

Annual Report

2019-20





The Hon. Dominic Perrottet, MP

Treasurer

GPO Box 5341

Sydney NSW 2001

The Hon. Damien Tudehope, MLC

Minister for Finance and Small Business

GPO Box 5341

Sydney NSW 2001

Dear Shareholders

We are pleased to submit the WaterNSW Annual Report 2019-20 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

A handwritten signature in blue ink, appearing to read "Anne McDonald".

Anne McDonald

Chair

A handwritten signature in blue ink, appearing to read "Andrew George".

Andrew George

Acting Chief Executive Officer

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Access

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Cover image

'Warragamba Dam Floating' by WaterNSW employee Nick Cartledge.

Winner of the Australian National Committee on Large Dams (ANCOLD) 2020 photography competition.

Message from the Chair

Year in review

I am pleased to present the WaterNSW Annual Report for 2019-20 on behalf of the Board of Directors.

The last year has been an extraordinary period, with the continuing drought across NSW, bushfires in most catchments, and the one-in-twenty-year rain event in metropolitan catchments. Then, of course, there has been the operational impact of COVID-19. The response by WaterNSW to these significant challenges is a tribute to our highly skilled and dedicated employees right across NSW. WaterNSW has built a high-performance culture within the organisation, allowing the team to successfully respond to these additional challenges whilst continuing to deliver on our core functions.

Whilst the drought ended in Greater Sydney during the year, unfortunately for many of our regional customers the drought worsened over the past year to become the worst drought on record.

Managing the drought was a significant focus again in 2019-20, with a range of critical projects undertaken to alleviate its immediate impact. Work has also commenced on planning for major projects to secure long-term water supply for our customers, stakeholders and communities we serve. Of note, following a Direction under Section 20P of the *State Owned Corporations Act 1989*, and the announcement of a funding package by the Australian and NSW Governments in October 2019, WaterNSW is currently planning and delivering Critical State Significant Infrastructure (CSSI) Dam projects at Wyangala and Dungowan, and developing a business case for a new dam at Mole River.

As we enter the final year of our three year strategic plan several significant initiatives have been completed including:

- the launch of our Safety Commitments and the continued rollout of the Safe4Life Program, which together have driven a highly engaged safety culture within the organisation and reduced the risk of serious injuries and fatalities;
- the Wentworth to Broken Hill Pipeline, a 270km pipeline from the River Murray at Wentworth to Broken Hill delivering a reliable water supply and meeting quality standards to ensure no population displacement and secure the long-term sustainability of the Broken Hill town, its residents and industry. The project was delivered well ahead of the scheduled completion date, ahead of budget and with no lost time injuries;

- our Corporate Information Management System, a new ERP system that laid the foundation for renewing and integrating several outdated and legacy information systems enabling increased efficiency and providing the ability to keep pace with customer, community and stakeholder expectations;
- the implementation of our Employee Engagement, Employee Development and Employee Reward and Recognition Programs, building a highly engaged and committed workforce to support the delivery of WaterNSW's strategic and business objectives, increasing our leadership and employee capability and improving our performance; and
- delivering a contemporary Enterprise Agreement by moving employees from three legacy instruments which had very different terms and conditions to one that has brought equity together with flexibility for our employees and the business.

We also continued the rollout of our Health and Wellbeing program with an emphasis on mental health, launched the Major Infrastructure Delivery Team responsible for managing the planning and delivery of our large-scale water infrastructure portfolio and commenced work on our WAVE (Integrated Business Systems) project. This final year of the Strategic Plan will be used to close off our remaining initiatives and set the organisation up for continued success as we embark on the development of our next Corporate Plan.

Our financial performance

WaterNSW reported a net profit after tax for 2019-20 (excluding losses on revaluation of property, plant and equipment) of \$26.0 million. This performance was \$7.2 million below budget expectations and was primarily driven by higher than expected expenses to respond to drought, bushfire and the major Sydney rainfall event, higher land tax costs, and lower water sales volumes across the state due to the drought.

Our capital expenditure performance of \$251.2 million was \$19.4 million above budget. This additional expenditure enabled WaterNSW to deliver drought response projects, such as those in the Macquarie and Peel valleys discussed in this report, while also undertaking over \$115 million of capital expenditure to renew our assets to ensure continued and reliable water supply to our customers. We were able to meet the many commitments made by the NSW Government to support communities in drought with water security and reliability projects.

Pricing determinations

WaterNSW remains focused on achieving an appropriate return for our shareholders whilst delivering sustainable price outcomes for our customers. In 2019-20 we received the final Greater Sydney pricing determination from the Independent Pricing and Regulatory Tribunal (IPART). A reduction in wholesale bulk water costs in the final determination will result in about a one percent reduction in Sydney Water customers' bills from 1 July 2020.

On 30 June 2020 we submitted our Rural Valleys and Water Administration Ministerial Corporation (WAMC) pricing proposals to the Independent Pricing and Regulatory Tribunal. WaterNSW has made significant efforts to limit WaterNSW price increases for our customers.

Board and Executive leadership team

The Board of WaterNSW works closely with the Executive Leadership Team to develop and implement our Strategic Priorities – a balance between ensuring governance and accountability and providing collaborative strategic input and support.

I would like to thank Dr Nicholas Brunton for his services to the Board and WaterNSW over his term as a Director, following his retirement from the Board in July 2020. Nicholas served on the WaterNSW Board and that of its predecessor agency, the Sydney Catchment Authority, for over seven years.

I would also like to thank David Harris for his leadership over the past six years. As the inaugural Chief Executive Officer (CEO) of WaterNSW, David led the merger of three organisations and the establishment of WaterNSW with passion and energy.

Following David's departure in May 2020, the Board appointed Andrew George as Acting CEO. Andrew is a civil and environmental engineer who has been with WaterNSW since its inception on the Executive Leadership team.

Our customers, employees and shareholders

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

Message from the Acting Chief Executive Officer

Over the last year WaterNSW has responded to many significant challenges posed by ongoing critical drought, bushfires, coastal floods and COVID-19. These challenges have required our workforce to respond and adapt like few other organisations have had to. We also recognise that this has been a deeply challenging period for our customers, stakeholders and the communities we serve across NSW.

Our main priority has been ensuring the safety of our employees while continuing to deliver the services and projects that are essential for the people of NSW. We have shown that, despite the most significant challenges of our times, WaterNSW can and has continued to deliver for those who rely on us. There could be no greater demonstration over the past year of our employees' commitment, capability and application of our corporate values in meeting these challenges, all while continuing to deliver services for our customers and meeting the priorities of our shareholding government. I would like to thank our employees for their ongoing dedication and support.

Throughout 2019-20 severe drought continued to impact many regional communities, particularly in our Northern valleys. Our own modelling and highly skilled teams were able to guide and prioritise operational and asset interventions to prolong water supply for critical human needs. We successfully delivered several emergency drought projects including the Chaffey Dam to Tamworth Pipeline and the Burrendong Deep Water Access project.

Asset upgrades continued across our rural valleys to refurbish and restore various assets including dams, weirs, regulators and water supply infrastructure. This work is expected to be completed in late 2020.

In May 2020 we appointed WaterSecure, a joint venture of KBR and Aurecon, as our Portfolio Delivery Management Partner to support us deliver our major water infrastructure projects, including the three CSSI Regional Priority Dam projects:

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

WaterSecure bring the additional expertise, and capacity to oversee the delivery of multiple major projects and bring additional capacity needed to successfully deliver the first new dams in NSW in a generation. We have commenced engagement with many community groups, stakeholders and the broader community about the CSSI Regional Priority Dams. We successfully shifted our approach to being 'online' due to COVID19, facilitating face-to-face engagement when meetings have been able to occur in a COVID-Safe way. Preliminary

works on the ground are expected to commence in late 2020 that will enable us to start the projects in late 2021 pending final approvals, including Environmental Impact Studies.

As at February 2020 Greater Sydney dam levels dipped as low as 42.7 percent at Warragamba, prompting investigations into the possibility of a second desalination plant. This and other strategies for improving water security are being investigated via the Greater Sydney Water Strategy.

Over December and January, major bushfires occurred in the Warragamba and Shoalhaven Catchments, which are critical to Sydney's drinking water supply. Within the Warragamba Catchment a number of these fires joined to become a larger fire and over 90 percent of the catchment area was burnt.

WaterNSW worked with the Rural Fire Service and National Parks and Wildlife Service to respond to the blazes and we also undertook preparatory work to protect Lake Burragorang from the floating debris created through the fires by deploying silt curtains to intercept floating material that could pose a water quality risk to the storage. Due to the scale of the damage to water monitoring sites, recreational areas, fire trails, fences and gates, rural structures and pine plantations, recovery works are still underway. Pleasingly, an independent NSW inquiry into the 2019-20 bushfires has been very complimentary of our preparations, response and recovery from the fires.

February saw a significant rainfall event in Greater Sydney, which raised the storage level of Warragamba from 42.7 percent to 76.7 percent over a single week. Though the conditions were challenging, the events highlight the expertise we have in water quality management and catchment management, with no major impacts to raw water supply experienced during the rainfall event or immediately afterward. Given the scale of bushfire impact and significant rainfall event, the fact we have been able to continue to deliver on our water supply obligations has been incredibly impressive.

Our Water Quality team continues to monitor catchment conditions and water quality to ensure we continue to meet our supply obligations. We are also working closely with Sydney Water and NSW Health as per our joint incident response protocols to ensure they are aware of any changing conditions and what that might mean for water treatment options. This collaboration between Sydney Water and NSW Health has worked very well ensuring the safe delivery of water to over 6 million people across Greater Sydney.

During the reporting period, we further developed our Water Insights online portal to provide our customers and the broader community accessible and easy-to-understand data on how water is delivered, shared, allocated and managed in NSW. WaterNSW has also been actively supporting the Water Sector Review process in conjunction with the Department of

Planning, Industry and Environment (DPIE). Along with the other State Owned Corporations (SOCs), including Sydney Water and Hunter Water, we have been working collaboratively with DPIE on the review. The Water sector leadership group that has been established this year is already improving collaboration across the sector.

Our priority in responding to COVID-19 has been balancing business continuity with the physical and psychological safety of our workforce. When the pandemic became an imminent risk in early March 2020, we successfully transitioned the majority of our workforce to working from home. In September 2020, we are gradually making offices available to staff in regional areas but do not expect all sites to be re-opened until early 2021.

For our field staff who monitor water quality, undertake asset maintenance and take meter readings, work has continued where possible and safe, with additional safety protocols in place. Travel has only taken place where absolutely necessary and with additional COVID-Safe protocols adopted.

In recognising that this has been a challenging year, we have boosted our overall investment in mental health services for staff, with training from Black Dog Institute now available to support our people.

While there has been some improvement due to recent rainfall, we remain focused on preparing for the next drought, and for further major rainfall events particularly given the Bureau of Meteorology forecast for the season ahead. What we have shown through 2019-2020 is that WaterNSW is able to adapt quickly and professionally to meet the needs of our customers, stakeholders and the communities we serve.

About WaterNSW

Who we are

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

What we do

Source water protection - Protection of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water, local councils and other distributors for treatment and distribution to their customers.

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

System operator - Efficient management of the state's surface and groundwater resources to maximise reliability for users through 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.

Our purpose

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

Our vision

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

Our strategic plan



Our strategic priorities



Year in review

The year in review was characterised by extremes – continuation of drought, bushfires and then heavy rainfall over parts of the state, along with the COVID-19 pandemic. During this period WaterNSW continued to discharge its functions, adjusting its operations to deal with events as they occurred.

At the same time, and in line with strategic priorities, WaterNSW steadfastly progressed projects and activities to position the organisation to achieve its vision and meet customer and stakeholder expectations. The highlights discussed below reflect our strategic priorities.

Responding to drought

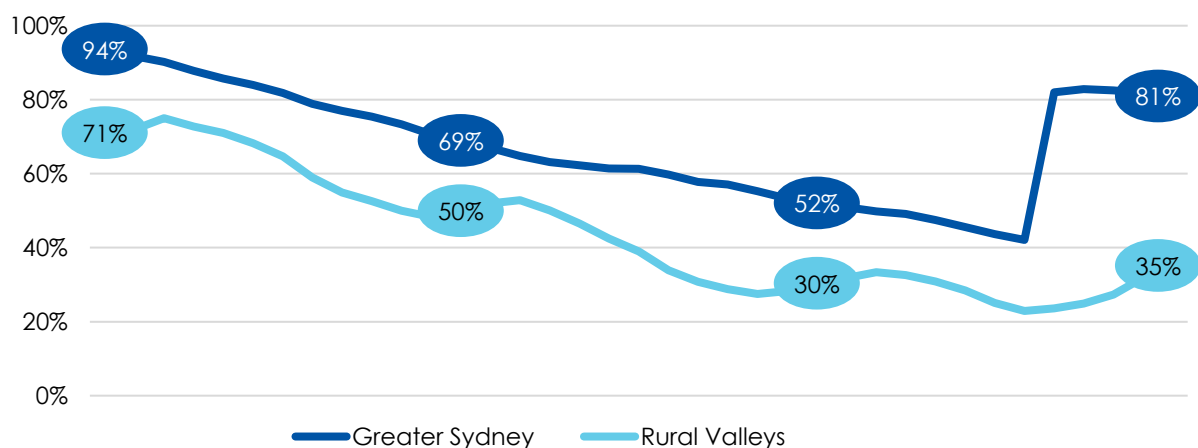
Deliver reliable performance in a changing environment

Provide strategic solutions

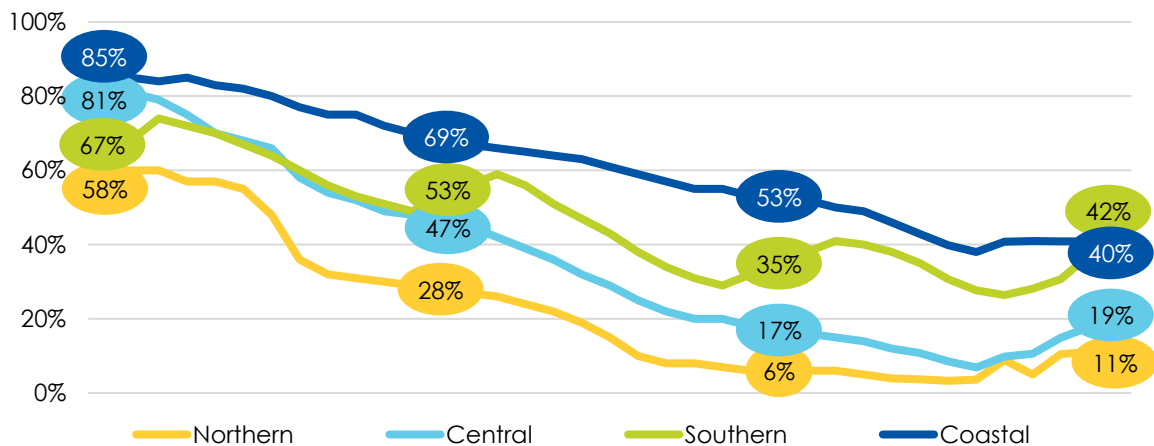
Support performance through innovation and adopting of new technology and scientific advances

By the end of 2019, NSW communities had experienced three years of drought – more extreme than the 1940s drought and the millennium drought in the northern valleys. With record temperatures across the state resulting in an increase in water evaporation and transmission losses, this placed extraordinary pressure on our existing water supply in both metropolitan and regional NSW.

Storage levels in gigalitres (GL) – 30 June 2017 to 30 June 2020



Storage levels in GL by rural valley grouping – 30 June 2017 to 30 June 2020



Working closely with stakeholders, including Government, local councils and customers, we harnessed resources to monitor water supplies in all parts of the state. Responding to a rapidly deteriorating situation in some parts, we undertook a number of projects to extend water supplies for local communities including the Peel Valley Drought Relief and Macquarie Valley Project to make sure that water supply was maintained.

Peel Valley

The worst drought on record resulted in the city of Tamworth and its 50,000 residents facing a critical water shortage with dams including Chaffey and Dungowan at very low levels. With a risk of the city running out of water, the NSW Government funded an emergency drought project and tasked WaterNSW to deliver it to extend water supplies for critical human needs. Through early engagement with the market and a fast-tracked process, we successfully designed and delivered an 18km pipeline from Chaffey Day into an existing water pipeline servicing Tamworth. During construction of the permanent pipeline, we implemented an interim solution by installing a temporary block bank and pumping station at Dungowan on the Peel River, providing a high reliability source of water via the existing Dungowan to Tamworth raw water pipeline.

The new water pipeline was able to extend water supplies for more than a year, eliminating the extensive water transmission losses that occurred during the severe drought conditions when using the Peel River to transport bulk water to Tamworth.

While the fast-tracked project was a success in terms of extending water supply security for Tamworth, other socio-economic benefits were also realised with the project employing 21 local people and an investment of about \$2.5 million being made with the 30 local businesses engaged during project delivery. The work of our contract partner MPC Kinetic was highly

impressive and with strong collaboration between many teams in WaterNSW and our contractors, we delivered the pipeline in under a year and under budget.

Macquarie Valley

With record low in-flows into Burrendong Dam from mid-2017 until early 2020, there was the potential that downstream regional towns such as Dubbo, Wellington, Narromine, Warren, Nyngan and Cobar could face significant water security risks. WaterNSW adopted a staged response to maximise available water, including installation of structures at Warren to limit system losses and bulk water transfer from Windamere Dam to Burrendong Dam. Further infrastructure to access deep water at Burrendong Dam was installed by Easter 2020. The region received significant rainfall shortly afterwards and as a result of the inflows, access to the deep storage is not expected to be required for at least another 12 to 18 months. However, the assets delivered during this drought will be used to protect the region from future droughts and extend water supply to meet critical human needs in the Macquarie Valley.

Improving water quality in the Murray-Darling Basin

Leverage our water quality and water information expertise

Support performance through innovation and adopting of new technology and scientific advances

The Australian Bureau of Meteorology concluded that the 2019 drought was the worst on record in the Murray–Darling Basin. While the impact of the drought on rivers was most acute in the Murray-Darling system, WaterNSW was able to leverage its extensive water quality experience and expertise to undertake research, develop innovative solutions and tools across the entire state to help protect fish habitats from cyanobacteria and blackwater events which occur after rainfall following drought.

Measures to improve water quality and fish habitats included:

- installation of solar-powered aerators in the Macquarie and Peel Rivers, which was successful in mixing water in refuge pools;
- installation of a compressed-air powered aerator in Burrendong Dam, rendering the lake suitable for fish habitat during periods of low storage capacity, during summer and even after an inflow event in February 2020;
- installation of dissolved oxygen sensors in the Peel River to provide real-time monitoring data to monitor the performance of aerators and the condition of refuge pools, enabling early warning of water quality issues; and

- development of an innovative fish health risk tool that provided a map-based view of potential risk and threat to fish health in the Darling and Murray Rivers.

As a result of these measures, we now have improved monitoring and a better understanding of successful actions and treatments that can identify potential risks and threats to fish health, which we will use to advise and support the relevant agencies to improve whole of government response, including the Murray Darling Basin Authority.

Bushfire impact and recovery

Deliver reliable performance in a changing environment

Be Safe4Life

Leverage our water quality and water information expertise

Support performance through innovation and adoption of new technology and scientific advances

Bushfire response

The summer of 2019 and 2020's bushfires had a significant impact on WaterNSW assets, catchments and our operations across NSW. The fires resulted in disruption to normal work as actual, or the potential, spread of fires limited access to WaterNSW dams, catchments and monitoring sites. As always, our highest priority was that of our safety of our people first and foremost.

Monitoring, maintenance and construction work at sites was deferred to keep our people safe and our recreation areas at dams in fire risk areas were closed to visitors to ensure public safety. Resources were swiftly redeployed from across WaterNSW to work closely with the Rural Fire Service (RFS) and National Parks and Wildlife Service (NPWS) to manage and respond to fire impacts.

Significant effort by the three organisations resulted in fires not impacting on the Blue Mountains, Woronora and Upper Nepean catchments. In the Warragamba Catchment 330,000 ha (37 percent) was burnt including 90 percent of Warragamba Special Area. In addition, 900 ha (62 percent) of the Shoalhaven Special Area was burnt. Working closely together, the three organisations contained the fires in these areas to manage the Fish River water supplies.

The bushfires caused damage to water monitoring and telemetry sites, recreational areas, fire trails, fences and gates, rural structures and pine plantations.

A Bushfire Recovery team is operating to repair built assets and catchments, including working co-operatively with NPWS for recovery work within the Warragamba Special Area where most land is owned by NPWS.

Protecting water quality

The water supply from Warragamba Dam was not impacted during the bushfires, however the addition of unprecedented amounts of bushfire ash and the lack of ground cover to prevent soil erosion resulted in increased levels of debris making its way into the lake.

In response to the bushfires, WaterNSW minimised the potential consequences of the significant fire damage on water quality, including through the deployment of several booms to catch the ash and minimise its movement and impact.

Shortly after the fires, widespread rainfall was received across the Sydney Catchment areas. The level of water in Warragamba Dam rising from 43 percent to 76 percent in a matter of days. With the water, the ash and debris entering Warragamba Dam, an incident response team monitored water quality and implemented contingency plans to address possible challenges. The team worked closely with Sydney Water and NSW Health.

Response measures included extensive modelling and monitoring of the inflows and water quality, implementing complex system changes to minimise risks, and tracking the incoming water (intrusion) using state of the art on-line instruments. The intrusion behaved exactly as predicted which enabled WaterNSW, in conjunction with Sydney Water, to ensure that we continued to supply excellent quality raw water throughout the entire period.

WaterNSW continues to closely monitor water quality and model potential behaviour of the water supply system. We have also instigated several erosion modelling and research related projects to better understand and respond to remaining risks to water quality from the ash, as well as to inform planning for and responses to future fires.

This rainfall event was comparable in scale and impact to the 1998 event that resulted in a water quality crisis for Sydney. There was no such impact in 2020, demonstrating the operational gains made since this time and strong performance from across the organisation in managing this event.

CSSI dams - securing long-term water supply

Provide strategic solutions

Develop our people and effectiveness of our teams

While responding to the impacts of the drought, consistent with detailed studies and Government funding support, WaterNSW began work to plan for the delivery of three new or augmented dams in NSW. These dam projects have been classified as Critical State Significant Infrastructure (CSSI) and, subject to further direction, will be delivered on an accelerated timeline while still meeting all the necessary planning requirements.

This package included three projects:

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

To meet the timeframes set by both the NSW and Commonwealth Governments, WaterNSW has engaged WaterSecure, a joint venture between KBR and Aurecon Group, to provide the additional capacity and capability needed to complement our existing employees. The joint venture and their team are embedded as part of WaterNSW alongside our employees, with integrated delivery teams to meet the responsibilities and expectations on the organisation from both Government and the community.

WaterNSW is delivering these CSSI projects in partnership with the newly-established Water Infrastructure NSW (WINSW), who will oversee coordination, planning and monitoring to ensure a whole of government response to support the delivery of these projects. WaterNSW is currently working closely with WINSW and DPIE on establishing these arrangements. These CSSI initiatives will be funded by a combination of Federal and NSW Government grants and WaterNSW borrowings.

Non-urban metering reform – supporting Government through implementation

Be a customer centric organisation

Improve organisational performance

As part of reforms announced by the NSW Government, 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 the NSW by multiple agencies.

WaterNSW is supporting the Government's water reform action plan through the active implementation of key components of the non-urban metering framework. We have become responsible for the operation of the state's newly developed cloud-based meter data acquisition service while also supporting the processes for reporting and record management for the installation, repair and maintenance of metering equipment.

Importantly, as a customer focussed organisation, we are actively supporting our customers in helping to understand these new obligations as they progressively come into effect and what needs to be done to help ensure their compliance in the most practical way possible.

Greater Sydney Water Strategy – supporting Government through analysis, information and advice

Provide strategic solutions

Leverage our water quality and water information expertise

The NSW Government is developing a long-term Greater Sydney Water Strategy to support a thriving, liveable and sustainable Greater Sydney. WaterNSW provides resources to assist with the strategy's development, including analysis and information on yield and system modelling, along with leading the scoping and early investigation into options including an additional desalination plant in the Illawarra region.

Our involvement in the planning process enables WaterNSW to contribute our detailed operational and long-term planning knowledge and experience to support government considerations and policy outcomes. Our expertise will contribute to policy recommendations that will aim to improve water security and drought resilience with climate independent options to meet the needs of the future.

WaterNSW is also working closely with Sydney Water to develop an integrated long-term capital and operational plan and emergency drought response plan. A collaborative approach to this work will ensure that long-term capital and drought response planning will be undertaken with a 'whole of system' and 'whole of water cycle' approach, ensuring that customer needs are at the forefront of water planning in Greater Sydney.

WAVE – preparing WaterNSW to meet future needs

Developing our people and the effectiveness of our team

Improve organisational performance

This year has seen the finalisation of the WAVE business case to completely replace the operational systems used to support customer transactions (licensing, works management, ordering, trading and enquiries), water data management including the collection of data from consolidated telemetry systems, and the consistent treatment and implementation of a data lake to share information across WaterNSW and to our extensive ecosystem.

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.

Customer Service

Our 2019 Voice of the Customer research revealed that at least 60 percent of our customers have identified that they would prefer electronic communications.

Customers are expecting more information and easier transactions. They expect that easier transactions means automation is occurring so that costs to serve are decreasing, that they have multiple channels to access service and that the speed of our transactions will increase. In addition, the existing iWAS portal will be replaced so that customers can see their own information such as status of their water account, conditions that affect take, billing history and other matters that relate to their personal transactions with WaterNSW.

Customers also expect us to rapidly address queries and complaints that require expertise drawn from across the business. WAVE will improve case management processes and single view of customer that will allow us to increase the quality of our response to queries and complaints.

Reducing low value work

WAVE will reduce low value activities allowing staff to focus on more complex customer needs and effectively increase the capacity of our customer service teams.

Improving water delivery

WAVE will empower the WaterNSW operators with greater visibility of river conditions and water demand to enable better decision making on water delivery. Use of telemetered metering information will increase our ability to view water take against orders in real time and minimise water loss through the system.

Through improved data management, modelling of predicted future river conditions will allow a shorter lead time between order and delivery and better management of the available water in the system.

Reform of water systems

A solution for determining allocations available to customers in unregulated rivers in the Active Management stream of Water Reform has also been delivered and will now be extended to include the proposed expressions of interest process for customers seeking access to water where flows allow it. The current solution models the river flows and the amount that can be allocated, and a new licensing system capability allows Individual Daily Extraction Limits to be assigned to each licence in an unregulated river.

Work also has progressed on flood plain harvesting with changes to the licensing system also completed to allow for flood plain allocations and in the next year the process for measurement of floodplain take will be implemented.

WaterInsights - harnessing the power of data to improve transparency and service delivery

Be a customer centric organisation

Provide strategic solutions

WaterInsights is an interactive dashboard available on the WaterNSW website that brings key water resource information together to improve our ability to respond to customer and stakeholder expressed needs to have water information that is easier to access and simpler to understand.

WaterInsights improves the accessibility and clarity of the rules, regulations and conditions that govern water management. It also provides information about where water delivery and how much is available to satisfy all customers' needs that include local town water supply and also the environment. We are helping our customers to make informed water resource planning decisions and increasing the transparency in how we manage this limited resource.

The portal has been updated with a new user experience based on comprehensive research that engaged a significant number of customers and primary user groups. Over 60 new water sources from all valleys across NSW, and all groundwater and surface water sources in the Murrumbidgee river system are now included.

From 1 July 2020 WaterNSW also commenced issuing announcements and flow advice for Barwon Darling customers via WaterInsights, following the amended Water Sharing Plans in the Northern Basin coming into effect. Future enhancements of WaterInsights will incorporate trading prices and forecasts, as well as increasing the coverage to all water sources in NSW.

DamGuard - assuring dam safety

Be Safe4Life

Deliver reliable performance in a changing environment

WaterNSW successfully completed the deployment of DamGuard in all our dams in September 2019 to safeguard WaterNSW's dams and the people and buildings near them.

DamGuard is a mobile and cloud web-based solution that has replaced written surveillance sheets, capturing and storing in near real-time manual and SCADA information, allowing for immediate detection of events and generation of alarms. The system also contains an advanced data analytics framework for the complex analysis required in the risk-informed dam safety management.

Today, data that might have taken six weeks to be considered by an engineer can be viewed in minutes. Time previously spent correcting errors is now spent in analysis. This allows our engineers to monitor the performance of our dams in near real time, while also enabling us to better predict how they will perform in the future.

Improving customer service

Be a customer centric organisation

Customers continue to be embedded at the heart of our business and in 2019-20 we supported our customers through bushfire, drought and other impacts on their businesses and communities. WaterNSW was able to deliver the NSW Government's drought rebate to all eligible customers, helping to support them through these difficult times. Delivery of these rebates resulted in a significant number of customers having their total charges rebated.

WaterNSW continued efforts to streamline our customer service offerings including the introduction of electronic billing and improving visibility of temporary and permanent trades to customers. Due to ongoing water scarcity issues there was a significant increase in basic landholder rights bore applications and temporary groundwater trading increasing significantly. WaterNSW has worked collaboratively with the Department of Planning, Industry and Environment – Water (DPIE-W) to process this unprecedented volume of applications as efficiently as possible. WaterNSW launched its online Track My Application tool to assist with transparency of application status for its customers.

Customers continue to subscribe to receive regular email updates from WaterNSW on a range of information, including customer newsletters, water availability reports and drought updates at waternsw.com.au/subscribe.

Customer complaints

Complaints continued at a low level during 2019-20. WaterNSW front line employees all undertook training in complaint management during the year. The volume of complaints for the period were consistent with the previous year. WaterNSW reports on its complaint performance monthly and focuses on quick effective resolutions for customers.

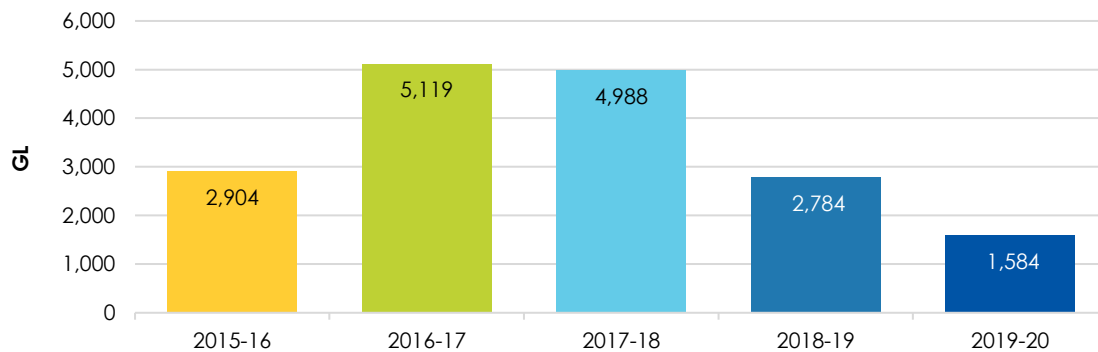
The abnormally higher number of complaints in 2017-18 related to a metering issue which impacted a large group of customers. WaterNSW proactively elected to record these as separate complaints.

Customer complaints	2017-18	2018-19	2019-20
Customer complaints outstanding at 1 July	17	147	3
New complaints received	316	82	73
Complaints resolved/closed	186	226	74
Customer complaints outstanding at 30 June	147	3	2

Business performance

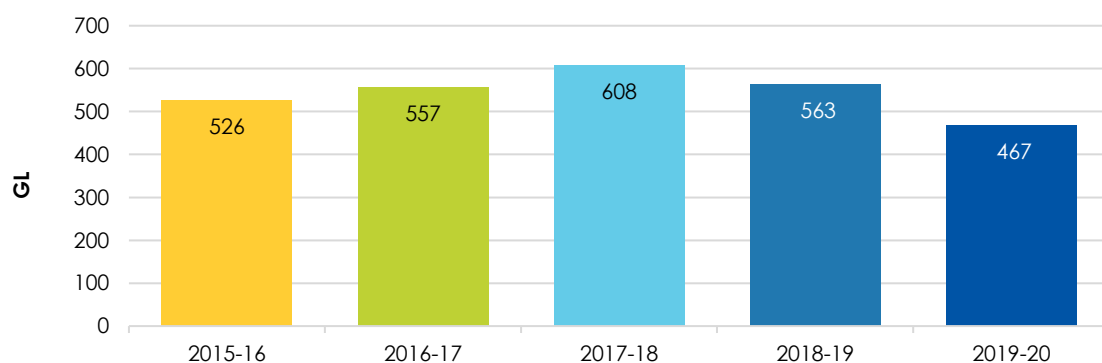
Water sales

Rural Valleys



Rural water availability remained low throughout the water year influencing the volumes ordered, reflecting the impacts of drought. 2019-20 volumes were 43 percent lower than the prior year and 69 percent lower than 2016-17. The impact on WaterNSW's revenues was partly mitigated via a Weather Volatility Insurance Product and the NSW Drought relief rebate being applied to the fixed component of bills for all general security licence holders in NSW and to customers of Irrigation Corporations. Overall Rural Valley water sales revenue ended the year \$4.3 million below the budgeted target of \$49.8 million.

Greater Sydney



Greater Sydney water volumes remained at the mid-range forecast for the water year and, despite drought conditions, 2019-20 volumes were approximately 83 percent compared with the prior year. The volumes above do not include water supplied by the Sydney Desalination Plant (SDP), for which WaterNSW receives financial compensation from Sydney Water Corporation. The SDP operated for the full financial year and supplied 71 GL. Due to this financial compensation and our Greater Sydney tariffs being primarily fixed, Greater Sydney revenue of \$220.0 million ended the year only \$0.2 million lower than budget.

Financial summary

In a year where the business had to manage through floods, bushfires, drought and the COVID-19 pandemic, our financial performance continued to be strong. After adjusting for losses on Asset Revaluations, our net profit after tax was \$7.2 million lower than the budget expectation of \$33.2 million.

The drivers for this lower than anticipated result included:

- lower revenue from Rural Valleys due to lower water availability reflecting the impacts of drought, mitigated by a Weather Volatility Insurance Product and the NSW Drought relief rebate;
- higher operating costs due the drought, flood and bushfire management costs and an increase in land tax provisioning; and
- higher depreciation and amortisation due to revaluation of assets on 30 June 2019 and recognition of leases as a right-of-use asset;
- partly offset by lower interest expenses due to lower interest rates and lower borrowings.

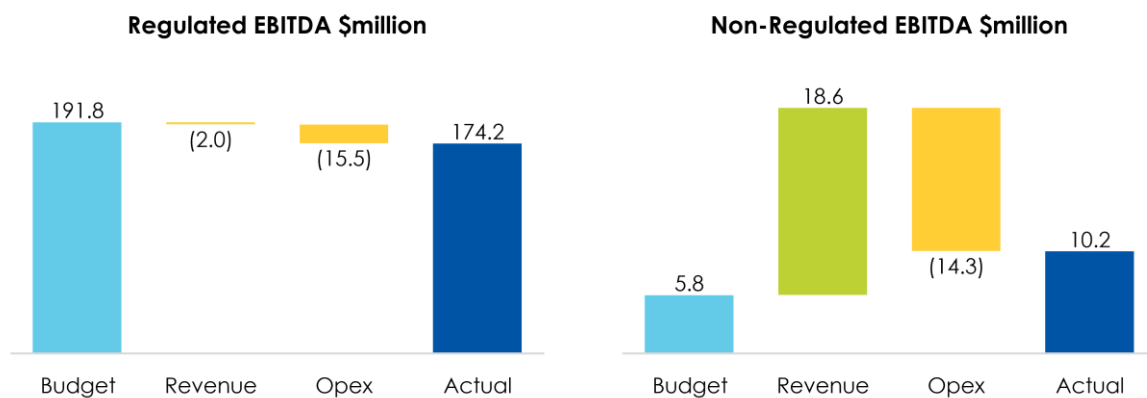
	2016-17 Actual \$'000	2017-18 Actual \$'000	2018-19 Actual \$'000	2019-20 Actual \$'000	2019-20 Budget \$'000	2019-20 Variance \$'000	2020-21 Budget \$'000
Revenue	380,938	395,232	416,377	409,320	392,696	16,624	464,746
Operating expenses ¹	(184,238)	(207,981)	(234,338)	(224,881)	(195,093)	(29,788)	(292,164)
EBITDA ²	196,700	187,251	182,039	184,439	197,602	(13,163)	172,582
Depreciation and amortisation	(58,537)	(56,008)	(60,179)	(81,470)	(65,690)	(15,780)	(92,114)
Interest revenue	3,378	1,281	497	441	157	284	186
Interest expense	(32,871)	(47,553)	(61,335)	(66,767)	(84,686)	17,919	(73,224)
NPBT ³ excluding asset revaluation	108,670	84,971	61,022	36,643	47,383	(10,740)	7,430
Tax excluding asset revaluation	(32,622)	(20,742)	(19,226)	(10,680)	(14,215)	3,535	(2,475)
NPAT ⁴ excluding asset revaluation	76,049	64,229	41,796	25,963	33,168	(7,205)	4,955
Revaluation of assets	34,305	27,297	38,268	(79,207)	0	(79,207)	0
Tax effect of asset revaluation	(10,292)	(8,189)	(11,480)	23,762	0	23,762	0
NPAT ⁴	100,062	83,337	68,584	(29,482)	33,168	(62,650)	4,955
Capital expenditure	(63,252)	(298,367)	(291,520)	(251,200)	(231,758)	(19,442)	(352,448)

1. Operating expenses includes gains(losses) on disposal
2. Earnings before interest, tax, depreciation and amortisation
3. Net profit before tax
4. Net profit after tax

Actual financial performance is presented in accordance with the relevant Accounting Standards, NSW Treasury Accounting Policies and WaterNSW Accounting practices applicable in the year reported.

EBITDA

The graphs below show the EBITDA performance of our regulated and non-regulated business for 2019-20.



Regulated revenue was slightly unfavourable to budget, with lower revenue from Rural Valleys due to lower water availability mitigated by a Weather Volatility Insurance Product and the NSW Drought relief rebate.

Regulated operating expenditure was unfavourable to budget, primarily due to:

- an increase in the land tax provision for the current and previous three and a half years financial years; and
- incremental expenses incurred in response to drought, bushfires and rainfall events;

partially offset by lower operating expenses following application of a new accounting standard to recognise leases as depreciation and finance expenses.

Non-regulated revenue was favourable to budget, primarily due to:

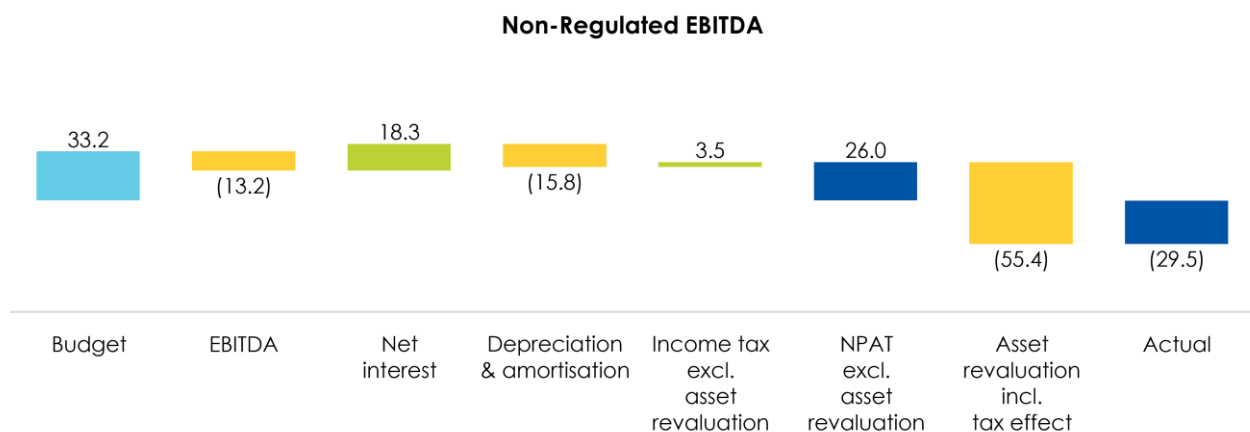
- recovery of expenses incurred for asset construction works undertaken on behalf of Essential Water;
- partial recovery from Sydney Water of additional energy expenses incurred in transferring water in the Shoalhaven system;
- recognition of additional grant funding for drought relief projects and Warragamba Dam Raising; and
- higher recovery of operating expenditure incurred to maintain and operate bulk water infrastructure for the Murray-Darling Basin Authority (MDBA).

Non-regulated operating expenditure was unfavourable to budget, primarily due to:

- expenses incurred to support the higher non-regulated revenue result in the year; and
- additional energy expenses incurred in transferring water in the Shoalhaven system, which was only partially recovered by the receipt of additional revenue from Sydney Water.

Net profit after tax

The graph below shows the net profit after tax performance for 2019-20.



Depreciation and amortisation were unfavourable to budget, primarily due to:

- a \$38.3 million increase in the fair value of assets at 30 June 2019 after the finalisation of the 2019-20 budget;
- application of Australian Accounting Standard AASB 16 Leases requiring leases to be recognised as a right-of-use asset and amortised over their useful life, resulting in \$3.9 million of depreciation being recognised for leased assets; and
- additions to assets arising from completion of capital expenditure projects.

Interest expense was favourable to budget, primarily driven by:

- the actual weighted average interest rate of 4.1 percent being 1.5 percent lower than the budget rate;
- borrowings being \$54.4 million lower than budget; and
- increased capitalisation of borrowing costs of \$6.9 million, with borrowing costs capitalised when assets take 12 months or more to be ready for their intended use and the project value exceeds \$1.0 million.

Revaluation of assets (including tax effect) resulted in a net impairment of \$55.4 million, primarily due to an expected reduction in the weighted average cost of capital (WACC) relating to the Regulated Rural Valleys business segment based on current regulatory parameters.

NPAT budget 2020-21

For the financial year ending 30 June 2021, WaterNSW is projecting a NPAT result of \$5.0 million, which is lower than the 2019-20 result of \$26.0 million (pre asset revaluation) due to:

- a reduction in the WACC for our Regulated Greater Sydney business segment. The final IPART Greater Sydney Pricing Determination resulted in the WACC falling from 4.1 percent (post-tax real) to 3.4 percent from FY21 onwards;
- increases in our core operating expenses to support drought works and several strategic priorities;
- borrowing costs incurred to support drought capital works and the CSSI program for which Water NSW is not currently receiving regulated revenues; and
- an increase in depreciation and amortisation costs.

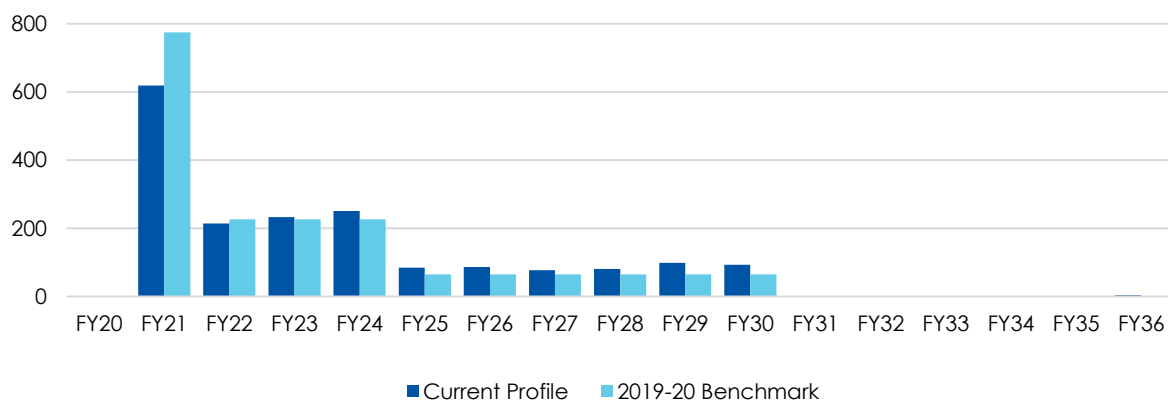
Capital expenditure

In 2019-20 capital expenditure was \$19.4 million higher than budget of \$231.8 million, primarily due to the delivery of assets in response to the drought including the CSSI Regional Priority Dams (\$18.9 million) and Burrendong deep water access (\$7.7 million).

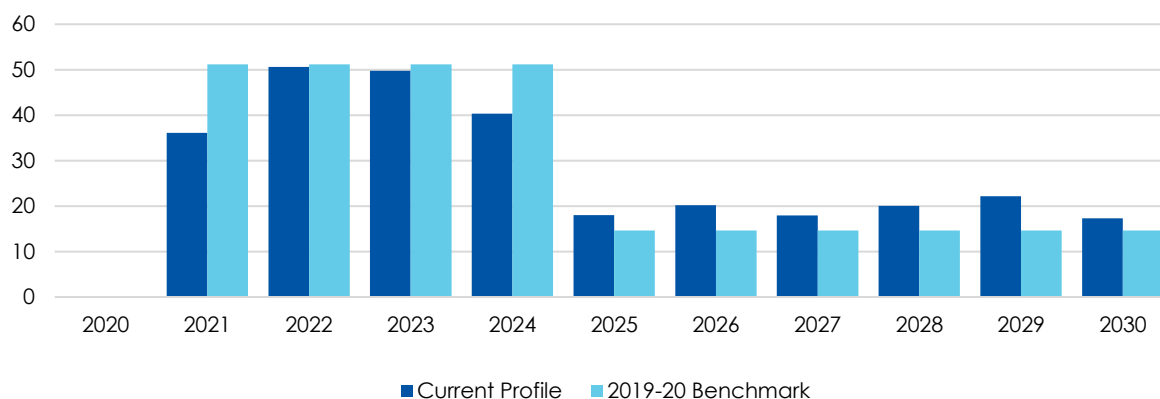
Borrowings

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

WaterNSW profile vs benchmark \$million



WaterNSW Infrastructure Pty Ltd profile vs benchmark \$million



Key performance indicators

Financial

KPI measure	Target	Actual	Performance drivers
Returns to shareholders	\$69.5 million	\$58.6 million	<ul style="list-style-type: none"> Lower interest rates and borrowings resulting in lower Government Guarantee Fee Lower current income tax due to lower EBITDA
Core ¹ operating expenditure	\$166.4 million	\$181.9 million	<ul style="list-style-type: none"> Higher operating expenses due the drought, flood and bushfire management. Increase in the land tax provision.
Core ¹ capital expenditure	\$231.8 million	\$252.9 million	<ul style="list-style-type: none"> Delivery of unbudgeted projects in response to the drought.
Capital structure efficiency	Baa2 credit rating	Baa2 credit rating	<ul style="list-style-type: none"> In line with target.
	59% net debt to RAB ³	58% net debt to RAB ³	<ul style="list-style-type: none"> Higher regulated asset base due to higher capex combined with lower net debt.
Core ¹ EBITDA ²	\$191.8 million	\$174.2 million	<ul style="list-style-type: none"> Higher operating expenses

1. Core expenditure forms part of a regulated pricing determination - refer to [Error! Reference source not found.](#) for more information.
2. EBITDA - Earnings before interest, tax, depreciation and amortisation
3. RAB - Regulated asset base

Non-financial

KPI measure	Target	Actual
Zero harm	Zero lost time injuries	One lost time injury as a result of an employee slipping on wet concrete.
Total reportable injury frequency rate	5.16	5.62, with performance primarily influenced by a reduction in contractor hours over the previous year due to the completion of the Broken Hill Pipeline.
Skyline	48.2% of our customers rank our service delivery as greater than seven out of 10	47.1% of customers ranked our services delivery as greater than seven out of 10, a great achievement when considering the external environment.
Quality of water supplied to Sydney Water	Water supplied meets standards under the Raw Water Supply Agreement > 95%	Water supplied met standards under the Raw Water Supply Agreement 99.3% of the time.
Minimise operational water losses	River system operational water losses will not exceed the long-term average water losses by more than 5%	River system operational water losses were 24% lower than the long-term average, as WaterNSW has not been running whole rivers due to the drought.
Employee engagement	Midpoint (50%) of the 'Best Employer' Group	Our engagement score of 50% was below the midpoint of the 'Best Employer Group'
Overall measure of delivery for asset projects	200 points	155 points, with high performing resources being redirected to deliver drought projects impacting resourcing and continuity of delivery of core projects.

Corporate governance

Board

Appointments

During 2019-20 the Board had eight directors comprising a non-executive Chair, six non-executive directors and one executive director (the Chief Executive Officer).

The non-executive directors are appointed by the voting shareholders as set out in the *WaterNSW Act 2014* and hold their office for a period of up to five years, which may be renewed by the shareholders. The directors come from a wide range of backgrounds and bring to the Board an appropriate mix of skills and experience.

Power and functions

The Board sets the overall policy, strategy and direction of WaterNSW. Under Section 20L of the *State Owned Corporations Act 1989* (SOC Act), 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 Board is governed in accordance with the principles detailed in NSW Treasury Policy and Guidelines Paper TPP 17-10 *Guidelines for Governing Board of Government Businesses*. The principles are adopted unless further explanatory information has been provided in accordance with the 'if not, why not' principle.

Whilst informal arrangements exist in relation to the following three recommendations, there is a focus on formalising them: have a diversity policy; have a board plan; and have a timely disclosure policy.

Indemnity and insurance

Schedule 10 to the SOC Act 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 voting shareholders as required under the NSW Treasury TPP18-04 *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 SOC Act.

Members

Anne McDonald, Chair - Bec, FCA, FAICD

Commenced: 1 March 2016

Current term: 15 February 2019 to 14 February 2022

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



Dr Nicholas Brunton – BA, LLB, PhD, FAPI

Commenced: 21 November 2012

Retired: 26 July 2020

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



Rob Aldis – BE (Civil), FAICD

Commenced: 15 September 2014

Current term: 15 September 2020 to 14 March 2021

Rob Aldis 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**

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



Emma Stein – BSc (Hons), MBA, FAICD**Commenced: 3 November 2016****Current term: 4 November 2019 to 3 November 2022**

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



Mark Barber – MA Fin, Grad Dip Agribusiness/Marketing, Dip FM Management, MAICD**Commenced: 3 August 2018****Current term: 3 August 2018 to 2 August 2021**

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



Bruce Berry – BComm, MBA, CA ANZ, GAICD

Commenced: 3 August 2018

Current term: 3 August 2018 to 2 August 2021

Bruce Berry has over 31 years of business experience covering construction, property, financial management, infrastructure, and project finance in both Asia and Australia. Bruce was with Lend Lease Corporate for 22 years and with AMP Capital for eight 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.



Andrew George, Acting Chief Executive Officer, BE (Hons), FIEAust, CPEng, EngExec

Commenced: 4 May 2020

Andrew is the Acting Chief Executive Officer of WaterNSW, which is responsible for the supply of raw water to users throughout regional NSW and Greater Sydney, including to our largest customer, Sydney Water. Andrew has held a number of Executive positions in WaterNSW since its inception in 2015, where he was part of the inaugural executive team and has since been involved in the strategic transformation of the NSW water sector. Andrew has over 10 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.



Independent board member remuneration

The table below shows salary or other benefits paid to directors (excluding the Chief Executive Officer).

	2018-19	2019-20
Number of Board members	7	6
Total remuneration	\$474,254	\$417,227

Committees

The following board committees have been convened.

Committee	Assists in discharging obligations of due diligence with respect to	Membership at 30 June 2020
Assets	<ul style="list-style-type: none"> Infrastructure solutions: water modelling, strategic planning. Asset management: planning and maintenance, dam safety, management system. Asset development: project and contract management Asset operations: water delivery – flood operations, water modelling; IT delivery – operations, security and disaster recovery; corporate services – physical security, crisis and emergency management, incident management and fleet; customer operations – metering, billing and water accounting. 	Rob Aldis (Chair) Bruce Berry Emma Stein
Audit & Risk	<ul style="list-style-type: none"> Business improvement and assurance: internal controls, including fraud control; internal and external audit. Regulatory compliance: laws, regulations, standards and best practice. Finance and risk: statutory accounting, financial management, financial reporting, delegations and the risk management framework. 	Bruce Berry (Chair) Emma Stein Nicholas Brunton
Customer Transactions and System Operations	<ul style="list-style-type: none"> Ensuring effective strategies, evaluations and systems are in place to better understand, engage with and service WaterNSW customers. Improvement of water system operations and water delivery. 	Mark Barber (Chair) Emma Stein Nicholas Brunton
Water Quality, Health and Catchment Protection	<ul style="list-style-type: none"> Public health: water quality, risk. Science: operations, innovation. Water quality: monitoring, reporting. Catchment protection: planning, environment assessment and development, enforcement. Environment: management system, operations. 	Nicholas Brunton (Chair) Andrew Wilson
Safety, People and Capability	<ul style="list-style-type: none"> Safety of our people: operations, management system, leadership program. Organisational development: change management, internal communications, leadership, training, recruitment, performance management, terminations. Remuneration: pay, conditions. Organisational capability: workforce planning, structure, succession, talent management. 	Anne McDonald (Chair) Andrew Wilson Mark Barber Rob Aldis
Nominations	<ul style="list-style-type: none"> All Board members 	

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

Director attendance at meetings 1 July 2019 to 30 June 2020

Director	Board	Assets	Audit & Risk	Customer Transactions & System Operations	Water Quality Health & Catchment Protection	Safety People & Capability	Nomination
Meetings held	13	6	6	3	4	4	1
Anne McDonald	13	●	●	●	●	4	1
Rob Aldis	12	6	●	●	●	4	1
Mark Barber	13	●	●	3	●	4	1
Bruce Berry	13	6	6	●	●	●	1
Nicholas Brunton	13	●	6	3	4	●	1
Emma Stein ¹	12 (12)	5 (5)	5 (5)	2	●	●	1
Andrew Wilson	12	●	●	●	4	4	1
David Harris ²	10 (10)	5 (5)	4 (5)	2 (3)	3 (3)	3 (3)	1 (1)
Andrew George ³	3 (3)	1 (1)	1 (1)	1 (1)	1 (1)	1 (1)	0 (0)

1. Emma Stein had an approved leave of absence between 19 and 29 September 2019.

2. David Harris resigned on 4 May 2020.

3. Andrew George appointed in an acting capacity on 4 May 2020.

() Indicates the number of meetings held during the time the Director held office or that a Director had an approved leave of absence.

● Not a member of the relevant committee.

Executive leadership team

Members

Andrew George, Acting Chief Executive Officer, BE (Hons), FIEAust, CPEng, EngExec

Andrew is the Acting Chief Executive Officer of WaterNSW. Andrew has held a number of Executive positions in WaterNSW since its inception in 2015, where he was part of the inaugural executive team and has since been involved in the strategic transformation of the NSW water sector. Andrew has over 10 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

Joseph 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, BAppSc, MEnvMan

Adrian is a strategically-focused management professional with over 25 years' experience in the fields of water and wastewater 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.



Anne Pearson – Acting Executive Manager Water Solutions and Market Strategy, BA, LLB (Hons)

Anne brings organisational leadership capabilities and a breadth of utility, regulatory and policy experience to WaterNSW.

Prior to joining WaterNSW in December 2019, Anne was Chief Executive of the Australian Energy Market Commission (AEMC) for nearly four years.

Before taking on that role, for eight years she served as Senior Director, Market Development at the AEMC with responsibility for leading reviews and rule determinations to facilitate the energy sector's adjustment to technological change and evolving consumer preferences.

Anne's prior roles include Executive Manager of Retail Regulation at Energy Australia and solicitor, at law firms Freehills, and Deacons working across a range of commercial, government reform and regulatory transactions and processes.



Daniel Lucas – Executive Manager Safety, People and Performance, 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 7 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 is also a Non Executive Director of the NSW Energy & Water Ombudsman.



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

Fiona joined WaterNSW upon its formation, having worked for Sydney Catchment Authority - most recently as Executive General Manager - since the start of 2011. 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 and Risk**BA, LLB (Hons)**

Helen started with WaterNSW in December 2018, bringing with her extensive experience in legal, governance, company secretarial and corporate affairs functions.

Most recently, Helen worked with Roads and Maritime Services on major infrastructure projects. Prior to RMS that she was with the NRMA as EGM Legal Governance & Corporate Relations and Sydney Airport Corporation Limited.



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. He is also responsible for our project delivery functions including our Major Infrastructure Delivery function delivering the three CSSI regional priority dams.

Prior to WaterNSW, he worked at Snowy Hydro for eight years in a variety of engineering and senior management roles.



Executive remuneration

TRP range	2018-19			2019-20		
	Average TRP Range	Male	Female	Average TRP Range	Male	Female
Band 4 +	\$475,151 to \$548,950	1	-	\$487,051 to \$562,650	1	-
Band 3	\$337,101 to \$475,150	3	1	\$345,551 to \$487,050	2	1
Band 2	\$268,001 to \$337,100	3	1	\$274,001 to \$345,550	4	2
Band 1	\$189,900 to \$268,000	1	-	\$192,600 to \$274,700	-	-

- The table above displays the total annual remuneration package for each member of the executive leadership team.

The estimated percentage of total employee related expenditure that relates to Executive Team members for 2019-20 is 3 percent (4 percent in 2018-19).

Risk management

The objective of WaterNSW's Risk Management Framework is to preserve and where possible, create value for the community and our partners through adherence to a positive culture of risk management. 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*.

A risk management program is undertaken annually to identify, assess, monitor and review key risks for WaterNSW which provides a basis for managing strategic, financial and operational risks to support the achievement of corporate objectives.

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

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

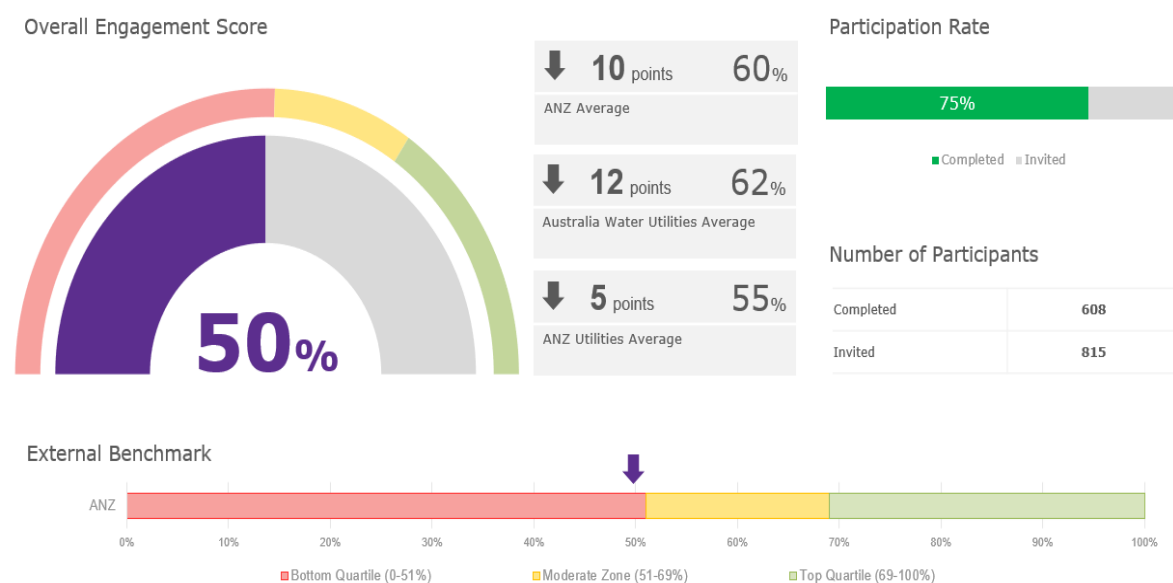
Our people

Employee engagement

A key highlight for this year was undertaking our first enterprise wide externally facilitated Employee Engagement Survey (My Say) using the Kincentric model. This allowed us to benchmark our performance against other organisations. The survey was conducted in October 2019, with a strong participation rate of 75 percent of our employees. The result highlighted that 50 percent of our workforce is either Highly or Moderately Engaged.

Our challenge during the next 12 months is to maintain the current levels of engagement whilst shifting 27 percent of the workforce rated as Passively Engaged to higher levels of engagement through the conversations, interactions and other initiatives put in place as we address this.

Engagement Score WaterNSW 2019



The key insights provided by the survey highlighted that the key areas to be focussed on to improve engagement were:

- **future focus** - providing a clear and compelling vision for the future and communicating that in an exciting manner with a focus on the plans to position the company for long term success;
- **infrastructure** - making timely decisions, and ensuring our work processes are efficient and effective and investing in areas that will support improvement in our business operations; and
- **communications** - ensuring our communications are open and transparent at all times.

Our plan to address the improvement in engagement includes the following steps.

Item/ Phase	Details	Status
Communication of Results	Corporate, Business Unit & Team results shared with employees	Complete
Understanding and Clarity	Focus groups and workshops across Business at all levels to deeply understand the feedback and agree appropriate action plans at Corporate, Business Unit and Team level	Complete
Action Plan Communication	Communication of Action plans at Corporate, Business Unit and Team Level	Underway
Action Plan Implementation and Tracking	Implementation of plans/ initiatives and ongoing formal tracking of Corporate and Business Unit level plans	Underway
Communication Updates	Ongoing communication of progress on action plans at all levels or organisation	Underway
Remeasure of Engagement	Remeasure progress on engagement improvement	Planned June 2021

Reward and recognition program

Our Splash program launched in May 2019 and has been very successfully received. The program supports WaterNSW's Strategic Priority 4: Developing our People and the Effectiveness of our Team. There are four program elements to Splash and the award for the year are highlighted below.



The Ripple Effect

Building a culture of appreciation

- Value card stands installed at all locations
- 'Thank you' campaign



Dam Good Awards

Recognising our stand-out achievers each quarter

- 251 nominees (194 individuals, 57 teams)
- 56 winners, 195 highly commended



Milestones

Celebrating the contributions of employees who reach service milestones

- 107 employees recognised at 37 locations across the state



Splash Awards

Recognising the individuals and/or teams who have delivered significant and exceptional performance and achievements each year

- 21 Finalists (10 Individuals, 11 Teams)
- 6 Winners (2 Individuals, 4 Teams)

Developing our people

WaterNSW has developed and deployed a [Corporate Training Calendar](#). During 2019-20, there were 113 safety and corporate courses (excluding Leadership programs) facilitated with over 1,400 attendees. Extremely positive feedback was received on the courses, which included:

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

The [RISE Leadership Program launched](#) in 2018 is a key initiative building Leadership capability. This program is based on the WaterNSW Leadership Capability Framework. The modules include Communicating for Results, Driving Performance and Leading People through Change. There are two education streams in the RISE program for Senior Leaders and Leaders. In 2019-20 28 Senior Leaders and 10 Leaders completed the program.

In response to the demand COVID-19 has placed on our leaders to adapt to a virtual way of working, we also developed and are running a series called [Connected Leader](#) to support the requirements of the new ways of working. The series launched in June 2020 with 17 Senior Leaders and 35 Leaders attending the program.

COVID-19 has impacted on our ability to deliver Learning and Development offerings in the classroom however we have been able to alter many of our courses to work in the virtual environment. This included Corporate Orientation which has been broken down into smaller sessions, with more than 235 employees attending the program during 2019-20.

WaterNSW Enterprise Agreement

The WaterNSW Enterprise Agreement 2018 (WaterNSW EA) commenced operation on Wednesday 6 March 2019. We are now in the second year of the Agreement and the benefit of having one agreement to manage and work with is felt across WaterNSW. The performance pay element which was a new feature of the agreement was processed and paid in October 2019.

Employee numbers

	2016-17	2017-18	2018-19	2019-20
Number of employees at 30 June 2020	765	791	798 ¹	914

1. 2018-19 has been restated to present total number of employees for consistency with other years.

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.

Employee policies and procedures

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

Learning and development

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

Employment conditions

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

Recruitment and selection

- Recruitment

Performance management

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

Staff welfare

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

Overseas travel

Date of travel	Name	Destination	Purpose
September 2019	Charity Mundava	Europe	Attend the World Water Week International Conference and visit 3 river basins as part of a research fellowship with the International River Foundation. Travel costs were funded by the fellowship.
October 2019	Sam Banzi Muhammad Asad Hameed Francesca Strano Nathan Selladurai	New Zealand	Attend the Australian National Committee on Large Dams Conference. Travel costs were funded by WaterNSW.
November 2019	David Harris	Israel and the United Kingdom	Meet with key stakeholders and gain valuable insight into how different water utilities have improved performance, how comparative projects have worked with stakeholders, and examine valuable water efficiency technologies. Travel costs were funded by WaterNSW.
November 2019	Charity Mundava	Antarctica	Attend the Homeward Bound Leadership Internship. WaterNSW provided eight days of study leave under our Study Assistance program. Travel costs were personally funded.

Work health and safety

Safety remains our highest priority. During 2019-20 the focus has been on continued embedding of the three-year safety culture improvement program known as Safe4Life including launch and implementation of a new behavioural safety program, revised Safety Commitments, improved WHS procedures, a contractor safety program and continued rollout of the WaterNSW health and wellbeing program (MyWellbeing). In addition, the development of a fitness for work program linked to the WaterNSW strategic plan has been scoped. Execution of this plan will occur in 2020-21. There is a strong focus on mental health which has elements in the wellbeing and the fitness for work programs.

WaterNSW has maintained a certified Work Health and Safety (WHS) Management System. The management system successfully migrated from the British Standard (OHSAS 18001) to the new international safety standard ISO45001 in July 2020.

Safety strategic projects progressed in 2019-20 included:

- embedding of the Safe4Life Program including a new stage two behavioural safety program titled Think Safe4Life. Rollout to over 75 percent of the organisation has occurred to date;
- MyWellbeing – a health and wellbeing program including partnership with Sonic Health. Activities conducted include rollout of health assessments, health coaching and health promotion including the development of a health and wellbeing calendar covering key topics every quarter;
- scoping of the fitness for work program which includes drug and alcohol monitoring, task function analysis, health surveillance, development of a mental health framework and revised pre-employment medicals;
- the WaterNSW Safety Commitments, which are our six highest work health and safety risks and mandatory controls;
- the development of a Contractor Safety Framework, improvement to procurement processes and development of onsite management controls for the safe and effective management of our external workforce; and
- WHS Implementation Project and review and improvement of procedures relating to the six safety commitments. In 2020/21 the focus will be on the remaining work health and safety procedures.

We have measured the safety culture using a newly developed survey which can be benchmarked against other organisations and industry. The results show a year on year improvement to safety culture since 2016.

There have been significant improvements in lowering operational incidents including a 65 percent reduction in vehicle related incidents and a reduction in lost time injuries for 2019-20.

There were no prosecutions or breaches incurred by WaterNSW during the reporting period.

Performance	2016-17	2017-18	2018-19	2019-20
Lost time injuries	5	3	5	1
Lost time days	20	214	74	2
Average lost time days per lost time injury	4	71	15	2

COVID-19 - balancing business continuity with health and safety

The COVID-19 pandemic has resulted in about 60 percent of the workforce transitioning to working from home since March 2020. Safety measures were introduced to support those working in new environments, including the development and rollout of online ergonomics training and provision of regular communications to answer questions. WaterNSW has also implemented COVID safety controls at all of its operational sites, developed a return to work transition plan and commenced pilot reopening of offices. A review has commenced to identify future ways of working and will be looking to optimise how and where we work into the future.

Our investment in collaboration systems and strong information policies has allowed our employees to seamlessly shift from the office to home to carry out our business functions. All office-based staff have been able to connect to all WaterNSW Systems, participate in video conferencing, access information and share their daily experiences using social media solutions so that productivity and engagement has been maintained throughout the pandemic period.

The response has been highly effective and the technology solutions along with the commitment of our employees has ensured that despite COVID-19 we have been able to remain focused and deliver on the priorities for the organisation to continue to meet the needs of our customers and deliver on the commitments of the Government.

Workforce diversity

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)	2019-20 (%)
Women ¹	50	28.3	28.9	28.4	30.6
Aboriginal people and Torres Straight Islanders ²	3.3	1.4	0.8	0.5	0.6
People whose first language spoken was not English ³	23.2	12.8	5.5	7.6	11.3
People with a disability ⁴	5.6	3.7	1.8	1.8	1.3
People with a disability requiring work-related adjustment	N/A	0.8	0.3	0.1	0.1

1. The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

2. The NSW Public Sector achieved the 3.3% overall target of employees (non-casuals) who were Aboriginal people and Torres Straight Islanders in the year of 2018, set out in the Aboriginal Employment Strategy (AES) 2014-17. The NSW Public Sector AES 2014-17 aims to improve the distribution of Aboriginal employees at all levels of the sector, with an aspirational target of 1.8% representation across all classifications by 2021.
3. A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.
4. In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027.

Trends in the distribution index for workforce diversity groups

A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce.

A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be.

In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Workforce diversity group	Benchmark (%)	2016-17 (%)	2017-18 (%)	2018-19 (%)	2019-20 (%)
Women	100	95	96	97	99
Aboriginal people and Torres Straight Islanders	100	N/A ¹	N/A ¹	N/A ¹	N/A ¹
People whose first language was not English	100	111	112	107	108
People with a disability	100	90	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A ¹	N/A ¹	N/A ¹	N/A 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.

Legislation

Significant 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 (WM Act) and the Water Act 1912

The WM Act 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 WM Act are to provide for the sustainable and integrated management of the state's water sources.

Protection of the Environment Operations Act 1997 (POEO Act)

The POEO Act 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 POEA Act).

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 signification legislation

Water Management Act 2000 (WM Act)

The *COVID-19 Legislation Amendment (Emergency Measures – Miscellaneous) Act 2020* amended section 338B of the WM Act to permit an appointed authorised officer to require a person to answer questions about matters in respect of which information is reasonably required for the purposes of the Act if the officer suspects on reasonable grounds that the person has knowledge of those matters. The amendment enables an authorised officer to have the person answer questions using, for example, a telephone or an audio-visual link which may include video conferencing.

The WM Act was also amended to correct a minor typographical error in section 398(1) to insert an omitted word. This section deals with the exclusion of liability of a prescribed authority, which includes WaterNSW, if anything is done or omitted to be done in good faith.

Sections 88A (3), 91AA and Schedule 9 of the WM Act were amended by the *Dams Safety Act 2015* to require that prior to approval being given by the Minister for certain prescribed dams or flood works (water management works) and application for approval is required to be submitted to Dams Safety NSW for consideration. Furthermore, prior to giving approval, the Minister is required to have regard to any matter raised by Dams Safety NSW. Relevantly, "water management work" is given the same meaning as in the *Water Act 1912*.

Water Management Regulation 2018

The *Water Management Regulation 2018* was amended by various amending regulations to include provisions for the granting of special purpose access licences and to exempt public authorities who supply water to the public from the requirement under the WM Act to hold a water supply work approval to construct and use water supply works during times of drought.

Additional amendments were made to grant certain exemptions to the requirement to hold a water supply work approval or water access licence for flood plain harvesting or the

extraction of certain quantities of ground water in any year, and to clarify the operation of mandatory metering requirements, the recording of metering data and information and the standard of metering equipment.

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 (LEC) alleging that the Defendants had committed an offence against section 91G(2) of the WM Act. 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 WM Act, which they jointly held.

On 19 March 2020, the LEC convicted the Defendants who have since appealed the conviction. The appeal is listed for hearing in the NSW Court of Criminal Appeal (CCA) on 28 September 2020.

WaterNSW v. Kiangatha Holdings Pty Ltd & Natale

In October 2018, WaterNSW commenced prosecutions in the LEC against Kiangatha Holdings Pty Ltd and its Director, Laurence Natale (the "Defendants") for alleged offences against section 120 of the POEO Act. 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 LEC that the proceedings filed by WaterNSW be quashed or permanently stayed. The application was subsequently dismissed by the LEC on 20 December 2019, and the Defendants subsequently appealed the decision to the Court of Criminal Appeal (CCA). The appeal was heard in the CCA on 15 June 2020. The decision of the CCA was reserved with judgment to be given on a date to be fixed.

Licence & Approvals Appeals

WaterNSW has been involved in various proceedings in the NSW Civil and Administrative Tribunal and the LEC in respect of: the desirability of granting licence applications under the *Water Act 1912*; applicants seeking a merits review of decisions made by WaterNSW concerning the granting of licence applications and the conditions imposed on licences under the WM Act 2000.

Powers exercised

Water NSW Act 2014

Section	Function exercised	2016-17	2017-18	2018-19	2019-20
Section 68	Entered onto land	11	9	7	6
Section 69	Issued search warrants	0	0	0	0
Section 70 (1) & (5)	Require a person to answer questions	0	0	0	5
Section 71	Issue a notice requiring a person to provide information and records	2	1	49	2
Section 73	Require a person to state name and address or produce driver's licence	0	0	2	12
Section 74	Require an owner of a motor vehicle and others to give information	0	0	4	138
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	38	47	62	90
Section 61 (10)(a)(iv)	Commencement of prosecutions for offences against the <i>Water NSW Act 2014</i> or regulations and the outcome of prosecutions	0	0	0	0

Actions taken 2019-20

Warning letters issued	43
External agencies completing investigation	10
No further action - justifiable excuse	3

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

The Minister did not request any other information.

Protection of the Environment Operations Act 1997

Section	Function exercised	2016-17	2017-18	2018-19	2019-20
Section 91	Clean-up notices	4	0	1	0
Section 96	Prevention	16	1	0	0
Section 104	Compliance cost notices	2	0	0	0
Section 192 and 193	Requirements to provide information and records	1	5	5	0
Section 203	Requirements to answer questions	4	1	2	1
	Prosecutions commenced	6	0	0	0
	Penalty infringement notices issued	0	0	1	1
	Warning letters issued	117	0	3	0

Environmental Planning and Assessment Act 1979

	2016-17	2017-18	2018-19	2019-20
Number of development applications assessed	170	168	184	141
Proportion (of total received) of development proposals assessed within statutory timeframes	99%	100%	99%	100%
Proportion (of total received) of development proposals where concurrence withheld	0%	0%	2%	0%

Implementation of pricing determinations

In 2019-20, 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 under the:
 - *Water Act 2007* (Commonwealth);
 - *Water Charge (Infrastructure) Rules 2010* (WCIR) made under section 92 of the *Water Act 2007*; and
 - Australian Competition and Consumer Commission *Pricing principles for price approvals and determinations under the WCIR* of July 2011 (ACCC Pricing Principles).

WaterNSW was subject to four separate pricing determinations during 2019-20:

- services we supply to Sydney Water and some councils and minor customers in the Greater Sydney area are subject to the Independent Pricing and Regulatory Tribunal (IPART) Determination *WaterNSW, Maximum prices for water supply services from 1 July 2016 in relation to Sydney Catchment Functions*, which applies until 30 June 2020. A new four-year determination took effect on 1 July 2020;
- 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 applies until 30 June 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 30 June 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 (the 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 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.

Greater Sydney 2020-24 Final Determination

IPART released its Final Determination for WaterNSW's bulk water prices in Greater Sydney titled *Maximum prices for Water NSW's Greater Sydney Services from 1 July 2020* in June 2020.

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.

IPART's Determination for WaterNSW included an allowance for \$373 million in capital expenditure - a \$93 million increase compared to the capital expenditure over the past four years - and an operating expenditure allowance of \$366 million, which is 4.7 percent lower than WaterNSW's proposed expenditure. The effect of the higher capital investments on prices has been offset by low interest rates and a lower post-tax real weighted average cost of capital (3.4 percent) compared with the 2016 Determination (4.9 percent).

IPART's decisions to reduce WaterNSW's prices will be passed onto Sydney Water's residential and business customers through an 8.3 percent reduction in bulk water costs. This reduction in wholesale bulk water costs will result in about a 1 percent reduction in Sydney Water customers' bills from 1 July 2020.

Overall, we consider that IPART's Determination provides balanced outcomes for WaterNSW, our customers in Greater Sydney and the broader community. In these difficult times, the ability to reduce water prices while also ensuring WaterNSW has the revenues it will need to provide a safe and secure water supply, and to be financially sustainable, has never been more critical.

Rural Valleys 2021-22 pricing proposal

On 1 July 2020 WaterNSW lodged our 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 is aligned to our ongoing commitment to be recognised and valued by our customers for

excellence in efficiently delivering their water needs to help make our communities healthy and prosperous.

WaterNSW currently provides rural bulk water services to around 6,300 customers, including:

- private irrigators and Irrigation companies: irrigators use water for agricultural production while irrigation companies distribute water supplied by WaterNSW to their retail customers;
- environmental water holders: we release water for environmental purposes and environmental water holders are increasingly becoming a major customer segment for WaterNSW; and
- local councils: council customers include Dubbo City Council, Albury City Council and Tamworth Regional Council.

We meet community needs by providing water for stock and domestic users. We are also 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.

WaterNSW's pricing proposal for a one-year determination period seeks to cap our revenue requirement from the current determination in 'real' terms (i.e. excluding the impact of inflation) in 2021-22, and adjust prices only to account for inflation, actual water use and cost sharing decisions made by IPART. This results in a 5 percent price increase in 2021-22, excluding the impact of inflation, to rural bulk water charges on average across our customer base.

We also propose to maintain other key elements from the 2017 IPART Determination, including passing through the costs of Government charges for the Murray Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC) that are outside of our control.

Our pricing proposal included preliminary planning and other costs relating to our three major dam projects and other drought relief projects that we are undertaking at the request of the NSW Government. The associated costs are proposed to be recovered through Government charges, rather than customer prices for the 2021-22 Determination period.

WaterNSW has also provided IPART with expenditure forecasts over a five-year period should it decide to approve a four-year determination, as opposed to Water NSW's proposed one year pricing proposal.

Water Administration Ministerial Corporation 2021-25 pricing proposal

On 1 July 2020 WaterNSW lodged our proposal with IPART for forecast revenue requirements and prices for services provided on behalf of the Water Administration Ministerial Corporation (WAMC) for a four-year period commencing on 1 July 2021.

The proposal is aligned to our ongoing commitment to be recognised and valued by our customers for excellence in efficiently delivering their water needs to help make our communities healthy and prosperous.

Following the creation of WaterNSW in 2015, and the implementation of the Water Transformation Project endorsed by Cabinet in 2016, a number of employees, assets and functions were transferred from the then Department of Industry, Skills and Regional Development (now referred to as DPIE-W) to WaterNSW. As a result, a number of WAMC functions were conferred on WaterNSW as set out in Schedule A of the WaterNSW Operating Licence.

WaterNSW is responsible for the discharge of a subset of the WAMC functions or activities that are covered in the current 2016 WAMC Determination. 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. The remainder of the WAMC activities are carried out in a formal sense by DPIE-W and, more recently, the Natural Resources Access Regulator (NRAR). These functions include water licensing for some specific customers and related functions; water planning and management; and compliance.

The services provided by DPIE-W and NRAR, including the setting of water monitoring standards and water resource management and policy (DPIE-W) and licence compliance (NRAR), are the subject of a separate combined proposal from those agencies.

WaterNSW, DPIE-W and NRAR proposed as single set of water management charges from 1 July 2021 that will increase by 5 percent per year over the four-year determination period. WaterNSW also proposed fee for service charges that have been calculated to ensure they are cost reflective. This has resulted in increases above the 5 percent per year water management charges as the current fee for service charges are well below cost reflective levels in most cases.

WaterNSW's component of the proposed 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 preparing our proposal, WaterNSW worked closely with DPIE-W and NRAR to deliver the NSW Government's water reform agenda at the lowest cost.

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 2019-20, 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, to that end, it 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, LinkedIn 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; drought information; contracting and procurement; major projects; the Early Warning Network; flood information; water supply; and, water quality.

GIPA Act applications received by WaterNSW

During 2019-20 WaterNSW received 29 valid applications under the GIPA Act. Twenty-three applications were determined as shown below, with three applications transferred to other agencies. The processing period for the remaining three applications extends into 2020-21.

Type of applicant and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm / deny whether information is held	Application withdrawn	Total
Media	2		-	-	-	-	-	-	2
Members of Parliament	-		1	-	-	-	-	-	1
Private sector business	-	-	-	-	-	-	-	-	-
Not for profit organisations or community groups	1	-	1	-	-	-	-	-	2
Members of the public (application by legal representative)	3	3	-	1	-	-	-	1	8
Members of the public (other)	7			2	-	-	-	1	10
Total	13	3	2	3	-	-	-	2	23

Type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm / deny whether information is held	Application withdrawn	Total
Personal information applications	-	-	-	-	-	-	-	-	-
Access applications (other than personal information)	13	3	2	3	-	-	-	2	23
Access applications that are partly personal information applications & partly other	-	-	-	-	-	-	-	-	-
Total	13	3	2	3	-	-	-	2	23

Invalid applications

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

Conclusive presumption of overriding public interest against disclosure listed in Schedule 1

Public interest consideration	Number of times used*
Overriding secrecy laws	-
Cabinet information	1
Executive Council information	-
Contempt	-
Legal professional privilege	1
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	2

* 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	4
Law enforcement and security	-
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-
Total	6

Timeliness of response

Response time	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	24
Decided after 35 days (by agreement with the applicant)	1
Not decided within time (deemed refusal)	-
Total	25

Timeliness includes two outcomes from the 2018-19 reporting period.

Applications reviewed under Part 5

	Decision varied	Decision upheld	Total
Internal review	-	3	3
Review by Information Commissioner*	1	1	2
Internal review following recommendation (section 93)	1	-	1
Review by NCAT	-	-	-
Total	2	4	6

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

The above applications reviewed under Part 5 of the Act includes one outcome from the 2018-19 reporting period.

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 annual training in fraud and corruption prevention awareness, including the Public Interest Disclosure Scheme. This commitment is further supported through the organisations Public Interest Disclosure Procedure 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.

Importantly, WaterNSW's Public Interest Disclosure 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 using the Public Interest Disclosure Scheme.

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 Co-Ordinator is also located at WaterNSW's head office in Parramatta.

Public Interest Disclosures	Number
Made by public officials	1
Total public interest disclosures received	1

Financial performance

Consultancies

Name	Project	Cost
RHead Group Pty Ltd	Procurement, commercial and delivery strategy advice for the Warragamba Dam Raising project	641,912
GHD Pty Ltd	Proposals for levels of service and 20-year infrastructure strategy	307,097
Clayton Utz Lawyers	Review the processes and procedures for WaterNSW's licencing and approval functions under the WM Act and the <i>Water Act 1912</i>	117,732
Tell Advisory Pty Ltd	Procurement, commercial and delivery strategy advice for the CSSI Dams (Mole River, Dungowan and Wyangala) projects	112,957
KPMG	Accounting advisory services for the renewable energy and storage program	110,000
SMEC Australia Pty Ltd	Environmental and planning approvals for the Warragamba Dam Raising project	92,459
TBH	Development and implementation of a project controls framework	70,000
Avec Global Pty Ltd (NSW)	Water reforms business impact statement	59,400
Blue Grass Consulting Pty Ltd	Community and stakeholder plan for phase one of the Wyangala Dam Raising project and COVID-19 engagement plans for CSSI Dam projects	52,672
Various	18 consultancies each costing less than \$50,000	378,773
Total		1,943,002

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	4,484	592	338	278
December	1,706	1,337	204	92
March	7,245	1,328	1,217	902
June	11,541	1,132	202	330

Accounts due or paid within each quarter

Measure	Sep	Dec	Mar	Jun	Total
Accounts due for payment (number)	3,720	3,503	3,351	3,851	14,425
Accounts paid on time (number)	1,985	1,971	1,850	2,357	8,163
Accounts paid on time (percentage of number)	53	56	55	61	57
Accounts due for payment (\$'000)	80,571	79,582	92,661	96,965	349,779
Accounts paid on time (\$'000)	48,076	60,125	63,472	65,575	237,248
Accounts paid on time (percentage of \$)	60	76	68	68	68
Accounts with interest overdue (number)	0	0	0	0	0
Interest paid on overdue accounts (\$)	0	0	0	0	0

Invoices are actioned by the relevant site and then sent to Accounts Payable in Dubbo for processing and payment. This can impact on payment timeframes. Purchase cards are used to pay invoices less than \$5,000 where possible to allow processing of low value invoices promptly.

Investment performance

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

At 30 June 2020 WaterNSW had \$339 invested in at-call deposits with TCorp's IM Cash Fund. Performance of these investments is detailed below.

Investment performance	1 year	3 year	5 year	7 year
Actual performance	1.14	1.82	2.06	2.28
Benchmark performance	0.85	1.53	1.73	1.99
Variance	0.29	0.29	0.33	0.29

Disposal of land

Three small parcels of land were sold to Roads and Maritime Services during 2019-20 for construction of a road. The value of these parcels of land was less than \$5 million.

External production costs

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

Funds granted to non-government organisations

No funds were granted to non-government community organisations in 2019-20.

Audited financial statements

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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 2020



		Consolidated		Parent	
	Note	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue					
Revenue from water supply and delivery	2	310,082	301,016	284,917	295,199
Grants and contributions	3	50,896	49,629	50,896	49,629
Other revenue	4	48,783	66,229	53,380	66,296
Total revenue		409,761	416,874	389,193	411,124
Expenses					
Employee related expenses	5	(107,747)	(99,635)	(107,747)	(99,635)
Depreciation and amortization	7	(81,470)	(60,179)	(76,589)	(58,953)
Other operating expenses	6	(116,017)	(132,111)	(111,313)	(131,140)
Finance costs	8	(66,767)	(61,335)	(56,177)	(58,920)
Total expenses		(372,001)	(353,260)	(351,826)	(348,648)
Operating profit/(loss)		37,760	63,614	37,367	62,476
Gains/(losses) on disposal	9	(1,117)	(2,592)	(1,117)	(2,592)
Other gains/(losses)	10	(1,921)	-	(1,921)	-
Gains/(losses) on revaluation of property, plant and equipment	15	(77,286)	38,268	(77,286)	38,268
Profit/(loss) before income tax (expense)/benefit		(42,564)	99,290	(42,957)	98,152
Income tax (expense)/benefit	11	13,082	(30,706)	14,551	(30,364)
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Water NSW		(29,482)	68,584	(28,406)	67,788
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on the revaluation of land and buildings, net of tax	15	6,088	74,854	1,939	63,264
Actuarial gain/(loss) on defined benefit superannuation plans, net of tax	28	7,170	(16,215)	7,170	(16,215)
Other comprehensive income for the year, net of tax		13,258	58,639	9,109	47,049
Total comprehensive income for the year attributable to the owners of Water NSW		(16,224)	127,223	(19,297)	114,837

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 2020



		Consolidated		Parent	
	Note	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Assets					
Current assets					
Cash and cash equivalents	12	31,115	10,957	30,572	10,957
Trade and other receivables	13	100,920	125,000	116,276	125,750
Income tax refund due	11	7,886	3,784	7,886	3,784
Other non-financial assets		-	18	-	18
Total current assets		139,921	139,759	154,734	140,509
Non-current assets					
Other non-financial assets		937	897	937	897
Other financial assets	14	-	-	96,001	111,501
Property, plant and equipment	15	3,037,642	2,936,710	2,644,542	2,544,418
Right-of-use assets	16	26,012	-	26,012	-
Intangible assets	17	30,027	29,180	30,027	29,180
Total non-current assets		3,094,618	2,966,787	2,797,519	2,685,996
Total assets		3,234,539	3,106,546	2,952,253	2,826,505
Liabilities					
Current liabilities					
Trade and other payables	20	98,102	88,281	92,741	98,217
Contract liabilities	25	782	305	782	305
Borrowings	21	636,700	465,174	626,166	461,089
Provisions	22	71,024	47,194	71,024	47,194
Dividend payable	23	20,000	20,000	20,000	20,000
Other	24	43,622	28,791	43,622	28,791
Total current liabilities		870,230	649,745	854,335	655,596
Non-current liabilities					
Contract liabilities	30	429	1,063	429	1,063
Borrowings	26	1,179,657	1,202,952	939,109	934,750
Deferred tax	11	193,392	212,971	183,009	207,667
Provisions	27	101,995	105,546	101,995	105,546
Other liabilities	29	80,332	89,541	80,331	89,541
Total non-current liabilities		1,555,805	1,612,073	1,304,873	1,338,567
Total liabilities		2,426,035	2,261,818	2,159,208	1,994,163
Net assets		808,504	844,728	793,045	832,342
Equity					
Contributed equity	31	388,132	388,132	388,132	388,132
Asset revaluation reserve		269,348	263,493	253,609	251,903
Retained profits		151,024	193,103	151,304	192,307
Total equity		808,504	844,728	793,045	832,342

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

Water NSW
Statements of changes in equity
For the year ended 30 June 2020



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

	Contributed equity \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2019	388,132	263,493	193,103	844,728
Loss after income tax benefit for the year	-	-	(29,482)	(29,482)
Other comprehensive income for the year, net of tax	-	6,088	7,170	13,258
Total comprehensive income for the year	-	6,088	(22,312)	(16,224)
Reclassification on disposal of assets	-	(233)	233	-
Transactions with owners in their capacity as owners				
Dividends paid	-	-	(20,000)	(20,000)
Balance at 30 June 2020	388,132	269,348	151,024	808,504

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

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

	Contributed equity \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total equity \$'000
Parent				
Balance at 1 July 2019	388,132	251,903	192,307	832,342
Loss after income tax benefit for the year	-	-	(28,406)	(28,406)
Other comprehensive income for the year, net of tax	-	1,939	7,170	9,109
Total comprehensive income for the year	-	1,939	(21,236)	(19,297)
Reclassification on disposal of assets	-	(233)	233	-
Transactions with owners in their capacity as owners				
Dividends paid	-	-	(20,000)	(20,000)
Balance at 30 June 2020	388,132	253,609	151,304	793,045

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

		Consolidated		Parent	
	Note	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers		389,375	382,720	362,869	382,720
NSW Government contribution to operations		19,469	38,830	19,469	38,830
Receipts of grants and contributions		16,653	22,043	16,653	22,043
Payments to suppliers and employees		(216,809)	(264,980)	(209,487)	(264,980)
Restart funding		34,207	31,327	34,207	31,327
Payments to the Controlled entity		-	-	(8,132)	-
Payment for tax losses from the Controlled entity		-	-	(1,832)	-
Interest received		748	450	675	450
Interest and other finance costs paid		(45,485)	(32,455)	(41,774)	(32,455)
Income taxes paid		(16,278)	(32,962)	(16,278)	(32,962)
Net cash from operating activities	37	181,880	144,973	156,370	144,973
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles	15	(234,289)	(326,670)	(234,529)	(326,670)
Proceeds from disposal of property, plant and equipment		1,327	434	1,327	434
Net cash used in investing activities		(232,962)	(326,236)	(233,202)	(326,236)
Cash flows from financing activities					
Proceeds from borrowings		313,252	427,868	313,252	427,868
Loans received from the Controlled entity		-	-	25,207	-
Dividends paid		(20,000)	(98,100)	(20,000)	(98,100)
Repayment of borrowings		(219,300)	(158,300)	(219,300)	(158,300)
Proceeds of borrowings		(2,712)	-	(2,712)	-
Net cash from financing activities		71,240	171,468	96,447	171,468
Net increase/(decrease) in cash and cash equivalents		20,158	(9,795)	19,615	(9,795)
Cash and cash equivalents at the beginning of the financial year		10,957	20,752	10,957	20,752
Cash and cash equivalents at the end of the financial year	12	31,115	10,957	30,572	10,957

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 2020 were authorised for issue in accordance with a resolution of the board of Directors on 30 September 2020.

Basis of preparation

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

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

Reporting period

The financial statements cover the financial performance and cash flows of the Consolidated entity for the reporting period 1 July 2019 to 30 June 2020, and its financial position as at 30 June 2020.

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 1,2,13 and 20 - Estimated revenue and expenses accruals.
- Note 11 - Deferred tax assets and deferred tax liabilities.
- Note 19 - Fair value of property, plant and equipment.
- Notes 22 and 28 - Employee benefits and other provisions, including defined benefit superannuation obligations.
- Note 13 - 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)

Comparative 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.

The consolidated financial statements include separate financial statements for the Parent entity and the Consolidated entity for the year ended 30 June 2020.

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 2020 and as at 30 June 2019. Refer to Note 36 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 35).

(a) New or amended Accounting Standards and Interpretations adopted

The following Accounting Standard has been adopted by the Consolidated entity effective 1 July 2019:

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

1. Significant accounting policies (continued)

Lessee accounting

AASB 16 requires the Consolidated entity to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the Consolidated entity recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Consolidated entity has adopted the modified retrospective transition option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated. In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.01%. The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019.

The Consolidated entity has applied the following practical expedients in transitioning existing operating leases:

- not reassessed whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on the previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- not recognised a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The Consolidated entity elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or less when new (low-value assets).

Impact of adoption

The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

1. Significant accounting policies (continued)

	Consolidated \$'000	Parent \$'000
Operating lease commitments as at 1 July 2019 (AASB 117) exclusive of GST	35,568	35,558
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.01% (AASB 16)	(4,570)	(4,570)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(60)	(55)
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	(652)	(647)
Change in lease commitments estimates	(1,833)	(1,833)
	28,453	28,453
Right-of-use liabilities current (AASB 16)	(4,055)	(4,055)
Right-of-use liabilities non-current (AASB 16)	(24,398)	(24,398)
	(28,453)	(28,453)
Increase in opening retained profits as at 1 July 2019	-	-

The effect of adoption AASB 16 as at 1 July 2019 is as follows:

	Consolidated as at 1 July \$'000	Parent as at 1 July \$'000
Assets		
Right-of-use assets	28,453	28,453
Liabilities		
Borrowings	(28,453)	(28,453)
	-	-

In addition, dismantling or restoration costs of \$2.543 million were included in the cost of the relevant right of use assets (note 18). These costs are not recognised for the first time, but transferred from the relevant property, plant and equipment class.

The make good provisions were recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. There has been no change to the calculation of these liabilities arising from the new leasing standard.

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 2020. The impact of these new or amended Accounting Standards and Interpretations is disclosed below.

Standard	Effective date	Summary	Impact on the financial report
AASB 1059 <i>Service Concession Arrangements: Grantors</i>	on or after 1 January 2019	The standard requires an entity to recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset, initially measure an asset at current replacement cost, recognise a corresponding liability measured at fair value.	No material impact at this stage
AASB 2019-1 <i>Conceptual Framework for financial reporting</i>	on or after 1 January 2019	The revised <i>Conceptual Framework</i> includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The changes to the <i>Conceptual Framework</i> may affect the application of accounting standards in situations where no standard applies to a particular transaction or event.	No material impact at this stage
AASB 17 <i>Insurance Contracts</i>	on or after 1 January 2020	AASB 17 replaces AASB 4 <i>Insurance Contracts</i> 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 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	on or after 1 January 2021	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 <i>Business Combinations</i> . Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	No material impact at this stage

2. Revenue from water supply and delivery

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Regulated - Greater Sydney	220,001	217,098	220,001	217,098
Regulated - Rural	35,006	45,496	35,006	45,496
Regulated and Unregulated - Other	28,057	30,992	28,057	30,992
Regulated - Broken Hill Pipeline	25,165	5,817	-	-
Other revenue from water supply	1,833	1,612	1,833	1,612
Drought relief rebate provided to customers	(22,858)	(15,265)	(22,858)	(15,265)
Drought relief rebate received from NSW Government	22,878	15,266	22,878	15,266
Revenue from water supply and delivery	310,082	301,016	284,917	295,199

2. Revenue from water supply and delivery (continued)

Disaggregation of revenue

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Greater Sydney Determination	220,001	217,098	220,001	217,098
Rural Valleys Determination	35,006	45,496	35,006	45,496
WAMC Determination	28,057	30,992	28,057	30,992
Broken Hill Pipeline Determination	25,165	5,817	-	-
Drought rebates (net)	20	1	20	1
Other revenue from water supply	1,833	1,612	1,833	1,612
	310,082	301,016	284,917	295,199
Geographical regions				
NSW	310,082	301,016	284,917	295,199
Timing of revenue recognition				
Services transferred over time	309,509	300,115	284,344	294,298
Services transferred at a point in time	573	901	573	901
	310,082	301,016	284,917	295,199

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.

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 these 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.

2. Revenue from water supply and delivery (continued)

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

Unregulated river water charges

Unregulated river water charges represent 1 and 2 part tariffs for 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 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 other contingent events. For completed contracts that have variable consideration, AASB 15 para C5(b) allows entities to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

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.

2. Revenue from water supply and delivery (continued)

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

Emergency Drought Relief Package

In 2019 and 2020 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.

3. Grants and contributions

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
NSW Government contributions to operations	31,427	30,902	31,427	30,902
NSW Government contributions	1,576	1,497	1,576	1,497
Other Government grants	17,893	17,230	17,893	17,230
	50,896	49,629	50,896	49,629

Recognition and measurement

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

3. Grants and contributions (continued)

Government grants and contributions 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.

4. Other revenue

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Murray-Darling Basin Authority (MDBA) and other utilities	14,737	8,477	14,737	8,477
Revenue from operating leases	2,802	3,112	2,802	3,112
Interest	441	497	392	497
Ancillary services	2,495	4,382	2,495	4,382
Other minor revenue	1,917	4,248	1,917	4,248
External engagements	10,699	40,097	10,699	40,097
Intra-group revenue – pipeline services	-	-	146	67
Insurance recoveries	15,692	5,416	15,692	5,416
Dividend from the Controlled entity	-	-	4,500	-
	48,783	66,229	53,380	66,296

Disaggregation of revenue

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

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
NSW	48,783	66,229	53,380	66,296

4. Other revenue (continued)

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Services transferred over time	22,030	56,736	22,176	56,803
Services transferred at a point in time	1,143	304	1,143	304
Revenue out of scope of AASB 15	25,610	9,189	30,061	9,189
Total other revenue	48,783	66,229	53,380	66,296

Recognition and measurement

Interest revenue

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

Rental income

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

Rendering of other services

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

5. Employee related expenses

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Employee related expenses (excluding post employee benefits)	134,313	114,398	134,313	114,398
Capitalisation of employee related expenses	(40,230)	(27,078)	(40,230)	(27,078)
Superannuation - Defined benefit plans	4,536	4,710	4,536	4,710
Superannuation - Defined contribution plans	9,128	7,605	9,128	7,605
	107,747	99,635	107,747	99,635

6. Other operating expenses

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Contractors and consultancies	36,937	30,967	35,826	30,905
Electricity and other energy expenses	8,884	7,460	8,884	7,460
Operating leases	-	5,718	-	5,708
Data management	9,654	9,071	9,587	9,071
License fees	2,684	1,864	2,684	1,864
Materials, plant and equipment	5,308	6,744	5,292	6,744
Property	4,636	5,399	4,564	5,399
Transport and travel	5,801	6,655	5,796	6,655
Insurance	6,712	6,403	6,712	6,403
Other expenses from ordinary activities	24,101	18,231	24,071	18,206
Credit losses	273	256	273	256
Construction/Installation for third parties	4,929	32,469	4,929	32,469
Operation and maintenance contract Broken Hill Pipeline	3,367	874	-	-
Expenses from insurable events	1,792	-	1,792	-
Expenses related to short term and low value leases	939	-	903	-
	116,017	132,111	111,313	131,140

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Reconciliation of total maintenance expenses				
Employee-related maintenance expenses	14,864	11,158	14,864	11,158
Contracted labour and other (non-employee related) expenses	19,710	13,072	19,710	13,072
	34,574	24,230	34,574	24,230

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.

7. Depreciation and amortisation

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Depreciation	70,033	56,863	65,152	55,637
Amortisation	7,566	3,316	7,566	3,316
Depreciation - right-of-use assets	3,871	-	3,871	-
	81,470	60,179	76,589	58,953

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 (2019-20)	Useful life (2018-19)
Infrastructure systems	5 to 150 years	5 to 150 years
Buildings	1 to 100 years	1 to 100 years
Plant and equipment	2 to 32 years	2 to 32 years
Vehicles	5 to 15 years	5 to 15 years
Furniture and fittings	3 to 15 years	3 to 15 years
Information systems	2 to 10 years	2 to 10 years
Water meters	4 to 20 years	20 years
Computer software/easements	3 to 25 years	3 to 25 years

8. Finance costs

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Interest expense on loans	17,186	15,190	14,212	14,506
Government Guarantee Fee	26,460	24,343	22,849	23,522
Other borrowing costs	569	573	569	573
Unwinding of discounts on provision	34	39	34	39
Borrowing costs capitalised	(6,891)	(7,154)	(6,891)	(7,154)
Amortisation of deferred discounts on loans	28,334	28,344	24,329	27,434
Interest expense on leases	1,075	-	1,075	-
	66,767	61,335	56,177	58,920

8. 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).

9. Gains/(losses) on disposal

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Proceeds from sale of assets	1,372	434	1,372	434
Written down value of property, plant and equipment	(2,489)	(2,082)	(2,489)	(2,082)
Capital WIP write-off	-	(944)	-	(944)
Net loss on disposal	(1,117)	(2,592)	(1,117)	(2,592)

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.

10. Other gains/losses

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Impairment – Right-of-use assets	1,921	-	1,921	-

Please refer to Note 17 for further details.

11. Income tax

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income tax expense/(benefit)				
Current tax	12,177	24,766	14,009	24,760
Deferred tax - origination and reversal of temporary differences	(25,259)	5,940	(28,560)	5,604
Aggregate income tax expense/(benefit)	(13,082)	30,706	(14,551)	30,364

Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate

Profit/(loss) before income tax (expense)/benefit	(42,564)	99,290	(42,957)	98,152
Tax at the statutory rate of 30%	(12,769)	29,787	(12,887)	29,446
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Other temporary differences	-	1	(1)	-
Non-deductible expenses	24	17	24	17
Derecognition of deferred tax balances (permanent)	-	591	-	591
Other differences	-	351	-	351
Intercompany dividend	-	-	(1,350)	-
	(12,745)	30,747	(14,214)	30,405
Prior year temporary differences not recognised now recognised	(337)	(41)	(337)	(41)
Income tax expense/(benefit)	(13,082)	30,706	(14,551)	30,364

11. Income tax (continued)

	Opening balance \$'000	Recognised in income \$'000	Recognised in equity/ retained earnings \$'000	Closing balance \$'000
Consolidated - 30 June 2020				
Deferred tax balance				
Property, plant and equipment	(286,738)	18,859	(2,609)	(270,488)
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)	25,260	(5,682)	(193,393)

	Opening balance \$'000	Recognised in income \$'000	Recognised in equity/ retained earnings \$'000	Closing balance \$'000
Consolidated - 30 June 2019				
Deferred tax balance				
Property, plant and equipment	(249,310)	(5,113)	(32,316)	(286,739)
Other creditors	1,032	3	-	1,035
Employee benefits	11,756	239	-	11,995
Leased premises	626	(115)	-	511
Defined benefit superannuation	22,608	1,002	6,948	30,558
Allowance for impairment of receivables	105	59	-	164
Deferred Government grants	29,429	(1,145)	-	28,284
Other provisions and accruals	2,092	(871)	-	1,221
	(181,662)	(5,941)	(25,368)	(212,971)

11. Income tax (continued)

	Opening balance \$'000	Recognised in income \$'000	Recognised in equity/ retained earnings \$'000	Closing balance \$'000
Parent - 30 June 2020				
Deferred tax balance				
Property, plant and equipment	(281,435)	22,259	(831)	(260,007)
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)	28,560	(3,904)	(183,011)

	Opening balance \$'000	Recognised in income \$'000	Recognised in equity/ retained earnings \$'000	Closing balance \$'000
Parent - 30 June 2019				
Deferred tax balance				
Property, plant and equipment	(249,310)	(4,776)	(27,349)	(281,435)
Other creditors	1,032	3	-	1,035
Employee benefits	11,756	239	-	11,995
Leased premises	626	(115)	-	511
Defined benefit superannuation	22,608	1,002	6,948	30,558
Allowance for impairment of receivables	105	59	-	164
Deferred Government grants	29,429	(1,145)	-	28,284
Other provisions and accruals	2,092	(871)	-	1,221
	(181,662)	(5,604)	(20,401)	(207,667)

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income tax refund due				
Income tax refund due	7,886	3,784	7,886	3,784

11. Income tax (continued)

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.

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 agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Under the terms of the tax funding 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.

12. Current assets - cash and cash equivalents

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash at bank	31,115	10,955	30,572	10,955
NSW Treasury Corporation IM Facility	-	2	-	2
	31,115	10,957	30,572	10,957

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.

13. Current assets - trade and other receivables

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables	23,819	57,989	21,415	57,988
Allowance for expected credit losses	(420)	(236)	(420)	(236)
	23,399	57,753	20,995	57,752
Accrued revenue from unbilled charges	67,330	60,281	65,011	58,390
Other receivables	4,692	3,570	4,773	4,040
Prepayments	5,820	3,705	5,818	3,695
Less: Allowance for expected credit losses	(321)	(309)	(321)	(309)
	77,521	67,247	75,281	65,816
Other receivables from the Controlled entity	-	-	20,000	2,182
	100,920	125,000	116,276	125,750

13. Current assets - trade and other receivables

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		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not overdue	9.75%	5.97%	163	2,659	16	159
31-60 days overdue	11.93%	10.83%	2,137	-	255	-
61-90 days overdue	16.18%	8.90%	89	-	14	-
More than 90 days overdue	14.10%	11.14%	852	726	120	81
Sundry debtors	4.50%	0.50%	310	1,873	14	9
Government clients	-	-	67,888	78,817	-	-
Other debtors (accruals)	4.93%	1.03%	6,523	28,781	322	296
Lease incentive*	-	-	-	897	-	-
Prepayments	-	-	5,820	3,705	-	-
Other receivables not in scope of AASB 9	-	-	17,138	8,984	-	-
			100,920	126,442	741	545

* The carrying amount in this table includes lease incentive.

Parent	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not overdue	9.75%	5.97%	163	2,659	16	159
31-60 days overdue	11.93%	10.83%	2,137	-	255	-
61-90 days overdue	16.18%	8.90%	89	-	14	-
More than 90 days overdue	14.10%	11.14%	852	726	120	81
Sundry debtors	4.50%	0.50%	310	1,873	14	9
Government clients	-	-	63,245	79,108	-	-
Other debtors (accruals)	4.93%	1.03%	6,523	28,781	322	296
Lease incentive*	-	-	-	897	-	-
Prepayments	-	-	5,820	3,705	-	-
Other receivables not in scope of AASB 9	-	-	37,157	9,443	-	-
			116,296	127,192	741	545

* The carrying amount in this table includes lease incentive.

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

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
31-60 days overdue	3,423	8,157	3,423	8,157
61-90 days overdue	4	8	4	8
>90 day overdue	5,749	24,687	5,749	24,687
	9,176	32,852	9,176	32,852

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Opening balance	545	348	545	348
Additional provisions recognised	275	256	275	256
Amount used	(79)	(59)	(79)	(59)
Closing balance	741	545	741	545

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 39.

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.

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

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. On average, an additional 4% was added to the provision estimate and applied against the outstanding balances.

14. Non-current assets - other financial assets

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Investment in WaterNSW Infrastructure Pty Ltd	-	-	96,001	111,501
Opening carrying amount	-	-	111,501	-
Transfers of property, plant and equipment	-	-	-	375,743
Transfers of accrued expenses	-	-	-	(16,635)
TCorp loans	-	-	-	(247,607)
Capital dividend	-	-	(15,500)	-
Closing carrying amount	-	-	96,001	111,501

Reconciliation

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

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.

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

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.

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Market Land – at fair value	38,211	32,381	38,211	32,381
System Land – at fair value	192,079	166,123	192,079	166,123
	230,290	198,504	230,290	198,504
Plant and equipment - at cost	19,061	40,406	19,061	40,406
Less: Accumulated depreciation	(13,819)	(23,401)	(13,819)	(23,401)
	5,242	17,005	5,242	17,005
Furniture and fit-out - at cost	14,724	14,607	14,724	14,607
Less: Accumulated depreciation	(5,887)	(4,297)	(5,887)	(4,297)
	8,837	10,310	8,837	10,310
Motor vehicles - at cost	19,803	15,538	19,803	15,538
Less: Accumulated depreciation	(8,309)	(6,944)	(8,309)	(6,944)
	11,494	8,594	11,494	8,594
Information systems - at cost	28,825	19,874	28,825	19,874
Less: Accumulated depreciation	(19,199)	(13,757)	(19,199)	(13,757)
	9,626	6,117	9,626	6,117
Work in progress (WIP)	322,638	163,217	321,660	161,999
Infrastructure - at fair value (income approach)	2,391,262	2,460,891	1,999,140	2,068,591
Less: Accumulated depreciation	(2,210)	(2,522)	(2,210)	(1,296)
	2,389,052	2,458,369	1,996,930	2,067,295
Water Meters - at fair value (income approach)	26,177	35,656	26,177	35,656
Less: Accumulated depreciation	(17)	(7)	(17)	(7)
	26,160	35,649	26,160	35,649
Buildings - at fair value (income approach)	34,520	39,043	34,520	39,043
Less: Accumulated depreciation	(217)	(98)	(217)	(98)
	34,303	38,945	34,303	38,945
	3,037,642	2,936,710	2,644,542	2,544,418

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

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

	Work in progress	Infra- structure	Water meters	Buildings	System land	Market land	Other PP&E	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	363,018	1,914,905	34,623	39,329	157,406	31,361	43,152	2,583,794
Additions	291,520	-	-	-	-	-	-	291,520
Disposals	-	(11)	-	-	-	-	(2,070)	(2,081)
Revaluation gain OCI*	-	94,333	3,709	1,251	7,844	33	-	107,170
Revaluation gain / (loss) in profit and loss	-	35,994	383	31	873	987	-	38,268
Transfers from WIP	(468,974)	459,669	-	62	-	-	9,243	-
Write off of assets	(944)	-	-	-	-	-	-	(944)
Transfers in/(out)	(21,403)	(2,751)	-	-	-	-	-	(24,154)
Depreciation expense	-	(43,770)	(3,066)	(1,728)	-	-	(8,299)	(56,863)
Balance at 30 June 2019	163,217	2,458,369	35,649	38,945	166,123	32,381	42,026	2,936,710
Additions	251,200	-	-	-	-	-	-	251,201
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)
Transfers from WIP	(83,368)	70,377	-	38	-	-	12,953	-
Transfers in/(out)	(8,411)	11,279	-	(1,949)	-	-	(10,431)	(9,511)
Depreciation expense	-	(55,116)	(4,443)	(1,736)	-	-	(8,385)	(69,681)
Balance at 30 June 2020	322,638	2,389,052	26,160	34,303	192,079	38,211	35,198	3,037,642

* OCI - Other comprehensive income

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

	Work in progress	Infra- structure	Water meters	Buildings	System land	Market land	Other PP&E	Total
Parent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	363,018	1,914,905	34,623	39,329	157,406	31,361	43,152	2,583,794
Additions	290,302	-	-	-	-	-	-	290,302
Transfers to the Controlled entity	-	(375,743)	-	-	-	-	-	(375,743)
Disposals	-	(11)	-	-	-	-	(2,070)	(2,081)
Revaluation gain OCI*	-	77,776	3,709	1,251	7,844	33	-	90,613
Revaluation gain / (loss) in profit and loss	-	35,994	383	31	873	987	-	38,268
Transfers from WIP	(468,974)	459,669	-	62	-	-	9,243	-
Write off of assets	(944)	-	-	-	-	-	-	(944)
Transfers in/(out)	(21,403)	(2,751)	-	-	-	-	-	(24,154)
Depreciation expense	-	(42,544)	(3,066)	(1,728)	-	-	(8,299)	(55,637)
Balance at 30 June 2019	161,999	2,067,295	35,649	38,945	166,123	32,381	42,026	2,544,418
Additions	251,440	-	-	-	-	-	-	251,441
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)
Transfers from WIP	(83,368)	70,377	-	38	-	-	12,953	-
Transfers in/(out)	(8,411)	11,279	-	(1,949)	-	-	(10,430)	(9,512)
Depreciation expense	-	(50,236)	(4,443)	(1,736)	-	-	(8,385)	(64,800)
Balance at 30 June 2020	321,660	1,996,930	26,160	34,303	192,079	38,211	35,199	2,644,542

* OCI - Other comprehensive income

Refer to note 19 for further information on fair value measurement.

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Revalued assets measured at historic cost				
Infrastructure systems	1,788,324	1,748,103	1,418,375	1,373,586
Water meters	39,949	45,879	39,949	45,879
Buildings	22,653	25,250	22,653	25,250
System land	118,389	118,384	118,389	118,384
	<u>1,969,315</u>	<u>1,937,616</u>	<u>1,599,366</u>	<u>1,563,099</u>

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 fitout

These assets include furniture and fitout 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.

15. 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 after its use 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 19.

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.

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

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Land and buildings - right-of-use	28,419	-	28,419	-
Less: Accumulated depreciation	(3,824)	-	(3,824)	-
Less: Impairment	(1,921)	-	(1,921)	-
	22,674	-	22,674	-
Leasehold improvements - right-of-use	3,828	-	3,828	-
Less: Accumulated depreciation	(506)	-	(506)	-
	3,322	-	3,322	-
Motor vehicles - right-of-use	63	-	63	-
Less: Accumulated depreciation	(47)	-	(47)	-
	16	-	16	-
	26,012	-	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:

	Land and buildings \$'000	Motor vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Consolidated and Parent				
Balance at 1 July 2018	-	-	-	-
Balance at 1 July 2019	-	-	-	-
First time recognition	28,390	63	-	28,453
Remeasurement	29	-	-	29
Impairment of assets	(1,921)	-	-	(1,921)
Transfers in/(out)	-	-	3,674	3,674
Depreciation expense	(3,824)	(47)	(352)	(4,223)
Balance at 30 June 2020	22,674	16	3,322	26,012

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.

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

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.

Subsequent measurement

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 2019 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 financial year 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 impairment losses for right-of-use assets during the 2020 financial year of \$1.9 million. Impairment losses for right-of-use assets are included in Other Net Gains/(Losses) in the Statement of Comprehensive Income.

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

- Metro area leases right-of-use assets were impaired due to the significant decline in market rent. They have been written down to recoverable amount of \$16.4 million, which is determined by reference to fair value less costs of disposal. The impairment loss recognised during the financial year is \$1.9 million. 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.

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

Asset Description	Valuation Technique	Key Assumptions	Fair Value Hierarchy
Parramatta lease	Fair value less costs of disposal	Change in index	Level 3
Sydney City Hub	Fair value less costs of disposal	Change in index	Level 3

17. Non-current assets - Intangible assets

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Rights of access and other legal rights	4,406	4,406	4,406	4,406
Less: Accumulated amortisation	(8845)	(714)	(885)	(714)
	3,521	3,692	3,521	3,692
Software - at cost	49,597	48,792	49,597	48,792
Less: Accumulated amortisation	(23,091)	(23,304)	(23,091)	(23,304)
	26,506	25,488	26,506	25,488
	30,027	29,180	30,027	29,180

Reconciliations

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

Consolidated and Parent	Work in progress \$'000	Rights of access and other \$'000	Software \$'000	Total \$'000
Balance at 1 July 2018	-	3,861	7,232	11,094
Transfers from WIP	(21,403)	-	21,403	-
Transfers from property, plant and equipment	21,403	-	-	21,403
Amortisation expense	-	(170)	(3,147)	(3,317)
Balance at 30 June 2019	-	3,691	25,488	29,180
Transfers from WIP	(8,413)	-	8,413	-
Transfers from property, plant and equipment	8,413	-	-	8,413
Amortisation expense	-	(170)	(7,396)	(7,566)
Balance at 30 June 2020	-	3,521	26,505	30,027

17. 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.

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 15 for the accounting policy on the impairment of assets.

18. 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).

18. Leases (continued)

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.

From 1 July 2019, AASB 16 Leases (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

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 assets 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 16.

Lease liabilities

The following table presents liabilities under leases.

	Consolidated 2020 \$'000	Parent 2020 \$'000
Balance at 30 June 2019	-	-
First time recognition	28,453	28,453
Interest expenses	1,075	1,075
Payments	(4,003)	(4,003)
Other movements	(38)	(38)
Balance at 30 June 2020	25,487	25,487

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where the entity is the lessee:

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

Future minimum lease payments under non-cancellable leases as at 30 June 2020 are as follows:

18. Leases (continued)

	Consolidated 2020 \$'000	Parent 2020 \$'000
Within one year	5,194	5,184
Later than one year and not later than five years	20,829	20,829
Later than five years	13,102	13,102
Total (including GST)	39,125	39,115

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 in note iv below) and impairment. Refer to the accounting policies in property, plant and equipment in Note 16.

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.

18. 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.

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement. Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the entity was classified as a finance lease.

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 lease as at 30 June are as follows:

18. Leases (continued)

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 term 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.

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Within one year	2,663	2,439	2,663	2,439
Later than one year and not later than five years	6,588	8,901	6,588	8,901
Later than five years	43,294	41,781	43,294	41,781
Total (including GST)	52,545	53,121	52,545	53,121

19. 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

19. Fair value measurement

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2020				
Assets				
Land	-	38,211	192,079	230,290
Infrastructure systems	-	-	2,449,515	2,449,515
Other property, plant and equipment	-	-	357,835	357,835
Total assets	-	38,211	2,999,429	3,037,640
Consolidated - 2019				
Assets				
Land	-	32,381	166,123	198,504
Infrastructure systems	-	-	2,532,963	2,532,963
Other property, plant and equipment	-	-	205,241	205,241
Total assets	-	32,381	2,904,327	2,936,708
Parent - 2020				
Assets				
Land	-	38,211	192,079	230,290
Infrastructure systems	-	-	2,057,393	2,057,393
Other property, plant and equipment	-	-	356,857	356,857
Total assets	-	38,211	2,606,329	2,644,540
Parent - 2019				
Assets				
Land	-	32,381	166,123	198,504
Infrastructure systems	-	-	2,141,889	2,141,889
Other property, plant and equipment	-	-	204,022	204,022
Total assets	-	32,381	2,512,034	2,544,415

Level 3 assets

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

19. Fair value measurement (continued)

Consolidated	Infrastructure \$'000	Land \$'000	Other PP&E \$'000	Total \$'000
Balance at 1 July 2018	1,988,857	157,406	406,168	2,552,431
Gains recognised in profit or loss	36,408	873	-	37,281
Gains recognised in other comprehensive income	99,293	7,844	-	107,137
Additions	459,732	-	(189,614)	270,118
Disposals	(11)	-	(2,070)	(2,081)
Depreciation/Amortisation	(48,563)	-	(8,299)	(56,862)
Other reclassifications and transfers	(2,751)	-	(944)	(3,695)
Balance at 30 June 2019	2,532,965	166,123	205,241	2,904,329
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	(1,518)	(2)	(965)	(2,485)
Depreciation/Amortisation	(61,296)	-	(8,384)	(69,680)
Other reclassifications and transfers	9,330	-	(18,842)	(9,512)
Balance at 30 June 2020	2,449,515	192,079	357,835	2,999,429
Parent	Infrastructure \$'000	Land \$'000	Other PP&E \$'000	Total \$'000
Balance at 1 July 2018	1,988,857	157,406	406,168	2,552,431
Gains recognised in profit or loss	36,408	873	-	37,281
Gains recognised in other comprehensive income	82,736	7,844	-	90,580
Additions	459,733	-	(190,833)	268,900
Disposals	(11)	-	(2,070)	(2,081)
Depreciation/Amortisation	(47,337)	-	(8,299)	(55,636)
Other reclassifications and transfers	(378,494)	-	(944)	(379,438)
Balance at 30 June 2019	2,141,892	166,123	204,022	2,512,037
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	70,415	-	181,026	251,441
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)
Balance at 30 June 2020	2,057,395	192,079	356,857	2,606,331

19. Fair value measurement (continued)

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 36 Contingent liabilities.

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

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

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

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

	Scenario A: \$'000	Scenario B: \$'000	Scenario C: \$'000	Scenario D: \$'000
Consolidated - 2020				
% change in land value	1	(1)	5	(5)
Change in fair value	2,303	(2,303)	11,514	(11,514)
% of total fair value of property, plant and equipment	-	-	-	-
Parent - 2020				
% change in land value	1	1	5	(5)
Change in fair value	2,303	2,303	11,514	(11,514)
% of total fair value of property, plant and equipment	-	-	-	-

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 with no material movement in the values between March 2020 and June 2020 (material movements are values greater than 10%).

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 been reasonably resilient at this point. The Consolidated entity will continue to closely monitor market activity and assess the land portfolio for any significant value changes.

19. Fair value measurement (continued)

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).

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 decision.
- 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 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:

19. Fair value measurement (continued)

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 - 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
Consolidated	Year 1 \$'000	Year 2 \$'000	Year 3 \$'000	Year 4 \$'000	Year 5 \$'000
Undiscounted cash flows - 2019					
Greater Sydney CGU	48,300	20,600	26,700	43,800	76,000
Rural CGU	(22,800)	4,800	(500)	14,200	8,800
Broken Hill CGU	20,900	21,700	22,000	23,200	23,200
	46,400	47,100	48,200	81,200	108,000
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)
Parent	Year 1 \$'000	Year 2 \$'000	Year 3 \$'000	Year 4 \$'000	Year 5 \$'000
Undiscounted cash flows - 2019					
Greater Sydney CGU	48,300	20,600	26,700	43,800	76,000
Rural CGU	(22,800)	4,800	(500)	14,200	8,800
	25,500	25,400	26,200	58,000	84,800

19. Fair value measurement (continued)

Changes to the cash flow estimates in the revaluation model will result in a higher or lower fair value measurement. Where the change is an increase (decrease) in estimated cash flows, the fair value of assets will increase (decrease). As the cash flow estimates are discounted by the 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 2020 / 2019	Actual revaluation \$'000	Scenario A +1% \$'000	Scenario B -1% \$'000
Greater Sydney CGU			
Discount rate	6.33% / 7.55%	7.33% / 8.55%	5.33% / 6.55%
Fair value	1,776,400 / 1,694,300	1,705,600 / 1,627,800	1,851,000 / 1,764,000
Rural CGU			
Discount rate	6.33% / 7.55%	7.33% / 8.55%	5.33% / 6.55%
Fair value	901,400 / 879,000	861,200 / 842,100	943,700 / 917,300
Broken Hill CGU			
Discount rate	6.33% / 7.55%	7.33% / 8.55%	5.33% / 6.55%
Fair value	393,100 / 392,300	378,500 / 378,000	408,300 / 407,300
Parent 2020 / 2019	Actual revaluation \$'000	Scenario A +1% \$'000	Scenario B -1% \$'000
Greater Sydney CGU			
Discount rate	6.33% / 7.55%	7.33% / 8.55%	5.33% / 6.55%
Fair value	1,776,400 / 1,694,300	1,705,600 / 1,627,800	1,851,000 / 1,764,000
Rural CGU			
Discount rate	6.33% / 7.55%	7.33% / 8.55%	5.33% / 6.55%
Fair value	901,400 / 879,000	861,200 / 842,100	943,700 / 917,300

A change in cash flow estimates will also change the measurement of fair value.

The following table presents the impact of a change to the cash flow estimates above, assuming no change to the discount rate:

19. Fair value measurement (continued)

Consolidated 2020 / 2019	Actual revaluation \$'000	Scenario C \$'000	Scenario D \$'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,776,400 / 1,694,300	1,782,600 / 1,703,200	1,770,200 / 1,685,500
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	901,400 / 879,000	895,200 / 879,026	907,500 / 878,956
Broken Hill CGU			
Operating cash flows change		+5%	-5%
Fair value	393,100 / 392,300	397,200 / 396,900	388,900 / 387,700
Parent 2020 / 2019	Actual revaluation \$'000	Scenario C \$'000	Scenario D \$'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,776,400 / 1,694,300	1,782,600 / 1,703,200	1,770,200 / 1,685,500
Rural CGU			
Operating cash flows change		+5%	-5%
Fair value	901,400 / 879,000	895,200 / 879,026	907,500 / 878,956

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

Consolidated 2020 / 2019	Actual revaluation \$'000	Scenario E \$'000	Scenario F \$'000
Greater Sydney CGU			
RAB change		+5%	-5%
Fair value	1,776,400 / 1,694,300	1,859,000 / 1,770,300	1,693,800 / 1,694,300
Rural CGU			
RAB change		+5%	-5%
Fair value	901,400 / 879,000	967,200 / 923,000	850,200 / 837,100
Broken Hill CGU			
RAB change		+5%	-5%
Fair value	393,100 / 392,300	408,500 / 407,300	377,600 / 377,200
Parent 2020 / 2019	Actual revaluation \$'000	Scenario E \$'000	Scenario F \$'000
Greater Sydney CGU			
RAB change		+5%	-5%
Fair value	1,776,400 / 1,694,300	1,859,000 / 1,770,300	1,693,800 / 1,694,300
Rural CGU			
RAB change		+5%	-5%
Fair value	901,400 / 879,000	967,200 / 923,000	850,200 / 837,100

19. Fair value measurement (continued)

In revaluing system assets, the asset's current use is considered their 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 *Valuation of Physical Non-Current Assets at Fair Value* 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.

20. Current liabilities - trade and other payables

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables	13,205	10,787	13,205	10,789
Other liabilities - MDBA* pass through	6,211	11,441	6,211	11,441
Non-trade payables and accrued expenses	36,632	31,754	35,746	30,885
Accrued salaries, wages and on-costs	10,402	6,134	10,402	6,134
Payable to the Controlled entity	-	-	-	12,380
Fringe benefit tax	75	85	75	85
Accrued interest on loans	31,577	28,080	27,102	26,503
	98,102	88,281	92,741	98,217

*MDBA - Murray-Darling Basin Authority

Refer to Note 39 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.

21. Current liabilities - borrowings

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Borrowings	632,650	465,174	596,909	461,089
Loan from the Controlled entity	-	-	25,207	-
Lease liabilities	4,050	-	4,050	-
	<u>636,700</u>	<u>465,174</u>	<u>626,166</u>	<u>461,089</u>

Refer to note 39 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 39(d)). The Consolidated entity also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State of NSW.

22. Current liabilities - provisions

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Annual leave	13,030	10,838	13,030	10,838
Long service leave	29,598	27,654	29,598	27,654
Other benefits	891	731	891	731
Insurance	9,835	-	9,835	-
Restructuring	97	486	97	486
Remediation	433	1,749	433	1,749
Land tax	17,140	5,736	17,140	5,736
	71,024	47,194	71,024	47,194

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Long service leave	24,208	21,365	24,208	21,365

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.

22. Current liabilities - provisions (continued)

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 2.25% 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.

Termination benefits

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

Other provisions

Unused non-vesting sick leave does not give rise to a liability as it is considered improbable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers compensation insurance premium and fringe benefit tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have also been recognised.

Post-employment benefits

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

Defined contribution superannuation schemes

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

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 recent bushfires.

22. Current liabilities - provisions (continued)

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.

23. Current liabilities - Dividend payable

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Opening balance	20,000	98,100	20,000	98,100
Dividend recognised	20,000	20,000	20,000	20,000
Dividend paid	(20,000)	(98,100)	(20,000)	(98,100)
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 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*.

24. Current liabilities - other

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Grants and contributions received in advance	43,388	28,516	43,388	28,516
Refund liabilities	11	20	11	20
Other current liabilities	223	255	223	255
	43,622	28,791	43,622	28,791

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.

25. Current liabilities - contract liabilities

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Contract liabilities	782	305	782	305

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 \$782,000 as at 30 June 2020 (2019: \$305,000) and is expected to be recognised as revenue in future periods as follows:

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Within 6 months	782	305	782	305

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.

26. Non-current liabilities - borrowings

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Borrowings	1,158,220	1,202,952	917,672	934,750
Lease liabilities	21,437	-	21,437	-
	1,179,657	1,202,952	939,109	934,750

Refer to Note 39 for further information on financial instruments.

Financing arrangements

The following facilities were available at the reporting date:

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Total facilities				
Long term borrowing facility	2,000,000	2,000,000	1,650,000	1,650,000
"Come & Go"	50,000	50,000	45,000	45,000
Intra-day facility	45,000	45,000	40,000	40,000
Credit card facility	1,500	1,500	1,500	1,500
Overdraft facility	15,000	15,000	14,000	14,000
Borrowing facility - WaterNSW Infrastructure	-	-	65,000	-
Operating leases	50,000	50,000	49,000	49,000
	2,161,500	2,161,500	1,864,500	1,799,500
Used at the reporting date				
Long term borrowing facility	1,770,870	1,647,624	1,494,581	1,375,339
"Come & Go"	20,000	20,500	20,000	20,500
Intra-day facility	-	-	-	-
Credit card facility	370	330	370	330
Overdraft facility	-	-	-	-
Borrowing facility - WaterNSW Infrastructure	-	-	25,207	-
Operating leases	29,950	30,793	29,950	30,793
	1,821,190	1,699,247	1,570,108	1,426,962
Unused at the reporting date				
Long term borrowing facility	229,130	352,376	155,419	274,661
"Come & Go"	30,000	29,500	25,000	24,500
Intra-day facility	45,000	45,000	40,000	40,000
Credit card facility	1,130	1,170	1,130	1,170
Overdraft facility	15,000	15,000	14,000	14,000
Borrowing facility - WaterNSW Infrastructure	-	-	39,793	-
Operating leases	20,050	19,207	19,050	18,207
	340,310	462,253	294,392	372,538

26. Non-current liabilities - borrowings (continued)

Intra-day bank overdraft facility

The Consolidated entity has an approval to open an intra-day facility of \$45 million (2019: \$45 million) with its corporate banker. This facility could be used as and when required as part of the Consolidated entity's daily cash management function. This facility has not been established.

Purchase credit card facility

The Consolidated entity has the NSW Treasurer's approval for a purchase credit card facility limit of up to \$1.5 million (2019: \$1.5 million). The purchase credit card facility is used by the Consolidated entity only as an efficient means for employees to purchase low value monetary items for the Consolidated entity.

'Come and Go' short-term borrowing facility

The Consolidated entity has a \$50 million (2019: \$50 million) 'Come and Go' short term borrowing facility in place with the NSW Treasury Corporation. The 'Come and Go' facility is used extensively as part of the Consolidated entity's daily cash management function during the reporting period.

Long term borrowing facility

The Consolidated entity has the NSW Treasurer's approval to obtain long-term borrowing facilities from the central borrowing authority, the NSW Treasury Corporation (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.

Loan from Controlled entity

The Minister has approved a loan from the Controlled entity for \$65 million of which \$25.2 million was used at 30 June 2020.

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

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

26. Non-current liabilities - borrowings (continued)

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

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

27. Non-current liabilities - provisions

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Long service leave	2,574	2,081	2,574	2,081
Restoration	4,358	1,490	4,358	1,490
Payroll tax	140	113	140	113
Defined benefit superannuation scheme	94,923	101,862	94,923	101,862
	101,995	105,546	101,995	105,546

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 fitout.

27. Non-current liabilities - provisions (continued)

Defined benefit superannuation schemes

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

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

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

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

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

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

Assumptions underlying defined benefit superannuation expenses and liabilities are disclosed in Note 28.

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 2020	Payroll tax \$'000	Restructuring \$'000	Land tax \$'000	Restoration \$'000	Remediation \$'000	Insurance recoveries \$'000
Carrying amount at the start of the year	113	486	5,736	1,490	1,749	-
Additional provisions recognised	140	97	11,404	2,832	822	9,835
Payments	(113)	(486)	-	-	(2,138)	-
Other movements	-	-	-	37	-	-
Carrying amount at the end of the year	140	97	17,140	4,359	433	9,835

28. 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.

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

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

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

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with 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:

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

- **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; and
 - **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.

Consolidated and Parent

Reconciliation of the net defined benefit liability(asset)

As at 30 June 2020	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

Consolidated and Parent

Reconciliation of the net defined benefit liability(asset)

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

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

Consolidated and Parent				
Reconciliation of the fair value of fund assets				
As at 30 June 2020	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

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

Consolidated and Parent				
Reconciliation of the Defined Benefit Obligation				
As at 30 June 2020	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

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

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

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.

Assets category	2020				2019			
	Quoted prices in market for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Un observable inputs Level 3 \$'000	Totals \$'000	Quoted prices in market for identical assets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Un observable inputs Level 3 \$'000	Totals \$'000
As at 30 June								
Short term securities	1,889,511	2,206,787	-	4,096,298	2,135,561	1,906,555	-	4,042,116
Australian fixed interest	-	1,066,448	-	1,066,448	4,993	2,289,679	-	2,294,672
International fixed interest	30,408	1,879,015	-	1,909,424	6,826	1,952,396	8,871	1,968,093
Australian equities	6,901,927	392,284	-	7,294,211	7,818,302	547,571	3,055	8,368,928
International equities	11,487,308	463,022	-	11,950,330	8,795,299	2,592,132	8	11,387,439
Property	644,805	16,266	2,691,395	3,352,466	698,608	717,078	2,172,544	3,588,230
Alternatives	23,408	4,337,075	6,162,350	10,522,833	327,328	5,758,095	4,472,758	10,558,181
Totals	20,977,367	10,360,897	8,853,745	40,192,010	19,786,917	15,763,506	6,657,236	42,207,659

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

	2020 %	2019 %
The percentage invested in each asset class at the reporting date is:		
Short term securities	10.20%	9.60%
Australian fixed interest	2.70%	5.40%
International fixed interest	4.80%	4.70%
Australian equities	18.10%	19.80%
International equities	19.70%	27.00%
Property	8.30%	8.50%
Alternatives	26.20%	25.00%
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.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

Fair value of the Consolidated 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 2020 includes \$36.9 million in NSW Government bonds (2019: \$99.5 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 \$340 million (2019: \$316 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$343 million (2019: \$331 million).

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

Significant actuarial assumptions at the reporting date	30 June 2020	30 June 2019
Discount rate	2.97% p.a.	3.03% p.a.
Salary increase rate (excluding promotional increases)	3.20% p.a.	3.20% p.a.
Rate of CPI increase		
2018 / 2019	-	1.75%
2019 / 2020	1.00%	1.75%
2020 / 2021	0.25%	2.00%
2021 / 2022	1.50%	2.25%
2022 / 2023	1.25%	2.25%
2023 / 2024	1.75%	2.50%
2024 / 2025	2.00%	2.50%
2025 / 2026	2.00%	2.50%
Thereafter	2.50%	2.50%

Sensitivity analysis

The Consolidated entity's total defined benefit obligation as at 30 June 2020 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 2020. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Consolidated / Parent	Base case	Scenario A -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)	233,721 / 233,721	249,702 / 249,702	219,287 / 219,287

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)	233,721 / 233,721	248,862 / 248,862	219,932 / 219,932

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)	233,721 / 233,721	234,747 / 234,747	232,731 / 232,731

Consolidated / Parent	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation (\$'000)	233,721 / 233,721	237,671 / 237,671	231,277 / 231,277

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

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

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

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

Asset-liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually, and funding arrangements may be adjusted as required after each annual review.

Surplus/deficit

The following is a summary of the 30 June 2020 financial position of the Fund calculated in accordance with AASB 1056 *Superannuation Entities*:

	Consolidated and Parent			
As at 30 June 2020	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

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

* 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.

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

	SASS Consolidated / Parent	SANCS Consolidated / Parent	SSS Consolidated / Parent
Contribution recommendations			
Recommended contribution rate for 2020	0 / 0	0 / 0	0 / 0
Recommended contribution rate for 2019	1.9 / 1.9	2.5 / 2.5	0.9(1.6)* / 0.9(1.6)*

* Rural contribution rate

Economic assumptions

The economic assumptions adopted for 30 June 2020 in accordance with AASB 1056 *Superannuation Entities*:

Weighted average assumptions	Per annum
Expected rate of return on Fund assets backing current pension liabilities	7.0% p.a.
Expected rate of return on Fund assets backing other liabilities	6.0% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.2% p.a.
Expected rate of CPI increase	2.0% p.a.

	Consolidated and Parent			
Financial year to 30 June 2020	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions	1,019	374	682	2,075

	Consolidated and 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

	Consolidated and Parent			
30 June 2020	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 in other comprehensive income	(2,273)	(174)	(7,796)	(10,243)

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

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.7 years.

COVID-19 impact

In light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. The information on sensitivities for weighted average assumptions provides a guide to how this could affect the defined benefit obligation.

For AASB 1056, separate sensitivities are not included. However, we note that the assumptions for CPI, salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, we have shown sensitivities to this assumption for the AASB 1056 results in the table below (results for 2019 shown for comparative purposes)

Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

		Scenario A	Scenario B
	Base case	-0.5% discount rate	+0.5% discount rate
30 June 2020			
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
		Scenario A	Scenario B
	Base case	-0.5% discount rate	+0.5% discount rate
30 June 2019			
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.4% p.a.	6.9% p.a.	7.9% p.a.
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.4% p.a.	5.9% p.a.	6.9% p.a.
Rate of CPI increase	2.2% 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)	\$148,007	\$154,027	\$142,456

29. Non-current liabilities - other liabilities

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Non-trade payables and accrued expenses	1,262	1,450	1,262	1,450
Grants and contributions received in advance	79,037	88,058	79,036	88,058
Other liabilities	33	33	33	33
	80,332	89,541	80,331	89,541

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.

30. Non-current liabilities - contract liabilities

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Contract liabilities	429	1,063	429	1,063

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 \$429,000 as at 30 June 2020 (2019: \$1,063,000) and is expected to be recognised as revenue in future periods as follows:

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
12 to 18 months	429	1,063	429	1,063

31. 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 unchanged from the previous Annual Report.

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

The gearing ratio at the reporting date was as follows:

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current liabilities - trade and other payables (note 20)	98,102	88,153	92,741	98,089
Current liabilities - borrowings (note 21)	636,700	465,174	626,166	461,089
Non-current liabilities - borrowings (note 26)	1,179,657	1,202,952	939,109	934,750
Total borrowings	1,914,459	1,756,279	1,658,016	1,493,928
Current assets - cash and cash equivalents (note 12)	(31,115)	(10,957)	(30,572)	(10,957)
Net debt	1,883,344	1,745,322	1,627,444	1,482,971
Total equity	808,504	844,728	793,045	832,342
Total capital	2,691,848	2,590,050	2,420,489	2,315,313
Gearing ratio	70%	67%	67%	64%

31. Equity - Contributed equity (continued)

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.

32. 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 38.

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 33.

(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 2
NSW Department of Industry	NSW Government contributions to operations	Note 3
NSW Department of Industry	Administered assets	Note 40
NSW Treasury Corporation	Borrowings and interest repayment	Note 21, Note 26
NSW Treasury	Dividends	Note 23
NSW Treasury	Government Guarantee Fee	Note 8
Revenue NSW	Income Tax, Land Tax, Payroll Tax	Note 11, Note 22, Note 27
NSW Department of Industry	Rebates	Note 2
Essential Energy	Broken Hill Pipeline transportation services	Note 2

33. Key management personnel disclosures

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

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated entity, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various business units of the Consolidated entity, the Consolidated entity's two shareholder Ministers and its Portfolio Minister.

Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Consolidated entity.

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	4,809	4,789	4,809	4,789
Post-employment benefits	249	279	249	279
Long-term benefits	51	54	51	54
Termination benefits	510	114	510	114
	5,619	5,236	5,619	5,236

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Directors, excluding Chief Executive Officer*	567	566	567	566
Senior executives, including Chief Executive officer	5,052	4,670	5,052	4,670
Remuneration of Key Management Personnel	5,619	5,236	5,619	5,236

* includes Rob Aldis' remuneration of \$41,569 (2019: \$40,595) (excluding GST: \$4,166, 2019: \$4,059) 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*.

33. Key management personnel disclosures (continued)

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 collects arm's length transactions only in excess of \$100,000. Such transactions are disclosed if it is concluded that they are either quantitatively or qualitatively material to the Consolidated entity's financial statements. During the current reporting period the Consolidated entity paid membership fees and participated in the conferences and workshops conducted by the Water Services Association of Australia (WSAA) (transactions totalling \$161,719 (including GST - \$14,701) (2019: \$121,929 (including GST - \$12,193)). The Chief Executive Officer of Water NSW is a board member of WSAA. The Consolidated entity incurred \$129,593 in legal fees to Norton Rose Fulbright (including GST \$11,781) (2019: \$2,456,997 (including GST \$223,363)).

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

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

There were no other related party transactions to disclose.

34. Auditors remuneration

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Auditors remuneration				
Financial audit of Water NSW	325	342	325	342
Financial audit of WaterNSW Infrastructure Pty Ltd	30	25	-	-
Total remuneration	355	367	325	342

35. Commitments

Capital commitments

Committed at the reporting date but not recognised as liabilities, payable:

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Property, plant and equipment	143,530	112,356	143,530	112,356
Within one year	124,698	112,356	124,698	112,356
One to five years	18,832	-	18,832	-
	143,530	112,356	143,530	112,356

Amounts disclosed as capital commitments includes GST of \$13.5 million (2019: \$10.0 million) recoverable from the Australian Taxation Office.

36. Contingent liabilities

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

Operational activities

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

Green State Power

Under the Green State Power transfer agreement Water NSW was paid a pre-tax cash amount of \$7.15 million by Green State Power to cover potential obligations in the future. The obligations are for potential compensation to the hydro-operator during the first 30 year term for any power station unavailability that is caused by an act or omission of 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.

36. Contingent liabilities (continued)

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.

37. Cash flow information

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) after tax	(29,482)	68,584	(28,406)	67,788
Depreciation	73,904	56,863	69,033	55,637
Amortisation	7,566	3,316	7,566	3,316
Fair value adjustment through profit and loss	77,286	(38,268)	77,286	(38,268)
Loss on disposal of property, plant and equipment	1,117	2,593	1,117	2,593
Decrease/(increase) trade and other receivables	24,080	(4,761)	29,473	1,055
Decrease/(increase) other operating assets	(22)	(492)	(22)	(492)
Increase/(decrease) trade and other payables	9,906	(12,191)	(5,391)	(13,229)
Decrease/(increase) income tax	(17,819)	(2,251)	(26,688)	(2,593)
Increase/(decrease) other costs of finance	28,334	64,207	24,330	61,793
Increase/(decrease) other provisions	194	3,180	194	3,180
Increase/(decrease) other operating liabilities	6,816	4,193	7,888	4,193
Net cash from operating activities	181,880	144,973	156,370	144,973

38. 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 14:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
WaterNSW Infrastructure Pty Ltd	Australia	100%	100%

39. Financial instruments

a) Risk management framework

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

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

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

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

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents (category 2020: amortised cost, category 2019: not amortised cost)	31,115	10,955	30,572	10,955
TCorp IM (category 2020: fair value, category 2019: fair value)		2		2
Trade and other receivables* (category 2020: amortised cost, category 2019: amortised cost)	90,456	117,750	105,733	118,036
Financial assets - totals	121,571	128,707	136,305	128,993
Financial liabilities				
Trade and other payables* (category 2020: amortised cost, category 2019: amortised cost)	98,102	88,153	92,741	98,089
Contract liabilities* (category 2020: amortised cost, category 2019: amortised cost)	1,212	1,368	1,212	1,368
Borrowings (category 2020: amortised cost, category 2019: amortised cost)	1,790,870	1,668,126	1,539,788	1,395,839
Lease liabilities (category 2020: amortised cost)	25,487	-	25,487	-
Financial liabilities - totals	1,915,671	1,757,647	1,659,228	1,495,296

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

39. Financial instruments (continued)

(b) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Consolidated entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting year). The sensitivity analysis is based on risk exposures in existence at the statement of financial position reporting date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

Price risk

Other price risk - TCorp IM Facility

Exposure to 'other price risk' primarily arises through the investment in the TCorp IM Facility, which is held for strategic rather than trading purposes. The entity has no direct equity investments. The entity holds units in the following TCorp investment trust:

Facility	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Investment horizon - up to 1 1/2 years				
IM Facility	-	2	-	2

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

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

Investment in the IM facilities limits the Consolidated entity's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments. TCorp provides sensitivity analysis information for the investment facility, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The facility is designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for the facility (balance from IM statement).

39. Financial instruments (continued)

	Change in unit price	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
IM Facility	+ / - 1%	-	-	-	-

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 \$1,791 million (2019: \$1,668 million).

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Fixed rate instruments				
Call loans to Authorities	20,000	24,606	20,000	20,521
Commonwealth guaranteed	14,682	14,011	14,682	14,011
Loans State guaranteed	1,733,481	1,607,242	1,457,192	1,339,042
CPI Indexed Year on year (YOY) loan	4,085	4,085	4,085	4,085
Loans to Authorities	18,622	18,180	18,622	18,180
	1,790,870	1,668,124	1,514,581	1,395,839
Fixed rate instruments	20,000	24,606	20,000	20,521

	Consolidated		Parent	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Variable rate instruments				
Cash and cash equivalents (excluding TCorp IM Facility)	31,115	10,955	30,572	10,955

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.

The loan from the Controlled entity of \$25.2 million is at-call, unsecured and interest free. The interest rate risk exposure is considered to be very low.

39. 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 - 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
Consolidated - 2019						
Cash and cash equivalents	100	110	110	(100)	(110)	(110)

	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)

	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 - 2019						
Cash and cash equivalents	100	110	110	(100)	(110)	(110)

(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.

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

(d) Liquidity risk

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

The Consolidated entity has obtained approval under the *Public Authorities (Financial Arrangement) Act 1987* and *Government Sector Finance Act 2018* (Note 26).

39. Financial instruments (continued)

The Consolidated entity has access to a Transaction Negotiation Authority (TNA) facility of \$33.5 million with its transactional banking services provider.

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 35.

The Consolidated entity's current ratio is 0.16 (Parent – 0.18) with borrowings of \$636.7 million (Parent – \$624.3 million) due to 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 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 drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	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
Consolidated - 2020						

Non-derivatives

Non-interest bearing

Trade payables	-	98,570	-	-	-	98,570
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Interest-bearing - fixed rate

Borrowings	2.79%	657,584	227,937	598,387	461,459	1,945,367
Total non-derivatives		756,154	227,937	598,387	461,459	2,043,937

	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	Weighted average interest rate %
Consolidated - 2019						

Non-derivatives

Non-interest bearing

Trade payables	-	88,153	-	-	-	88,153
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Interest-bearing - fixed rate

Borrowings	2.79%	518,881	499,460	359,501	464,319	1,842,161
Total non-derivatives		607,034	499,460	359,501	464,319	1,930,314

39. Financial instruments (continued)

	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	Weighted average interest rate %
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Parent - 2020

Non-derivatives

Non-interest bearing

Trade payables	-	93,209	-	-	-	93,209
Loan from Controlled entity	-	23,375	-	-	-	23,375

Interest-bearing - fixed rate

Borrowings	2.19%	618,392	174,518	484,444	359,896	1,637,250
Total non-derivatives		734,976	174,518	484,444	359,896	1,753,834

	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	Weighted average interest rate %
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Parent - 2019

Non-derivatives

Non-interest bearing

Trade payables	-	98,089	-	-	-	98,089
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Interest-bearing - fixed rate

Borrowings	2.79%	481,638	460,623	230,874	361,675	1,534,810
Total non-derivatives		579,727	460,623	230,874	361,675	1,632,899

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

(e) Fair value of financial instruments

Fair value recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and as set out in Note 19:

	Consolidated				Parent			
	Level 1	Level 2	Level 3	Totals	Level 1	Level 2	Level 3	Totals
Financial assets								
30 June 2020	-	-	-	-	-	-	-	-
30 June 2019								
Cash - TCorp IM facility	-	2	-	2	-	2	-	2

39. Financial instruments (continued)

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

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

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

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Consolidated				
Liabilities				
Borrowings	1,790,870	1,889,875	1,668,126	1,753,238

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Parent				
Liabilities				
Borrowings	1,514,535	1,593,305	1,395,839	1,465,361

f) Capital management

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

For gearing level calculations please refer to the note 31.

Dividend policy

The dividend of \$20.0 million (2019: \$20.0 million) is in line with NSW TPP 16-04 *Financial Distribution Policy for Government Businesses*.

40. Administered Items

Administered revenue, assets and liabilities

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Administered revenue				
NOW*- water charges	8,103	10,712	8,103	10,712
YCATAC**-Yanco Columbo system levy	112	112	112	112
MDBA and BRC***	17,029	13,865	17,029	13,865
NRAR**** funding	4,653	4,579	4,653	4,579
Total administered revenue	29,897	29,268	29,897	29,268

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Administered assets				
Administered cash WAMC*	1,171	9,879	1,171	9,879
Administered cash MDBA***	5,038	1,562	5,038	1,562
Debtors and accrued charges WAMC*	3,784	6,607	3,784	6,607
Debtors and accrued charges MDBA***	543	4,538	543	4,538
Administered cash YCATAC**	2	-	2	-
Total administered assets	10,538	22,586	10,538	22,586

	Consolidated		Parent	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Administered liabilities				
Creditors and accruals WAMC*	4,955	16,486	4,955	16,486
Creditors and accruals YCATAC**	2	-	2	-
Creditors and accruals MDBA and BRC***	5,581	6,100	5,581	6,100
Total administered liabilities	10,538	22,586	10,538	22,586

* 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 \$49.5 million as at 30 June 2020 (2019: \$50.4 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.

41. 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 2020 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.

WATER NSW

Director's Declaration

30 JUNE 2020

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

- a) give a true and fair view of the financial position of Water NSW as at 30 June 2020 and its financial performance for the year then ended.
- b) have been prepared in accordance with;
 - applicable Australian Accounting Standards (including Australian Accounting Interpretations);
 - part 3 of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*; and
 - the *State-Owned Corporations Act 1989*
- c) also comply with International Financial Reporting Standards

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

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

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



Anne McDonald
Director



Andrew George Acting
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT

Water NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Water NSW (the Corporation), which comprise the Statements of comprehensive income for the year ended 30 June 2020, the Statements of financial position as at 30 June 2020, the Statements of changes in equity and the Statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2020, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (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 2020. 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 infrastructure assets	
<p>At 30 June 2020, the consolidated entity's statement of financial position reported \$2.4 billion in infrastructure assets measured at fair value. Infrastructure assets, which consist of infrastructure, water meters and buildings, are highly specialised and account for 80 per cent of the total property, plant and equipment balance.</p> <p>I consider this to be a key audit matter because the:</p> <ul style="list-style-type: none"> • infrastructure assets are financially significant to the statement of financial position • discounted cash flow (DCF) model used is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, price growth expectations, cash flow and terminal value assumptions, can significantly affect the fair value. <p>Further information on the valuation techniques, inputs and sensitivity of the reported balance for infrastructure assets is disclosed in Notes 15 and 19.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> • obtained an understanding of the Corporation's approach to estimating the fair value of infrastructure assets • assessed qualifications, competence and objectivity of experts engaged by the Corporation • reviewed whether the DCF model incorporated all key assumptions and inputs relevant to valuing infrastructure assets of a water entity and met the requirements of Australian Accounting Standards • reviewed the reasonableness of all the 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	
<p>At 30 June 2020, the consolidated entity's statement of financial position reported defined benefit net superannuation liabilities totalling \$94.9 million. This liability balance was provided to the Corporation and consolidated entity by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>I consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> • 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. <p>Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 28.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> • obtained an understanding of the processes and key controls in place supporting the 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.

Other Information

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Declaration.

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

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

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

I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that 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 the Corporation and the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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/ar6.pdf. The description forms part of my auditor's report.

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

1 October 2020
SYDNEY

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