	166,123	32,381	42,026	2,936,710
Restatement (Note 2)	(6,694)							(6,694)
Revaluation gain OCI* (Note 2)		23,717	174	550				24,441
Restated balance at 1 July 2019 (Note 2)	156,523	2,482,086	35,823	39,495	166,123	32,381	42,026	2,954,458
Additions	251,200	-	-	-	-	-	-	251,200
Disposals	-	(595)	-	(922)	(2)	(4)	(965)	(2,488)
Revaluation gain OCI*	-	(17,405)	(2,823)	4	25,276	3,645	-	8,697
Revaluation gain/(loss) in profit and loss	-	(77,857)	(2,223)	(77)	682	2,189	-	(77,286)
Restatement (Note 2)	(8,544)							(8,544)
Revaluation gain (net) (Note 2)		8,260	585	(73)				8,772
Transfers from WIP	(83,368)	70,377	-	38	-	-	12,953	-
Transfers in/(out)	(8,411)	11,279	-	(1,949)	-	-	(10,430)	(9,511)
Depreciation expense	-	(55,116)	(4,443)	(1,736)	-	-	(8,385)	(69,680)
Balance at 30 June 2020**	307,400	2,421,028	26,920	34,780	192,079	38,211	35,199	3,055,618
Additions	133,252	-	-	-	-	-	-	133,252
Disposals	-	(160)	(28)	-		-	(987)	(1,175)
Revaluation gain OCI*	-	42,697	1,466	457	9,826	7	-	54,453
Revaluation gain/(loss) in profit and loss	-	46,032	584	44	115	28	-	46,802
Transfers from WIP	(190,901)	173,683	-	1,200	2	-	16,016	-
Transfers in/(out)	(9,441)	-	-	-	-	-	-	(9,441)
Depreciation expense	-	(56,991)	(5,152)	(1,813)	-	-	(10,835)	(74,791)
Balance at 30 June 2021	240,310	2,626,289	23,788	34,668	202,022	38,246	39,393	3,204,716

* OCI - Other comprehensive income

** The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

16. 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 2019	161,999	2,067,295	35,649	38,945	166,123	32,381	42,026	2,544,418
Restatement (Note 2)	(6,694)							(6,694)
Revaluation gain OCI* (Note 2)		23,717	174	550				24,441
Restated balance at 1 July 2019 (Note 2)	155,305	2,091,012	35,823	39,495	166,123	32,381	42,026	2,562,165
Additions	251,440	-	-	-	-	-	-	251,440
Disposals	-	(595)	-	(922)	(2)	(4)	(965)	(2,488)
Revaluation gain OCI*	-	(23,333)	(2,823)	4	25,276	3,645	-	2,769
Revaluation gain/(loss) in profit and loss	-	(77,857)	(2,223)	(77)	682	2,189	-	(77,286)
Restatement (Note 2)	(8,544)							(8,544)
Revaluation gain (net) (Note 2)		8,260	585	(73)				8,772
Transfers from WIP	(83,368)	70,377	-	38	-	-	12,953	-
Transfers in/(out)	(8,411)	11,279	-	(1,949)	-	-	(10,430)	(9,511)
Depreciation expense	-	(50,236)	(4,443)	(1,736)	-	-	(8,385)	(64,800)
Balance at 30 June 2020**	306,421	2,028,906	26,920	34,780	192,079	38,211	35,199	2,662,517
Additions	132,764	-	-	-	-	-	-	132,764
Disposals	-	(160)	(28)	-	(1)	-	(987)	(1,176)
Revaluation gain OCI*	-	33,516	1,465	457	9,827	7	-	45,271
Revaluation gain/(loss) in profit and loss	-	46,032	584	44	115	28	-	46,803
Transfers from WIP	(190,415)	173,197	-	1,200	2	-	16,016	-
Transfers in/(out)	(8,947)	-	-	-	-	-	-	(8,947)
Depreciation expense	-	(52,021)	(5,153)	(1,813)	-	-	(10,835)	(69,822)
Balance at 30 June 2021	239,823	2,229,470	23,788	34,668	202,022	38,246	39,393	2,807,410

* OCI - Other comprehensive income

** The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

Refer to Note 20 for further information on fair value measurement.

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revalued assets measured at historic cost				
Infrastructure systems	1,921,358	1,788,324	1,555,703	1,418,375
Water meters	31,385	39,949	31,385	39,949
Buildings	22,230	22,653	22,230	22,653
System Land	118,390	118,389	118,390	118,389
	2,093,363	1,969,315	1,727,708	1,599,366

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.

Other 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.

Motor vehicles

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

Furniture and fit-out

These assets include furniture and fit-out assets. This class is included as part of other property, plant and equipment items.

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.

Recognition and measurement

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.

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

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 assets categories that work together to form an entire network, 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 major 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 at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision is met.

For fair value measurement information please refer to Note 20.

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.

17. Non-current assets - right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Land and buildings - right-of-use	23,328	28,419	23,328	28,419
Less: Accumulated depreciation	(6,842)	(3,824)	(6,842)	(3,824)
Less: Impairment	(68)	(1,921)	(68)	(1,921)
	16,418	22,674	16,418	22,674
Leasehold improvements - right-of-use	302	3,828	302	3,828
Less: Accumulated depreciation	(282)	(506)	(282)	(506)
	20	3,322	20	3,322
Motor vehicles - right-of-use	63	63	63	63
Less: Accumulated depreciation	(63)	(47)	(63)	(47)
	-	16	-	16
	16,438	26,012	16,438	26,012

Reconciliations

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

Consolidated/Parent	Land and buildings $'000	Motor vehicles $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2019	-	-	-	-
First time recognition	28,390	63	2,573	31,026
Remeasurement	29	-	-	29
Impairment of assets	(1,921)	-	-	(1,921)
Transfers in/(out)	-	-	1,101	1,101
Depreciation expense	(3,824)	(47)	(352)	(4,223)
Balance at 30 June 2020	22,674	16	3,322	26,012
Remeasurement	(4,948)	-	(3,302)	(8,250)
Impairment of assets	1,853	-	-	1,853
Write off of assets	(152)	-	-	(152)
Depreciation expense	(3,009)	(16)	-	(3,025)
Balance at 30 June 2021	16,418	-	20	16,438

17. Non-current assets - right-of-use assets (continued)

Recognition and measurement

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Property

- For property leases less than five years, or greater than five years but substantially shorter than the asset's useful life (e.g. the lease term is 10 years while the useful life of the leased property is 60 years), valuations will be based on indices published by Property NSW.
- For property leases greater than five years where the right-of-use asset's tenure is closely aligned to the asset's useful life, the Consolidated entity will obtain external valuations consistent with owned property, i.e. be subject to a comprehensive revaluation every three years in line with TPP 14-01 *Valuation of Physical Non-Current Assets at Fair Value*.
- The carrying amount of right-of-use assets arising from property leases as at 1 July 2020 is deemed as fair value.

Motor vehicles excluding specialised motor vehicles

As motor vehicles are expected to depreciate over their useful life without significant upward or downward movements in fair value, motor vehicles are excluded from requiring formal valuations over the lease term of the right-of-use assets.

COVID -19 Impact

The COVID-19 outbreak occurring throughout the 2020 and 2021 financial years had an unprecedented effect on the NSW and global economies. COVID-19 significantly impacted the market rent for leases in Sydney Metro area and therefore the value of some lease right-of-use assets in the Statement of Financial Position.

The entity has therefore undertaken an impairment assessment for the above right-of-use assets, to determine whether the carrying amount exceeded their recoverable amount. Impacted right-of-use assets are written down to their recoverable amounts by reference to the right-of-use asset's fair value less costs of disposal (or value in use) and an impairment loss is recognised.

The entity recognised a net reversal of prior year impairment losses for right-of-use assets during the 2021 financial year of $1.9 million (2020: $1.9 million impairment). Impairment losses for right-of-use assets are included in Other Net Gains/(Losses) in the Statement of Comprehensive Income.

17. Non-current assets - right-of-use assets (continued)

The right-of-use assets for which an impairment loss has been reversed during the financial year are as follows:

- During the year Metro area leases (Sydney City Hub) right-of-use assets continued to be impaired due to the significant decline in market rent. They have been written down to recoverable amount of $11.6 million (2020: $16.4 million), which is determined by reference to fair value less costs of disposal. A net reversal of prior year impairment losses was recognised during the financial year of $1.9 million (2020: $1.9 million impairment) due to remeasurement following a lease modification. The valuation technique used in the fair value measurement is classified as level 3 according to AASB 13 fair value hierarchy;
- The recoverable amounts determined for right-of-use assets' fair value less costs of disposal were calculated using the valuation techniques detailed in the following table.

Asset Description	Valuation Technique	Key Assumptions	Fair Value Hierarchy
Metro area leases	Fair value less costs of disposal	Change in index	Level 3

18. Non-current assets - intangible assets

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Rights of access and other legal rights	5,380	4,406	4,885	4,406
Less: Accumulated amortisation	(1,098)	(885)	(1,098)	(885)
	4,282	3,521	3,787	3,521
Software - at cost	34,059	25,591	34,059	25,591
Less: Accumulated amortisation	(21,495)	(17,060)	(21,495)	(17,060)
	12,564	8,531	12,564	8,531
	16,846	12,052	16,351	12,052

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

18. Non-current assets - intangible assets (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	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2019	-	3,692	25,488	29,180
Restatement (net of amortisation) (Note 2)			(17,748)	(17,748)
Restated balance as at 1 July 2019 (Note 2)		3,692	7,740	11,432
Transfers from WIP	(8,413)	-	8,413	-
Restatement (net of amortisation) (Note 2)			(227)	(227)
Transfers from property, plant and equipment	8,413	-	-	8,413
Amortisation expense	-	(170)	(7,396)	(7,566)
Balance at 30 June 2020	-	3,522	8,530	12,052
Transfers from WIP	(9,441)	973	8,468	_
Transfers from property, plant and equipment	9,441	-	-	9,441
Amortisation expense	-	(213)	(4,434)	(4,647)
Balance at 30 June 2021	-	4,282	12,564	16,846

Parent*	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2019	-	3,692	25,488	29,180
Restatement (net of amortisation) (Note 2)	-	-	(17,748)	(17,748)
Restated balance as at 1 July 2019 (Note 2)	-	3,692	7,741	11,433
Transfers from WIP	(8,413)	-	8,413	-
Restatement (net of amortisation) (Note 2)	-	-	(227)	(227)
Transfers from property, plant and equipment	8,413	-	-	8,413
Amortisation expense	-	(170)	(7,396)	(7,566)
Balance at 30 June 2020	-	3,522	8,531	12,052
Transfers from WIP	(8,946)	478	8,468	-
Transfers from property, plant and equipment	8,946	-	-	8,946
Amortisation expense	-	(213)	(4,434)	(4,467)
Balance at 30 June 2021	-	3,787	12,564	16,351

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

18. Non-current assets - intangible assets (continued)

Recognition and measurement

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.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Consolidated entity with the right to access the cloud provider's application software over the contract period. As such the Consolidated entity does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability for, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Impairment of assets

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. Please refer to Note 16 for the accounting policy on the impairment of assets.

19. Leases

The Consolidated entity as a lessee

The Consolidated entity leases various properties and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Consolidated entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value leases are assets with a fair value of $10,000 or less when new.

Right-of-use assets under leases

Right-of use assets are disclosed in Note 17.

Lease liabilities

The following table presents liabilities under leases.

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening balance	25,487	-	25,487	-
First time recognition	-	28,453	-	28,453
Interest expenses	772	1,075	772	1,075
Payments	(3,389)	(4,003)	(3,389)	(4,003)
Other movements	(4,479)	(38)	(4,479)	(38)
Closing balance	18,391	25,487	18,391	25,487

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2021 in respect of leases where the entity is the lessee:

19. Leases (continued)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	(3,025)	(4,223)	(3,025)	(4,223)
Interest expense on lease liabilities	(772)	(1,075)	(772)	(1,075)
Expense relating to short-term and low-value assets	(1,873)	(939)	(1,864)	(904)
Income from subleasing right-of-use assets	-	147	-	147
Total amount recognised in the statement of comprehensive income	(5,670)	(6,090)	(5,661)	(6,055)

Recognition and measurement

The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings, including leasehold improvements - 1 to 20 years
- Motor vehicles 1 to 2 years

Where the ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to revaluation (except for those arising from leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives) and impairment. Refer to the accounting policies for property, plant and equipment in Note 17.

ii. Lease liabilities

At the commencement date of the lease, the entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

19. Leases (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the entity's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Consolidated entity's lease liabilities are included in borrowings.

iii. Short-term leases and leases of low-value assets

The Consolidated entity applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

The Consolidated entity as a lessor

The Consolidated entity's properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Although the entity is exposed to changes in the residual value at the end of current leases, the entity typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating leases as at 30 June are, as follows:

Recognition and measurement - lessor for operating leases

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

19. Leases (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Within one year	2,297	2,663	2,297	2,663
Later than one year and not later than five years	6,249	6,588	6,249	6,588
Later than five years	42,637	43,294	42,637	43,294
Total (including GST)	51,183	52,545	51,183	52,545

20. 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 - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	38,246	202,022	240,268
Infrastructure systems	-	-	2,684,745	2,684,745
Other property, plant and equipment	-	-	279,703	279,703
Total assets	-	38,246	3,166,470	3,204,716

Consolidated - 2020*	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	38,211	192,079	230,290
Infrastructure systems	-	-	2,482,728	2,482,728
Other property, plant and equipment	-	-	342,600	342,600
Total assets	-	38,211	3,017,407	3,055,618

Parent - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	38,246	202,022	240,268
Infrastructure systems	-	-	2,287,926	2,287,926
Other property, plant and equipment	-	-	279,216	279,216
Total assets	-	38,246	2,769,164	2,807,410

20. Fair value measurement (continued)

Parent - 2020*	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	38,211	192,079	230,290
Infrastructure systems	-	-	2,090,609	2,090,609
Other property, plant and equipment	-	-	341,618	341,618
Total assets	-	38,211	2,624,306	2,662,517

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	Total $'000
Balance at 1 July 2019*	2,532,964	166,123	205,241	2,904,328
Restatement (net of amortisation) (Note 2)	24,441	-	(6,694)	17,747
Restated balance at 1 July 2019 (Note 2)	2,557,405	166,123	198,547	2,922,075
Gains/(losses) recognised in profit or loss	(80,157)	682	-	(79,475)
Gains/(losses) recognised in other comprehensive income	(20,224)	25,276	-	5,052
Additions	70,415	-	180,785	251,200
Disposals	(1,517)	(2)	(965)	(2,484)
Depreciation/Amortisation	(61,295)	-	(8,385)	(69,680)
Other reclassifications and transfers	9,330	-	(18,838)	(9,508)
Changes in accounting policy (Note 2)	8,771	-	(8,544)	227
Balance at 30 June 2020*	2,482,728	192,079	342,600	3,017,407
Gains recognised in profit or loss	46,660	115	-	46,775
Gains recognised in other comprehensive income	44,619	9,828	-	54,447
Additions	174,883	1	(41,635)	133,249
Disposals	(188)	(1)	(986)	(1,175)
Depreciation/Amortisation	(63,957)	-	(10,835)	(74,792)
Other reclassifications and transfers	-	-	(9,441)	(9,441)
Balance at 30 June 2021	2,684,745	202,022	279,703	3,166,470

20. Fair value measurement (continued)

Parent*	Infrastructure $'000	Land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2019*	2,141,892	166,123	204,022	2,512,037
Restatement (net of amortisation) (Note 2)	24,441	-	(6,694)	17,747
Restated balance at 1 July 2019 (Note 2)	2,166,333	166,123	197,328	2,529,784
Gains/(losses) recognised in profit or loss	(80,157)	682	-	(79,475)
Gains/(losses) recognised in other comprehensive income	(26,152)	25,276	-	(876)
Additions	70,417	-	181,025	251,442
Disposals	(1,518)	(2)	(965)	(2,485)
Depreciation/Amortisation	(56,415)	-	(8,384)	(64,799)
Other reclassifications and transfers	9,330	-	(18,842)	(9,512)
Changes in accounting policy (Note 2)	8,771	-	(8,544)	227
Balance at 30 June 2020*	2,090,609	192,079	341,618	2,624,306
Gains recognised in profit or loss	46,660	115	-	46,775
Gains recognised in other comprehensive income	35,437	9,828	-	45,265
Additions	174,395	1	(41,634)	132,764
Disposals	(188)	(1)	(986)	(1,175)
Depreciation/Amortisation	(58,987)	-	(10,835)	(69,822)
Other reclassifications and transfers	-	-	(8,947)	(8,947)
Balance at 30 June 2021	2,287,926	202,022	279,216	2,769,164

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

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.

The most recent revaluation of land was undertaken at 30 June 2020. The next independent valuation is due in 2023 financial year. Market land has been valued by the valuer on the basis that it is not contaminated. Refer to Note 37 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.

20. Fair value measurement (continued)

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

Consolidated - 2021	Scenario A: $'000	Scenario B: $'000	Scenario C: $'000	Scenario D: $'000
% change in land value	1	(1)	5	(5)
Increase (decrease) in fair value	2,403	(2,403)	12,013	(12,013)

Consolidated - 2020	Scenario A: $'000	Scenario B: $'000	Scenario C: $'000	Scenario D: $'000
% change in land value	1	(1)	5	(5)
Increase (decrease) in fair value	2,303	(2,303)	11,515	(11,515)

Parent - 2021	Scenario A: $'000	Scenario B: $'000	Scenario C: $'000	Scenario D: $'000
% change in land value	1	1	5	(5)
Increase (decrease) in fair value	2,403	2,403	12,013	(12,013)

Parent - 2020	Scenario A: $'000	Scenario B: $'000	Scenario C: $'000	Scenario D: $'000
% change in land value	1	1	5	(5)
Increase (decrease) in fair value	2,303	2,303	11,515	(11,515)

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.

COVID-19 impact

An external valuation of land was performed in March 2020. The catastrophic bushfires early in 2020 quickly followed by the ongoing impact on the global economy of COVID-19 continues to impact significantly on NSW and global economies. The property market although impacted has at this point has been reasonably resilient. The Consolidated entity will continue to closely monitor market activity and assess the land portfolio for any significant value changes.

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 the Consolidated entity's regulatory Price Determinations. System assets, including infrastructure, buildings and meters, are revalued on an annual basis using the income approach.

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), and Broken Hill business segments (parent entity - Greater Sydney and Rural (including WAMC customers) business segments).

20. Fair value measurement (continued)

Income approach

The Consolidated entity uses the income approach to determine the fair value of infrastructure assets. 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 regulatory determinations.
- Discount rate – nominal pre-tax discount rate based on 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 Statement of Corporate Intent (SCI) operating and capital expenditure budgets;
- Based upon maintaining specialised assets in their current condition, consequently future capital expenditure increasing service potential is excluded;
- Future revenue estimates were based on SCI operating expenditure budgets and water supply volumes, with prices adjusted to reflect the 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); and
- Expectations about possible variations in the amount and timing of future cash flows which reflect the most likely outcome as determined by management.

No significant impact of COVID-19 on the discount rate has been identified.

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

Consolidated	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2021					
Greater Sydney CGU	55,100	5,200	53,000	72,900	62,400
Rural CGU	(62,700)	(35,800)	700	32,500	30,500
Broken Hill CGU	23,800	16,800	16,100	16,600	17,000
	16,200	(13,800)	69,800	122,000	109,900

Consolidated	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2020					
Greater Sydney CGU	29,700	25,500	24,200	52,300	12,100
Rural CGU	(75,100)	800	(5,600)	(38,200)	(19,800)
Broken Hill CGU	21,100	21,400	18,200	17,800	18,200
	(24,300)	47,700	36,800	31,900	10,500

20. Fair value measurement (continued)

Parent	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2021					
Greater Sydney CGU	55,100	5,200	53,000	72,900	62,400
Rural CGU	(62,700)	(35,800)	700	32,500	30,500
	(7,600)	(30,600)	53,700	105,400	92,900

Parent	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2020					
Greater Sydney CGU	29,700	25,500	24,200	52,300	12,100
Rural CGU	(75,100)	800	(5,600)	(38,200)	(19,800)
	(45,400)	26,300	18,600	14,100	(7,700)

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 discount rate, 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 discount rate 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 discount rate on the cash flows disclosed above.

Consolidated 2021/2020	Actual revaluation $'000	Scenario A +1% $'000	Scenario B -1% $'000
Greater Sydney CGU			
Discount rate	5.64% / 6.33%	6.64% / 7.33%	4.64% / 5.33%
Fair value	1,851,900 / 1,776,400	1,778,500/ 1,705,600	1,929,100 / 1,851,000
Rural CGU			
Discount rate	5.64% / 6.33%	6.64% / 7.33%	4.64% / 5.33%
Fair value	988,300 / 901,400	944,400 / 861,200	1,034,600 / 943,700
Broken Hill CGU			
Discount rate	5.64% / 6.33%	6.64% / 7.33%	4.64% / 5.33%
Fair value	397,800 / 393,100	383,000 / 378,500	413,500 / 408,300

Parent 2021/2020	Actual revaluation $'000	Scenario A +1% $'000	Scenario B -1% $'000
Greater Sydney CGU			
Discount rate	5.64% / 6.33%	6.64% / 7.33%	4.64% / 5.33%
Fair value	1,851,900 / 1,776,400	1,778,500/ 1,705,600	1,929,100 / 1,851,000
Rural CGU			
Discount rate	5.64% / 6.33%	6.64% / 7.33%	4.64% / 5.33%
Fair value	988,300 / 901,400	944,400 / 861,200	1,034,600 / 943,700

20. Fair value measurement (continued)

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 the discount rate:

Consolidated 2021/2020	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,851,900 / 1,776,400	1,862,600 / 1,782,600	1,841,200 / 1,770,200
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	988,300 / 901,400	986,200 / 895,200	990,500 / 907,500
Broken Hill CGU			
Operating cash flows change		+5%	-5%
Fair value	397,800 / 393,100	401,800 / 397,200	393,900 / 388,900

Parent 2021/2020	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,851,900 / 1,776,400	1,862,600 / 1,782,600	1,841,200 / 1,770,200
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	988,300 / 901,400	986,200 / 895,200	990,500 / 907,500

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 discount rate:

Consolidated 2021/2020	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
RAB change		+5%	-5%
Fair value	1,851,900 / 1,776,400	1,933,800 / 1,859,000	1,770,000 / 1,693,800
Rural CGU			
RAB change		+5%	-5%
Fair value	988,300 / 901,400	1,039,900 / 967,200	936,800 / 850,200
Broken Hill CGU			
RAB change		+5%	-5%
Fair value	397,800 / 393,100	413,700 / 408,500	381,900 / 377,600

Parent 2021/2020	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
RAB change		+5%	-5%
Fair value	1,851,900 / 1,776,400	1,933,800 / 1,859,000	1,770,000 / 1,693,800
Rural CGU			
RAB change		+5%	-5%
Fair value	988,300 / 901,400	1,039,900 / 967,200	936,800 / 850,200

20. Fair value measurement (continued)

In revaluing system assets, the asset's current use is considered its highest and best use.

Valuation techniques and inputs used to determine fair value of other property, plant and equipment.

Other property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and guidance within TPP 14-1 *Valuation of Physical Non-Current Assets at Fair Value*. For non-specialised assets, TPP 14-1 allows for recognition at depreciated historical cost as an acceptable surrogate for fair value. Depreciated historical cost is considered an appropriate surrogate because any difference between fair value and depreciated historical cost is unlikely to be material. Further, the benefit of ascertaining a more accurate estimate of fair value does not justify the additional costs of obtaining it.

In revaluing other property, plant and equipment, the asset's current use is considered its highest and best use.

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

21. Current liabilities - trade and other payables

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trade payables	10,534	13,205	10,187	13,205
Other liabilities - MDBA* pass through	6,068	6,211	6,068	6,211
Non-trade payables and accrued expenses	35,405	36,632	34,598	35,746
Accrued salaries, wages and on-costs	12,865	10,402	12,865	10,402
Fringe benefits tax	47	75	47	75
Accrued interest on loans	31,729	31,577	27,000	27,102
	96,648	98,102	90,765	92,741

* MDBA - Murray-Darling Basin Authority

Refer to Note 40 for further information on financial instruments.

Recognition and measurement

Trade and other payables

Trade and other payables represent 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.

22. Current liabilities - borrowings

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Borrowings	259,623	632,650	206,581	596,909
Loan from the Controlled entity	-	-	29,217	25,207
Lease liabilities	1,852	4,050	1,852	4,050
	261,475	636,700	237,650	626,166

Refer to Note 40 for further information on financial instruments.

Recognition and measurement

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 *Government Sector Finance Act 2018* (Refer Note 40(d)). The Consolidated entity also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State of NSW.

23. Current liabilities - provisions

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Annual leave	14,696	13,030	14,696	13,030
Long service leave	31,084	29,598	31,084	29,598
Other benefits	786	891	786	891
Insurance	7,404	9,835	7,404	9,835
Restoration	210	-	210	-
Restructuring	-	97	-	97
Other	2,566	-	2,566	-
Remediation	572	433	572	433
Land tax	22,080	17,140	22,079	17,140
	79,398	71,024	79,397	71,024

23. Current liabilities - provisions (continued)

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 entire amount is 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Long service leave	28,711	24,208	28,711	24,208

Recognition and measurement

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 of 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 2.53% (2020: 2.25%) used is the yield at the reporting date on high quality corporate bond rates that have maturity dates approximating 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.

23. Current liabilities - provisions (continued)

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 premiums and fringe benefits 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.

Insurance

The insurance provision recognises the costs relating to the Consolidated entity's obligation to repair or replace assets resulting from damage as a result of the 2020 bushfires.

Land Tax

The land tax provision recognises the Consolidated entity's obligation to pay tax on the taxable value of land that is owned by Water NSW.

24. Current liabilities - dividend payable

Under the NTER, the Corporation is not required to maintain a dividend franking account.

24. Current liabilities - dividend payable (continued)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Dividend payable	20,000	20,000	20,000	20,000

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Opening balance	20,000	20,000	20,000	20,000
Dividend recognised	20,000	20,000	20,000	20,000
Dividend paid	(20,000)	(20,00)	(20,000)	(20,000)
Closing balance	20,000	20,000	20,000	20,000

Recognition and measurement

Dividends payable are agreed by the Board of Water NSW, the Directors of WaterNSW Infrastructure and the relevant Ministers in May/June of each financial year. This process establishes a present obligation for the future payment of a dividend.

Dividends are calculated in accordance with the requirements of TPP 14-04 *Financial Distribution Policy for Government Businesses*.

25. Current liabilities - other

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Subsidies and grants received in advance	53,378	43,388	53,378	43,388
Refund liabilities	27	11	27	11
Other current liabilities	-	223	-	223
	53,405	43,622	53,405	43,622

Recognition and measurement

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.

26. Current liabilities - contract liabilities

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Contract liabilities	1,996	782	1,996	782

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 $1,996,000 as at 30 June 2021 (2020: $782,000) and is expected to be recognised as revenue in future periods as follows:

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Within 6 months	1,996	782	1,996	782

Recognition and measurement

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.

27. Non-current liabilities - borrowings

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Borrowings	1,609,499	1,158,220	1,372,649	917,672
Lease liabilities	16,539	21,437	16,539	21,437
	1,626,038	1,179,657	1,389,188	939,109

Refer to Note 40 for further information on financial instruments.

27. Non-current liabilities - borrowings (continued)

Financing arrangements

The following facilities were available at the reporting date:

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Total facilities				
Long term borrowing facility	2,400,000	2,000,000	2,050,000	1,650,000
"Come & Go"	50,000	50,000	50,000	45,000
Intra-day facility	-	45,000	-	40,000
Credit card facility	2,000	1,500	2,000	1,500
Overdraft facility	-	15,000	-	14,000
Borrowing facility - WaterNSW Infrastructure	-	-	65,000	65,000
Operating leases*	-	50,000	-	49,000
	2,452,000	2,161,500	2,167,000	1,864,500
Used at the reporting date				
Long term borrowing facility	1,869,122	1,770,870	1,579,230	1,494,581
"Come & Go"	-	20,000	_	20,000
Intra-day facility	-	-	-	-
Credit card facility	373	370	373	370
Overdraft facility	-	-	-	-
Borrowing facility - WaterNSW Infrastructure	-	-	29,217	25,207
Operating leases*	-	29,950	-	29,950
	1,869,495	1,821,190	1,608,820	1,570,108
Unused at the reporting date				
Long term borrowing facility	530,878	229,130	470,770	155,419
"Come & Go"	50,000	30,000	50,000	25,000
Intra-day facility	-	45,000	-	40,000
Credit card facility	1,627	1,130	1,627	1,130
Overdraft facility	-	15,000	-	14,000
Borrowing facility - WaterNSW Infrastructure	-	-	35,783	39,793
Operating leases*	-	20,050	-	19,050
	582,505	340,310	558,180	294,392

* The Treasurer has granted a standing approval under the *Government Sector Finance Act 2018* for all GSF agencies to enter into operating or finance lease arrangements as a lessee. As such a separate approval is no longer required.

'Come and Go' short-term borrowing facility

The Consolidated entity has a $50 million (2020: $50 million) 'Come and Go' short term borrowing facility in place with the NSW Treasury Corporation (TCorp). The 'Come and Go' facility is used extensively as part of the Consolidated entity's daily cash management function during the reporting period.

Long term borrowing facility

The Consolidated entity has the NSW Treasurer's approval to obtain long-term borrowing facilities from the central borrowing authority, TCorp. TCorp 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, TCorp provides CPI indexed bonds and resettable loans to the Consolidated entity.

27. Non-current liabilities - borrowings (continued)

Intercompany loan

The Minister has approved an intercompany loan for $65 million of which $29.2 million was used at 30 June 2021 (2020: $25.2 million).

The intercompany loan is at-call, interest free and unsecured. It is measured at amortised cost.

Changes in liabilities arising from financing activities - Consolidated - 30 June 2021	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2020	20,000	632,650	1,158,220	25,487	1,836,357
Non-cash movements in the loan portfolio	20,000	(373,027)	391,161	(3,707)	34,427
Cash movements in the loan portfolio	(20,000)	-	60,118	(3,389)	36,729
Balance at 30 June 2021	20,000	259,623	1,609,499	18,391	1,907,513

Changes in liabilities arising from financing activities - Consolidated - 30 June 2020	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2019	20,000	465,174	1,202,952	-	1,688,126
Non-cash movements in the loan portfolio	20,000	167,476	(138,684)	28,199	76,991
Cash movements in the loan portfolio	(20,000)	-	93,952	(2,712)	71,240
Balance at 30 June 2020	20,000	632,650	1,158,220	25,487	1,836,357

Changes in liabilities arising from financing activities - Parent - 30 June 2021	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2020	20,000	596,909	917,672	25,487	1,560,068
Non-cash movements in the loan portfolio	20,000	(390,328)	384,859	(3,707)	10,824
Cash movements in the loan portfolio	(20,000)	-	70,118	(3,389)	46,729
Balance at 30 June 2021	20,000	206,581	1,372,649	18,391	1,617,621

Changes in liabilities arising from financing activities - Parent - 30 June 2020	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Total $'000
Balance at 1 July 2019	20,000	461,089	934,750	-	1,415,839
Non-cash movements in the loan portfolio	20,000	135,820	(111,030)	28,199	72,989
Cash movements in the loan portfolio	(20,000)	-	93,952	(2,712)	71,240
Balance at 30 June 2020	20,000	596,909	917,672	25,487	1,560,068

28. Non-current liabilities - provisions

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Long service leave	3,454	2,574	3,454	2,574
Restoration	349	4,358	349	4,358
Payroll tax	186	140	186	140
Defined benefit superannuation scheme	86,686	94,923	86,686	94,923
	90,675	101,995	90,675	101,995

Recognition and measurement

Restoration

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 its original state at the end of the lease term.

Provisions are recognised at their discounted value 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 fit-out.

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 benefit 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.

28. Non-current liabilities - provisions (continued)

Assumptions underlying defined benefit superannuation expenses and liabilities are disclosed in Note 29.

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 and Parent - 2021	Payroll tax $'000	Other provisions $'000	Restructuring $'000	Land Tax $'000	Restoration $'000	Remediation $'000	Insurance $'000
Carrying amount at the start of the year	140	-	97	17,140	4,359	433	9,835
Additional provisions recognised	46	2,566	-	4,940	-	139	-
Amounts used	-	-	(97)	-	-	-	(2,431)
Other movements	-	-	-	-	(3,800)	-	-
Carrying amount at the end of the year	186	2,566	-	22,080	559	572	7,404

29. 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.

Description of the regulatory framework

The schemes in the Pooled Fund were established and are 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.

29. Non-current liabilities - defined benefit obligations (continued)

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 as 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 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.

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.

Description of significant events

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

29. Non-current liabilities - defined benefit obligations (continued)

Reconciliation of the net defined benefit liability(asset)

As at 30 June 2021	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net defined benefit liability/(asset) at beginning of the year	13,384	3,027	78,513	94,923
Current service cost	403	195	440	1,038
Net interest on net defined benefit liability (asset)	382	84	2,322	2,789
Actual return on fund assets less interest income	(3,255)	(281)	(9,931)	(13,467)
Actuarial (gain)/loss from change in demographic assumptions	1,112	79	(2,190)	(999)
Actuarial (gain)/loss from change in financial assumptions	(257)	(119)	3,888	3,512
Actuarial (gain)/loss arising from liability experience	1,652	147	(834)	965
Employer contributions	(1,019)	(374)	(682)	(2,075)
Net defined benefit liability at end of the year	12,402	2,758	71,526	86,686

Reconciliation of the net defined benefit liability(asset)

As at 30 June 2020	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net defined benefit liability/(asset) at beginning of the year	15,410	3,059	83,394	101,862
Current service cost	555	221	638	1,414
Net interest on net defined benefit liability (asset)	455	90	2,523	3,069
Actual return on fund assets less interest income	247	15	763	1,025
Actuarial (gain)/loss from change in financial assumptions	(483)	18	(9,205)	(9,670)
Actuarial (gain)/loss arising from liability experience	(2,037)	(207)	646	(1,599)
Employer contributions	(763)	(169)	(246)	(1,178)
Net defined benefit liability at end of the year	13,384	3,027	78,513	94,923

Reconciliation of the fair value of fund assets

As at 30 June 2021	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at beginning of the year	33,732	3,166	101,900	138,797
Interest income	925	82	2,932	3,939
Actual return on fund assets less interest income	3,255	282	9,931	13,468
Employer contributions	1,019	374	682	2,075
Contributions by participants	363	-	206	569
Benefits paid	(3,062)	(521)	(7,302)	(10,884)
Taxes, premiums and expenses paid	34	(205)	1,067	896
Fair value of fund assets at end of the year	36,266	3,178	109,416	148,860

29. Non-current liabilities - defined benefit obligations (continued)

Reconciliation of the fair value of fund assets

As at 30 June 2020	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of fund assets at beginning of the year	34,962	3,625	105,384	143,970
Interest income	981	95	3,096	4,172
Actual return on fund assets less interest income	(247)	(15)	(763)	(1,025)
Employer contributions	763	169	246	1,178
Contributions by participants	404	-	224	628
Benefits paid	(3,099)	(618)	(6,469)	(10,186)
Taxes, premiums and expenses paid	(32)	(90)	182	60
Fair value of fund assets at end of the year	33,732	3,166	101,900	138,797

Reconciliation of the Defined Benefit Obligation

As at 30 June 2021	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of obligation at the beginning of the year	47,115	6,193	180,412	233,720
Current service cost	404	195	440	1,039
Interest cost	1,307	166	5,255	6,728
Contributions by participants	363	-	206	569
Actuarial (gain)/loss from change in demographic assumptions	1,112	79	(2,190)	(999)
Actuarial (gain)/loss from change in financial assumptions	(256)	(119)	3,888	3,513
Actuarial (gain)/loss arising from liability experience	1,652	147	(834)	965
Benefits paid	(3,062)	(521)	(7,302)	(10,885)
Taxes, premiums and expenses paid	34	(205)	1,067	896
Present value of the obligation at the end of the year	48,669	5,935	180,942	235,546

Reconciliation of the Defined Benefit Obligation

As at 30 June 2020	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of obligation at the beginning of the year	50,371	6,684	188,777	245,832
Current service cost	555	221	638	1,414
Interest cost	1,436	185	5,619	7,241
Contributions by participants	404	-	224	628
Actuarial (gain)/loss from change in financial assumptions	(483)	18	(9,205)	(9,670)
Actuarial (gain)/loss arising from liability experience	(2,037)	(207)	646	(1,599)
Benefits paid	(3,099)	(618)	(6,469)	(10,186)
Taxes, premiums and expenses paid	(32)	(90)	182	60
Present value of the obligation at the end of the year	47,115	6,193	180,412	233,720

29. 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.

	2021				2020			
Assets category	Quoted prices in market for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobser-vable inputs Level 3 $'000	Totals $'000	Quoted prices in market for identical assets Level 1 $'000	Significant observable inputs Level 2 $'000	Unobser-vable inputs Level 3 $'000	Totals $'000
As at 30 June								
Short Term Securities	2,398,668	2,709,702	-	5,108,370	1,889,511	2,206,787	-	4,096,298
Australian fixed interest	-	903,816	-	903,816	-	1,066,448	-	1,066,448
International fixed interest	45,227	1,709,799	-	1,755,026	30,408	1,879,015	-	1,909,424
Australian equities	8,308,316	2,341	-	8,310,657	6,901,927	392,284	-	7,294,211
International equities	13,884,531	5,148	-	13,889,679	11,487,308	463,022	-	11,950,330
Property	626,961	-	2,660,769	3,287,730	644,805	16,266	2,691,395	3,352,466
Alternatives	759	2,709,827	5,819,124	8,529,710	23,408	4,337,075	6,162,350	10,522,833
Totals	25,264,462	8,040,633	8,479,893	41,784,988	20,977,367	10,360,897	8,853,745	40,192,010

The percentage invested in each asset class at the reporting date is:	2021 %	2020 %
Short term securities	12.20%	10.20%
Australian fixed interest	2.20%	2.70%
International fixed interest	4.20%	4.80%
Australian equities	19.90%	18.10%
International equities	33.20%	29.70%
Property	7.90%	8.30%
Alternatives	20.40%	26.20%
Total	100.00%	100.00%

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.

29. Non-current liabilities - defined benefit obligations (continued)

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 entity's own 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 2021 includes $41.4 million in NSW Government bonds (2020: $36.9 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 $328 million (2020: $340 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $443 million (2020: $343 million).

Significant actuarial assumptions at the reporting date	30 June 2021	30 June 2020
Discount rate	3.10% p.a.	2.97% p.a.
Salary increase rate (excluding promotional increases)	2.74% p.a. 21/22 to 25/26; 3.2% p.a. thereafter	3.20% p.a.
Rate of CPI increase		
2020/2021	1.50%	-
2021/2022	1.75%	1.00%
2022/2023	1.75%	0.25%
2023/2024	2.25%	1.50%
2024/2025	2.25%	1.75%
2025/2026	2.25%	2.00%
2026/2027	2.5%	2.00%
2027/2028	2.75%	2.50%
2028/2029	3.00%	2.50%
2029/2030	2.75%	2.50%
Thereafter	2.50%	2.50%

The pensioner mortality assumptions are as per the 2021 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.

Sensitivity analysis

The Consolidated entity's total defined benefit obligation as at 30 June 2021 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 2021. 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.

29. Non-current liabilities - defined benefit obligations (continued)

Consolidated/Parent	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	as above	as above - 0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	235,546/235,546	251,338/251,338	221,250/221,250

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 0.5pa	less 0.5 pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	235,546/235,546	250,546/250,546	221,853/221,853

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)	235,546/235,546	236,506/236,506	234,606/234,606

Consolidated/Parent	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation ($'000)	235,546/235,546	238,761/238,761	232,837/232,837

* Assumes the short term pensioner mortality improvement factors for years 2021-2026 also apply for years after 2026.

**Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2021 to 2026.

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

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.

29. Non-current liabilities - defined benefit obligations (continued)

Surplus/deficit

The following is a summary of the 30 June 2021 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	Consolidated/Parent			
	SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2021				
Accrued benefits*	39,478	4,973	111,163	155,614
Net market value of fund assets	(36,267)	(3,177)	(109,416)	(148,860)
Net (surplus) / deficit	3,211	1,796	1,747	6,754

	Consolidated/Parent			
	SASS $'000	SANCS $'000	SSS $'000	Total $'000
As at 30 June 2020				
Accrued benefits*	37,930	5,105	106,500	149,535
Net market value of fund assets	(33,733)	(3,165)	(101,900)	(138,798)
Net (surplus) / deficit	4,197	1,940	4,600	10,737

* There is no allowance for a contribution tax provision within the accrued benefit figure for AASB 1056. Allowance for contribution tax is made when setting the contribution rates.

Economic assumptions

The economic assumptions adopted for 30 June 2021 AASB 1056 *Superannuation Entities*:

Weighted average assumptions	Per annum
Expected rate of return on Fund assets backing current pension liabilities	6.5% p.a.
Expected rate of return on Fund assets backing other liabilities	5.7% p.a.
Expected salary increase rate (excluding promotional salary increases)	2.74% p.a. 21/22 to 25/26; 3.2% p.a. thereafter
Expected rate of CPI increase	2.0% p.a.

29. Non-current liabilities - defined benefit obligations (continued)

Sensitivity Analysis - AASB 1056

Scenarios A and B relate to the sensitivity of the Accrued Benefits under AASB 1056 to changes in the expected return on Fund assets.

$'000	Base case	Scenario A -0.5% return	Scenario B +0.5% return
Expected rate of return on Fund assets	6.5%/5.7%	6.0%/5.2%	7.0%/6.2%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits	155,614	162,155	149,583

30 June 2020	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0% p.a.	6.5% p.a.	7.5.% p.a.
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.0% p.a.	5.5% p.a.	6.5% p.a.
Rate of CPI increase	2.0% p.a.	as per base case	as per base case
Salary inflation rate	3.2% p.a.	as per base case	as per base case
Accrued Benefits (A$'000)	$149,535	$155,704	$143,843

	Consolidated/Parent			
Financial year to 30 June 2022	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	1,019	374	682	2,075

	Consolidated/Parent			
30 June 2021	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Profit or loss impact				
Current service cost	404	195	440	1,039
Net interest	382	84	2,322	2,788
Profit or loss component of the defined benefit cost	786	279	2,762	3,827

	Consolidated/Parent			
30 June 2020	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Profit or loss impact				
Current service cost	555	221	638	1,414
Net interest	455	90	2,523	3,069
Profit or loss component of the defined benefit cost	1,010	311	3,161	4,483

29. Non-current liabilities - defined benefit obligations (continued)

30 June 2021	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Other Comprehensive Income				
Actuarial (gains)/losses on liabilities	2,508	107	864	3,479
Actual return on Fund assets less interest income	(3,255)	(282)	(9,931)	(13,468)
Total remeasurement on other comprehensive income	(747)	(175)	(9,067)	(9,989)

30 June 2020	Consolidated/Parent SASS $'000	SANCS $'000	SSS $'000	Total $'000
Other comprehensive income				
Actuarial (gains)/losses on liabilities	(2,520)	(189)	(8,559)	(11,268)
Actual return on Fund assets less interest income	247	15	763	1,025
Total remeasurement on other comprehensive income	(2,273)	(174)	(7,796)	(10,243)

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.2 years.

30. Non-current liabilities - other liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Non-trade payables and accrued expenses	-	1,262	-	1,262
Subsidies and grants received in advance	80,858	79,038	80,852	79,040
Other liabilities	33	33	33	33
	80,891	80,333	80,885	80,331

Recognition and measurement

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.

31. Non-current liabilities - contract liabilities

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Contract liabilities	297	429	297	429

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 $297,000 as at 30 June 2021 (2020: $429,000) and is expected to be recognised as revenue in future periods as follows:

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
12 to 18 months	297	429	297	429

32. Equity - contributed equity

The contributed equity of the Consolidated entity is divided into two equal shares. The Consolidated entity's shareholders are: The Treasurer and Minister for Finance and Small Business. All shares are issued and fully paid. 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 materially 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.

32. Equity - contributed equity (continued)

The gearing ratio at the reporting date was as follows:

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current liabilities - trade and other payables (note 21)	96,648	98,102	90,765	92,741
Current liabilities - borrowings (note 22)	261,475	636,700	237,650	626,166
Non-current liabilities - borrowings (note 27)	1,626,038	1,179,657	1,389,188	939,109
Total borrowings	1,984,161	1,914,459	1,717,603	1,658,016
Current assets - cash and cash equivalents (note 13)	(83,361)	(31,115)	(83,082)	(30,572)
Net debt	1,900,800	1,883,344	1,634,521	1,627,444
Total equity	868,589	808,504	846,225	793,045
Total capital	2,769,389	2,691,848	2,480,746	2,420,489
Gearing ratio	69%	70%	66%	67%

Recognition and measurement

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 Consolidated entity. 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.

Water NSW 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 Consolidated entity. The $100 share capital is included in contributed equity in the statement of financial position.

33. 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 39.

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 34.

(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 bulk water	Note 3
NSW Department of Planning, Industry and Environment	Government grants	Note 4
NSW Department of Planning, Industry and Environment	Administered assets	Note 41
NSW Treasury Corporation	Borrowings and interest repayment	Note 22, Note 27
NSW Treasury	Dividends	Note 24
NSW Treasury	Government Guarantee Fee	Note 9
Revenue NSW	Income Tax, Land Tax, Payroll Tax	Note 12, Note 23, Note 28
NSW Department of Planning, Industry and Environment	Rebates	Note 3
Essential Energy	Broken Hill Pipeline transportation services	Note 3

34. 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:

34. Key management personnel disclosures (continued)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Short-term employee benefits	4,269	4,809	4,269	4,809
Post-employment benefits	252	249	252	249
Long-term benefits	35	51	35	51
Termination benefits	-	510	-	510
	4,556	5,619	4,556	5,619

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Directors, excluding Chief Executive Officer*	551	567	551	567
Senior executives, including Chief Executive officer	4,005	5,052	4,005	5,052
Remuneration of Key Management Personnel	4,556	5,619	4,556	5,619

* includes Rob Aldis' remuneration of $54,000 (2020: $41,569) (excluding GST: $5,400, 2020: $4,156) 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*.

b) Other transactions with key management personnel

Any transactions undertaken with 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 only collects arm's length transactions 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 conferences and workshops conducted by the Water Services Association of Australia (WSAA) (transactions totalling $143,659 (incl GST: $11,600) (2020: $161,719 (including GST: $14,701). The Chief Executive Officer of Water NSW is a board member of WSAA.

There were no other related party transactions to disclose.

35. Auditors remuneration

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Auditors remuneration				
Financial audit of Water NSW	325	325	325	325
Financial audit of WaterNSW Infrastructure Pty Ltd	30	25	-	-
Total remuneration	355	355	325	325

36. Commitments

	Consolidated		Parent	
Capital commitments	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Committed at the reporting date but not recognised as liabilities, payable:				
Property, plant and equipment	138,413	143,530	138,413	143,530
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	105,081	124,698	105,081	124,698
One to five years	33,332	18,832	33,332	18,832
	138,413	143,530	138,413	143,530

Amounts disclosed as capital commitments includes GST of $12.6 million (2020: $13.5 million) recoverable from the Australian Taxation Office.

37. 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 of the Consolidated entity.

37. Contingent liabilities (continued)

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 in July 2014 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 the Consolidated entity (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. The Consolidated entity'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.

38. Cash flow information

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

	Consolidated		Parent	
	2021 $'000	2020* $'000	2021 $'000	2020* $'000
Profit/(loss) after tax	34,811	(26,286)	34,333	(25,214)
Depreciation	77,816	73,904	72,846	69,023
Amortisation	4,647	2,730	4,647	2,730
Fair value adjustment through profit and loss	(46,802)	63,951	(46,802)	63,951
Loss on disposal of property, plant and equipment	(1,013)	1,117	(1,013)	1,117
Dec/(inc) trade and other receivables	46,223	24,080	42,682	29,473
Dec/(inc) other operating assets	121	(22)	121	(22)
Inc/(dec) trade and other payables	(1,454)	9,906	(1,899)	(5,391)
Dec/(inc) income tax	12,786	(16,451)	11,592	(25,316)
Inc/(dec) other costs of finance	18,098	28,334	14,494	24,330
Inc/(dec) other provisions	(2,946)	194	(2,946)	194
Inc/(dec) other operating liabilities	243	6,816	243	7,888
Net cash from operating activities	142,530	168,273	128,298	142,763

* The comparative information has been restated as a result of the change in accounting policy discussed in Note 2.

39. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in Note 15:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
WaterNSW Infrastructure Pty Ltd - 100 shares at $1 per share	Australia	100	100

40. 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* as detailed in the accounting policies to these financials statements, are as follows:

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial assets				
Cash and cash equivalents (category 2021: not applicable, category 2020: not applicable)	83,361	31,115	83,082	30,572
Trade and other receivables* (category 2021: amortised cost, category 2020: amortised cost)	71,314	90,456	86,596	105,733
Financial assets - totals	154,675	121,571	169,678	136,305
Financial liabilities				
Trade and other payables* (category 2021: amortised cost, category 2020: amortised cost)	96,648	98,102	90,765	92,741
Contract liabilities* (category 2021: amortised cost, category 2020: amortised cost)	2,293	1,212	2,293	1,212
Borrowings (category 2021: amortised cost, category 2020: amortised cost)	1,869,122	1,790,870	1,608,447	1,539,788
Lease liabilities	18,391	25,487	18,391	25,487
Financial liabilities - totals	1,986,454	1,915,671	1,719,896	1,659,228

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

40. 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. The Consolidated entity has negligible exposure to foreign currency risk and does not enter into commodity contracts.

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 or as available-for-sale. 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 $1,917 million (2020: $1,791 million).

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Fixed rate instruments				
Call loans to Authorities	-	20,000	-	20,000
Commonwealth guaranteed	15,393	14,682	15,393	14,682
Loans State guaranteed	1,885,310	1,733,481	1,547,299	1,457,192
CPI Indexed Year on year (YOY) loan	4,085	4,085	4,085	4,085
Loans to Authorities	12,453	18,622	12,453	18,622
Fixed rate instruments	1,917,241	1,790,870	1,579,230	1,514,581

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Variable rate instruments				
Cash and cash equivalents	83,361	31,115	83,082	30,572

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.

Intercompany loan of $29.2 million is at-call, unsecured and interest free. The interest rate risk exposure is considered to be very low.

40. Financial instruments (continued)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Consolidated - 2021						
Cash and cash equivalents	100	834	834	(100)	(834)	(834)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Consolidated - 2020						
Cash and cash equivalents	100	311	311	(100)	(311)	(311)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Parent - 2021						
Cash and cash equivalents	100	831	831	(100)	(831)	(831)

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Parent - 2020						
Cash and cash equivalents	100	306	306	(100)	(306)	(306)

(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.

40. Financial instruments (continued)

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 one 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 (TCorp) are guaranteed by the State.

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 Board approved policy. Investment with individual counterparties is limited to TCorp, 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* if the New South Wales Department of Planning, Industry and Environment 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 who have been 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 *Government Sector Finance Act 2018* (Note 27) for limits on its borrowing facilities.

40. Financial instruments (continued)

The Consolidated entity's Treasury Risk Management Policy establishes prudential limits on the percentage of debt which can mature in any one financial year. Planned future capital expenditure will be funded in part through TCorp borrowings. Future committed expenditure is disclosed in Note 36.

The Consolidated entity's current ratio is 0.32 (Parent: 0.37). There is $259.6 million (Parent: $206.7 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 TCorp, the Consolidated entity is able to rollover maturing debt into new debt so long as the total capital value of the loan portfolio remains within the approved limit.

During the current and prior reporting year there were no defaults on 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 the 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 prepared using 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 - 2021	Weighted average interest rate %	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	-	96,648	-	-	-	96,648
Interest-bearing						
Borrowings	1.72%	284,428	257,154	1,023,659	444,874	2,010,115
Lease liability	4.10%	2,250	7,202	7,268	3,685	20,405
Total non-derivatives		383,326	264,356	1,030,927	448,559	2,127,168

Consolidated - 2020	Weighted average interest rate %	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	-	98,570	-	-	-	98,570
Interest-bearing						
Borrowings	2.19%	657,584	227,937	598,387	461,459	1,945,367
Lease liability	3.99%	4,112	4,093	8,295	12,445	28,945
Total non-derivatives		760,266	232,030	606,682	473,904	2,072,882

40. Financial instruments (continued)

Parent - 2021	Weighted average interest rate %	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	-	90,765	-	-	-	90,765
Intercompany loan	-	29,217	-	-	-	29,217
Interest-bearing						
Borrowings	1.61%	227,371	201,343	918,060	344,696	1,691,470
Lease liability	4.10%	2,250	7,202	7,268	3,685	20,405
Total non-derivatives		349,603	208,545	925,328	348,381	1,831,857

Parent - 2020	Weighted average interest rate %	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	-	93,209	-	-	-	93,209
Intercompany loan	-	25,207	-	-	-	25,207
Interest-bearing						
Borrowings	2.19%	618,392	174,518	484,444	359,896	1,637,250
Lease liability	3.99%	4,112	4,093	8,295	12,445	28,945
Total non-derivatives		740,920	178,611	492,739	372,341	1,784,611

(e) Fair value of financial instruments

Fair value recognised in the statement of financial position

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 following table details the financial instruments, by class, where the fair value differs from the carrying amount:

	2021		2020	
Consolidated	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Liabilities				
Borrowings	1,869,122	1,937,271	1,790,870	1,889,875

40. Financial instruments (continued)

Parent	2021 Carrying amount $'000	2021 Fair value $'000	2020 Carrying amount $'000	2020 Fair value $'000
Liabilities				
Borrowings	1,579,230	1,632,728	1,514,535	1,593,305

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 Note 32.

Dividend policy

The dividend of $20.0 million (2020: $20.0 million) is in line with NSW TPP 16-04 *Financial Distribution Policy for Government Businesses*.

41. Administered items

Administered revenue, assets and liabilities

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Administered revenue				
WAMC*- water charges	12,471	17,082	12,471	17,082
YCATAC**-Yanco Columbo system levy	97	99	97	99
MDBA and BRC***	15,037	17,029	15,037	17,029
NRAR**** funding	4,720	4,508	4,720	4,508
Total administered revenue	32,325	38,718	32,325	38,718

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Administered assets				
Administered cash WAMC*	2,422	1,171	2,422	1,171
Administered cash MDBA***	3,625	5,038	3,625	5,038
Administered cash YCATAC**	1	2	1	2
Debtors and accrued charges WAMC*	2,272	3,784	2,272	3,784
Debtors and accrued charges MDBA***	750	543	750	543
Debtors and accrued charges YCATAC**	20	2	20	2
Total administered assets	9,090	10,540	9,090	10,540

41. Administered items (continued)

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Administered liabilities				
Creditors and accruals WAMC*	4,694	4,955	4,694	4,955
Creditors and accruals YCATAC**	21	4	21	4
Creditors and accruals MDBA and BRC***	4,375	5,581	4,375	5,581
Total administered liabilities	9,090	10,540	9,090	10,540

* WAMC - Water Administration Ministerial Corporation

**YCATAC - Yanco Creek and Tributaries Advisory Council

***MDBA - Murray-Darling Basin Authority, BRC - The Dumaresq-Barwon Border Rivers Commission

****NRAR - Natural Resources Access Regulator

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 $48.3 million as at 30 June 2021 (2020: $49.5 million).

Recognition and measurement

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 the Consolidated entity's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules. The accrual basis of accounting and applicable accounting standards have been adopted.

42. Events after the reporting period

As at the time of reporting, the developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored, however it is unlikely to have any material effect on the Consolidated entity's operations. No other matter or circumstance has arisen since 30 June 2021 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.

On 25 August 2021, the Minister for Water Property and Housing issued a 20P Direction to WaterNSW which:

- revoked the previous Direction to the Board of Water NSW (responsibility for progressing the Wyangala, Dungowan and Mole River Dam Projects) 2020; and
- transferred responsibility for developing and delivering government funded regional water infrastructure projects from Water NSW to Water Infrastructure NSW (WINSW) within the Department of Planning, Industry and Environment.

The related Transfer Order transfer the rights and liabilities in relation to the three dam projects and five smaller projects from Water NSW to WINSW as at 1 September 2021.

WaterNSW is currently finalising a Service Level Agreement and other arrangements with WINSW for the provision of employees, contractors, services and other support to WINSW, which provides for reimbursement of WaterNSW' reasonable and efficient costs in providing these services.

As at 30 June 2021, WINSW have reimbursed or agreed to reimburse all costs to date in relation to preparation of strategic and final business cases. In addition, WaterNSW held capital works in progress of $25.1 million in relation to early works for the Wyangala and Dungowan Projects on its Balance Sheet, and WaterNSW will earn an economic return on this expenditure as part of the regulatory asset base funded by the NSW government.

In the event that these projects do not progress to construction, or the assets delivered by the projects are to be owned by an entity other than WaterNSW, WaterNSW will be reimbursed for these costs.

WATER NSW

Statement by the Accountable Authority
30 JUNE 2021

Pursuant to section 7.6(4) of the Government Sector Finance Act 2018 ('the Act'), I state that these financial statements:

a) Present fairly Water NSW financial position, financial performance and cash flows as at 30 June 2021.

b) have been prepared in accordance with;
   - applicable Australian Accounting Standards (including Australian Accounting Interpretations);
   - the applicable requirements of the Act;
   - the Government Sector Finance Regulation 2018;
   - the Treasurer's directions, and
   - the *State-Owned Corporations Act 1989*

I am 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
Chair of the Board of Directors
Water NSW
29 September 2021

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, which comprise the Directors' declaration, the Statements of comprehensive income for the year ended 30 June 2021, the Statements of financial position as at 30 June 2021, 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 Water NSW and the consolidated entity. The consolidated entity comprises Water NSW and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- present fairly Water NSW's financial position, financial performance and cash flows of Water NSW and the consolidated entity.

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 Water NSW 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 (including Independence Standards)' (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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2021. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Fair value of system assets	
At 30 June 2021, the consolidated entity's statement of financial position reported $2.7 billion in system assets measured at fair value. System assets, which consist of infrastructure, water meters and buildings are highly specialised and account for 84 per cent of the total property, plant and equipment balance. I considered this to be a key audit matter because: • the system assets are financially significant to the statement of financial position • the discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value. Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 16 and Note 20.	Key audit procedures included: • obtained an understanding of the consolidated entity's approach to estimating the fair value of system assets • assessed qualifications, competence and objectivity of experts engaged by the consolidated entity • reviewed whether the DCF model incorporated all key assumptions and inputs relevant to valuing system assets of a water entity and met the requirements of Australian Accounting Standards • reviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewed the model's mathematical accuracy • assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	

At 30 June 2021, the consolidated entity's statement of financial position reported defined benefit superannuation liabilities totalling $86.7 million. This liability balance is provided to the consolidated entity by the Administrator of the SAS Trustee, based on an independent actuarial assessment.
I consider this to be a key audit matter because:
• the defined benefit superannuation liability is financially significant to the statement of financial position
• the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability
• the value of the liability is sensitive to minor changes in valuation inputs.
 	
Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 29.
	Key audit procedures included:
	• obtained an understanding of the processes and key controls in place supporting the:
	  – membership data used in the model
	  – defined benefit superannuation liability calculation
	• assessed the completeness and accuracy of the membership data used in the model
	• with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness
	• assessed qualifications, competence and objectivity of actuarial experts
	• evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

Directors' 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 GSF Act, GSF Regulations and the *State Owned Corporations Act 1989*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of Water NSW 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.

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/ar5.pdf.. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that Water NSW or the consolidated entity carried out its 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

Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 September 2021
SYDNEY

Index