Annual Report

2021-22

Letter of submission

The Hon. Matt Kean MP

Treasurer and Minister for the Environment

GPO Box 5341

Sydney NSW 2001

The Hon. Damien Tudehope MLC

Minister for Finance and Small Business

GPO Box 5341

Sydney NSW 2001

Dear Shareholders

We are pleased to submit the WaterNSW Annual Report 2021-22 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

Peter Duncan AM

Chair

Andrew George

Chief Executive Officer

Cover image - Menindee main weir

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Acknowledgement of country

WaterNSW acknowledges the traditional custodians of the lands and waters on which we work and pay our respect to all elders past, present and emerging.

Message from our Chair, Peter Duncan AM

I would firstly like to acknowledge the work of acting Chair Kaye Dalton. Ms Dalton has been outstanding in her leadership of the Board and with support to our Chief Executive Officer (CEO) Andrew George and the Executive team during what was clearly another year of ongoing challenges for the organisation. These challenges included successive flooding events, the organisational response to COVID-19 along with improving engagement with government and key stakeholders across the water sector.

In joining the Board in March 2022, I was very pleased to see the progress on the launch of the organisation's first Reconciliation Action Plan and commitment to developing an integrated Environment, Social and Governance (ESG) vision for the business. While our customers have clear expectations on us in the provision of our services, there are also broader community expectations to ensure WaterNSW is an inclusive, environmentally conscious organisation embracing its place as a trusted manager of major water assets across NSW.

This past year we welcomed a new NSW Minister for Water, Mr Kevin Anderson, with whom the organisation has worked closely and particularly as floods impacted large areas of NSW. We have also welcomed a new director to the Board of WaterNSW, with Ms Victoria Taylor joining also in March. Ms Taylor brings a wealth of experience to the organisation across multiple sectors including agriculture, stakeholder engagement and policy.

In March 2022 we bid farewell to Mr Rob Aldis. In his more than seven years as a director, Mr Aldis contributed significant experience in the engineering and construction sector, particularly in relation to water supply infrastructure. We wish Mr Aldis well in his future endeavours.

There are very few organisations that are on the frontline with communities and stakeholders as WaterNSW is, particularly as we navigate and respond to the challenges of a changing climate. It is clear that our organisation is typified by the quality of our people, and their commitment to those we are here to support and serve. WaterNSW has very talented and skilled people right across NSW who operate our many dams, rivers and associated infrastructure. The team at WaterNSW has been responding to these challenges going into what is now expected to be a third wet year in succession.

The Board have supported the CEO and Executive team closely during these times, ensuring the right governance and support is provided along with strategic level direction and advice where needed. In addition to confronting immediate challenges, we also need to look at how we can better adapt for the long term. This year the Board oversaw the first year of our new Corporate Strategic Plan, which sets a new direction for the organisation. This plan needs to be supported by the right leadership and organisational operating model, which includes amongst other improvements, an organisational response that will focus on building relationships, partnerships and better collaboration with our customers, stakeholders and local communities. The work to implement these organisational operating model changes is now well advanced.

WaterNSW has also been central to the development and progress on a number of key projects including the environmental assessment for the proposed Warragamba Dam Wall Raising, input into the development of the Government's Regional Water Strategies and Greater Sydney Water Strategy, as well as the protection of our declared catchments from the risks of mining in these sensitive areas.

On behalf of the Board of WaterNSW, I would like to extend our personal appreciation and thanks to our dedicated employees, our customers and local communities for their collaboration, feedback and support and recommend this report to our shareholders, customers, stakeholders and communities.

Message from our CEO, Andrew George

This past year has been defining for the organisation for two primary reasons: firstly, our external environment has been dominated by the succession of major floods across many of our catchments and storages; and secondly, the transformation that is occurring within the business to make WaterNSW a more efficient, more agile organisation that is better able to meet the needs of our customers, communities, and many stakeholders into the future.

WaterNSW has faced multiple flood events across almost all of our major storages. The scale and frequency of flood events has been unprecedented, and the impact on our communities has been devastating. It is important that we continue to keep communities informed about potential flood events, which we are doing through our media channels and community engagement sessions.

With widespread flooding across the state, we are seeing annual inflows into many storages that far exceed the storage's entire capacity - and for some, multiple times over. Aside from ongoing COVID-19 challenges, these flood events have been the single largest challenge and focus for our organisation this year.

On behalf of WaterNSW, I would like to acknowledge the incredible work done by those lead agencies such as the State Emergency Service and the many non-Government organisations who have provided incredible support over a long period of time to those communities impacted by floods.

Our teams have done a terrific job in very challenging circumstances to manage these major inflow events and have wherever possible worked with local communities to manage releases and respond to spill events across the state. The restrictions imposed by high water levels and COVID-19, as well as the diversion of resources to address these challenges, have resulted in lower capital and operating expenses for 2021-22. Programs such as asset maintenance and renewal, land management and metering upgrades have been deferred to 2022-23.

Ongoing flood events in the Greater Sydney region have put a large focus on the role and operations of Warragamba Dam, and we understand and appreciate the strong community sentiment about what more can be done to limit flood impacts. As an organisation we continue to engage with stakeholders and government on these matters and to progress the Government's Hawkesbury-Nepean Valley Flood Risk Management Strategy, which includes the proposal to raise the Warragamba Dam Wall.

Pleasingly, the organisation has also continued to make progress on becoming a leaner, more efficient, and more responsive organisation that will allow us to meet the changing needs of our customers and communities. I was very pleased to see the progress made across the organisation this year in the planning and delivery of strategic initiatives, and the alignment not only with the vision of our new Corporate Strategic Plan, but also with customer and stakeholder expectations, and the inaugural Statement of Expectations issued by our Shareholder and Portfolio Ministers.

The work done this past year will undoubtedly set us up for longer term success. Specifically, our new Corporate Strategic Plan has highlighted key strategic initiatives that have been priorities for the business. These include:

- our digital transformation to improve and modernise the services we provide to our customers
- development of an Environment, Social and Governance (ESG) Action Plan, to ensure our goals and values are aligned to the expectations of the broader community,

including ambitions to achieve Net Zero and contribute to the States renewable energy targets

- development of a new operating model and organisational structure that will allow for improved and more cost-effective service delivery over time
- development and launch of a Reconciliation Action Plan and Inclusion and Diversity Strategy
- continuation of our focus on safety as our highest priority through The Next Safety Frontier, a program to assist us achieve the next step in our safety maturity and provide a stronger nexus to public safety.

Our new business operating model will ensure the focus and energies of our people, assets and resources will deliver more responsive, efficient and value adding services to our customers and local communities across NSW, in a more sustainable manner. It has only been through the commitment and expertise of our people right across NSW that we have been able to respond to both the series of flood and weather events, and then look to how we can improve our business for the long term in our service delivery and cost effectiveness.

WaterNSW committed to the development of a Reconciliation Action Plan in 2020-21 and I was very pleased to launch our first WaterNSW Reconciliation Action Plan in Dubbo this year. I would personally like to acknowledge the support of the Board on this important journey and also the efforts and guidance of our Reconciliation Action Plan Working group. This was a defining moment for the organisation as we look to improve the way we engage with and support Aboriginal communities across our area of operations.

As with all businesses, there are growing expectations from our stakeholders, local communities, and government about how we are responding to the challenges of climate change, protection of the environment, together with transparent and effective governance. Our organisation sees firsthand the impact of our changing climate with the extremes of drought and flood being responded to in the last three years alone. We will be doing our part through our ESG strategy, and importantly engaging with our customers, communities and stakeholders about how we operate our catchments, assets and dams in the future, with a more challenging climate of extremes.

About WaterNSW

Our purpose

Water, delivered when and where it matters

Our vision

To support the resilience of NSW communities

through our leadership in delivering water services,

for generations to come

Who we are

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

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

Our values

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

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

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

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

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

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

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

What we do

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

Source water protection

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

Bulk water supply

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

System operator

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

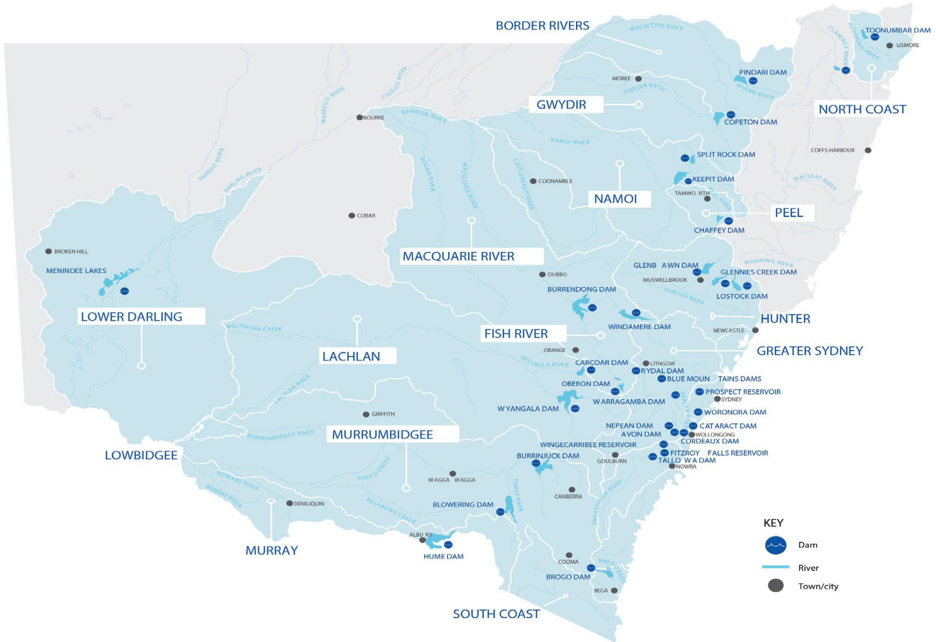
Meet customer-defined levels of service consistent with NSW Government policy and priorities to increase the security and reliability of water supplies to customers and communities of NSW.

Customer water transaction and information services

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

Where we operate

WaterNSW provides bulk water delivery and other services daily to tens of thousands of customers across NSW. We also manage our extensive operational assets, water monitoring and metering networks.



What guides our business

WaterNSW's activities are guided and regulated by:

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

Water NSW Act 2014

The *Water NSW Act 2014* establishes WaterNSW and primarily focuses on WaterNSW's principal functions, namely: to capture, store, release and supply water with appropriate standards of quality; the management and protection of, education of community, and research about catchment areas and works; and the promotion of public health, public safety and the protection of the environment.

Water Management Act 2000 and the Water Act 1912

The *Water Management Act 2000* controls the extraction of water, the use of water, the construction of works and the carrying out of activities on or near water sources in NSW. It will eventually entirely replace the *Water Act 1912*, which remains in force in some areas of NSW. The objectives of the *Water Management Act 2000* are to provide for the sustainable and integrated management of the state's water sources. WaterNSW is conferred certain functions of the Minister administering the *Water Management Act 2000* and the *Water Act 1912* through our operating licence.

Protection of the Environment Operations Act 1997

The *Protection of the Environment Operations Act 1997* is the primary NSW statute regulating pollution of the environment. Its objectives include the protection, restoration and enhancement of the environment; providing public access to information about pollution; and reducing risks to human health and the environment. Of relevance for WaterNSW, it 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. WaterNSW also has functions in relation to the Sydney Catchment under the Act, including regulatory powers.

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. WaterNSW also has obligations to undertake environmental assessment under the Act, including when exercising our conferred functions and constructing/operating our water supply works such as dams and weirs.

Dams Safety Act 2015

The objectives of the *Dams Safety Act 2015* are to: ensure that the risks associated with prescribed 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. The Act applies to all major dams owned and/or managed by WaterNSW.

Biodiversity Conservation Act 2016

The *Biodiversity Conservation Act 2016* focuses on the maintenance of a healthy, productive and resilient environment consistent with the principles of ecologically sustainable development (as described in the *Protection of the Environment Operations Act 1997*) and principally applies to WaterNSW when undertaking environmental assessment.

Biosecurity Act 2015

The *Biosecurity Act 2015* regulates the control of pests and invasive plants. It also seeks to protect the health and safety of animals and plants from invasion of potentially harmful species. This is applicable to WaterNSW as a responsible landowner and manager.

Local Land Services Act 2013

The *Local Land Services Act 2013* regulates the management of rural land (including land clearing) and is applicable in the context of WaterNSW's significant portfolio of regional properties.

Key changes in principal legislation

Water Management Act 2000

The *COVID-19 Recovery Act* 2021 amended section 338B of the *Water Management Act 2000* to permit an appointed authorised officer to require answers using, for example, a telephone or an audio-visual link which may include video conferencing. The provisions mirror those previously contained in the *COVID-19 Legislation Amendment (Emergency Measures – Miscellaneous) Act 2020*, which were repealed on 13 November 2020. The provisions of the *COVID-19 Recovery Act* 2021 applied until l 31 March 2022 and were given permanent effect from 1 April 2022 by operation of the *COVID-19 and Other Legislation Amendment (Regulatory Reforms) Act 2022*.

Water Management (General) Regulation 2018

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

- floodplain harvesting licences and works were permitted for a brief period in early 2022 before the instruments permitting the change were disallowed. WaterNSW's role included undertaking the administrative steps to issue these approvals in accordance with determinations and assessments undertaken by the Department of Planning and Environment during that brief period
- advertising requirements were changed to allow for the publication of water management work approval applications on the WaterNSW website
- clarify that in circumstances where water is taken solely for domestic and stock purposes by a temporary work it is not subject to metering requirements
- allow for specific purpose access licences to be issued for unregulated river pumped hydro-electricity generation (construction and initial storage fill)
- change the reporting requirements for water supply authorities
- amend certain mandatory requirements for water metering.

Pricing determinations

Regulatory arrangements

In 2021-22, WaterNSW was subject to:

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

In August 2021, WaterNSW formalised its notification to the ACCC pursuant to Rule 81(11) of the WCR that WaterNSW has become aware of a matter that may result in it ceasing to be a Part 6 operator under the WCR. This would transfer the regulatory responsibility of price approvals and determinations in the MDB valleys to the NSW regulatory regime under the *Independent Pricing and Regulatory Tribunal Act 1992*.

In April 2022 the ACCC issued its decision and agreed with WaterNSW's assessment. This means that from 1 July 2025, IPART will set WaterNSW's infrastructure charges for the MDB valleys and will not need an exemption under the WCR to do so.

Determinations

WaterNSW was subject to four separate pricing determinations during 2021-22. 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.

WaterNSW's budget and financial targets in the annual Statement of Corporate Intent are also set to achieve the outcomes in these decisions and determinations are met while aiming to exceed NSW Treasury's financial targets and customer expectations for service delivery.

Greater Sydney

Services we supply to Sydney Water and some councils and smaller customers in the Greater Sydney area are subject to the IPART Determination WaterNSW *Maximum prices for water supply services from 1 July 2020 in relation to Sydney Catchment Functions*, which applies until 30 June 2024.

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 major 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. Our largest customer is Sydney Water, which accounts for approximately 99 percent of WaterNSW's bulk water sales.

In November 2021 IPART advised that it had approved the joint request from the Chairs of WaterNSW, Sydney Water and Hunter Water for an extension of the existing price reviews. IPART's review of its regulatory framework for water utilities (discussed in more detail below) is scheduled to conclude in late 2022. The outcomes from the review will have significant implications for the NSW water utilities and IPART in preparing for the next round of pricing determinations. A one-year extension of the current determination was considered to have significant benefits for all stakeholders in enabling the strategic direction of the reform to be captured in the next round of determinations.

New bulk water charges for Greater Sydney will take effect from 1 July 2025 with WaterNSW required to submit a pricing proposal to IPART for new charges in mid-2024.

Rural Valleys

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 was replaced by the IPART Determination *Prices for Bulk Water Services from 1 October 2021, Water Charge Rules 2010 (Cth)/ Independent Pricing and Regulatory Tribunal Act 1992 (NSW) Final Determination, September 2021*.

WaterNSW provides rural bulk water services to around 6,300 customers including private irrigators and Irrigation companies, environmental water holders and local councils. We manage dams, pipelines and other infrastructure to meet community needs by providing water for stock and domestic users and are responsible for delivering environmental flows on regulated rivers. The NSW Government plays a considerable role in funding (in whole or in part) the costs of providing bulk water services to our rural customers.

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

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

Water Administration Ministerial Corporation

Services we supply under our conferred Water Administration Ministerial Corporation (WAMC) functions were subject to the IPART Determination *Water Administration Ministerial Corporation, Maximum prices for Water Management services from 1 July 2016* until replaced by *Water Administration Ministerial Corporation Maximum prices for water management services from 1 October 2021 - Final Determination, September 2021*. We share this revenue with the Department of Planning and Environment (DPE) and the Natural Resources Access Regulator (NRAR).

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

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

Water management charges under the Final Determination will increase by 2.5 percent per year (before inflation) and a maximum of 10.4 percent (before inflation) over the four year period based on IPART's assessment of customer affordability.

Wentworth to Broken Hill Pipeline

Services we supply to Essential Water and a small number of landholders near Broken Hill for the Murray River to Broken Hill Pipeline are subject to the maximum prices under the IPART Determination *WaterNSW Prices for water transportation services provided by the Murray River to Broken Hill Pipeline from 1 July 2019*, which applied from 1 July 2019 to 30 June 2022.

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

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

IPART's Draft Determination is to set WaterNSW's prices for a four-year period as IPART considers this provides a balance between providing price certainty for customers and allowing an earlier opportunity to manage uncertainty in water demand or WaterNSW's operating environment.

The IPART Draft Determination reduces the usage price for Essential Water and offtake customers by 3.0 percent (before inflation) in the first year of the 2022 determination period and reduces the access price for Essential Water by 21.3 percent (before inflation) and offtake customers by 16.7 percent (before inflation). The reductions are primarily driven by reductions in the Weighted

Average Cost of Capital (WACC) to reflect more recent market data and reductions in forecast energy costs of the pipeline.

In May 2022, IPART deferred the making of the final pipeline determination by six months to November 2022. New determined prices for the pipeline will take effect from 1 January 2023 for the remainder of the regulatory period (3.5 years based on IPART's Draft Determination).

IPART review of water utility regulation

About every four years IPART sets the maximum prices that Sydney Water, Hunter Water, the Central Coast Council and Essential Water can charge their customers. IPART regulates the bulk water charges that WaterNSW and the Sydney Desalination Plant (SDP) can charge to their customers and WAMC's charges for water planning, management and regulation services.

Every four to five years, IPART recommends the terms and conditions of the Operating Licences for Sydney Water, Hunter Water, WaterNSW and the SDP to the Minister for Lands and Water. IPART regulates the performance of these businesses by monitoring their compliance against their operating licences each year. IPART's regulatory framework aims to ensure the water businesses' services meet the needs of their customers and the community.

IPART completed its review of WaterNSW's 2017-2022 Operating Licence in May 2022. IPART has recommended a short two year Operating Licence commencing 1 July 2022. IPART will start a comprehensive Operating Licence review in early 2023 with a view to recommending a new licence in 2024.

In September 2020 IPART initiated a review of its framework for regulating NSW water utilities. IPART have focussed on how it regulates monopoly water businesses can be improved to lift the performance of the water sector, encourage innovation to deliver greater value to customers, and promote a customer focus in the businesses.

IPART released a draft report in May 2022. It sets out several improvements including broadening the focus of IPART pricing reviews so that water businesses promote customer value, cost efficiency and credibility over the short- and long-term; tailor IPART's assessments based on how well each business promotes customer expectations, providing more flexibility for the business to deliver for customers; and reward businesses for delivering customer value, while keeping them accountable for meeting their commitments to customers.

Submissions on IPART's Draft Report are due in August 2022 with a Final Decision expected in November 2022. IPART will use the new framework for the next pricing reviews for WaterNSW services.

Corporate strategy

Our new corporate strategy was launched in July 2021 to build a stronger WaterNSW and ensure we remain a successful, trusted and respected member of the NSW water sector. The strategy will guide our business over the next four years. Our corporate strategy is underpinned by four key themes:

- excel in delivering of our core operations
- work tirelessly to support our customers and regional communities
- take an environmental, social and governance (ESG) mindset to all that we do; and
- ensure greater collaboration with all our stakeholders, playing our part to effectively plan and manage sustainable, secure and healthy water resources.

Our strategic priorities reflect what is important to our stakeholders, customers and communities.

Key Strategic Initiatives

Several strategic initiatives were launched this year. These initiatives were designed to reshape our organisation and drive the achievement of our strategic objectives.

WaterNSW will start to realise the benefits of these initiatives in 2022-23 and work will continue to ensure benefits are realised and embedded over the life of the Corporate Strategy.

Delivering operational excellence

WaterNSW has deep expertise in technical and operational elements of water delivery. We will continually extend this expertise to deliver safe, reliable and affordable water management and delivery.

Business Transformation Program

This initiative will align our business operating model with the corporate strategy and improve operational effectiveness and efficiency.

The design of our new operating model and cost transformation program began in August 2021 with a diagnostic exercise to determine the organisation and cost structures required to deliver our strategic objectives and align our cost structure to IPART determinations.

Our new operating model was launched in May 2022 with the announcement of the new Executive Team. This was followed in August 2022 by the appointment of Clair Cameron as Executive Manage Corporate Affairs. The remainder of the organisation design and operating model systems and processes will be implemented in 2022-23.

Cost savings as a result of the cost transformation program will begin to be realised in 2022-23.

WAVE Water Added Value Environment

WAVE will transform the operation of WaterNSW through updated, digitally integrated systems. WAVE will significantly improve our interactions with customers, our ability to make data driven decisions and provide information to our broader community and specialised stakeholders. Work on the WAVE program began in 2020-21 and will be completed in 2022-23.

Our new Customer Portal was launched in August 2022. This was the result of extensive system foundational work by teams from across WaterNSW and multiple agencies including the Department of Planning and Environment - Water and the Natural Resources Access Regulator.

The Customer Portal has been designed with the user in mind, ensuring that doing business with us is fast, efficient and user-friendly. The portal can be accessed on our website at waternsw.com.au/customer-service/customer-portal.

The first feature of the Customer Portal is basic landholder rights (BLR) bore application. This allows customers to apply, pay for and track BLR applications online. This feature has already reduced time to process applications by 50 percent and has the potential to reduce the time that customers spend on applications by up to several weeks.

We will continue to improve our online services with the addition of even more functionality, such as:

- applying for a water access licence, work approval and other licensing applications
- ordering and trading water
- checking your water account balance
- submitting meter reads
- viewing and paying your WaterNSW bills. Coming releases include water licence applications, viewing water account balances, ordering and trading water, meter reads, other licencing application types and paying bills.

The WAVE program has also upgraded and rationalised systems to ensure timely, accurate and reliable acquisition and publishing of water data, and the selection of new groundwater Internet of Things (IoT) devices that when rolled out will significantly improve our efficiency.

Building a sustainable future

WaterNSW will play our part in creating a more resilient water system. One which enables thriving communities and healthy ecosystems, whilst reducing our environmental footprint – so we don't cost the earth.

ESG Strategy and Action Plan

This initiative will focus WaterNSW on meeting sustainable environmental, social and governance objectives. It will recommend new initiatives and bring together many existing initiatives including Inclusion and Diversity, Reconciliation Action Plan and Climate Adaptation Strategy. It will also place them in the context of the 17 United Nations Sustainable Development Goals in line with global businesses, Water Services Association of Australia and other Australian water utilities.

The ESG Strategy and Action Plan was endorsed by WaterNSW's Board following consultation and engagement with both internal and external stakeholders. The Plan includes eight focus areas:

- inclusion and diversity (go to Inclusion and Diversity Program for more information)
- Reconciliation Action Plan (go to Reconciliation Action Plan for more information)
- wellbeing of employees and others
- net zero emissions
- waste reduction
- climate change adaptation
- Ethical Sourcing
- Land and Water Use and Management.

We are now developing a roadmap to implement the ESG Strategy and Action Plan. The roadmap will include building program plans, implementing key initiatives, customer consultation regarding program initiatives for input to IPART determinations, and a framework for reporting our ESG progress.

Developing our people and capabilities

WaterNSW will develop and employ a diverse, high performing workforce. One that is responsive to the needs of our customers and the communities we serve.

Inclusion and Diversity Program

This initiative will help WaterNSW create a diverse, high performing workforce and will support the social obligations of our ESG strategy.

The Inclusion & Diversity program is a detailed plan of how we're going to create a WaterNSW that is safe, respectful, inclusive and diverse – a place where everyone belongs. By creating an inclusive and diverse workplace, our people will feel valued and respected, and our workforce will reflect that of our customers and the communities that we live and work in, which will enable us to truly deliver on our purpose of water, delivered when and where it matters.

Respect is our Inclusion and Diversity Program, which includes:

- developing of a strategy and plan
- monitoring progress against key targets
- promoting awareness, understanding and appreciation
- fostering an inclusive and equitable workplace culture
- growing the diverse representation of our workforce to reflect the communities we operate in.

The program started by forming an Inclusion and Diversity Council of employees representing the diversity of our workforce. The council was instrumental in developing a strategy centred on themes of belonging, empathy, diversity and competency to deliver a safe respectful, inclusive and diverse WaterNSW. Focus areas and foundation activities were identified for each theme.

Since commencement of the program in October 2021, achievements include developing and implementing communications and stakeholder engagement plans, establishing an Inclusion and Diversity Champions Network, employee training, aligning the Inclusion and Diversity Plan with our Reconciliation Action Plan, reviewing recruitment and onboarding processes, activities to recognise and celebrate our broad diversity, and recommendations for key external partnerships such as Pride in Water.

Our People Strategy

This initiative supports the corporate strategy by ensuring WaterNSW has the right culture, the right people with the right capabilities at the right time.

The People Strategy will define how our corporate strategy will be delivered through our people. It will set the direction, priorities and steps required to achieve a strong performance culture that is reliable, responsive and strives for excellence.

The People Strategy is being developed through consultation with the Executive and Senior Leadership teams.

Respected by the customers and communities we serve

WaterNSW aim to be even more trusted to support the social, cultural and economic prosperity of our customers and communities. We will deliver this through transparent decision making and having a greater community presence.

Corporate Affairs Plan

This initiative aims to improve our engagement with customers and our broader community and stakeholders by building a framework that will support our social licence to operate and broader community and government collaboration.

The Corporate Affairs Plan includes a detailed list of initiatives that is being actioned, measured, and continually improved through regular customer and stakeholder sentiment research which to date has led to significant improvement in our performance.

There is more work to be done to ensure we are meeting the expectations of our customers and communities not just now but into the future and we are on track to deliver ongoing sustained improvement.

Reconciliation Action Plan

Our Reconciliation Action Plan is the WaterNSW structural approach and commitment towards Aboriginal Engagement, Reconciliation, and Cultural Heritage. It will drive a positive and culturally appropriate approach for our business and the delivery of services to communities throughout NSW. It will also outline the organisation's broader commitment to working with and engaging with Aboriginal communities and will support better outcomes in terms of Aboriginal employment, training and procurement.

Our Reconciliation Action Plan working group was formed in June 2021 consisting of Aboriginal and Torres Strait Islander community members, and some representatives from WaterNSW. The Working Group was instrumental in the development of our first Reflect plan that was endorsed by Reconciliation Australia and formally launched in March 2022. Since then, significant effort has been made to progress initiatives across the business to develop foundational capability within the organisation to make further steps into the future that will support our reconciliation journey and outcomes for first nations communities.

Working together in partnership

WaterNSW is committed to working together in partnership with our stakeholders to manage sustainable, secure and healthy water resources.

Water sector reform

WaterNSW is committed to working together in partnership with our stakeholders to manage sustainable, secure, and healthy water resources. Through this program of work, we are continuing to engage constructively, promoting a collaborative and coordinated approach in our contribution to Government led initiatives aimed at lifting the performance of the water sector.

This initiative was originally initiated in response to the Greater Sydney Water Sector reforms proposed by the State government and has since evolved in line with our corporate strategy to include activities under the Town Water Risk Reduction Program and other state government water reform initiatives.

Statement of expectations

WaterNSW's Shareholding and Portfolio Ministers issued a Statement of Expectations (SoE) for WaterNSW in April 2022. The SoE was developed by NSW Treasury in consultation with WaterNSW. The SoE's purpose is to help WaterNSW ensure our strategic direction aligns with the NSW Government's expectations and clarify the Government's key priorities. The Statement of Expectations is available at waternsw.com.au.

Our Corporate Strategy is strongly aligned to the SoE through our strategic priorities and the delivery of our strategic initiatives. This is summarised in the table below.

Government expectation	WaterNSW strategic priorities	WaterNSW strategic initiatives
Align with Government's strategic planning	• Respected by the customers and community we serve • Working together in partnership	• Customer and community engagement program • Supporting Water sector reform
Strive for excellence in customer service and experience	• Delivering operational excellence • Developing our people and capabilities • Respected by the customers and community we serve	• Business and cost transformation • WAVE • People strategy • Customer and community engagement program
Build trust with the community and stakeholders	• Delivering operational excellence • Building a sustainable future • Respected by the customers and community we serve • Working together in partnership	• Business and cost transformation • WAVE • ESG strategy • Reconciliation Action Plan • Customer and community engagement program • Supporting Water sector reform
Focus on environmental outcomes	• Building a sustainable future	• ESG strategy
Minimise cost of living pressures	• Delivering operational excellence • Respected by the customers and community we serve	• Business and cost transformation • WAVE • Customer and community engagement program
Ensure the Government's investment of its capital is used efficiently	• Delivering operational excellence • Respected by the customers and community we serve • Working together in partnership	• Business and cost transformation • Supporting Water sector reform
Deliver services safely	• Delivering operational excellence	• The Next Safety Frontier
Maintain high standards of public accountability and corporate governance	• Building a sustainable future • Respected by the customers and community we serve • Working together in partnership	• ESG strategy • Customer and community engagement program • Supporting Water sector reform
Ensure robust procurement and employment practices that support the economic and social outcomes of the state	• Developing our people and capabilities • Respected by the customers and community we serve • Working together in partnership	• Inclusion and Diversity program • People strategy • Supporting Water sector reform

Operations

Managing floods

At WaterNSW, the primary purpose of our dams is to secure water for dry times. When these storages have been drawn down to supply water, they can then capture water during wet periods and floods, so they often reduce flooding in the first wet period after a drought. The purpose of the Greater Sydney dams is to secure water only, while our regional gated dams are also able to mitigate floods. We can only undertake flood mitigation and management where we are authorised to do so.

Flood operation objectives are to reduce releases during rainfall events, to allow downstream tributary inflows to pass before making releases from the storages, with the aim of reducing the flood peak downstream. It is important to note that while flooding may be occurring downstream of the dam, this is not necessarily caused solely by dam releases.

WaterNSW works closely with the Bureau of Meteorology (BoM) and State Emergency Service (SES) to reduce flood impacts by managing the release of water from the relevant dam/s. We also engage with local stakeholders such as councils, SES, police, irrigator groups and others through the Airspace Reference Panels to advise and inform airspace targets.

Airspace is the difference between the actual volume of water in storage and the volume when full. Airspace is used to capture a proportion of the water flowing into storages while there is flooding from the other tributary streams to the river below the dam. This lessens flood damage for the communities below the dam as the flood inflows to the dam don't combine with the flood in the rivers downstream of the dam. The airspace can then be re-gained by scheduling safe releases from the spillway after the downstream flooding has subsided. The target airspace is limited to the amount of water reasonably expected to refill the dam before water is next needed for supply.

While the BoM and SES are responsible for flood warning communications, WaterNSW also provides the Early Warning Network. This is a free service that gives up-to-the-minute information on dam releases. You can sign up to the network by visiting our website at waternsw.com.au/supply/ewn.

While the impact of flooding has been experienced across the state, the case studies below highlight the significant contribution of WaterNSW to managing these events.

Murrumbidgee dams

In the past 12 months, Blowering and Burrinjuck dams have received more water than each storage can hold. Much of this water has been safely released downstream by WaterNSW's dam operators through carefully managed airspace releases.

Blowering and Burrinjuck Dams are not dedicated flood mitigation dams; they are supply dams to support local communities and farmers for the long-term. WaterNSW operates these dams to provide as much attenuation to flooding where possible in consultation with the community and stakeholders who rely on these dams in both wet and dry times.

Menindee Lakes

Menindee Lakes are a series of lakes along the Darling River about 110kms south-east of Broken Hill. Located in a semi-arid area of NSW, six of the lakes have been developed into water storages. WaterNSW manages the water in Menindee Lakes and works within the Water Sharing Plan rules to balance the priorities of the community and other stakeholders.

Since the start of 2022 WaterNSW has received over 4,900GL of inflow, causing the lakes to stay above full supply level. In the last ten years, the lakes have gone above full supply level only three times in 2021, 2021 and 2022.

To manage these significant inflows, WaterNSW has:

- regularly engaged with the community, irrigators, State Emergency Service, NSW Department of Planning and Environment, Local Emergency Management Committees, local councils and NSW Police via various stakeholder and operational meetings
- increased releases at Weir 32 to as high as possible without exceeding moderate flood level. This allows as much water as possible to reach the floodplain while preventing flood damage and access issues in Menindee town.

Our management has kept the lakes safe by maintaining the lakes levels below the maximum induced surcharge level, avoiding significant flooding impacts to Menindee and surrounding towns, passing huge inflows that have environmental benefits downstream, respecting community concerns, and keeping the lakes full for water security.

Greater Sydney

Warragamba Dam has a catchment of over 9050 square kilometres and significant rain events and subsequent inflows saw the dam spill continuously for over eight months from November 2021 to June 2022. The rain across the catchment and inflows have been some of the highest ever recorded since the Warragamba Dam was completed in 1960. The scale of the inflows into the catchment has greater than the entire storage volume of Warragamba Dam.

A number of factors influence climatic variations of the Greater Sydney supply catchments. The current wet period is related to warmer oceans above the northern part of Australia which is associated with La Niña weather pattern. The strength and impact of these weather patterns vary significantly. The previous strong La Niña event in 2010-2012 only produced one drought breaking inflow in March 2012. However the past year has seen one of the wettest years on record across NSW.

From March 2021 to June 2022 more than 4,021 gigalitres (GL) has flowed into the dam. This is more than double the entire storage capacity. In one rain event in July 2022 more than 1,100 GL of water entered the storage - more than 50 percent of the entire storage volume over the period of a single week. Our teams responded incredibly well to these flood events, working closely with the State Emergency Service (SES) and Bureau of Meteorology (BoM).

The events have had significant impacts in the community and also on the quality of water in Warragamba Dam. Public interest and commentary about our dam operations has been significant and a constant in both the media and government, particularly given the work being undertaken regarding the proposed Warragamba Dam Wall raising project. We support the SES with information for community updates and engage with key stakeholders on the Warragamba Dam operations.

Warragamba Dam was designed as a water supply dam, not a flood mitigation dam. WaterNSW is not permitted to lower the storage level of Warragamba Dam as it is a water supply dam supplying up to 80 percent of Sydney's drinking water. Even if it were permissible to lower the storage, for example by five metres, the scale of some of the inflows from rain events this past year would have filled that within a day before it would then spill into the Nepean River.

Our teams monitor and test the storages through these events to assess water quality. Offtake levels are changed when needed, enabling us to continue to meet our water supply agreement with Sydney Water through these major flood events. We expect the turbidity in the dam will gradually settle out from the surface layers in coming months, however other water quality risks may emerge when these waters begin to warm in spring, such as algae.

Scientific modelling tools and on-line monitoring greatly assist in complex operational decisions to provide optimal quality water for supply. Alternative supply sources such desalination and other supply dams are in use to reduce the dependency on Warragamba supply should water quality impacts continue through ongoing rain and flood events.

Warragamba Dam raising

Major flooding can happen in the Hawkesbury-Nepean Valley at any time. Extreme weather events often strike without warning, making it important that we prepare for such events now and into the future.

In May 2017, the NSW Government released the Hawkesbury-Nepean Valley Flood Risk Management Strategy 'Resilient Valley, Resilient Communities.' The Strategy is a long-term plan to minimise significant risks to life and livelihoods, damage to urban and rural property, and the major dislocation of economic activity from rapid, deep flooding. It provides the framework for government, councils, businesses and communities to work together to reduce and manage flood risk in the valley.

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

While a range of other infrastructure and non-infrastructure outcomes are included in the strategy and must be part of the solution for managing ongoing risk, no other mitigation measures can achieve the same risk reduction as the Warragamba Dam Raising Proposal.

WaterNSW, as owner and operator of the dam, is consulting widely about the effects and benefits of the proposal to inform the environmental assessment, concept design and, subject to all planning approvals, a business case to assist decision-making in 2022 about whether to proceed with these major flood mitigation works.

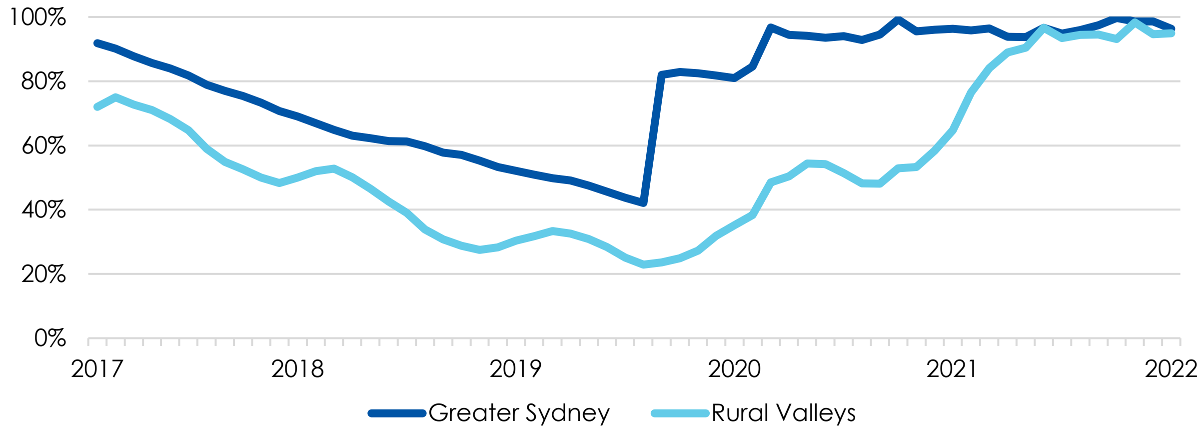
WaterNSW has completed the detailed concept design of the raised dam and submitted the Environmental Impact Statement (EIS) to obtain environmental planning approvals on behalf of the NSW Government. Following completion of the EIS public exhibition in December 2021, WaterNSW is preparing a response to submissions and preferred infrastructure reports for submission to the Department of Planning and Environment (DPE) for their determination.

WaterNSW are providing requested details to questions raised through the EIS submission process. This will provide greater clarity on the extent of potential impacts that can be attributable to the incremental change by the project as compared to the impacts that occur now from the existing dam flood events.

The proposal to raise the Warragamba Dam wall was declared Critical State Significant Infrastructure by the NSW Minister for Planning in October 2022 as it is deemed essential to NSW for economic and social reasons. The project is still subject to the stringent planning processes, significant assessments and reviews before it can go ahead. The major change under the declaration means the Minister for Planning Anthony Roberts will make the final decision on the planning approval.

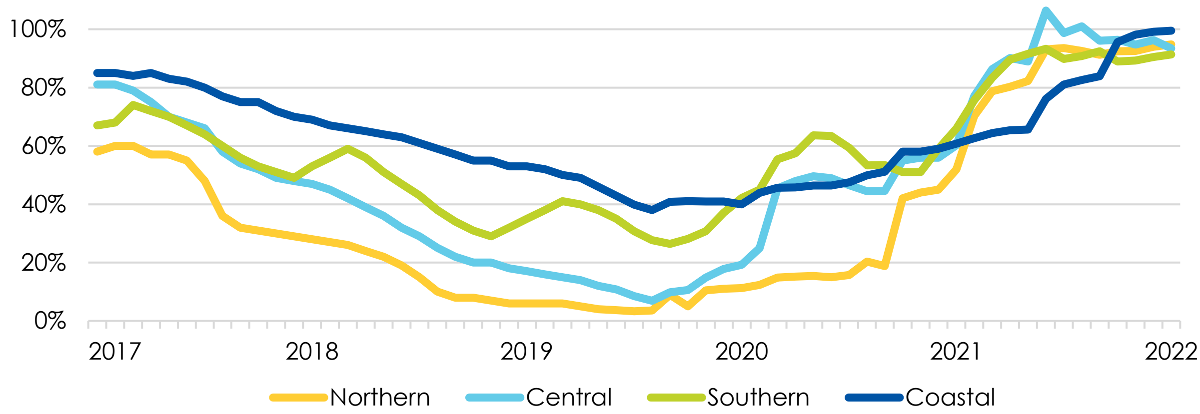
Storage levels

Storage levels - 30 June 2017 to 30 June 2022



	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Greater Sydney	91.8%	69.0%	52.1%	81.0%	96.3%	96.3%
Rural Valleys	72.0%	50.0%	30.4%	35.2%	64.7%	94.9%

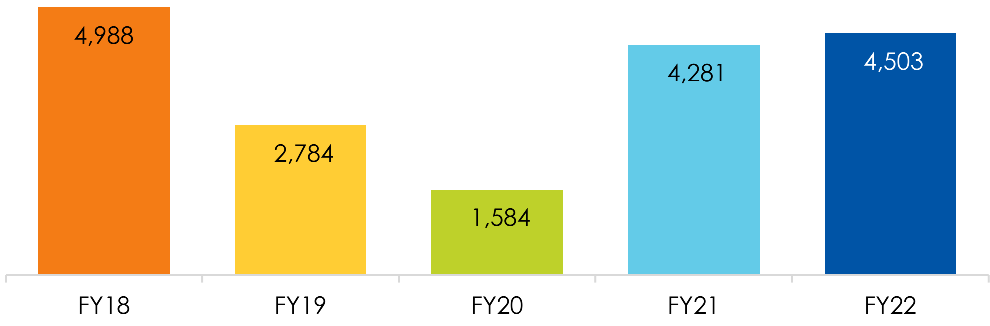
Storage levels - 30 June 2017 to 30 June 2022 - Rural Valley grouping



	30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22
Northern	58%	28%	6%	11%	51.9%	94.8%
Central	81%	47%	17%	19%	60.2%	93.4%
Southern	67%	53%	35%	42%	65.9%	91.4%
Coastal	85%	69%	53%	40%	60.8%	99.5%

Water sales

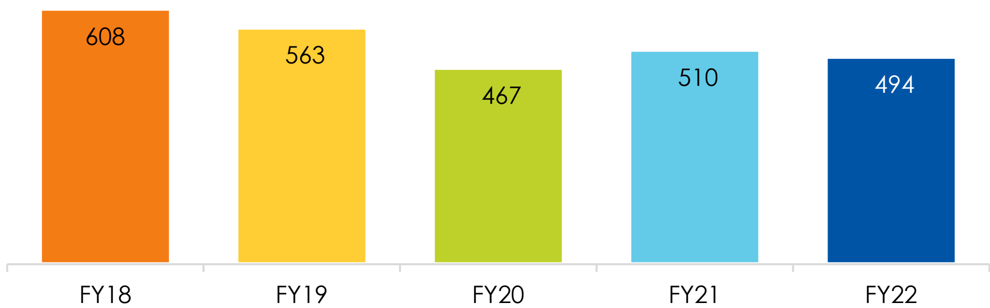
Rural Valleys water sales volumes (gigalitres)



Rural water sales improved on the prior year as availability increased following drought breaking rain. The volume of water received smaller orders as most farm storages were full for large parts of the year. Water usage was driven by preparation for summer cropping returning to slightly below normal levels across the state with a later than usual harvest due to persistent rains and weather conditions.

Water sales volumes for 2021-22 were 5.2 percent higher than the previous year, with revenue of $65.8 million favourable to budget by $0.7 million.

Greater Sydney water sales volumes (gigalitres)



Water sales volumes were impacted by regular rain and weather patterns. Water quality was a significant challenge throughout the period due to the volume of inflows and nutrients to the storage. The Sydney Desalination operated at minimum levels during the year, supplying 22.2 GL to assist with mitigation of water quality issues if they arose.

Water sales volumes for 2021-22 were 3.3 percent lower than the previous year, with revenue of $198.6 million unfavourable to budget by $1.9 million.

Science program

The 2021-2025 Science Program provides a road map on how science projects will be prioritised and implemented to ensure alignment to strategic objectives. The program targets research to inform strategic direction, mitigate priority risks and enable safe and effective operations. WaterNSW is expecting to invest $10 million over a five year period on the Program. The program started in 2021.

The Science Program has identified two strategic priorities: Catchment Resilience and Integrated Water Management. Each priority delivers specific research goals to ensure out regulatory obligations are met whilst delivering the highest benefit to our customers, stakeholders and communities.

Catchment Resilience

WaterNSW understands how catchment health and water quality work together to ensure a safe drinking water supply. WaterNSW has the knowledge to best manage and protect the catchments in a changing climate.

Research Goals

1. Develop WaterNSW specific catchment health indicators to understand how the catchment is changing under different climatic and anthropogenic pressures.
2. Identify top risks to catchment health due to changing climate and anthropogenic pressures.
3. Understand the impacts of wildfire on water quality and effective fire remediation to protect water quality.
4. Understand the impacts of extended drought on catchment health and water quality.
5. Understand the impacts of mining on catchment health and water quality.

Integrated Water Management

WaterNSW understands how environmental and supply change impacts water quality. WaterNSW is committed to enhancing water quantity without compromising water quality.

Research Goals

1. Understand the relationship between lake ecology and water quality and the impact of supply security strategies.
2. Develop and improve inputs required for the WaterNSW Water Quality Model to support decision making and reduce uncertainty.
3. Improve understanding of cyanobacteria bloom formation and strain dominance to increase ability to predict blooms.
4. Improve the efficiency of cyanobacteria monitoring.

The Science Program is being delivered using a combination of internal resources and partnerships with industry bodies such as Water Research Australia and collaborative research centres for industry.

During 2021-22 WaterNSW:

- developed strategic research roadmaps on mining, bushfire impacts and cyanobacteria to identify and address gaps in our understanding of their impacts and support the development of mitigation strategies
- reviewed the current state of knowledge of catchment health indicators and identified enhanced indicators that allow changes in catchment health to be tracked and early mitigation strategies to be proactively implemented
- trialled and implemented novel remote sensing technology with real-time monitoring of natural organic matter in Lake Nepean to inform operational decision making when optimising water supply for treatment
- investigated taste and odour events leading to recognition of new taste and odour chemicals and a taste and odour producing diatom, improving our ability to monitor and respond to such events

Integrated Water Quality Model

WaterNSW is developing an Integrated Water Quality Model (IWQM) for our Greater Sydney supply system. When finished, the IWQM will be a series of linked models covering all the catchments, dams and supply networks which WaterNSW operates in Greater Sydney. The IWQM is a multi-year project which started in 2020 and is expected to run until 2024.

The IWQM will enable WaterNSW to visualise the quantity and quality of water throughout the catchments and storages. Outputs from the model will support incident responses during major rainfall events, improve our ability to identify and evaluate catchment interventions, and assess future scenarios such as climate change and bushfires.

The project will upgrade and link existing models, develop new models where appropriate, and make results available through an operational interface and dashboard. The IWQM will harness the many datasets held by WaterNSW and draw on the expertise in specialist modelling, information and communications technology, operations and science.

Progress on the IWQM includes development and calibration of several new catchment models, upgrade of some existing lake models, linking catchment and lake models, establishing data flows and dashboard design. While in the early stages, the models and operational tools developed have been tested and used effectively during numerous rainfall events in 2021 and 2022.

Streamlining assessment of groundwater bores

WaterNSW has developed a unique application to capture and analyse critical field data to enhance asset performance and maintain reliable service delivery to our customers. While the application is currently used for groundwater monitoring bores, it has the potential to be used for inspection of any WaterNSW asset.

The app enhances the quality of data collected through the use of pre-defined questions and easy-to-fill answers. The form used to gather data has in-built validation and allows for upload of photos to ensure data is recorded against the correct location. The data collected builds a reliable dataset of where assets are located and how to access them, saving time and improving safety for future visits.

Data collected by the app is published in real time in a Groundwater Assessment Dashboard, which presents analytics on the condition of the monitoring network and staff productivity. These insights enable managers to make more informed decisions on risk and safety factors. The app also collects data to assess sites for telemetering, potentially reducing the need for manual data collection in the future.

Mining principles

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

The NSW Department of Planning and Environment, Independent Planning Commission and the Division of Resources and Geosciences are responsible for assessing and approving State significant development mining activities and associated titles. WaterNSW has no legislated powers to control or stop mining in the declared catchments, but as the partial owner and joint manager of the Special Areas we provide advice to regulators, agencies and the mining companies. We also hold the subsequent mining operations to account for all impacts which significantly harm our values (principally water quantity, water quality and ecological integrity).

WaterNSW maintains effective relationships with the Department of Planning and Environment, other key government agencies and mining companies to ensure the timely assessment of works and to seek better environmental outcomes consistent with the Mining Principles and management of the Special Areas.

In February 2021 the Independent Planning Commission of NSW concluded that the proposed Dendrobium Mine Extension Project would have unacceptable environmental impacts in the Metropolitan Special Areas and refused the project. The Commission acknowledged our assessment and objection to the proposal as it was not consistent with the Mining Principles.

In December 2021, an amended Dendrobium Mine Extension Project plan was submitted to NSW Department of Planning and Environment. The WaterNSW team undertook further assessment of the amended project's Environmental Impact Statement and submitted a review that again raised concern about the proposal's potential to impact on the safety of Avon Dam, and the potential for long-term impacts to the catchment water resources and ecological integrity of the Metropolitan Special Area.

The mining company chose to withdraw the Dendrobium Mine Extension Project in August 2022, stating they would focus on their existing areas of operation.

Relationships

Customer response

Customer complaint volumes continued to be low in 2021-22 as a percentage of total customer and stakeholder interactions with WaterNSW. The introduction of business-wide intranet capability for all staff to be able to register a complaint or expression of dissatisfaction quickly and easily has improved the coverage of the total complaints captured.

WaterNSW reports on complaint management performance each month with a focus on timely and effective resolutions for our customers, while considering any insights. Front line employees also complete annual complaint management training.

If a customer is dissatisfied with the resolution, they are recommended to contact the Energy and Water Ombudsman of NSW and request an independent review of the matter.

The WaterNSW Compliments & Complaints policy is available on our website to view and is regularly reviewed and updated.

	2018-19	2019-20	2020-21	2021-22-21
Customer complaints outstanding on 1 July	147	3	2	15
New complaints received	82	73	98	215
Complaints resolved/closed	226	74	84	208
Customer complaints outstanding on 30 June	3	2	15	22

IPART pricing engagement

WaterNSW undertakes extensive customer engagement as part of its commitment to customer service and better understand the needs of our varied customers across NSW. Our engagement with customers includes pricing determinations, operational activities, major projects, business operations and water delivery.

In July 2021 WaterNSW designed and implemented a deliberative customer engagement framework called Customer Conversations to better understand customer priorities with elements that impact pricing decisions. Feedback from this exercise will form the basis of the ongoing customer engagement into the future.

The Customer Advisory Groups (CAGs) played a core role in our pricing engagement for the latest IPART pricing determination, with 17 valley specific pricing meetings and 30 CAG meetings contributing to the WaterNSW pricing proposals. As a result of customer feedback, WaterNSW changed the planned Customer Juries approach for the period to better reflect customer needs and engagement preferences.

Work is already underway on how we can build and expand this engagement and consultation as WaterNSW moves into the IPART pricing submission for 2024, and how we can include best practice approaches from across Australia. We will also improve our engagement with IPART to help them understand the complexities and expectations of our diverse customer base. The NSW water sector is significantly different to other jurisdictions, and we need to develop the best engagement approach, in collaboration with customers, to inform IPART in gaining better understanding of both the work done to date and our plans being developed already this year for the next determination.

IPART proposed a new regulatory framework in May 2022 following consultation with stakeholders. This framework seeks to embed customers at the heart of our decision making. Considerations in developing our future engagement plans will be based on the heightened expectation for water businesses outlined in the IPART regulatory framework, building on existing engagement channels and establishing the extent and scale of additional forms of engagement. This will be critical to developing deeper and more sustained relationships with stakeholders as outlined in our Corporate Strategy.

Significant judicial decisions

WaterNSW v Harris

WaterNSW brought one charge 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 *Water Management Act 2000*.

The charge alleged that between 22 June 2016 and 27 June 2016 (the charge period), at the property known as Beemery Farm located at Brewarrina, the Defendants took water in contravention of a term or condition of an approval, issued under the *Water Management Act 2000*, which they jointly held.

On 19 March 2020 the LEC convicted the Defendants. The Defendants appealed to the NSW Court of Criminal Appeal (CCA). On 9 August 2021 the CCA dismissed the appeals. The Defendants subsequently sought special leave to appeal to the High Court of Australia (HCA). On 9 December 2021, the HCA dismissed the appeals.

The proceedings are now back before the LEC with a sentencing hearing listed in November 2022.

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 *Protection of the Environment Operations Act 1997*. The alleged offences relate to the excavation of a road about 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 on the basis of duplicity and uncertainty. The application was dismissed by the LEC on 20 December 2019 and the Defendants subsequently appealed the decision to the CCA.

The CCA upheld the appeal, setting aside the orders of the LEC, and stayed the proceedings until such time as WaterNSW elected and particularised a single offence for each summons. After doing this, on 31 January 2022 WaterNSW was granted leave by the LEC to rely on its amended summonses. The Defendants appealed this decision to the CCA. The appeal was heard on 10 August 2022 and the CCA has reserved its decision.

Legislative powers exercised

WaterNSW Act 2014

Section	Function exercised	2019-20	2020-21	2021-22
68	Entered onto land to check compliance with Act	6	8	5
69	Issued search warrants	0	0	0
70 (1) & (5)	Require a person to answer questions	5	1	1
71	Issue a notice requiring a person to provide information and records	2	53	60
73	Require a person to state name and address or produce driver's licence	12	8	6
74	Require an owner of a motor vehicle and others to give information	138	179	45
77	Issue a catchment correction notice	0	0	0
81	Issue a catchment protection notice	0	0	0
	Direct a public authority to take corrective action	0	0	0
86	Issue compliance cost notice	0	0	0
102	Issue penalty notice	90	143	77
61 (10)(a)(iv)	Commenced prosecutions for offences against the *Water NSW Act 2014* or regulations and the outcome of prosecutions	0	0	0

Protection of the Environment Operations Act 1997

Section	Function exercised	2019-20	2020-21	2021-22
91	Clean-up notices	0	9	3
96	Prevention	0	0	0
104	Compliance cost notices	0	0	0
192 & 193	Requirements to provide information and records	0	2	5
203	Requirements to answer questions	1	0	0
	Prosecutions commenced	0	0	0
	Penalty infringement notices issued	1	0	1
	Warning letters issued	0	0	6

Environmental Planning and Assessment Act 1979

	2019-20	2020-21	2021-22
Number of development applications assessed	141	151	150
Proportion (of total received) of development proposals assessed within statutory timeframes	100%	100%	98%
Proportion (of total received) of development proposals where concurrence withheld	0%	0%	0%

Access to information

Government Information (Public Access) Act 2009

Proactive release of information

Under section 7 of the *Government Information (Public Access) Act 2009* (GPIA 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 2021-22 WaterNSW conducted regular reviews of the content and currency of information available on its website and welcomed any feedback from customers and members of the general public to make accessing our information easier.

WaterNSW's program for the proactive release of information included reviews of information held by WaterNSW that may be of interest to the public (that is, not already released proactively), GIPA applications (informal and formal) received to see what categories of information are requested, information produced in the last year that may be of interest to the public to release proactively; and the initiatives, developments or projects that WaterNSW would like the public to know about.

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

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

Applications received by WaterNSW

During 2021-22 WaterNSW received 35 valid applications under the GIPA Act. Twenty one applications were determined as shown below, with two applications transferred to another agency. The processing period for the remaining twelve applications extends into 2022-23.

Type of applicant

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm if information is held	Application withdrawn	Total
Media	-	-	-	-	-	-	-	-	**-**
Members of Parliament	-			-	-	-	-	-	**0**
Private sector business	-	-	-	-	-	-	-	-	**-**
Not for profit organisations or community groups		2	-	-	-		-	-	**2**
Members of the public (application by legal representative)	1	1	-	-	1	1	-	-	**4**
Members of the public (other)	6	3	-	3	-	-	-	3	**15**
Total	**7**	**6**	**-**	**3**	**1**	**1**	**-**	**3**	**21**

Type of application

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm if information is held	Application withdrawn	Total
Personal information applications	-	-	-	-	-	-	-	-	**-**
Other than personal information)	7	6	-	3	1	1	-	3	**21**
Part personal information applications & part other	-	-	-	-	-	-	-	-	**-**
Total	**7**	**6**	**-**	**3**	**1**	**1**	**-**	**3**	**21**

Invalid applications

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

Conclusive presumption of overriding public interest against disclosure

Public interest consideration listed in Schedule 1 of the GIPA Act*	Number of times used**
Overriding secrecy laws	-
Cabinet information	-
Executive Council information	-
Contempt	-
Legal professional privilege	2
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.

** The above public interest considerations against disclosure includes one outcome from the 2020-21 reporting period

Other public interest considerations against disclosure in Section 14 of the GIPA Act

Public interest consideration*	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	-
Individual rights, judicial processes and natural justice	7
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	**9**

* The above public interest considerations against disclosure includes three outcomes from the 2020-21 reporting period.

Timeliness of response

Response time*	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	15
Decided after 35 days (by agreement with the applicant)	6
Not decided within time (deemed refusal)	-
Total	**21**

Applications reviewed under Part 5 of the GIPA Act

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

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

** The internal review decisions and review by Information Commissioner decision includes decisions from access applications received in the 2020-21 reporting period.

Applications transferred to other agencies

	Number of applications
Agency-initiated transfer	2
Applicant-initiated transfer	-
Total	**2**

Public interest disclosure

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

WaterNSW is committed to the disclosure of wrongdoing and requires all employees to undertake awareness sessions in fraud and corruption prevention, including the Public Interest Disclosure Scheme. This commitment is further supported through the organisation's Public Interest Disclosure Procedure, titled *Reporting and Responding to Alleged Wrongdoing and Criminal Conduct* which:

- is published on WaterNSW's intranet

- establishes an internal reporting system for the purposes of the PID Act which assigns roles and responsibilities to WaterNSW and various employees in relation to PID reporting
- encourages disclosures and confirms that WaterNSW will not tolerate any reprisal against an employee who reports an incident of wrongdoing or is believed to have reported an incident of wrongdoing.

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

In addition, WaterNSW engages independent service provider as an avenue for any discloser that does not feel comfortable to report wrongdoing internally or would prefer to have a degree of anonymity around their disclosure.

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

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

Performance

Key performance indicators

Financial	Target	Actual	Drivers
Returns to shareholders[1]	$41.5 million	$35.2 million	Higher income tax due to improved EBITDA result (see below) and lower amortisation expense, partially offset by lower government guarantee fee due to lower borrowings. Dividend of $15.0 million was in line with target.
Regulated[2,3] operating expenditure	$231.0 million	$204.8 million	Lower contractor and travel expenses due to COVID-19 restrictions and floods preventing access to sites and restricting availability of staff. Lower employee-related expenses due to an increase in the discount rate used to calculate long service leave expense decreasing the expense recognised. Lower insurance costs following a decision not to renew a Rural Valley revenue volatility insurance product.
Regulated[2,3] capital expenditure	$124.8 million	$80.4 million	Lower capital expenditure due to COVID-19 restrictions and floods preventing access to sites and restricting the availability of staff, contractors and availability of supplies.
Capital structure efficiency	55.1% net debt to regulated asset base	%54.0 net debt to regulated asset base	Lower borrowings due to lower operating and capital expenditure (see above).
EBITDA[3]	$135.8 million	$152.3 million	Primarily due to lower operating expenditure (see above).

1. Returns to shareholders is comprised of dividends, current income tax, government guarantee fee (GGF) and returns of capital. The GGF is paid to NSW Treasury in accordance with competitive neutrality principles. It is based on the differential between the market rate of borrowings for a private sector business of similar risk and WaterNSW's cost of debt obtained from TCorp, which borrows using the State's credit rating.
2. Regulated expenditure is incurred in relation to pricing determinations issued by IPART.
3. Excludes $27.8 million capital work in progress write off - see the Operating expenditure section for more information.

Non-financial	Target	Actual	Drivers
Incident severity rate	Zero class 4 or 5 and no more than three class 3 incidents	Zero class 4 or 5 Two class 3	The severity rate classifies safety employee and contractor incidents by actual and potential harm. Class 3 incidents are those with the actual or potential for moderate hurt.
Overall customer satisfaction	50.7% of customers rank our service delivery as greater than 7 out of 10	45.0%	Lower performance can be linked to broad customer dissatisfaction with price increases and costs associated with metering reforms.
Quality of water available for supply	Meets agreed standards more than 97.5% of the time	Met agreed standards 99.8% of the time	Raw water quality continued to be impacted by multiple inflow events following the extensive catchment bushfires in 2019-20. Severe inflows in March 2021, March and April 2022 were managed by working with Sydney Water and NSW Health to reduce impacts on drinking water customers.
Water supply	100% of water orders rescheduled in consultation with an affected customer within one day of an expected water shortage or other delivery delay	100.0%	Zero water orders were rescheduled by WaterNSW, resulting in 100% compliance with the target.
Employee engagement	At least 62% of employees fully engaged	57% fully engaged	A Pulse Survey was conducted in June/July 2022. The overall engagement score dropped 2% compared to the 2021 result, with a participation rate of 56%.
Delivery of the corporate strategy	100% of strategic initiatives assessed as meeting expectations	87.5% assessed as meeting expectations	Milestones were missed in the WAVE, People Strategy and ESG programs. Plans are in place to ensure the timely delivery of the initiatives in 2022-23.

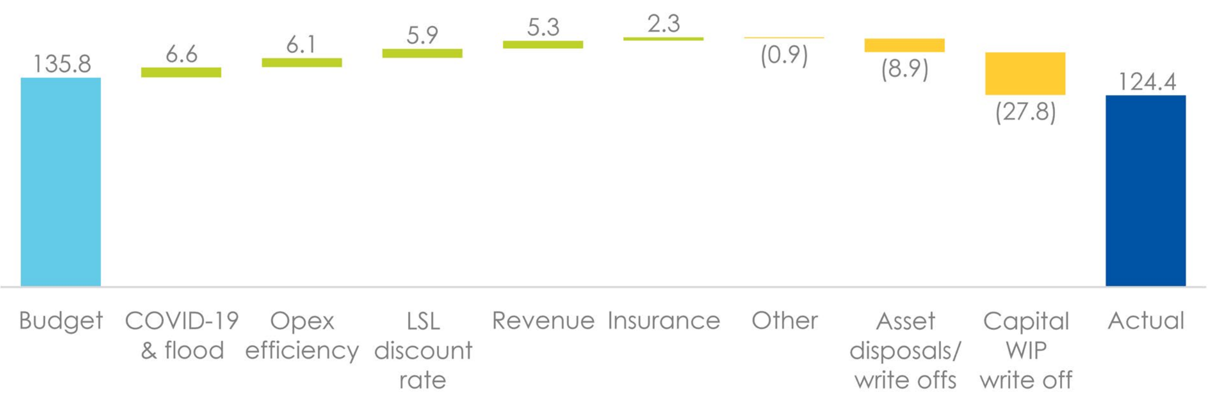
Financial

Summary of performance

	2018-19 Actual $ million	2019-20 Actual $ million	2020-21 Actual $ million	2021-22 Actual $ million	2021-22 Budget $ million	2021-22 Variance $ million	2022-23 Budget $ million
Revenue	416.4	409.3	448.9	411.8	422.1	(10.3)	434.3
Operating expenditure	(234.3)	(238.2)	(302.5)	(259.5)	(286.3)	26.8	(263.2)
EBITDA	**182.0**	**171.1**	**146.3**	**152.3**	**135.8**	**16.5**	**171.1**
Depreciation & amortisation	(60.2)	(76.6)	(82.5)	(89.3)	(93.0)	3.7	(91.3)
Interest revenue	0.5	0.4	0.0	0.2	0.2	0.0	0.2
Interest expense	(61.3)	(67.0)	(60.4)	(57.1)	(58.9)	1.8	(64.8)
Capital WIP[1] write off	0.0	0.0	0.0	(27.8)	0.0	(27.8)	0.0
NPBT excl asset revaluation	**61.0**	**27.9**	**3.5**	**(21.8)**	**(15.9)**	**(5.9)**	**15.2**
Income tax	(19.2)	(8.1)	(2.7)	6.6	4.6	2.0	(5.5)
NPAT excl asset revaluation	**41.8**	**19.8**	**0.8**	**(15.2)**	**(11.3)**	**(3.9)**	**9.7**
Asset revaluation and other gains/(losses)	38.3	(65.9)	48.7	21.1	0.0	21.1	0.0
Tax effect of asset revaluation	(8.2)	(11.5)	19.8	(6.3)	0.0	(6.3)	0.0
Net profit after tax	**83.3**	**68.6**	**(26.3)**	**(0.5)**	**(11.3)**	**10.8**	**9.7**
Capital expenditure	**(298.4)**	**(291.5)**	**(251.2)**	(83.1)	(137.3)	54.2	164.5

1. WIP - work in progress

Earnings before interest, taxation, depreciation and amortisation



Our financial performance was generally strong. This is especially pleasing given the business had to manage the impacts of COVID-19 on our operations and several flood events during the year.

Revenue

For the second year in a row our Rural Valley water sales were in line with budget expectations as our storages recover from drought. For FY2022, Rural Valley revenue was $7.2 million higher than budget expectations, with the positive variance due to higher prices and water sales across several of the valleys.

Rural Valley government contribution revenue was also higher due to funding from the Department of Planning and Environment (DPE) for capital works undertaken by WaterNSW on the Wyangala Dam Wall Raising and Dungowan Dam Projects. Responsibility for delivering these projects was transferred to DPE from 1 September 2021.

Greater Sydney water sales were slightly lower than budget as higher inflows reduced customer water consumption. Water sales were also lower due to the unexpected operation Sydney Desalination Plant, which supplied 22.3 GL. Greater Sydney revenue was $1.9 million lower than budget expectations.

Operating expenditure

A key focus for 2021-22 was the development and implementation of our cost transformation program. We achieved savings by delivering operational efficiencies via changes to work practices, using technology and collaboration tools to reduce travel, and consolidating our properties together with negotiating improved lease terms.

Some operating programs, including asset maintenance and land management, were deferred to 2022-23. This was due to COVID-19 restrictions and floods impacting the ability to deliver planned outcomes through lack of access to sites, restrictions on travel and the availability of staff due to illness and isolation requirements.

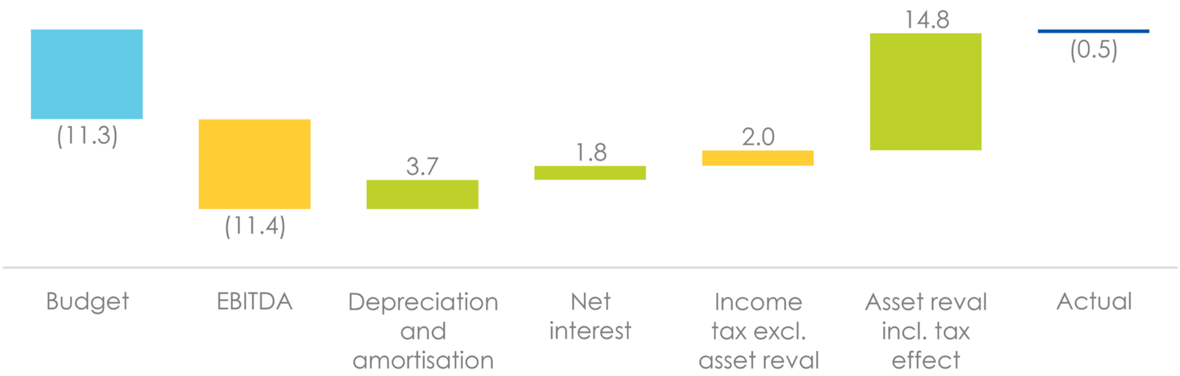
The discount rate used to calculate long service leave liability increased in line with interest rates from 2.5 percent on 30 June 2021 to 5.3 percent on 30 June 2022. This resulted in a reduction in our long service leave provision of $6.8 million and our operating salary and wages expense by $5.9 million.

The final Rural Valleys pricing determination from IPART for the period commencing 1 October 2021 recommended that WaterNSW should self-insure revenue volatility risk and reduced the regulatory allowance. WaterNSW subsequently decided not to renew its revenue volatility insurance policy.

In 2019-20, in response to than drought, WaterNSW commenced planning for major projects to secure long-term water supply in Greater Sydney. Following the end of the drought and significant inflows into Greater Sydney storages, $27.8 million of water security projects were written off on the basis they were no longer probable to proceed.

An additional $8.9 million of other assets were disposed of or written off during the year in relation to the March 2022 floods ($5.2 million) and operational technical difficulties with the Burrendong cold water pollution curtain ($3.8 million).

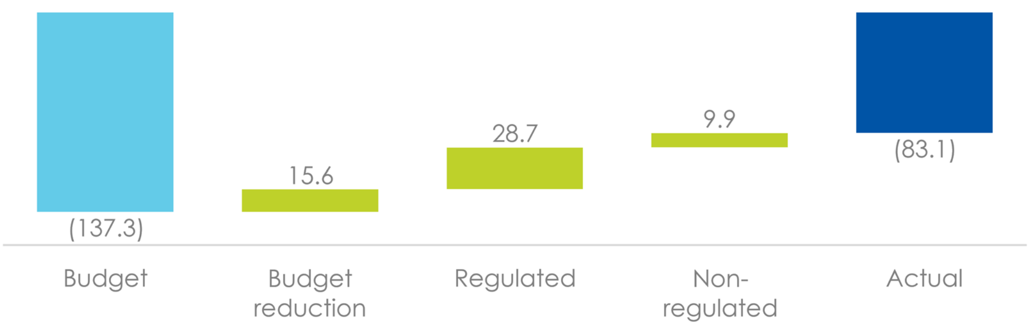
Net profit after tax



Lower depreciation and amortisation were mainly due to the balance of intangible assets on 30 June 2022 being lower than anticipated in the budget, reducing amortisation expense.

Revaluation of assets was mainly related to Rural Valleys. This reversal of a prior year decrease in asset values was primarily due to higher inflation increasing terminal RAB (regulated asset base) values and a higher weighted average cost of capital, which were partly offset by an increase in the discount rate. Refer to Notes 15 and 19 of the Audited financial statements for more information.

Capital expenditure



The Board approved a capital expenditure budget reduction in March 2022 to account for COVID-19 restrictions and high water levels as a result of floods, restricting access to sites, delaying construction and impacting momentum in projects. While COVID-19 restrictions eased as the year progressed, further poor weather conditions continued to impact supply chains and the delivery of projects.

The largest impact was to our asset renewal and replacement program, which was $27.1 million lower than budget. There was also lower expenditure across information technology, metering upgrade, property and fleet programs.

Expenses

Consultants

Name	Project	$'000
Partners in Performance International Pty Ltd	Design and development of revised Operating model and cost transformation program	1,312
Ernst & Young	Strategic advice in relation to water reform and corporate strategy development	286
Mind the Gap	Capability framework and targeted development solutions for key operational areas	151
Mind the Gap	Learning and development plan for key operational areas	102
Adasa Systems SA	Satellite telemetry solution options and market engagement strategy to support water user compliance required by the NSW Government's Water Reform	98
KPMG	Corporate strategy	90
Ernst & Young	Commercial advice with respect to a Hydro Power agreement	58
Mind the Gap	Technical competency framework for Assurance and Assessment transformation	50
Various	Eight engagements each costing less than $50,000	158
Total excluding GST		**2,305**

External production costs

WaterNSW did not incur any external costs to produce this report.

Grants to non-government organisations

No funds were granted to non-government community organisations during 2021-22.

Payment of accounts

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

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

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

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

Accounts due or paid within each quarter

Number of accounts	Sep	Dec	Mar	Jun	Total
`Accounts due for payment	3,100	2,804	2,670	2,889	11,463
Accounts paid on time	1,977	1,927	1,672	1,902	7,478
Accounts paid on time (percentage of number)	64	69	63	66	65

Dollar amount of accounts	Sep	Dec	Mar	Jun	Total
Accounts due for payment ($'000)	70,697	53,267	38,238	42,805	205,007
Accounts paid on time ($'000)	50,267	35,606	21,673	33,638	141,184
Accounts paid on time (percentage of dollars)	71	67	57	79	69

Interest on overdue accounts	Sep	Dec	Mar	Jun	Total
Accounts with interest overdue (number)	0	0	0	0	0
Interest paid on overdue accounts ($'000)	0	0	0	0	0

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	4,683	269	259	287
December	1,077	283	77	32
March	3,086	311	58	56
June	5,153	388	199	556

Assets and liabilities

Disposal of land

WaterNSW did not dispose of any land with a value greater than $5.0 million in 2021-22.

Investments

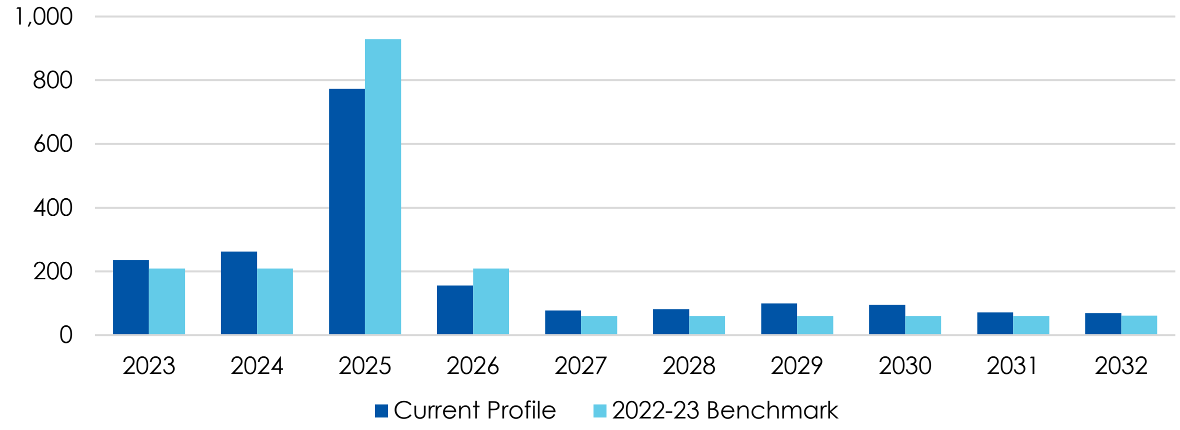
WaterNSW has funds placed on deposit through TCorp. These deposits are like money market or bank deposits and are placed at call. The interest rate payable on at call deposits may vary.

Liability management

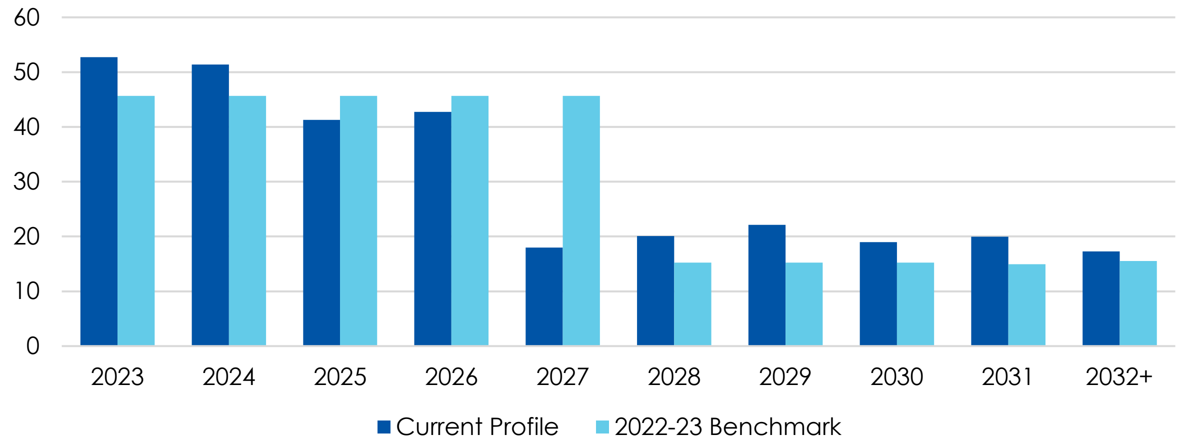
WaterNSW has a financial capital and risk management policy in place which established a debt management benchmark in alignment with the economic regulator's cost of debt methodologies. The policy includes strategies to manage liquidity risk, refinancing risk, interest rate risk, inflation risk and foreign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

The charts below provide details of WaterNSW's liability portfolio performance against the benchmark.

WaterNSW profile vs benchmark $ million



WaterNSW Infrastructure Pty Ltd profile vs benchmark $ million



Risk management

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

The objective of WaterNSW's Risk Management Framework is to preserve and where possible, create value for the community and our partners. The framework aligns to ISO 31000:2018, the International Risk Management Standard and NSW Treasury Policy TPP20-08 Internal Audit and Risk Management Policy for the NSW Public Sector.

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

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

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

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

People and safety

Board

Governance principles

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

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

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

Power and functions

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

Performance review

The Board is committed to undertaking annual board performance reviews. Every three years the review is conducted by an external and independent facilitator. An external review was conducted in 2021 and a summary of the recommendations and actions planned to address them was shared with NSW Treasury.

Indemnity and insurance

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

WaterNSW is 'insured" under the NSW Treasury Managed Fund Scheme (NSW TMF). Historically, WaterNSW obtained Marsh Side A- Directors and Officers Insurance coverage (AXA Policy) to address identified gaps with the NSW TMF. However, NSW TMF has extended their coverage with the specific intention of rectifying the gaps in coverage so that government agencies (including SOCs) do not need to purchase additional cover.

WaterNSW has since terminated the Marsh Side A-Directors and Officers Insurance Coverage, noting the slightly broader cover provided by Marsh was in areas which do not pose a material risk to WaterNSW.

Appointments

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

Over the past 12 months, the composition of the Board has changed following the retirement of Anne McDonald (Chair) on 30 September 2021 and Rob Aldis on 16 March 2022. Kaye Dalton was appointed interim chair from 1 October 2021 while recruitment for a permanent Chair was underway. Peter Duncan AM was appointed Chair on 21 March 2022, and Victoria Taylor (Director) on 21 March 2022.

Members on 30 June 2022

Peter Duncan AM, Chair - Grad Dip Management; Assoc Dip Applied Science

Commenced March 2022 **Current term ends in March 2025**

Peter Duncan has over 40 years' experience in government and infrastructure, working at local, state and national levels. He has held various senior public sector roles including in local government, Premier and Cabinet, Transport for NSW, Primary Industries and for the Olympic Coordination Authority.

Peter has worked as Chief Executive in areas such as transport, infrastructure, forestry, parks, maritime, technology and services. He is the principal of an Advisory business and holds non-executive director and board chair roles. His current appointments include Commissioner and Deputy Chair of the NSW Independent Planning Commission, non-executive director of the Westpac Rescue Helicopter Service, and board member of the Office of Projects Victoria.

Peter is a National Fellow of Institute of Public Administration Australia and a Companion of The Institution of Engineers Australia.

Professor Andrew Wilson - BMED Sci, MBBS (Hons), PhD, FRACP, FAFPHM

Commenced May 2013 **Current term ends in November 2022**

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

Emma Stein - BSc (Hons), MBA, FAICD

Commenced November 2016 **Current term ends in 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 August 2018 **Current term ends in August 2024**

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, water economics and policy. Mark is also a non-executive director of Agribusiness Australia and Remount. a not-for-profit organisation providing horsemanship skills for returned and serving service men and women suffering stress related problems.

Bruce Berry - BComm, MBA, GAICD

Commenced August 2018 **Current term ends in August 2024**

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 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 Chief Financial Officer for Australian Stock Exchange-listed DUET.

Kaye Dalton - BSC (Forestry)

Commenced February 2021 **Current term ends in February 2024**

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

Victoria Taylor - Grad Cert Water Policy & Governance, GAICD

Commenced March 2022 **Current term ends in March 2025**

Ms Taylor has over two decades' experience in primary industries policy, governance and communications. She is a Non-Executive Director of Horticulture Innovation Australia and Rocket Seeder Ltd, a Ministerial appointment to the Rice Marketing Board for the State of New South Wales and Chair of the Centre for Entrepreneurial Agri-Technology at the Australian National University.

Victoria is also the Director of Flourish Communication, a business providing strategic policy, engagement and communications support to industry and government clients in agriculture.

Andrew George, Chief Executive Officer - BE (Hons), FIE Aust, CPEng, EngExec

Commenced May 2020

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

Andrew has over 11 years' experience in bulk water supply utilities with extensive experience in regulatory and market strategy, government relations, engineering, asset management, and major Infrastructure delivery. Andrew is also a Director of WaterNSW Infrastructure Pty Ltd.

Remuneration

Independent board member remuneration excludes remuneration paid to the Chief Executive Officer, whose remuneration is reported as part of the Executive Leadership Team. Further information on key management personnel compensation is included in Note 33 of the Audited financial statements.

	2020-21	2021-22
Number of board members during the year	8	9
Total remuneration	$0.6 million	$0.5 million

Committees

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

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

Meetings

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

The table below reflects meetings attended by directors in their capacity as a member only, however directors are able to attend any meeting as an observer.

	Board	Assets	A&R	CT&SO	SP&C	WQH&CP	Nomination
Peter Duncan [1]	4 (4)	0 (1)	-	-	-	-	-
Andrew Wilson	11 (11)	-	-	-	3 (4)	4 (4)	2 (2)
Emma Stein	11 (11)	4 (4)	6 (6)	3 (4)	-	-	1 (2)
Mark Barber	11 (11)	-	-	4 (4)	3 (4)	-	2 (2)
Bruce Berry	11 (11)	4 (4)	6 (6)	-	-	4 (4)	2 (2)
Kaye Dalton	11 (11)	-	-	4 (4)	3(4)	4 (4)	2 (2)
Victoria Taylor [2]	4(4)	-	1(1)	-	-	-	-
Andrew George	11 (11)	-	-	-	-	-	2 (2)
Anne McDonald [3]	2 (2)	-	-	-	1 (1)	-	1 (1)
Rob Aldis [4]	7 (7)	3 (3)	-	-	2 (2)	-	2 (2)

1 Appointed Chair of WaterNSW on 21 March 2022, and Chair of the Assets Committee on 27 April 2022.
2 Appointed Director on 21 March 2022 and member of the Audit and Risk Committee on 27 April 2022.
3 Retired on 30 September 2021.
4 Retired on 16 March 2022.
( ) Indicates the number of meetings held during the time a director held office (for the reporting period) or was appointed as a member.
– Not a member of the relevant committee.

Executive leadership team

Members

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

Executive Manager Finance Legal and Risk

Joe Pizzinga is an experienced financial leader, with a respected catalogue of Chief Financial Officer roles in the utilities industry. Joining WaterNSW in October 2017, Joe leads our Finance, Legal, Corporate Governance, Property and Procurement functions. Joe and his team are focussed on supporting the business through strong financial leadership and corporate governance.

Joe's aptitude for finance, governance 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 - BE (Elec)

Executive Manager Digital

Ian is a seasoned Chief Information Officer 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 WaterNSW transform into a high performing organisation supported by integrated systems, infrastructure and processes.

David Stockler - Cert Bus, Fin & Marketing, GAICD

Executive Manager Customer Services

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.

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 a Non-Executive Director of the NSW Energy and Water Ombudsman (EWON).

Fiona Smith - BSc, MBA, GAICD

Executive Manager Strategy and Performance

Fiona has worked in the water industry for over 30 years and joined WaterNSW upon its formation, having worked for Sydney Catchment Authority since 2011, most recently as Executive General Manager.

Fiona's experience has covered water and wastewater management, distribution, catchment management, bulk water supply, water monitoring, research and reuse.

As Executive Manager Strategy and Performance Fiona is responsible for corporate strategy, operating strategy, economic regulation, regulatory strategy, and environment and catchment protection.

Ronan Magaharan - BE (Elec), BSc (Comp)

Executive Manager Operations

Ronan is an experienced leader in Asset Management of heavy industrial plants, predominantly in the water and power generation industries. Prior to WaterNSW, he worked at Snowy Hydro for eight years in a variety of engineering and senior management roles.

Joining WaterNSW in early 2016 as Manager, Asset Maintenance and Services, Ronan was promoted to the position of Executive Manager Assets in December 2018. In May 2022 Ronan was appointed as Executive Manager Operations and is accountable for asset management, engineering, dam safety, water delivery, maintenance, water monitoring and project delivery functions.

Ronan is a Director of WaterNSW Infrastructure Pty Ltd. He also holds a volunteer position as a member of the Scots School Albury Board.

Beth Winchester - BComm, CPA

Executive Manager Safety People and Culture

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

Since joining WaterNSW in 2018, Beth held the senior leadership role of Manager People and Culture prior to appointment as acting Executive Manager Safety, People and Culture position in April 2021 and formally appointed in May 2022.

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

Clair Cameron - BA (Comm), MHL

Executive Manager Corporate Affairs

Clair joined WaterNSW in August 2022 to lead the Corporate Affairs portfolio, which was created as part of our new operating model. A highly practised senior leader, Clair has over 20 years' experience leading communications, stakeholder engagement and public affairs teams working on complex projects in the private and public sectors.

Clair is passionate about engaging stakeholders at all levels and advising at a strategic level on issues management and communications. Prior to joining WaterNSW, Clair spent six years in leadership roles at the NSW Environment Protection Authority, most recently as Director of Engagement and Public Affairs. Clair has also held senior communications positions for organisations including FTI Consulting and Meat and Livestock Australia.

At WaterNSW Clair is responsible for leading the Communications, Media, Aboriginal Engagement, Community Engagement and Stakeholder Relationship functions.

Remuneration

Remuneration by payment bands

	2020-21			2021-22[1]		
	Average TRP Range	Male	Female	Average TRP Range	Male	Female
Band 4 +	$487,051 to $562,650	1	-	$487,051 to $562,650	1	-
Band 3	$345,551 to $487,050	2	1	$345,551 to $487,050	3	3
Band 2	$274,001 to $345,550	4	2	$274,001 to $345,550	3	-
Band 1	$192,600 to $274,700	-	-	$192,600 to $274,700	-	-

1. This table includes the total number of executive leadership team members throughout 2021-22. As at 30 June 2022 there were eight members of the executive leadership team including the Chief Executive Officer.

Percentage of total remuneration

	2020-21	2021-22
Total executive remuneration	$4.0 million	$4.3 million
Total employee remuneration including executive remuneration	$154.9 million	$150.5 million
Executive remuneration as a percentage of total remuneration	2.6%	2.9%

Further information on key management personnel compensation is included in Note 33 of the audited financial statements.

Employees

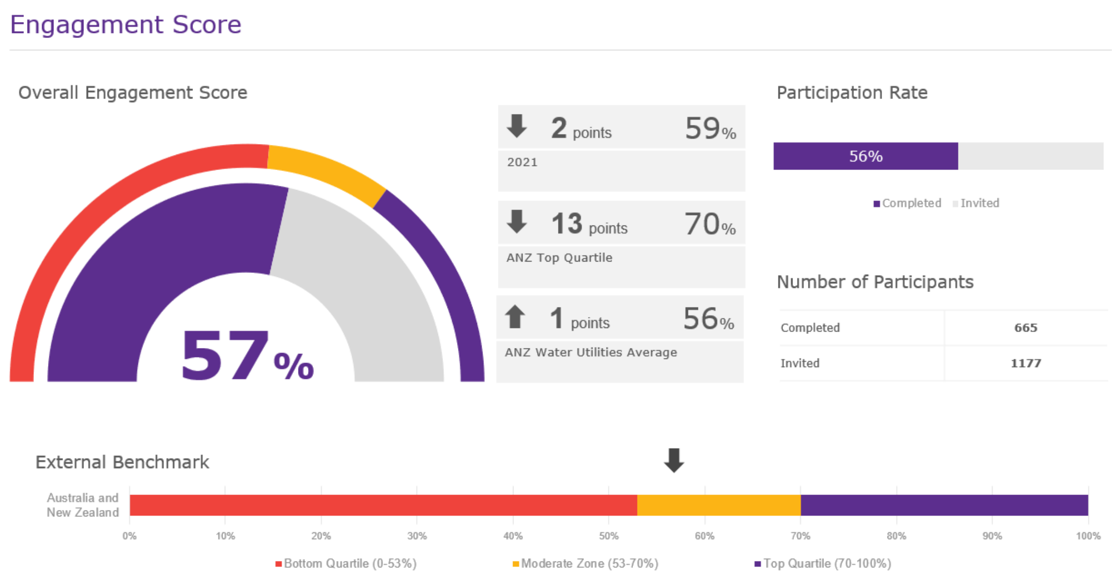
Engagement

A key element of our strategic priority of [Developing our people and capabilities]() is a continuing focus on employee engagement. A highly engaged workforce supports our objective to deliver better outcomes for our customers, stakeholders and communities. WaterNSW can attract and retain the best people and remain a respected and trusted operator of the state's dams and water assets - something that we can be proud to be part of.

A full engagement survey (67 questions) run in June 2021 saw an improvement in employee engagement from 50 percent to 59 percent (2019 to 2021). This uplift occurred in what was a challenging time given the impacts and effects of COVID-19. WaterNSW went against the trend that other employers experienced during this period.

A pulse survey of 12 questions was run in June and July 2022 to reflect on the past year and think about the year ahead including the opportunities and challenges of making WaterNSW as a great place to work. The pulse check gauged the effectiveness of our existing programs and to re-align our efforts where needed for the year ahead.

The pulse survey had a participation rate of 56 percent, which provided us good representation across the organisation. The result of 57 percent engagement did not achieve our target to improve engagement levels by five points. The last 12 months have seen significant challenging circumstances, including continued COVID-19 impacts and some people feeling a sense of uncertainty as we work through implementation of the new operating model as part of the Business Transformation Program strategic initiative.



The most significant improvements were in the areas across Diversity and Inclusion and Collaboration, with other highlights across the areas of empowerment/autonomy and direct manager feedback. The pulse survey highlighted there were some areas the Senior Leadership team needs to focus on, including improvements in managing change and building a stronger link between the elements of the Corporate Plan and the work our people do.

Reward and recognition

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

The Ripple Effect

Building a culture of appreciation

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

Dam Good Awards

Recognising our stand-out achievers each quarter

- 129 nominees (94 individuals, 35 teams)
- 38 winners (27 individuals, 11 teams)

Milestones

Celebrating the contributions of employees who reach service milestones

- 139 employees recognised across 32 locations

Splash Annual Awards

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

- 27 Finalists (15 individuals, 12 teams)
- 7 Winners (3 individuals, 4 teams)

Training and development

Our strategic priority is developing our people and capabilities. WaterNSW has consistently invested in people programs and development, with a focus on:

- enhancing existing and building new capabilities to prepare us for the future
- multi-skilling our workforce to increase operational flexibility
- evolving development programmes for our people
- transparent and ethical leadership.

Training highlights for 2021-22 include:

- **Think Safe4Life** safety program - 62 sessions delivered virtually
- **Rise** 12 month leadership development program - three cohorts completed and two cohorts in progress
- **Lift** six month supervisor development program - completed by 33 participants
- **Study assist** program - 26 employees currently using study assistance.

Numbers

	2018-19	2019-20	2020-21	2021-22
Total number of employees on 30 June	798	914	958	944
Number of employees on 30 June - Aboriginal people and Torres Straight Islanders	4	5	7	7

Overseas travel

No overseas travel was undertaken by WaterNSW employees during 2021-22.

Policies and procedures

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

- **Recruitment and selection**: recruitment.
- **Conditions**: Code of Conduct, Enterprise Agreement, managing excess employees, job evaluation, remuneration, bonus and short-term incentives, salary packaging.
- **Learning and development**: employee orientation, compliance, learning and development, study assistance.
- **Performance management**: corrective and disciplinary action, managing workplace complaints, performance and development plans.
- **Welfare**: 'Ways of Working' and flexible work arrangements; remote working guidelines; leave; parental leave; fitness for work; return to work program; prevention of discrimination, bullying and harassment; transition to retirement.

WaterNSW Enterprise Agreement

The WaterNSW Enterprise Agreement 2021 (WaterNSW EA) commenced operation on 14 December 2021 and concluded on 30 June 2022. A new agreement using an interest-based bargaining approach has received in principle agreement from the bargaining group. The WaterNSW Enterprise Agreement 2022 if approved, it will be in operation for one year. Key changes include a streamlined pay classification scale; inclusion of an Acknowledgement of Country; and clarification of wording to some existing clauses. Performance pay continues to be a feature of this agreement.

Workforce diversity

Trends in the representation of workforce diversity groups

Workforce diversity group	Benchmark (%)	2018-19 (%)	2019-20 (%)	2020-21 (%)	2021-22 (%)
Women [1]	50	28.4	30.6	30.8	31.1
Aboriginal people and Torres Straight Islanders [2]	3.3	0.5	0.6	1.0	1.1
People whose first language spoken was not English [3]	23.2	7.6	11.3	22.1	22.3
People with a disability [4]	5.6	1.8	1.3	2.2	2.2
People with a disability requiring work-related adjustment	N/A	0.1	0.1	0.5	0.3

1. The benchmark of 50 percent for representation of women across the sector is intended to reflect the gender composition of the NSW community.
2. The NSW Public Sector AES 2019–25 aims to build on the success of the AES 2014-17 under which the proportion of the workforce identified as aboriginal increased from 2.6 to 3.3 percent overall by 2018 and set an aspirational target of 3 percent (from 1.8 percent) aboriginal employment at each grade of the public sector by 2025.
3. A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language but does provide information about country of birth. The benchmark of 23.2 percent is the percentage of the NSW general population born in a country where English is not the predominant language.
4. The diversity target in the Premier's Priority for a World Class Public Service in 2019 incorporated a diversity target aiming to double the representation of people with disability in the NSW public sector from an estimated 2.8 percent to 5.6 percent by 2025.

Trends in the distribution index for workforce diversity groups

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

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

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

Workforce diversity group	Benchmark (%)	2018-19 (%)	2019-20 (%)	2020-21 (%)	2021-22 (%)
Women	100	97	99	100	98
Aboriginal people and Torres Straight Islanders	100	Distribution index not calculated[1]			
People whose first language was not English	100	107	108	108	108
People with a disability	100	Distribution index not calculated[1]		89	91
People with a disability requiring work-related adjustment	100	Distribution index not calculated[1]			

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

Work health and safety

Safety remains our highest priority. During the reporting period the focus has been on the continued embedding and sustaining of our safety culture improvement program. There is a strong focus on mental health awareness and support for our teams and leaders which has become critically important during the COVID-19 pandemic.

WaterNSW has maintained a certified Work Health and Safety (WHS) Management System against international safety standard ISO45001;2018. This was confirmed by an independent audit conducted in 2021-22.

Safety programs

WaterNSW has a range of programs and strategic safety initiatives designed to embed and sustain a generative safety culture.

Safe4Life

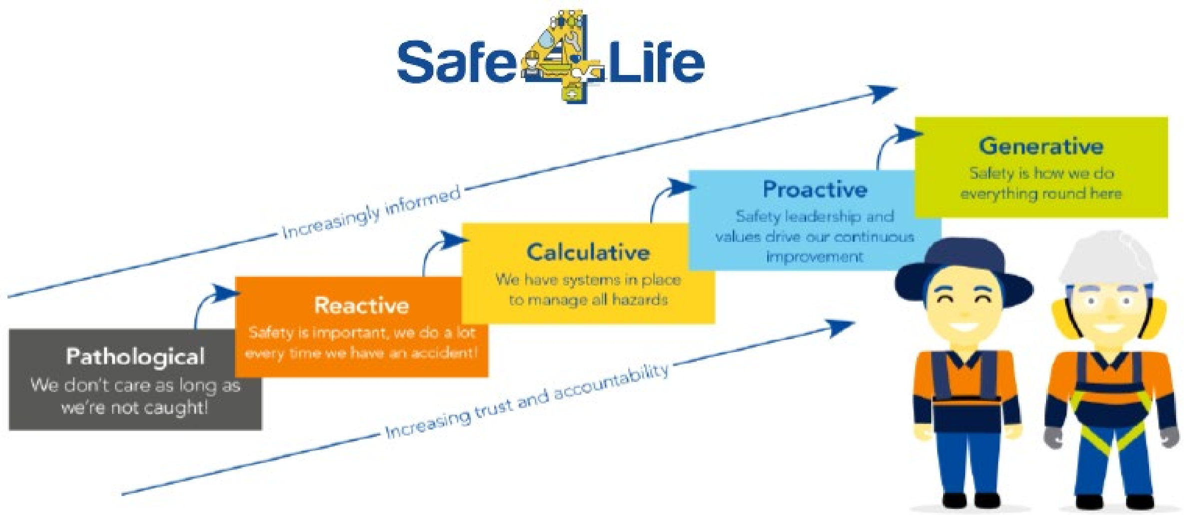
During 2021-22 the focus has been on continued embedding and finalising of the safety culture improvement program known as Safe4Life.

Behavioural safety programs (Think Safe4Life and Switch On) were predominately delivered online as we pivoted to hybrid working due to the evolving COVID-19 pandemic.

WaterNSW has developed a new seventh safety commitment on mental and physical health, which support our collective commitment to psychosocial safety.

Next safety frontier

WaterNSW has been on a journey in relation to embedding and sustaining a generative safety culture. We measure our safety maturity using the Hudson Safety Culture Maturity Model (refer below).



The Safe4Life Program has helped us transition the various phases of safety culture maturity. Safe4Life has focussed primarily on the safety and behaviours of workers including employees and contractors. Key elements of the Safe4Life Program will continue to play a necessary part of building and inculcating a generative safety culture through continuation of foundational programs such as Switch On and Think Safe4Life.

The Next Safety Frontier is a program of initiatives to assist us realise and achieve the next step in our safety maturity. The program will also provide a nexus to Public Safety. The Next Safety Frontier will be a multi-year program containing prioritised actions designed to move us towards the identified future state.

In late 2021 Actrua were engaged to co-facilitate design workshops as part of the development of the Next Safety Frontier. The workshops were designed around four key areas identified as critical to maturing our safety culture. These themes were workshopped with key stakeholders, employees, and leaders at several levels and from various areas across the business. These themes will be our focus for next year:

- Growing Leadership Capability
- Developing Risk Awareness
- Making Safety Easy
- Communicating the Why.

Safety Action Manager

In 2021-22 WaterNSW continued to embed our new online safety reporting tool, called Safety Action Manager or SAM. The system designed to improve the quality of our safety data and help us strive towards a generative safety culture. SAM helps us by introducing more efficient and user-friendly ways to capture better data, ensuring we collect the data necessary to predict trends and improve our understanding of our safety environment.

My wellbeing

WaterNSW provides employees with the support, encouragement, motivation and assistance to improve their physical and psychological wellbeing. We are delivering a range of proactive initiatives focussed on physical and mental health in partnership with various providers including Black Dog Institute, who continued to deliver mental health and resilience programs for leaders and employees.

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

Awards

WaterNSW won two awards at the 28th Annual NCSA Foundation National Safety Awards of Excellence in December 2021.

- Best Safety Leadership/Initiative for our Safe4Life program, our safety culture improvement program.
- Joint winner of the 2021 Pinnacle Award which is the GIO Workers Compensation Award for Excellence in Work Health and Safety with Murrumbidgee Local Health District. This award is selected from the 11 category winners from the day.

The NCSA Foundation Awards recognise outstanding work health and safety initiatives that celebrate organisations and people that actively promote workplace health and safety as a cornerstone of elite business performance. The awards are open to any Australian operating business, organisation, alliance or individual in the public or private sector.

Safety strategic projects and activities

In addition to the safety programs above, the following strategic projects and activities were delivered during the year:

- adopting leading WHS indicators and ratchet up performance around the mining the diamond approach, with a harm focused view on incidents
- delivering hazardous materials reinspection program and improve site hazardous materials registers
- designing stage 3 behavioural safety program titled the Next Safety Frontier Program, and launch of safety procedure simplification using usability mapping and increased sharing of lessons learnt elements
- redeveloping the Vessel Safety Management System (VSMS) and uplift of vessel safety equipment as part of Marine Order 504
- electing Health and Safety representatives
- continuing certification against ISO 45001:2018.
- establishing a healthy mind and body hub, renewing the Employee Assistance program, fitness passport signup and offering to employees, and partnership with Black Dog Institute to provide mental health support training
- developing and implementing WHS assurance program targeting key risks
- redefining focus on public safety risk management including establishment of a public safety taskforce and working group.

Safety performance

There were no prosecutions or breaches incurred by WaterNSW during the reporting period. There have been minor reportable incidents to SafeWork NSW during the reporting period.

The table below shows incidents reported for WaterNSW employees.

	2018-19	2019-20	2020-21	2021-22
Lost time injuries	5	1	4	9
Lost time days	74	2	84	148
Average lost time days per lost time injury	15	2	21	16

Despite an observed increase in injuries, the severity of injuries has been classified as low. WaterNSW adopted the severity-based mining the diamond approach as a key corporate performance indicator because it:

- breaks the link between minor incidents and the risk arising from inherent financial incentive for under-reporting, which drives negative culture and performance
- sharpens our focus on hazards and behaviours that may result in people getting seriously hurt rather than the 'bee sting' type lost time injury
- provides a platform to build on as an evolution towards ensuring our culture, performance and controls avoid the potential for harm, even when there are no injuries, which allows more scope to ratchet up performance improvement over time
- compliments another key performance indicator relating to diligence, which lifts our focus on addressing actions which are classified as significant (which could be process, hazard and behaviour related).

While there has been a reduction in the severity of incidents over time, during the reporting period there were three high potential incidents involving a motor vehicle, mobile plant (tractor) and a fall from height in the field. Two of these incidents were classified as Level 3 (risk of moderate hurt) and included in the results for our Key performance indicators.

WaterNSW has strengthened risk controls for these safety risks, with adoption of higher order safety controls, improved training programs and introduction of rules about no meetings whilst driving.

Audited financial statements

Water NSW

ABN 21 147 934 787

Contents

General information

Corporate information

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

1. Water NSW is a statutory State Owned Corporation domiciled in Australia and constituted under the *Water NSW Act 2014*. 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*. 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.

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Revenue					
Revenue from water supply and delivery	2	312,986	303,004	287,247	277,540
Grants and subsidies	3	67,114	125,511	67,114	125,511
Other revenue	4	31,855	20,373	36,651	24,629
Total revenue		411,955	448,888	391,012	427,680
Expenses					
Employee related expenses	5	(132,530)	(126,794)	(132,530)	(126,794)
Depreciation and amortisation	7	(89,327)	(82,463)	(84,239)	(77,493)
Other operating expenses	6	(118,007)	(176,760)	(114,454)	(173,233)
Finance costs	8	(57,122)	(60,412)	(46,695)	(49,757)
Total expenses		(396,986)	(446,429)	(377,918)	(427,277)
Operating profit		14,969	2,459	13,094	403
Gains/(losses) on disposal	9	(36,770)	1,013	(36,770)	1,013
Other gains	10	-	1,853	-	1,853
Gains on revaluation of property, plant and equipment	15	21,118	46,802	21,118	46,802
Profit/(loss) before income tax (expense)/benefit		(683)	52,127	(2,558)	50,071
Income tax (expense)/benefit	11	228	(17,316)	1,810	(15,738)
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Water NSW		(455)	34,811	(748)	34,333
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on the revaluation of property, plant and equipment, net of tax	15	83,574	38,277	80,767	31,855
Actuarial gain on defined benefit plans, net of tax	28	23,228	6,992	23,228	6,992
Other comprehensive income for the year, net of tax		106,802	45,269	103,995	38,847
Total comprehensive income for the year attributable to the owners of Water NSW		106,347	80,080	103,247	73,180

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

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Assets					
Current assets					
Cash and cash equivalents	12	87,767	83,361	87,684	83,082
Trade and other receivables	13	81,355	74,695	82,434	90,314
Income tax refund due	11	9,497	3,706	9,497	3,706
Total current assets		178,619	161,762	179,615	177,102
Non-current assets					
Other non-financial assets		777	816	777	816
Other financial assets	14	-	-	79,201	79,201
Property, plant and equipment	15	3,275,428	3,204,716	2,879,376	2,807,410
Right-of-use assets	16	17,002	16,438	17,002	16,438
Intangible assets	17	20,772	16,846	20,224	16,351
Total non-current assets		3,313,979	3,238,816	2,996,580	2,920,216
Total assets		3,492,598	3,400,578	3,176,195	3,097,318
Liabilities					
Current liabilities					
Trade and other payables	20	96,823	96,648	91,340	90,765
Contract liabilities	25	2,251	1,996	2,251	1,996
Borrowings	21	236,462	261,475	208,422	237,650
Provisions	22	90,003	79,398	90,002	79,397
Dividend payable	23	15,000	20,000	15,000	20,000
Other	24	17,696	53,405	17,696	53,405
Total current liabilities		458,235	512,922	424,711	483,213
Non-current liabilities					
Contract liabilities	30	933	297	933	297
Borrowings	26	1,661,790	1,626,038	1,420,957	1,389,188
Deferred tax	11	271,297	221,166	254,720	206,835
Provisions	27	59,462	90,675	59,462	90,675
Other liabilities	29	105,931	80,891	105,926	80,885
Total non-current liabilities		2,099,413	2,019,067	1,841,998	1,767,880
Total liabilities		2,557,648	2,531,989	2,266,709	2,251,093
Net assets		934,950	868,589	909,486	846,225
Equity					
Contributed equity	31	363,146	388,132	363,146	388,132
Asset revaluation reserve		405,128	321,954	380,154	299,787
Retained profits		166,676	158,503	166,186	158,306
Total equity		934,950	868,589	909,486	846,225

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

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

Consolidated	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	388,132	321,954	158,503	868,589
Loss after income tax benefit for the year	-	-	(455)	(455)
Other comprehensive income for the year, net of tax	-	83,574	23,228	106,802
Total comprehensive income for the year	-	83,574	22,773	106,347
Reclassification on disposal of assets	-	(400)	400	-
Transactions with owners in their capacity as owners:				
Transfer of assets to the Department of Planning and Environment (Note 36)	(24,986)	-	-	(24,986)
Dividends declared	-	-	(15,000)	(15,000)
Balance at 30 June 2022	363,146	405,128	166,676	934,950

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

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

Parent	Contributed equity $'000	Asset revaluation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2021	388,132	299,787	158,306	846,225
Loss after income tax benefit for the year	-	-	(748)	(748)
Other comprehensive income for the year, net of tax	-	80,767	23,228	103,995
Total comprehensive income for the year	-	80,767	22,480	103,247
Reclassification on disposal of assets	-	(400)	400	-
Transactions with owners in their capacity as owners:				
Transfer of assets to the Department of Planning and Environment (Note 36)	(24,986)	-	-	(24,986)
Dividends declared	-	-	(15,000)	(15,000)
Balance at 30 June 2022	363,146	380,154	166,186	909,486

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

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Cash flows from operating activities					
Receipts from customers		347,572	381,001	319,789	353,255
Receipts of grants and contributions		67,143	125,510	67,143	125,510
Payments to suppliers and employees		(243,606)	(315,910)	(238,158)	(309,575)
Restart funding		139	2,627	139	2,627
Tax (losses)/liabilities transferred from the Controlled entity		-	-	539	383
Interest received		201	20	200	19
Interest and other finance costs paid		(48,733)	(46,188)	(41,506)	(39,391)
Income taxes paid		(1,205)	(4,530)	(1,205)	(4,530)
Net cash from operating activities	38	121,511	142,530	106,941	128,298
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(94,731)	(128,624)	(94,852)	(128,136)
Proceeds from disposal of property, plant and equipment		519	1,611	519	1,611
Net cash used in investing activities		(94,212)	(127,013)	(94,333)	(126,525)
Cash flows from financing activities					
Proceeds from borrowings		14,700	344,718	14,700	334,718
Loans received from the Controlled entity		-	-	25,850	25,700
Dividends received from the Controlled entity		-	-	20,000	20,000
Dividends paid		(20,000)	(20,000)	(20,000)	(20,000)
Repayment of borrowings		(14,700)	(284,600)	(14,700)	(284,600)
Repayment of lease liabilities		(2,893)	(3,389)	(2,893)	(3,389)
Repayment of loans to the Controlled entity		-	-	(30,963)	(21,692)
Net cash from/(used in) financing activities		(22,893)	36,729	(8,006)	50,737
Net increase in cash and cash equivalents		4,406	52,246	4,602	52,510
Cash and cash equivalents at the beginning of the financial year		83,361	31,115	83,082	30,572
Cash and cash equivalents at the end of the financial year	12	87,767	83,361	87,684	83,082

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's consolidated financial statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 14 September 2022.

Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- applicable International Financial Reporting Standards;
- the requirements of the *Government Sector Finance Act 2018* (GSF Act);
- Treasurer's Directions issued under the GSF Act; and
- the requirements of the *State Owned Corporations Act 1989*.

Working capital position

The working capital position as at 30 June 2022 for the Consolidated Entity is that current liabilities exceed current assets by $279.6 million (2021: current liabilities exceeded current assets by $351.2 million) primarily as a result of current borrowings of $236.5 million.

The Consolidated entity has a current approved borrowing limit under the GSF Act of $2,452.0 million (including long term borrowings of $2,400 million), with $572.9 million remaining unutilised at balance date.
There is $233.7 million in borrowings that mature in the next twelve months. However, management has the capacity to rollover the debt as and when it falls due. Under the debt management agreement with NSW Treasury Corporation (TCorp), Water NSW is able to rollover maturing debt into new debt so long as the total capital value of loan portfolio remains within the approved GSF limit. Refer Note 40(d) Liquidity risk.

In addition, Water NSW also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State of NSW.

Reporting period

The financial statements cover the financial performance and cash flows of the Consolidated Entity for the reporting period 1 July 2021 to 30 June 2022, and its financial position as at 30 June 2022.

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 expense 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

1. Significant accounting policies (continued)

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.

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 2022.

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 2022 and as at 30 June 2021. Refer to Note 37 regarding disclosures on contingent liabilities.

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

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

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

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

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

1. Significant accounting policies (continued)

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

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

Insurance claims
In accordance with NSW Treasury Guidance on Accounting for TMF recoveries, when an insurance claim is of a capital nature the value of the reimbursement is recognised only when the claim is approved and paid by the insurer. When a claim is of an operating nature, the value of the reimbursement is recognised only when the claim is approved by the insurer.

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 statement 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).

1. Significant accounting policies (continued)

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 2022. The impact of these new or amended Accounting Standards and Interpretations is disclosed below.

Standard	Effective date	Summary	Impact on the financial report
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018- 2020 and Other Amendments	on or after 1 January 2022	Amendments to existing accounting standards, particularly in relation to: • AASB 1 – simplifies the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. • AASB 3 – to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. • AASB 9 – to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. • AASB 116 – to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset. • AASB 137 Provisions, Contingent Liabilities and Contingent Assets – to specify the costs that an entity includes when assessing whether a contract will be loss-making	No material impact at this stage
AASB 17 Insurance Contracts	on or after 1 January 2023	AASB 17 replaces AASB 4 Insurance Contracts and applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.	No material impact at this stage
AASB 2020-1 and AASB 2020 - 6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	on or after 1 January 2023	Amends AASB 101 to require a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.	No material impact at this stage
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	on or after 1 January 2023	The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations.	No material impact at this stage

1. Significant accounting policies (continued)

Standard	Effective date	Summary	Impact on the financial report
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and definition of Accounting Estimates and AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	on or after 1 January 2023	AASB 2021-2 amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. AASB 2021-6 amends AASB 1049 Whole of Government and General Government Sector Financial Reporting, AASB 1054 Australian Additional Disclosures and AASB 1060 to address disclosure of material accounting policy information rather than significant accounting policies consistent with AASB 2021.	No material impact at this stage

2. Revenue from water supply and delivery

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Regulated - Greater Sydney	197,083	196,410	197,083	196,410
Regulated - Rural	65,749	48,586	65,749	48,586
Regulated and Unregulated - Other	21,902	29,004	21,902	29,004
Other revenue from water supply	2,513	3,499	2,513	3,499
Drought rebates (net)	-	41	-	41
Regulated - Broken Hill Pipeline	25,739	25,464	-	-
Revenue from water supply and delivery	312,986	303,004	287,247	277,540

Disaggregation of revenue

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Major product lines				
Water supply and delivery	312,986	303,004	287,247	277,540
Geographical regions				
NSW	312,986	303,004	287,247	277,540
Timing of revenue recognition				
Services transferred over time	310,288	302,690	284,549	277,226
Services transferred at a point in time	2,698	314	2,698	314
	312,986	303,004	287,247	277,540

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 the Independent Pricing and Regulatory Tribunal (IPART) for regulated revenues or by agreement with the customer. Regulated revenue and other revenue from water supply is represented by the following main streams:

2. Revenue from water supply and delivery (continued)

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

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

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

Recognition and measurement

Revenue from contracts with customers

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

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. For completed contracts that have variable consideration, AASB 15 para c5(b) allows entities to use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative periods.

2. Revenue from water supply and other (continued)

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 Price Determinations.
IPART can set regulated charges for customers which are less than full cost recovery based on a range of considerations, such as the impact of prices on customers, regulatory policy and community considerations.

Emergency Drought Relief Package
In the 2021 financial year, 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 Water Administration Ministerial Corporation (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 subsidies

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
NSW Government contributions to operations	33,684	31,562	33,684	31,562
NSW Government subsidies	11,497	1,634	11,497	1,634
Other Government grants	21,933	92,315	21,933	92,315
	67,114	125,511	67,114	125,511

Recognition and measurement
The Consolidated entity receives NSW Government contributions from the NSW Department of Planning and Environment to fund part of its operations. The cost of providing rural bulk water services is shared between the NSW Government and customers under the IPART 2022-25 Rural Valley Bulk Water Price 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 subsidies (continued)

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

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

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

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

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

During the year, the Parent received $7.3 million (2021: $63.2 million) from the NSW Department of Planning and Environment to reimburse costs incurred in progressing the final business cases, and pre-construction and early works, for the Wyangala, Dungowan and Mole River Dam projects.

4. Other revenue

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Murray-Darling Basin Authority (MDBA) and other utilities	14,544	11,664	14,544	11,664
Operating leases	2,477	2,440	2,477	2,440
Interest	79	23	78	21
Ancillary services	3,896	1,693	3,896	1,693
Other minor revenue	1,102	1,220	1,089	1,150
External engagements	5,721	3,102	5,721	3,102
Intra-group revenue – pipeline services	-	-	1,410	1,128
Insurance recoveries	4,036	231	4,036	231
Dividend from the Controlled entity	-	-	3,400	3,200
	31,855	20,373	36,651	24,629

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

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
NSW	31,855	20,373	36,651	24,629

	Consolidated		Parent	
	2022	2021	2022	2021
Services transferred over time	24,209	16,378	25,606	17,506
Services transferred at a point in time	453	645	453	645
Revenue out of scope of AASB 15*	7,193	3,350	10,592	6,478
Total other revenue	31,855	20,373	36,651	24,629

* includes interest, lease and insurance proceeds

4. Other revenue (continued)

Recognition and measurement

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

Operating leases
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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Employee related expenses (excluding post employee benefits)	135,617	140,603	135,617	140,603
Capitalisation of employee related expenses	(18,009)	(28,128)	(18,009)	(28,128)
Superannuation - Defined benefit plans	3,719	3,771	3,719	3,771
Superannuation - Defined contribution plans	11,203	10,548	11,203	10,548
	132,530	126,794	132,530	126,794

6. Other operating expenses

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Contractors	30,874	90,873	30,805	90,770
Electricity and other energy	2,398	2,158	2,398	2,157
Data management	26,621	23,168	26,621	23,129
License fees	2,749	2,663	2,749	2,663
Materials, plant and equipment	4,739	5,999	4,737	5,975
Property	5,758	6,389	5,461	6,305
Transport and travel	3,983	4,293	3,981	4,292
Insurance	4,966	5,766	4,835	5,766
Other expenses from ordinary activities	10,350	9,075	10,319	9,043
Credit losses	136	(49)	136	(49)
Construction/installation for third parties	3,449	2,810	3,449	2,810
Operation and maintenance contract - Broken Hill Pipeline	3,000	3,202	-	-
Short term and low value leases	827	1,873	806	1,864
Consultants	2,261	3,496	2,261	3,464
Water monitoring	6,792	7,316	6,792	7,316
Land management	9,104	7,728	9,104	7,728
	118,007	176,760	114,454	173,233

6. Other operating expenses (continued)

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Reconciliation of total maintenance expenses				
Employee-related maintenance expenses	13,111	14,600	13,111	14,600
Contracted labour and other (non-employee related) expenses	16,795	18,538	15,163	18,538
Total maintenance expenses	29,906	33,138	28,274	33,138

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 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Depreciation	82,084	74,791	76,996	69,821
Amortisation	4,467	4,647	4,467	4,647
Depreciation - right of use assets	2,776	3,025	2,776	3,025
	89,327	82,463	84,239	77,493

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 (2021-22)	Useful life (2020-21)
Infrastructure systems	5 to 150 years	5 to 150 years
Buildings	1 to 100 years	1 to 100 years
Plant and equipment	2 to 50 years	2 to 50 years
Vehicles	5 to 20 years	5 to 20 years
Furniture and fittings	3 to 20 years	3 to 20 years
Information systems	2 to 10 years	2 to 10 years
Water meters	4 to 20 years	4 to 20 years
Computer software/easements	3 to 25 years	3 to 25 years

8. Finance costs

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest expense on loans	23,512	20,412	19,907	17,087
Government Guarantee Fee	24,797	24,870	21,059	21,144
Other borrowing costs	490	84	490	84
Unwinding of discounts on provision	9	72	9	72
Borrowing costs capitalised	(1,551)	(3,966)	(1,551)	(3,966)
Amortisation of deferred discounts on loans	9,101	18,168	6,017	14,564
Interest expense on leases	764	772	764	772
	57,122	60,412	46,695	49,757

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Proceeds from sale of assets	519	2,188	519	2,188
Written down value of property, plant and equipment	(9,467)	(1,175)	(9,467)	(1,175)
Capital Work In Progress write-off	(27,822)	-	(27,822)	-
Net gain/(loss) on disposal	(36,770)	1,013	(36,770)	1,013

9. Gains/(losses) on disposal (continued)

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.

The Consolidated entity investigated a number of projects in response to the recent droughts. These projects are no longer considered probable and were subsequently written off during the year.

10. Other gains/(losses)

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Impairment – Right-of-use assets	-	1,853	-	1,853

Please refer to Note 16 for further details

11. Income tax

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Income tax expense/(benefit)				
Current tax	(6,636)	8,709	(7,176)	8,326
Current year tax losses recognised as deferred tax	1,771	-	1,771	-
Deferred tax - origination and reversal of temporary differences	4,358	8,607	3,315	7,412
Adjustment for current tax of prior periods	279	-	280	-
Aggregate income tax expense/(benefit)	(228)	17,316	(1,810)	15,738
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate				
Profit/(loss) before income tax (expense)/benefit	(683)	52,127	(2,558)	50,071
Tax at the statutory tax rate of 30%	(205)	15,638	(767)	15,021
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Other temporary differences	-	-	-	(1)
Non-deductible expenses	33	42	33	42
Other differences	6	-	6	-
Intercompany dividend	-	-	(1,020)	(960)
Prior year temporary differences not previously recognised	(62)	1,636	(62)	1,636
Income tax expense/(benefit)	(228)	17,316	(1,810)	15,738

11. Income tax (continued)

Consolidated - 30 June 2022	Opening balance $'000	Recognised in income $'000	Recognised in equity / retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(294,036)	(4,238)	(35,817)	(334,091)
Other creditors	19	76	-	95
Employee benefits	15,776	(1,523)	-	14,253
Leased premises	587	175	-	762
Defined benefit superannuation	26,005	481	(9,956)	16,530
Allowance for impairment of receivables	164	15	-	179
Deferred Government grants	28,035	(862)	-	27,173
Other provisions and accruals	2,284	(253)	-	2,031
Income Tax losses	-	1,771	-	1,771
	(221,166)	(4,358)	(45,773)	(271,297)

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

Parent - 30 June 2022	Opening balance $'000	Recognised in income $'000	Recognised in equity/ retained earnings $'000	Closing balance $'000
Deferred tax balance				
Property, plant and equipment	(279,696)	(3,197)	(34,614)	(317,507)
Other creditors	19	76	-	95
Employee benefits	15,776	(1,523)	-	14,253
Leased premises	587	175	-	762
Defined benefit superannuation	26,005	481	(9,956)	16,530
Allowance for impairment of receivables	164	15	-	179
Deferred Government grants	28,035	(861)	-	27,174
Other provisions and accruals	2,275	(252)	-	2,023
Income Tax losses	-	1,771	-	1,771
	(206,835)	(3,315)	(44,570)	(254,720)

11. Income tax (continued)

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Income tax refund due				
Income tax refund due	9,497	3,706	9,497	3,706

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 using tax rates that 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.

11. Income tax (continued)

Assets or liabilities arising under the tax funding and tax sharing agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Under the terms of this agreement, the Controlled entity will reimburse the Parent entity for any current income tax payable by the Controlled entity arising in respect of its activities.

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

12. Current assets - cash and cash equivalents

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash at bank	19,005	17,360	18,922	17,081
NSW Treasury Corporation 11am at Call Facility	68,762	66,001	68,762	66,001
	87,767	83,361	87,684	83,082

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade receivables	22,077	9,378	21,906	7,224
Allowance for expected credit losses	(390)	(298)	(390)	(298)
	21,687	9,080	21,516	6,926
Accrued revenue from unbilled charges	51,568	62,002	49,448	59,841
Other receivables	3,761	838	3,732	774
Prepayments	4,545	3,023	4,544	3,021
Less: Allowance for expected credit losses	(206)	(248)	(206)	(248)
	59,668	65,615	57,518	63,388
Dividends from the Controlled entity	-	-	3,400	20,000
	81,355	74,695	82,434	90,314

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

Allowance for expected credit losses

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**2022 %**	**2021 %**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Not overdue	7.39%	9.84%	2,668	637	196	62
31-60 days overdue	8.56%	11.31%	-	1,009	-	114
61-90 days overdue	12.65%	15.43%	6	-	1	-
More than 90 days overdue	10.15%	13.92%	1,725	403	175	56
Sundry debtors	1.00%	3.75%	1,751	437	18	16
Government clients	-	-	53,090	48,378	-	-
Other debtors (accruals)	1.54%	3.75%	13,362	7,942	206	298
Prepayments	-	-	4,545	3,023	-	-
Other receivables not in scope of AASB 9	-	-	4,208	12,866	-	-
			81,355	74,695	596	546

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Parent	**2022 %**	**2021 %**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Not overdue	7.39%	9.84%	2,668	637	196	62
31-60 days overdue	8.56%	11.31%	-	1,009	-	114
61-90 days overdue	12.65%	15.43%	6	-	1	-
Over 90 days overdue	10.15%	13.92%	1,725	403	175	56
Sundry Debtors	1.00%	3.75%	1,751	437	18	16
Government clients	-	-	50,772	43,998	-	-
Other debtors (accruals)	1.54%	3.75%	13,361	7,943	206	298
Prepayments	-	-	4,544	3,021	-	-
Other receivables not in scope of AASB 9	-	-	7,607	32,866	-	-
			82,434	90,314	596	546

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

	Consolidated		Parent	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
31-60 days overdue	3,755	388	3,755	388
>90 day overdue	175	523	175	523
	3,930	911	3,930	911

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

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

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening balance	546	741	546	741
Additional provisions recognised	135	-	135	-
Amount used	(85)	(146)	(85)	(146)
Unused amounts reversed	-	(49)	-	(49)
Closing balance	596	546	596	546

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

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

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

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

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

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

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

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

14. Non-current assets - other financial assets

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Investment in WaterNSW Infrastructure Pty Ltd	-	-	79,201	79,201

Reconciliation

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Opening carrying amount	-	-	79,201	96,001
Capital dividend	-	-	-	(16,800)
Closing carrying amount	-	-	79,201	79,201

Recognition and measurement

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

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

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

Impairment of financial assets

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

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

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Market Land	43,887	38,246	43,887	38,246
System Land	226,670	202,022	226,647	202,022
	270,557	240,268	270,534	240,268
Plant and equipment - at cost	20,337	19,748	20,337	19,748
Less: Accumulated depreciation	(15,716)	(15,058)	(15,716)	(15,058)
	4,621	4,690	4,621	4,690
Furniture and fit-out - at cost	15,107	15,426	15,107	15,426
Less: Accumulated depreciation	(8,748)	(7,542)	(8,748)	(7,542)
	6,359	7,884	6,359	7,884
Motor vehicles - at cost	24,777	23,382	24,777	23,382
Less: Accumulated depreciation	(12,337)	(9,429)	(12,337)	(9,429)
	12,440	13,953	12,440	13,953
Information systems - at cost	36,201	34,227	36,201	34,227
Less: Accumulated depreciation	(25,511)	(21,361)	(25,511)	(21,361)
	10,690	12,866	10,690	12,866
Work in progress (WIP)	176,998	240,310	176,686	239,823
Infrastructure - at fair value (income approach)	2,740,788	2,629,170	2,345,071	2,232,351
Less: Accumulated depreciation	(3,736)	(2,881)	(3,736)	(2,881)
	2,737,052	2,626,289	2,341,335	2,229,470
Water Meters - at fair value (income approach)	23,231	23,805	23,231	23,805
Less: Accumulated depreciation	(245)	(17)	(245)	(17)
	22,986	23,788	22,986	23,788
Buildings - at fair value (income approach)	34,037	34,929	34,037	34,929
Less: Accumulated depreciation	(312)	(261)	(312)	(261)
	33,725	34,668	33,725	34,668
	3,275,428	3,204,716	2,879,376	2,807,410

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

Reconciliations

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

Consolidated	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System land $'000	Market land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2020	307,400	2,421,028	26,920	34,780	192,079	38,211	35,199	3,055,617
Additions	133,252	-	-	-	-	-	-	133,252
Disposals	-	(160)	(28)	-	-	-	(987)	(1,175)
Revaluation gain OCI*	-	42,697	1,466	457	9,826	7	-	54,453
Revaluation gain/(loss) in profit or loss	-	46,032	584	44	115	28	-	46,803
Transfers from WIP	(190,901)	173,683	-	1,200	2	-	16,016	-
Transfers in/(out)	(9,441)	-	(2)	-	-	-	-	(9,443)
Depreciation expense	-	(56,991)	(5,152)	(1,813)	-	-	(10,835)	(74,791)
Balance at 30 June 2021	240,310	2,626,289	23,788	34,668	202,022	38,246	39,393	3,204,716
Additions	82,954	-	-	-	-	-	-	82,954
Equity transfer	(24,986)	-	-	-	-	-	-	(24,986)
Disposals	-	(9,105)	(171)	-	-	-	(191)	(9,467)
Revaluation gain OCI*	-	88,738	1,436	811	24,229	4,178	-	119,392
Revaluation gain/(loss) in profit or loss	-	18,714	660	-	281	1,463	-	21,118
Transfers from WIP	(85,065)	79,672	-	-	138	-	5,255	-
Write off of assets	(27,822)	-	-	-	-	-	-	(27,822)
Transfers in/(out)	(8,394)	-	-	-	-	-	1	(8,393)
Depreciation expense	-	(67,256)	(2,727)	(1,754)	-	-	(10,347)	(82,084)
Balance at 30 June 2022	176,997	2,737,052	22,986	33,725	226,670	43,887	34,111	3,275,428

* OCI - Other comprehensive income

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

Parent	Work in progress $'000	Infra-structure $'000	Water meters $'000	Buildings $'000	System land $'000	Market land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2020	306,421	2,028,906	26,920	34,780	192,079	38,211	35,199	2,662,516
Additions	132,764	-	-	-	-	-	-	132,764
Disposals	-	(160)	(28)	-	(1)	-	(987)	(1,176)
Revaluation gain OCI*	-	33,516	1,465	457	9,827	7	-	45,272
Revaluation gain (loss) in profit and loss	-	46,032	584	44	115	28	-	46,803
Transfers from WIP	(190,415)	173,197	-	1,200	2	-	16,016	-
Transfers in/(out)	(8,947)	-	-	-	-	-	-	(8,947)
Depreciation expense	-	(52,021)	(5,153)	(1,813)	-	-	(10,835)	(69,822)
Balance at 30 June 2021	239,823	2,229,470	23,788	34,668	202,022	38,246	39,393	2,807,410
Additions	83,075	-	-	-	-	-	-	83,075
Equity transfer	(24,986)	-	-	-	-	-	-	(24,986)
Disposals	-	(9,105)	(171)	-	-	-	(191)	(9,467)
Revaluation gain OCI*	-	84,737	1,436	811	24,220	4,178	-	115,382
Revaluation gain (loss) in profit and loss	-	18,714	660	-	281	1,463	-	21,118
Transfers from WIP	(85,065)	79,686	-	-	124	-	5,255	-
Write off of assets	(27,822)	-	-	-	-	-	-	(27,822)
Transfers in/(out)	(8,340)	-	-	-	-	-	1	(8,339)
Depreciation expense	-	(62,167)	(2,727)	(1,754)	-	-	(10,347)	(76,995)
Balance at 30 June 2022	176,685	2,341,335	22,986	33,725	226,647	43,887	34,111	2,879,376

* OCI - Other comprehensive income

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Revalued assets measured at historical cost				
Infrastructure systems	1,944,386	1,921,358	1,583,434	1,555,703
Water meters	27,024	31,385	27,024	31,385
Buildings	20,991	22,230	20,991	22,230
System Land	118,513	118,390	118,513	118,390
	2,110,914	2,093,363	1,749,962	1,727,708

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

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

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

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

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

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

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

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

Recognition and measurement

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

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.

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

Restoration costs
The present value of the expected cost for the restoration or cost of dismantling of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision is met.

For fair value measurement information please refer to Note 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Land and buildings - right-of-use	25,593	23,328	25,593	23,328
Less: Accumulated depreciation	(8,591)	(6,842)	(8,591)	(6,842)
Less: Impairment	-	(68)	-	(68)
	17,002	16,418	17,002	16,418
Leasehold improvements - right-of-use	147	302	147	302
Less: Accumulated depreciation	(147)	(282)	(147)	(282)
	-	20	-	20
Motor vehicles - right-of-use	-	63	-	63
Less: Accumulated depreciation	-	(63)	-	(63)
	-	-	-	-
	17,002	16,438	17,002	16,438

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

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

Consolidated/Parent	Land and buildings $'000	Motor vehicles $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2020	22,674	16	3,322	26,012
Remeasurement	(4,948)	-	(3,302)	(8,250)
Impairment of assets	1,853	-	-	1,853
Write off of assets	(152)	-	-	(152)
Depreciation expense	(3,009)	(16)	-	(3,025)
Balance at 30 June 2021	16,418	-	20	16,438
Additions	238	-	-	238
Remeasurement	3,102	-	-	3,102
Depreciation expense	(2,756)	-	(20)	(2,776)
Balance at 30 June 2022	17,002	-	-	17,002

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

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

Property
- For property leases less than five years, or greater than five years but substantially shorter than the asset's useful life (e.g. the lease term is 10 years while the useful life of the leased property is 60 years), valuations will be based on indices published by Property NSW.
- For property leases greater than five years where the right-of-use asset's tenure is closely aligned to the asset's useful life, the Consolidated entity will obtain external valuations consistent with owned property, i.e. be subject to a comprehensive revaluation every three years in line with TPP 21-09 *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 2021 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, 2021 and 2022 financial years had an unprecedented effect on the NSW and global economies. COVID-19 significantly impacted the market rent for leases in Sydney Metro area and therefore the value of some lease right-of-use assets in the Statement of Financial Position.

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

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

The entity recognised a reversal of prior impairment losses for right-of-use assets during the 2021 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 had previous impairment losses, due to significant declines in market rent, reversed during the prior financial year (2021: $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.

Asset description	Valuation technique	Key assumptions	Fair value hierarchy
Metro area leases	Fair value less costs of disposal	Changes in index	Level 3

17. Non-current assets - Intangible assets

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Rights of access and other legal rights	5,405	5,380	4,857	4,885
Less: Accumulated amortisation	(1,374)	(1,098)	(1,374)	(1,098)
	4,031	4,282	3,483	3,787
Software - at cost	42,427	34,059	42,427	34,059
Less: Accumulated amortisation	(25,686)	(21,495)	(25,686)	(21,495)
	16,741	12,564	16,741	12,564
	20,772	16,846	20,224	16,351

Reconciliations

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

17. Non-current assets - Intangible assets (continued)

Consolidated	Work in progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2020	-	3,522	8,530	12,052
Transfers from WIP	(9,441)	973	8,468	-
Transfers from property, plant and equipment	9,441	-	-	9,441
Amortisation expense	-	(213)	(4,434)	(4,647)
Balance at 30 June 2021	-	4,282	12,564	16,846
Transfers from WIP	(8,392)	24	8,368	-
Transfers from property, plant and equipment	8,392	-	-	8,392
Amortisation expense	-	(275)	(4,191)	(4,466)
Balance at 30 June 2022	-	4,031	16,741	20,772

Parent	Work in Progress $'000	Rights of access and other $'000	Software $'000	Total $'000
Balance at 1 July 2020	-	3,522	8,530	12,052
Transfers from WIP	(8,946)	478	8,468	-
Transfers from property, plant and equipment	8,946	-	-	8,946
Amortisation expense	-	(213)	(4,434)	(4,647)
Balance at 30 June 2021	-	3,787	12,564	16,351
Transfers from WIP	(8,339)	(29)	8,368	-
Transfers from property, plant and equipment	8,339	-	-	8,339
Amortisation expense	-	(275)	(4,191)	(4,466)
Balance at 30 June 2022	-	3,483	16,741	20,224

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.

17. Non-current assets - Intangible assets (continued)

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

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

Impairment of assets
Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss. Please refer to Note 15 for the accounting policy on the impairment of assets.

18. Leases

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

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

The Consolidated entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value 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		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening balance	18,391	25,487	18,391	25,487
Interest expenses	764	772	764	772
Payments	(3,657)	(3,389)	(3,657)	(3,389)
Other movements	4,041	(4,479)	4,041	(4,479)
Closing balance	19,539	18,391	19,539	18,391

18. Leases (continued)

The following amounts were recognised in the statement of comprehensive income in respect of leases where the entity is the lessee:

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amortisation expense of right-of-use assets	(2,776)	(3,025)	(2,776)	(3,025)
Interest expense on lease liabilities	(764)	(772)	(764)	(772)
Short-term and low-value leases	(827)	(1,873)	(806)	(1,864)
Total amount recognised in the statement of comprehensive income	(4,367)	(5,670)	(4,346)	(5,661)

Recognition and measurement
The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:
- Land and buildings, including leasehold improvements - 1 to 20 years
- Motor vehicles 1 to 2 years

Where the ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to revaluation (except for those arising from leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives) and impairment. Refer to the accounting policies for property, plant and equipment in Note 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.

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.

18. Leases (continued)

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

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

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

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

	Consolidated		Parent	
	2022	2021	2022	2021
Within one year	2,272	2,297	2,272	2,297
Later than one year and not later than five years	6,123	6,249	6,123	6,249
Later than five years	40,883	42,637	40,883	42,637
Total (including GST)	49,278	51,183	49,278	51,183

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

19. 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 (continued)

Consolidated - 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	43,887	226,670	270,557
Infrastructure systems	-	-	2,793,763	2,793,763
Work in progress	-	-	176,997	176,997
Other property, plant and equipment	-	-	34,111	34,111
Total assets	-	43,887	3,231,541	3,275,428

Consolidated - 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	38,246	202,022	240,268
Infrastructure systems	-	-	2,684,745	2,684,745
Work in progress	-	-	240,310	240,310
Other property, plant and equipment	-	-	39,393	39,393
Total assets	-	38,246	3,166,470	3,204,716

Parent – 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	43,887	226,647	270,534
Infrastructure systems	-	-	2,398,046	2,398,046
Work in progress	-	-	176,685	176,685
Other property, plant and equipment	-	-	34,111	34,111
Total assets	-	43,887	2,835,489	2,879,376

Parent – 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	38,246	202,022	240,268
Infrastructure systems	-	-	2,287,926	2,287,926
Work in progress	-	-	239,823	239,823
Other property, plant and equipment	-	-	39,393	39,393
Total assets	-	38,246	2,769,164	2,807,410

19. Fair value measurement (continued)

Level 3 assets

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

Consolidated	Work in progress $'000	Infrastructure $'000	Land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2020	307,400	2,482,728	192,079	35,199	3,017,406
Gains recognised in profit or loss	-	46,660	115	-	46,775
Gains recognised in other comprehensive income	-	44,619	9,828	-	54,447
Additions	(57,649)	174,883	1	16,016	133,251
Disposals	-	(188)	(1)	(987)	(1,176)
Depreciation/Amortisation	-	(63,957)	-	(10,835)	(74,792)
Other reclassifications and transfers	(9,441)	-	-	-	(9,441)
Balance at 30 June 2021	240,310	2,684,745	202,022	39,393	3,166,470
Gains recognised in profit or loss	-	19,374	281	-	19,655
Gains recognised in other comprehensive income	-	90,985	24,229	-	115,214
Additions	(2,111)	79,672	138	5,255	82,954
Disposals	-	(9,276)	-	(191)	(9,467)
Depreciation/Amortisation	-	(71,737)	-	(10,347)	(82,084)
Other reclassifications and transfers	(8,394)	-	-	1	(8,393)
WIP written off	(27,822)	-	-	-	(27,822)
Equity transfer	(24,986)	-	-	-	(24,986)
Balance at 30 June 2022	176,997	2,793,763	226,670	34,111	3,231,541

Parent	Work in progress $'000	Infrastructure $'000	Land $'000	Other PP&E $'000	Total $'000
Balance at 1 July 2020	306,421	2,090,609	192,079	35,197	2,624,306
Gains recognised in profit or loss	-	46,660	115	-	46,775
Gains recognised in other comprehensive income	-	35,437	9,828	-	45,265
Additions	(57,651)	174,395	1	16,017	132,762
Disposals	-	(188)	(1)	(986)	(1,175)
Depreciation/Amortisation	-	(58,987)	-	(10,835)	(69,822)
Other reclassifications and transfers	(8,947)	-	-	-	(8,947)
Balance at 30 June 2021	239,823	2,287,923	202,022	39,393	2,769,164
Gains recognised in profit or loss	-	19,374	281	-	19,655
Gains recognised in other comprehensive income	-	86,984	24,220	-	111,204
Additions	(1,990)	79,686	124	5,255	83,075
Disposals	-	(9,276)	-	(191)	(9,467)
Depreciation/Amortisation	-	(66,648)	-	(10,347)	(76,995)
Other reclassifications and transfers	(8,340)	-		1	(8,339)
WIP written off	(27,822)	-	-	-	(27,822)
Equity transfer	(24,986)	-	-	-	(24,986)
Balance at 30 June 2022	176,685	2,398,047	226,647	34,111	2,835,489

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 21-09 *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 the year ended 30 June 2023. Market land has been valued by the valuer on the basis that it is not contaminated. Refer to Note 37 Contingent liabilities.

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

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

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

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

Consolidated - 2022	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	2,705	(2,705)	13,528	(13,528)

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

Parent - 2022	Scenario A $'000	Scenario B $'000	Scenario C $'000	Scenario D $'000
% change in land value	1	(1)	5	(5)
Increase/(decrease) in fair value	2,705	(2,705)	13,526	(13,526)

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

Under these sensitivities movements up or down in value per hectare would have an immaterial impact on the overall valuation of the property, plant and equipment.

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

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). This reflects the segmented asset bases, customers and regulatory 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).

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 pricing determinations.
- Discount rate – nominal pre-tax discount rate based on parameters as most recently published by the economic regulator(s) and TCorp.

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 forecasts;
- 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 forecasts and water supply volumes, with prices adjusted to reflect the adjusted capital expenditure program (per above), and the consequential forecast roll-forward 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.

19. Fair value measurement (continued)

The following net 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 - 2022					
Greater Sydney CGU	11,600	12,300	17,500	45,000	55,900
Rural CGU	(48,200)	13,600	30,000	30,500	32,700
Broken Hill CGU	16,600	17,900	18,500	19,200	20,700
	(20,000)	43,800	66,000	94,700	109,300

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

Parent	Year 1 $'000	Year 2 $'000	Year 3 $'000	Year 4 $'000	Year 5 $'000
Undiscounted cash flows - 2022					
Greater Sydney CGU	11,600	12,300	17,500	45,000	55,900
Rural CGU	(48,200)	13,600	30,000	30,500	32,700
	(36,600)	25,900	47,500	75,500	88,600

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

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.

19. Fair value measurement (continued)

Consolidated 2022/2021	Actual revaluation $'000	Scenario A +1% $'000	Scenario B -1% $'000
Greater Sydney CGU			
Discount rate	7.00% / 5.64%	8.00% / 6.64%	6.00% / 4.64%
Fair value	1,859,800 / 1,851,900	1,784,900/ 1,778,500	1,938,700 / 1,929,100
Rural CGU			
Discount rate	7.00% / 5.64%	8.00% / 6.64%	6.00% / 4.64%
Fair value	1,056,800 / 988,300	1,012,800 / 944,400	1,103,100 / 1,034,600
Broken Hill CGU			
Discount rate	7.00% / 5.64%	8.00% / 6.64%	6.00% / 4.64%
Fair value	396,600 / 397,800	381,800 /383,000	412,200 / 413,500

Parent 2022/2021	Actual revaluation $ '000	Scenario A +1% $ '000	Scenario B -1% $ '000
Greater Sydney CGU			
Discount rate	7.00% / 5.64%	8.00% / 6.64%	6.00% / 4.64%
Fair value	1,859,800 / 1,851,900	1,784,900/ 1,778,500	1,938,700 / 1,929,100
Rural CGU			
Discount rate	7.00% / 5.64%	8.00% / 6.64%	6.00% / 4.64%
Fair value	1,056,800 / 988,300	1,012,800 / 944,400	1,103,100 / 1,034,600

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

Consolidated 2022/2021	Actual revaluation $ '000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flows change		+5%	-5%
Fair value	1,859,800 / 1,851,900	1,865,800 / 1,862,600	1,854,100 / 1,841,200
Rural CGU			
Operating cashflows change		+5%	-5%
Fair value	1,056,800 / 988,300	1,058,800 / 986,200	1,054,800 / 990,500
Broken Hill CGU			
Operating cashflows change		+5%	-5%
Fair value	396,600 / 397,800	400,500 / 401,800	392,700 / 393,900

Parent 2022/2021	Actual revaluation $'000	Scenario C $'000	Scenario D $'000
Greater Sydney CGU			
Operating cash flow change		+5%	-5%
Fair value	1,859,800 / 1,851,900	1,865,800 / 1,862,600	1,854,100 / 1,841,200
Rural CGU			
Operating cashflow change		+5%	-5%
Fair value	1,056,800 / 988,300	1,058,800 / 986,200	1,054,800 / 990,500

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

19. Fair value measurement (continued)

Consolidated 2022/2021	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Terminal value change		+5%	-5%
Fair value	1,859,800 / 1,851,900	1,947,100 / 1,933,800	1,772,500 / 1,770,000
Rural CGU			
Terminal value change		+5%	-5%
Fair value	1,056,800 / 988,300	1,083,500 /1,039,900	1,005,900 / 936,800
Broken Hill CGU			
Terminal value change		+5%	-5%
Fair value	396,600 / 397,800	412,500 / 413,700	380,700 / 381,900

Parent 2022/2021	Actual revaluation $'000	Scenario E $'000	Scenario F $'000
Greater Sydney CGU			
Terminal value change		+5%	-5%
Fair value	1,859,800 / 1,851,900	1,947,100 / 1,933,800	1,772,500 / 1,770,000
Rural CGU			
Terminal value change		+5%	-5%
Fair value	1,056,800 / 988,300	1,083,500 / 1,039,900	1,005,900 / 936,800

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

Valuation techniques and inputs used to determine fair value of other property, plant and equipment
Other property, plant and equipment is valued at fair value in accordance with Australian Accounting Standards and guidance within TPP 21-09 *Valuation of Physical Non-Current Assets at Fair Value*. For non-specialised assets, TPP 21-09 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 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Trade payables	6,555	10,534	6,296	10,187
Other liabilities - MDBA* pass through	10,580	6,068	10,580	6,068
Non-trade payables and accrued expenses	34,055	35,405	33,677	34,598
Accrued salaries, wages and on-costs	13,529	12,865	13,529	12,865
Fringe benefits tax	34	47	34	47
Accrued interest on loans	32,070	31,729	27,224	27,000
	96,823	96,648	91,340	90,765

*MDBA - Murray-Darling Basin Authority

Refer to Note 40 for further information on financial instruments

20. Current liabilities - trade and other payables (continued)

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current borrowings	233,691	259,623	181,547	206,581
Loan from the Controlled entity	-	-	24,104	29,217
Lease liabilities	2,771	1,852	2,771	1,852
	236,462	261,475	208,422	237,650

Refer to Note 40 for further information on financial instruments.

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

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

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

Under the Debt Management Facility, the Consolidated entity is able to rollover its maturing debt to any term offered by its lender (TCorp), provided the total capital value of the debt remains within limits approved under the *Government Sector Finance Act 2018* (Refer Note 40(d)). The Consolidated entity also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State of NSW.

22. Current liabilities – provisions

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Annual leave	14,997	14,696	14,997	14,696
Long service leave	25,383	31,084	25,383	31,084
Other benefits	915	786	915	786
Insurance works	17,602	7,404	17,602	7,404
Restoration	-	210	-	210
Other	2,618	2,566	2,618	2,566
Termination benefits	303	-	303	-
Remediation	1,073	572	1,073	572
Land tax	27,112	22,080	27,111	22,079
	90,003	79,398	90,002	79,397

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 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Long service leave	24,451	28,711	24,451	28,711

Recognition and measurement

Annual leave

Actuarial advice obtained by the Consolidated entity has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave can be used to approximate the present value of the annual leave liability. The Consolidated entity has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

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 4.5% (2021: 2.53%) 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.

22. Current liabilities - provisions (continued)

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

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

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 and workers compensation insurance premiums, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have also been recognised.

Insurance works
The insurance provision recognises the costs relating to the Consolidated entity's obligation to repair or replace assets resulting from damage as a result of the 2020 bushfires and 2022 floods.

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 Corporation is not required to maintain a dividend franking account.

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Dividend payable	15,000	20,000	15,000	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 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Opening balance	20,000	20,000	20,000	20,000
Dividend recognised	15,000	20,000	15,000	20,000
Dividend paid	(20,000)	(20,000)	(20,000)	(20,000)
Closing balance	15,000	20,000	15,000	20,000

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

Dividends are calculated in accordance with the requirements of TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*.

24. Current liabilities - other

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Subsidies and grants received in advance	17,687	53,378	17,687	53,378
Refund liabilities	9	27	9	27
	17,696	53,405	17,696	53,405

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 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Contract liabilities	2,251	1,996	2,251	1,996

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 $2,251,000 as at 30 June 2022 (2021: $1,996,000) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Within 6 months	2,251	1,996	2,251	1,996

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 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Borrowings	1,645,022	1,609,499	1,404,189	1,372,649
Lease liabilities	16,768	16,539	16,768	16,539
	1,661,790	1,626,038	1,420,957	1,389,188

Refer to Note 40 for further information on financial instruments.

26. Non-current liabilities - borrowings (continued)

Financing arrangements

The following facilities were available at the reporting date:

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Total facilities				
Long-term borrowing facility	2,400,000	2,400,000	2,050,000	2,050,000
Come & Go facility	50,000	50,000	50,000	50,000
Credit card facility	2,000	2,000	2,000	2,000
Borrowing facility - WaterNSW Infrastructure	-	-	65,000	65,000
	2,452,000	2,452,000	2,167,000	2,167,000
Used at the reporting date				
Long-term borrowing facility	1,878,713	1,869,122	1,585,736	1,579,230
Come & Go facility	-	-	-	-
Credit card facility	429	373	429	373
Borrowing facility - WaterNSW Infrastructure	-	-	24,104	29,217
	1,879,142	1,869,495	1,610,269	1,608,820
Unused at the reporting date				
Long-term borrowing facility	521,287	530,878	464,264	470,770
Come & Go facility	50,000	50,000	50,000	50,000
Credit card facility	1,571	1,627	1,571	1,627
Borrowing facility - WaterNSW Infrastructure	-	-	40,896	35,783
	572,858	582,505	556,731	558,180

'Come and Go' short term borrowing facility

The Consolidated entity has a $50 million (2021: $50 million) short-term borrowing facility in place with TCorp. The 'Come and Go' facility is used extensively as part of the Consolidated entity's daily cash management function.

Long-term borrowing facility

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

Intercompany loan

The Minister has approved an intercompany loan for $65 million of which $24.1 million was used at 30 June 2022 (2021: $29.2 million).

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

26. Non-current liabilities - borrowings (continued)

Changes in liabilities arising from financing activities - Consolidated - 30 June 2022	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Totals $'000
Balance at 1 July 2021	20,000	259,623	1,609,499	18,391	1,907,513
Non-cash movements	15,000	(25,932)	35,523	4,041	28,632
Cash movements	(20,000)	-	-	(2,893)	(22,893)
Balance at 30 June 2022	15,000	233,691	1,645,022	19,539	1,913,252

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

Changes in liabilities arising from financing activities - Parent - 30 June 2022	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Loans from Controlled entity $'000	Dividends from Controlled entity $'000	Totals $'000
Balance at 1 July 2021	20,000	206,581	1,372,649	18,391	29,217	(20,000)	1,626,838
Non-cash movements	15,000	(25,034)	31,540	4,041	-	(3,400)	22,147
Cash movements	(20,000)	-	-	(2,893)	(5,113)	20,000	(8,006)
Balance at 30 June 2022	15,000	181,547	1,404,189	19,539	24,104	(3,400)	1,640,979

Changes in liabilities arising from financing activities - Parent - 30 June 2021	Dividends $'000	Short-term borrowings $'000	Long-term borrowings $'000	Leases $'000	Loans from Controlled entity $'000	Dividends from Controlled entity $'000	Totals $'000
Balance at 1 July 2020	20,000	596,909	917,672	25,487	25,207	(20,000)	1,565,275
Non-cash movements	20,000	(390,328)	404,859	(3,707)	-	(20,000)	10,824
Cash movements	(20,000)	-	50,118	(3,389)	4,010	20,000	50,739
Balance at 30 June 2021	20,000	206,581	1,372,649	18,391	29,217	(20,000)	1,626,838

27. Non-current liabilities – provisions

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Long service leave	3,793	3,454	3,793	3,454
Restoration	359	349	359	349
Payroll tax	206	186	206	186
Defined benefit superannuation scheme	55,104	86,686	55,104	86,686
	59,462	90,675	59,462	90,675

27. Non-current liabilities - provisions (continued)

Recognition and measurement

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 - 2022	Payroll tax $'000	Other provisions $'000	Termination benefits $'000	Land Tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	186	2,566	-	22,080	559	572	7,404
Additional provisions recognised	20	52	303	5,032	-	501	15,497
Amounts used	-	-	-	-	(200)	-	(5,299)
Carrying amount at the end of the year	206	2,618	303	27,112	359	1,073	17,602

27. Non-current liabilities - provisions (continued)

Parent - 2022	Payroll Tax $'000	Other provisions $'000	Termination benefits $'000	Land Tax $'000	Restoration $'000	Remediation $'000	Insurance works $'000
Carrying amount at the start of the year	186	2,566	-	22,080	558	572	7,404
Additional provisions recognised	20	52	303	5,032	-	501	15,497
Amounts used	-	-	-	-	(200)	-	(5,299)
Carrying amount at the end of the year	206	2,618	303	27,112	358	1,073	17,602

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 last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

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

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

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

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

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

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

Description of significant events
There were no fund amendments, curtailments or settlements during the year.

Reconciliation of the net defined benefit liability(asset)	SASS $'000	Consolidated/ SANCS $'000	Parent SSS S'000	Total $'000
As at 30 June 2022				
Net defined benefit liability/(asset) at beginning of the year	12,402	2,758	71,526	86,686
Current service cost	301	181	365	847
Net interest on net defined benefit liability/(asset)	370	80	2,208	2,658
Actual return on fund assets less interest income	1,398	117	4,267	5,782
Actuarial (gain)/loss from change in financial assumptions	(5,719)	(420)	(36,359)	(42,498)
Actuarial (gain)/loss arising from liability experience	370	1	3,160	3,531
Employer contributions	(934)	(343)	(625)	(1,902)
Net defined benefit liability at end of the year	8,188	2,374	44,542	55,104

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

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

Reconciliation of the fair value of fund assets	SASS $'000	Consolidated /SANCS $'000	Parent SSS $'000	Total $'000
As at 30 June 2022				
Fair value of fund assets at beginning of the year	36,266	3,178	109,416	148,860
Interest income	1,048	87	3,290	4,425
Actual return on fund assets less interest income	(1,398)	(117)	(4,267)	(5,782)
Employer contributions	934	343	625	1,902
Contributions by participants	338	-	195	533
Benefits paid	(1,829)	(456)	(6,834)	(9,119)
Taxes, premiums and expenses paid	(203)	(41)	691	447
Fair value of fund assets at end of the year	35,156	2,994	103,116	141,266

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

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

Reconciliation of the Defined Benefit Obligation	SASS $'000	Consolidated/ SANCS $'000	Parent SSS $'000	Total $'000
At 30 June 2022				
Present value of obligation at the beginning of the year	48,669	5,935	180,942	235,546
Current service cost	301	181	366	848
Interest cost	1,418	167	5,498	7,083
Contributions by participants	338	-	195	534
Actuarial (gain)/loss from change in financial assumptions	(5,720)	(420)	(36,359)	(42,499)
Actuarial (gain)/loss arising from liability experience	370	1	3,161	3,531
Benefits paid	(1,829)	(456)	(6,834)	(9,118)
Taxes, premiums and expenses paid	(203)	(41)	691	447
Present value of the obligation at the end of the year	43,344	5,367	147,660	196,372

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

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.

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

Assets category	2022 Quoted prices in market for identical assets Level 1 $'000	2022 Significant observable inputs Level 2 $'000	2022 Un-observable inputs Level 3 $'000	2022 Totals $'000	2021 Quoted prices in market for identical assets Level 1 $'000	2021 Significant observable inputs Level 2 $'000	2021 Un-observable inputs Level 3 $'000	2021 Totals $'000
Assets category								
As at 30 June								
Short Term Securities	1,854,969	3,186,223	-	5,041,193	2,398,668	2,709,702	-	5,108,370
Australian fixed interest	-	244,972	-	244,972	-	903,816	-	903,816
International fixed interest	4,287	1,415,027	20,329	1,439,642	45,227	1,709,799	-	1,755,026
Australian equities	5,893,947	622,584	2,246	6,518,777	8,308,316	2,341	-	8,310,657
International equities	12,002,063	169,289	3,055	12,174,407	13,884,532	5,148	-	13,889,679
Property	-	-	2,362,344	2,362,344	626,961	-	2,660,769	3,287,730
Alternatives	(637)	2,160,192	6,936,165	9,095,720	759	2,709,828	5,819,124	8,529,710
Totals	19,754,629	7,798,287	9,324,139	36,877,055	25,264,463	8,040,634	8,479,893	41,784,988

The percentage invested in each asset class at the reporting date is:	2022 %	2021 %
Short term securities	13.70%	12.20%
Australian fixed interest	0.70%	2.20%
International fixed interest	3.90%	4.20%
Australian equities	17.70%	19.90%
International equities	33.00%	33.20%
Property	6.40%	7.90%
Alternatives	24.70%	20.40%
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.

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

Fair value of entity's own financial instruments
The disclosures below relate to total assets of the Pooled Fund.
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 $362 million (2021: $328 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $540 million (2021: $443 million).

Significant actuarial assumptions at the reporting date	30 June 2022	30 June 2021
Discount rate	5.30% p.a	3.10% p.a.
Salary increase rate (excluding promotional increases)	3.15% for 22/23 3.62% for 23/24 2.87% for 24/25 2.74% for 25/26 3.2% pa thereafter	2.74% p.a 21/22 to 25/26 3.2% p.a thereafter
Rate of CPI increase	4.00% for 21/22 5.50% for 22/23 3.00% for 23/24 and 24/25 2.75% for 25/26 and 26/27 2.50% pa thereafter	1.50% for 20/21 1.75% for 21/22 and 22/23 2.25% for 23/24,24/25 and 25/26 2.50% for 26/27 2.75% for 27/28 3.0% for 28/29 2.75% for 29/30 2.50% pa thereafter

The pensioner mortality assumptions are as per the 2021 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report on the Trustee's website. The report shows the pension mortality rates for each age.

Sensitivity analysis
The Consolidated entity's total defined benefit obligation as at 30 June 2022 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 2022. 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% p.a.	as above +0.5% p.a.
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	196,371,486	207,286,129	186,368,743

Consolidated/Parent	Base case	Scenario C +0.5% CPI rate change	Scenario D -0.5% CPI rate change
Discount rate	as above	as above	as above
Rate of CPI increase	as above	plus 0.5% p.a.	less 0.5% p.a.
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	196,371,486	206,981,685	186,593,749

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

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)	196,371,486	197,033,775	195,731,570

Consolidated/Parent	Base case	Scenario G Lower Mortality*	Scenario H Higher Mortality**
Defined benefit obligation ($'000)	196,371,486	198,602,982	194,600,424

* Assumes the short-term pensioner mortality improvement factors for years 2022-2026 also apply for years after 2026.
**Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for the years 2022 to 2026.
The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

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

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

Surplus/deficit
The following is a summary of the 30 June 2022 financial position of the Fund calculated in accordance with AASB 1056 *Accounting Standard "Superannuation Entities*:

		Consolidated/	Parent	
	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
As at 30 June 2022				
Accrued benefits*	39,414	4,834	115,341	159,589
Net market value of fund assets	(35,157)	(2,994)	(103,117)	(141,268)
Net (surplus) / deficit	4,257	1,840	12,224	18,321

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

* 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)

Economic assumptions
The economic assumptions adopted for the 30 June 2022 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	6.2% p.a.
Expected salary increase rate (excluding promotional salary increases)	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26, 3.2% pa thereafter
Expected rate of CPI increase	4.8% for 21/22, 2.5% pa thereafter

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

$'000	Base Case	Scenario A -0.5% return	Scenario B +0.5% return
Expected rates of return on Fund assets	7.0%/6.2%	6.5%/5.7%	7.5%/6.7%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Accrued Benefits	159,588,856	166,156,474	153,521,905

	Consolidated/		Parent	
Financial Year to 30 June 2023	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Expected employer contributions	1,019	374	682	2,075

	Consolidated/		Parent	
30 June 2022	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Profit or loss impact				
Current service cost	301	181	366	848
Net interest	370	80	2,208	2,658
Profit or loss component of the defined benefit cost	671	261	2,574	3,506

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

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

30 June 2022	SASS $'000	Consolidated /SANCS $'000	Parent SSS $'000	Total $'000
Other Comprehensive Income				
Actuarial (gains)/losses on liabilities	(5,350)	(419)	(33,199)	(38,968)
Actual return on Fund assets less interest income	1,398	117	4,267	5,782
Total remeasurement in other comprehensive income	(3,952)	(302)	(28,932)	(33,186)

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

Maturity profile of defined benefit obligation
The weighted average duration of the defined benefit obligation is 11.5 years.
Scenarios A and B relate to sensitivity of the Total Accrued Benefits figure shown in the AASB 1056 results.

29. Non-current liabilities - Other liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Subsidies and grants received in advance	105,898	80,858	105,893	80,852
Other liabilities	33	33	33	33
	105,931	80,891	105,926	80,885

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 liabilities 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 a useful life in excess of 12 months is treated as a non-current liability.

30. Non-current liabilities - contract liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Contract liabilities	933	297	933	297

30. Non-current liabilities - contract liabilities (continued)

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 $933,000 as at 30 June 2022 (2021: $297,000) and is expected to be recognised as revenue in future periods as follows:

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
12 to 18 months	933	297	933	297

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 Employee Relations. All shares are issued as 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 approval 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') 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 plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current liabilities - trade and other payables (Note 20)	96,823	96,648	91,340	90,765
Current liabilities - borrowings (Note 21)	236,462	261,475	208,422	237,650
Non-current liabilities - borrowings (Note 26)	1,661,790	1,626,038	1,420,957	1,389,188
Total borrowings	1,995,075	1,984,161	1,720,719	1,717,603
Current assets - cash and cash equivalents (Note 12)	(87,767)	(83,361)	(87,684)	(83,082)
Net debt	1,907,308	1,900,800	1,633,035	1,634,521
Total equity	934,950	868,589	909,486	846,225
Total capital	2,842,258	2,769,389	2,542,521	2,480,746
Gearing ratio	67%	69%	64%	66%

31. Equity - contributed equity (continued)

Recognition and measurement

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. Refer to Note 36 for further information.

WaterNSW Infrastructure Pty Ltd is incorporated under the Corporations Act 2001 with issued capital of one hundred (100) fully paid $1 ordinary shares. The current shareholder is Water NSW. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Consolidated entity. The $100 share capital is included in contributed equity in the statement of financial position.

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 39.

(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
Essential Energy	Broken Hill Pipeline transportation services	Note 2
NSW Department of Planning and Environment	Administered assets	Note 41
	Equity transfer	Note 36
	Government grants	Note 3
	Rebates	Note 2
NSW Treasury	Dividends	Note 23
	Government Guarantee Fee	Note 8
NSW Treasury Corporation	Borrowings and interest repayment	Note 21, Note 26
Revenue NSW	Income Tax, Land Tax, Payroll Tax	Note 11, Note 22, Note 27
Sydney Water Corporation	Sale of bulk water	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).

33. Key management personnel disclosures (continued)

(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:

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

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Short-term employee benefits	4,230	4,269	4,230	4,269
Post-employment benefits	278	252	278	252
Long-term benefits	37	35	37	35
Termination benefits	316	-	316	-
	4,861	4,556	4,861	4,556

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Directors, excluding Chief Executive Officer*	523	551	523	551
Senior executives, including Chief Executive officer	4,338	4,005	4,338	4,005
Remuneration of Key Management Personnel	4,861	4,556	4,861	4,556

* includes Rob Aldis' remuneration of $9,000 (2021: $54,000) (excluding GST: $900; 2021: $5,400) for the work as the Chair of the Major Projects Advisory Board.

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

(b) Other transactions with key management personnel
Any transactions undertaken with key management personnel or entities related to them are conducted on an arm's length basis on commercial terms and conditions. In accordance with the requirements of TC 16-12 *Related Party Disclosures*, the Consolidated entity 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 financial year the Consolidated entity paid membership fees and participated in the conferences and workshops conducted by the Water Services Association of Australia (WSAA) transactions totalling $50,930 (including GST - $4,630) (2021: $143,659 (including GST - $11,600)). The Chief Executive Officer of Water NSW was a board member of WSAA during 2021 financial year and held this position until November 2022.

There were no other related party transactions to disclose.

34. Auditors remuneration

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Auditors remuneration				
Financial audit of Water NSW	333	325	333	325
Financial audit of WaterNSW Infrastructure Pty Ltd	31	30	-	-
Total remuneration	364	355	333	325

35. Commitments

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Capital commitments				
Committed at the reporting date but not recognised as liabilities, payable:				
Property, plant and equipment and intangible assets	93,840	138,413	93,743	138,413
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	81,672	105,081	81,575	105,081
One to five years	12,168	33,332	12,168	33,332
	93,840	138,413	93,743	138,413

Amounts disclosed as capital commitments includes GST of $8.5 million (2021: $12.6 million) recoverable from the Australian Taxation Office.

36. Equity Transfer

On 1 September 2021, pursuant to the WaterNSW Assets, Rights and Liabilities Transfer Order 2021 signed by the Minister for Water Property and Housing, certain assets of Water NSW were transferred to the Department of Planning and Environment (DPE) at fair value. This transaction was treated as an equity transfer in accordance with *TPP 21-08 Accounting Policy: Contribution by owners made to wholly-owned Public Sector Entities.*

The values of assets transferred to DPE are as follows:

	Fair value $'000
Work in progress	(24,986)
Fair value of the assets transferred	(24,986)

37. Contingent liabilities

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

Operational activities
Risk exposure occurs as a result of operational activities. These exposures comprise various matters that have or possibly could lead to disputes over past or existing contracts or other operational activities. The Consolidated entity is a party to various legal actions and claims which have arisen in the ordinary course of business. Any liability arising from such claims cannot be reliably measured at this time. In the director's opinion disclosure of any further information would be prejudicial to the interests of the Consolidated entity.

37. Contingent liabilities (continued)

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 in July 2014 to cover potential obligations in the future. The obligations are for potential compensation to the hydro-operator during the first 30 year term for any power station unavailability that is caused by an act or omission of the Consolidated entity (excluding planned works or force majeure). The potential liability is capped (for both Burrinjuck Dam and Keepit Dam combined) to $5 million.

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

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

38. Cash flow information

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

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Profit (loss) after tax	(455)	34,811	(748)	34,333
Depreciation	84,860	77,816	79,772	72,846
Amortisation	4,467	4,647	4,467	4,647
Fair value adjustment through profit and loss	(21,118)	(46,802)	(21,118)	(46,802)
Loss on disposal of property, plant and equipment	36,770	(1,013)	36,770	(1,013)
Decrease/(increase) trade and other receivables	(6,660)	46,223	(12,120)	42,682
Decrease/(increase) other operating assets	39	121	39	121
Increase/(decrease) trade and other payables	4,687	(1,454)	5,087	(1,899)
Decrease/(increase) income tax	(1,856)	12,786	(2,900)	11,592
Increase/(decrease) other costs of finance	9,591	18,098	6,506	14,494
Increase/(decrease) other provisions	11,303	(2,946)	11,303	(2,946)
Increase/(decrease) other operating liabilities	(117)	243	(117)	243
Net cash from operating activities	121,511	142,530	106,941	128,298

39. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in Note 14:

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
WaterNSW Infrastructure Pty Ltd - 100 shares at $1 per share	Australia	100	100

40. Financial instruments

a) Risk management framework

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

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

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

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

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial assets				
Cash and cash equivalents (category: not applicable)	87,767	83,361	87,684	83,082
Trade and other receivables* (category: amortised cost)	73,178	71,314	74,287	86,596
Financial assets – totals	160,945	154,675	161,971	169,678
Financial liabilities				
Trade and other payables*(category: amortised cost)	96,823	96,648	91,340	90,765
Contract liabilities* (category: amortised cost)	3,184	2,293	3,184	2,293
Borrowings (category: amortised cost)	1,878,713	1,869,122	1,585,736	1,608,447
Lease liabilities	19,539	18,391	19,539	18,391
Financial liabilities - totals	1,998,259	1,986,454	1,699,799	1,719,896

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

40. Financial instruments (continued)

(b) Market risk

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

Interest rate risk

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

TCorp manages interest rate risk exposures applicable to specific borrowings of the Consolidated entity in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service. At reporting date, the carrying value of borrowings managed by TCorp for the Consolidated entity stood at $1,879 million (2021: $1,917 million).

	Consolidated		Parent	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Commonwealth guaranteed	16,150	15,393	16,150	15,393
Loans State guaranteed	1,849,569	1,885,310	1,556,592	1,547,299
CPI Indexed Year on Year (YOY) loan	-	4,085	-	4,085
Loans to Authorities	12,994	12,453	12,994	12,453
Fixed rate instruments	1,878,713	1,917,241	1,585,736	1,579,230

	Consolidated		Parent	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Variable rate instruments				
Cash and cash equivalents	87,767	83,361	87,684	83,082

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

Intercompany loan of $24.1 million is at-call, unsecured and interest free. The interest rate risk exposure is considered to be very low.

40. Financial instruments (continued)

Consolidated - 2022	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax $'000	Basis points increase: Effect on equity $'000	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax $000	Basis points decrease: Effect on equity $000
Cash and cash equivalents	100	878	878	(100)	(878)	(878)

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

Parent - 2022	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax $'000	Basis points increase: Effect on equity $'000	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax $'000	Basis points decrease: Effect on equity $'000
Cash and cash equivalents	100	877	877	(100)	(877)	(877)

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

(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 non-government 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 material financial guarantees have been granted.

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

40. Financial instruments (continued)

Cash and cash equivalents
Credit risk related to business with banks and other financial institutions is managed by the Audit and Risk Committee in accordance with approved Board policy. Investment with individual counterparties is limited to TCorp and the NSW Government's state financial services provider bank.

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

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

The Consolidated entity has obtained approval under the *Government Sector Finance Act 2018* (Note 26) for limits on its borrowing facilities.

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 0.39 (Parent – 0.49). There is $233.7 million (Parent - $181.5 million) in borrowings that mature in the next twelve months. However, management has the capacity to rollover the debt as and when it falls due. Under the debt management agreement with TCorp, the Consolidated entity is able to rollover maturing debt into new debt so long as the total capital value of 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.

40. Financial instruments (continued)

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

Consolidated - 2022	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	96,823	-	-	-	96,823
Interest-bearing - fixed rate						
Borrowings	1.86%	260,927	284,037	1,040,986	434,954	2,020,904
Lease liability	3.10%	2,911	2,697	6,810	11,532	23,950
Total non-derivatives		360,661	286,734	1,047,796	446,486	2,141,677

Consolidated - 2021	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	96,648	-	-	-	96,648
Interest-bearing - fixed rate						
Borrowings	1.72%	284,428	257,154	1,023,659	444,874	2,010,115
Lease liability	4.10%	2,250	7,202	7,268	3,685	20,405
Total non-derivatives		383,326	264,356	1,030,927	448,559	2,127,168

Parent - 2022	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	91,340	-	-	-	91,340
Intercompany loan	-	24,104	-	-	-	24,104
Interest-bearing - fixed rate						
Borrowings	1.69%	204,278	229,278	932,177	332,044	1,697,777
Lease liability	3.10%	2,911	2,697	6,810	11,533	23,951
Total non-derivatives		322,633	231,975	938,987	343,577	1,837,172

40. Financial instruments (continued)

Parent - 2021	Weighted average interest rate* %	1 year or less $'000	Between 1 and 2 years $'000	Between 1 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	90,765	-	-	-	90,765
Intercompany loan	-	29,217	-	-	-	29,217
Interest-bearing - fixed rate						
Borrowings	1.61%	227,371	201,343	918,060	344,696	1,691,470
Lease liability	4.10%	2,250	7,202	7,268	3,685	20,405
Total non-derivatives		349,603	208,545	925,328	348,381	1,831,857

* Excluding Government Guarantee Fee

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

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:

	2022		2021	
Consolidated	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Liabilities				
Borrowings	1,878,713	1,837,868	1,869,122	1,937,271
	1,878,713	1,837,868	1,869,122	1,937,271

	2022		2021	
Parent	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Liabilities				
Borrowings	1,585,736	1,549,662	1,579,230	1,632,728
	1,585,736	1,549,662	1,579,230	1,632,728

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.

40. Financial instruments (continued)

Dividend policy

The declared dividend of $15.0 million (2021: $20.0 million) is in line with TPG 21-10 *Capital Structure and Financial Distribution Policy for Government Businesses*.

41. Administered Items

Administered revenue, assets and liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Administered revenue				
WAMC*- water charges	16,029	12,471	16,029	12,471
NRAR**** funding	4,808	4,720	4,808	4,720
YCATAC**-Yanco Columbo system levy	97	97	97	97
MDBA and BRC - Rural Valleys***	16,364	15,037	16,364	15,037
MDBA and BRC WAMC***	5,024	-	5,024	-
Total administered revenue	42,322	32,325	42,322	32,325

	Consolidated 2022	Consolidated 2021	Parent 2022	Parent 2021
Administered assets				
Administered cash WAMC*	2,097	2,422	2,097	2,422
Administered cash MDBA*** Rural Valleys	7,228	3,625	7,228	3,625
Administered cash MDBA*** & BRC Pass Through WAMC	1,253	-	1,253	-
Administered cash YCATAC**	1	1	1	1
Debtors and accrued charges WAMC*	2,469	2,272	2,469	2,272
Debtors and accrued charges MDBA*** Rural Valleys	990	750	990	750
Administered cash MDBA*** & BRC Pass Through WAMC	109	-	109	-
Debtors and accrued charges YCATAC**	4	20	4	20
Total administered assets	14,151	9,090	14,151	9,090

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Administered liabilities				
Creditors and accruals WAMC*	4,566	4,694	4,566	4,694
Creditors and accruals YCATAC**	5	21	5	21
Creditors and accruals MDBA and BRC***	8,218	4,375	8,218	4,375
Creditors MDBA*** & BRC Pass Through WAMC	1,362	-	1,362	-
Total administered liabilities	14,151	9,090	14,151	9,090

* 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

41. Administered items (continued)

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

The Consolidated entity held bank guarantees from various suppliers for the amount of $14.7 million as at 30 June 2022 (2021: $48.3 million).

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

42. Events after the reporting period

As at the time of reporting, the developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored, however it is unlikely to have any material effect on the Consolidated entity's operations.

No other matter or circumstance has arisen since 30 June 2022 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

Statement by the Accountable Authority

30 JUNE 2022

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

a) Present fairly Water NSW financial position, financial performance and cash flows as at 30 June 2022.

b) have been prepared in accordance with;

- applicable Australian Accounting Standards (including Australian Accounting Interpretations);
- the applicable requirements of the Act;
- the Government Sector Finance Regulation 2018;
- the Treasurer's directions, and
- the *State-Owned Corporations Act 1989*.

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

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

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

Peter Duncan AM
Chair of the Board of Directors
Water NSW
14 September 2022

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 Statement by the Accountable Authority, the Statements of comprehensive income for the year ended 30 June 2022, the Statements of financial position as at 30 June 2022, the Statements of changes in equity and the Statements of cash flows for the year then ended, notes comprising 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:

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

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

Basis for Opinion

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

I am independent of 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.

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

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 2022. 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. I have determined the matters described below to be the key audit matters to be communicated in my report.

<table>
<tr><th>Key Audit Matter</th><th>How my audit addressed the matter</th></tr>
<tr><td colspan="2">Fair value of system assets</td></tr>
<tr><td>At 30 June 2022, the consolidated entity's statement of financial position reported $2.8 billion in system assets measured at fair value. System assets, which consist of infrastructure, water meters and buildings, are highly specialised and account for 85 per cent of the total property, plant and equipment balance.
I considered this to be a key audit matter because:
• the system assets are financially significant to the statement of financial position
• the discounted cash flow (DCF) model is complex and involves significant judgements and assumptions
• changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value.

Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 15 and Note 19.</td><td>Key audit procedures included:
• obtained an understanding of the consolidated entity's approach to estimating the fair value of system assets
• assessed whether the DCF model:
– incorporated all key assumptions and inputs relevant to valuing system assets of a water entity
– met the requirements of Australian Accounting Standards
• assessed the competence, capability and objectivity of management's independent experts
• reviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions
• reviewed the model's mathematical accuracy
• assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.</td></tr>
<tr><td colspan="2">Valuing of defined benefit superannuation liabilities</td></tr>
<tr><td>At 30 June 2022, the consolidated entity's statement of financial position reported net defined benefit superannuation liabilities totalling $55.1 million. This liability balance is provided by the Administrator of the SAS Trustee, based on an independent actuarial assessment.
I considered this to be a key audit matter because:
• the defined benefit superannuation liability is financially significant to the statement of financial position
• the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability
• the value of the liability is sensitive to minor changes in valuation inputs.

Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 28.</td><td>Key audit procedures included:
• obtained an understanding of the processes and key controls in place supporting the:
– membership data used in the model
– defined benefit superannuation liability calculation
• assessed the completeness and accuracy of the membership data used in the model
• with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness
• assessed qualifications, competence and objectivity of actuarial experts
• assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.</td></tr>
</table>

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions and the *State Owned Corporations Act 1989*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of 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/ar5.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

Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

15 September 2022
SYDNEY

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ARSBA	*Annual Reports (Statutory Bodies) Act 1984*
ARBRR	*Annual Reports (Statutory Bodies) Regulation 2015*
GIPAA	*Government Information (Public Access) Act 2009*
GIPAAR	*Government Information (Public Access) Regulation 2018*
IPARTA	*Independent Pricing and Regulatory Tribunal Act 1992*
PIDA	*Public Interest Disclosures Act 1994*
PIDR	*Public Interest Disclosures Regulation 2011*
PSC	Public Service Commission
TC	Treasury Circular

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