Sydney WATER

Annual Report

2013

Contents

About this report

This is Sydney Water's full annual report for the period 1 July 2012 to 30 June 2013. It covers financial, social and environmental performance, statutory information, financial statements and other regulatory information. We also have a 12-page summary report available on our website: http://www.sydneywater.com.au/SW/about-us/our-publications/annual-report/index.htm.

If you have any comments or would like copies of the full or *Summary Annual Report 2013*, email annualreport@sydneywater.com.au or write to:

Sydney Water
Annual Report Project Manager
Corporate Public Affairs
PO Box 399
Parramatta NSW 2124

Letter to Shareholder Ministers

The Hon Barry O'Farrell, MP
Premier
Minister for Western Sydney
Level 40
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon Mike Baird, MP
Treasurer
Minister for Industrial Relations
Level 36
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier and Treasurer

Report on performance for the year ended 30 June 2013

We are pleased to submit the annual report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2013 for presentation to Parliament. The full report includes the financial statements, and we have also produced a 12-page summary report that is published on our website.

Our *Annual Report 2013* was prepared in accordance with section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements for 2012–13, which form part of the full report, have been submitted to and certified by the Auditor-General of New South Wales.

Yours sincerely

Thomas G Parry
Chairman

Kevin Young
Managing Director

Independent verification statement

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INDEPENDENT VERIFICATION STATEMENT

To the Board of Directors and Executive of Sydney Water:

Sydney Water commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent verification of selected Principal Statistics, Sustainability Indicators and Operating Licence Environmental Performance Indicators included in the 'Annual Report 2012-13' (the Report). The Report presents Sydney Water's sustainability performance for the period 1 July 2012 to 30 June 2013. Sydney Water was responsible for the preparation of the statistics, indicators and the Report. The verification statement represents Net Balance's independent opinion on the reliability of selected information presented within the Report. As an independent verification provider, Net Balance is responsible to the Sydney Water Board and Executive alone in accordance with the terms of reference agreed with Sydney Water. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Verification objectives and processes

The main objective of the verification engagement is to provide Sydney Water and its stakeholders with an independent opinion on the reliability of the selected statistics and indicators presented within the Report. This is confirmed by reviewing the underlying systems, processes, information and data used to support the sustainability performance disclosures. A complementary objective is to ensure continuous improvement in data management systems and reporting processes.

Verification limitations

The scope of work covered the selected statistics and indicators as included in the Report. Net Balance did not verify financial data, other than that relating to environmental, social or broader economic performance. Verification was conducted at Sydney Water's Head Office in Parramatta; no other site visits were undertaken.

Verification methodology

The verification engagement was undertaken in September 2013, and involved the following:

- a review of the Report for any significant anomalies, particularly in relation to statements and trends in data
- a review of Sydney Water's key systems and processes used for managing, analysing and reporting sustainability performance information
- a review of the accuracy and source of information presented in the Report by examining 56 data points and associated statements. The scope covered: the Principal Statistics (water, wastewater, recycled water, stormwater); customer satisfaction; service quality and system performance; wastewater treatment and system discharges ; environmental compliance; and monitoring; trade waste; waste; biosolids; flora and fauna; environmental footprint; safety and; human resource indicators
- a series of interviews with key personnel responsible for collating and writing sections of the Report to substantiate the reliability of data and statements selected from the Report.

Our independence

Net Balance was not responsible for preparing any part of the Report. During the reporting period, Net Balance conducted a limited assurance audit of Sydney Water's National Greenhouse and Energy Report for the 2012-13 reporting period. As the NGER engagement is also an assurance engagement, there is no actual or potential conflict of interest or risk to independence, even where an individual has participated in both assurance engagements. Net Balance has also assisted Sydney Water on a number of other advisory engagements, none of which were deemed to be in conflict with our role as independent verification providers to the Report. Net Balance confirms that we are not aware of any other issue that could impair our objectivity in relation to this assurance

Independent verification statement

engagement, in accordance with our Independence Policy, a copy of which is available at http://www.netbalance.com/services/assurance.

Our competency

Verification was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by AccountAbility UK. The project included personnel with expertise in environmental, social and economic performance measurement across a range of industry sectors, in particular, the water sector. Net Balance is a global leader in the verification and assurance of environmental and sustainability reports, having undertaken over 200 assurance/verification engagements in Australia over the past seven years.

Reliability of performance information

Based on the scope of the verification engagement, the following represent Net Balance's opinion:

- the findings of the verification engagement provide confidence in the systems and processes used for managing and reporting sustainability performance data and information
- the level of reliability of sustainability performance data and information was found to be within acceptable limits
- the data trails selected were identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data
- the sustainability performance disclosures within the Report appropriately reflect the environmental and social performance achieved during the reporting period.

Findings and recommendations

Overall, it is Net Balance's opinion that the selected statistics and indicators presented within the Report are a reliable and balanced account of Sydney Water's sustainability performance.

Sydney Water has mature processes in place to effectively report its sustainability performance to stakeholders. Many of these indicators are highly regulated; systems for reporting are mature and are subject to auditing by other parties. We note that important improvements in Sydney Water's sustainability data management practices, including the incident reporting system, have been implemented and improvement is continuing. Net Balance also recommends Sydney Water considers maintaining a static record of the reports and data downloaded from live database systems which are used as the basis for performance reporting.

On behalf of the assurance team

9 October 2013

Melbourne, Australia

Terence Jeyaretnam, FIEAust

Director, Net Balance & Lead CSAP (AccountAbility UK)

01

Overview

About Sydney Water

Providing valued water solutions

Who are we?

Sydney Water is Australia's largest water utility. We provide drinking water, wastewater, recycled water and some stormwater services to over 4.7 million people in Sydney, the Illawarra and the Blue Mountains.

We've played an important part in Sydney's development, initially as the Board of Water Supply and Sewage, formed in 1888. We later became Sydney Water in 1994.

We are a state owned corporation, constituted under the *State Owned Corporations Act 1989*. We operate under the *Sydney Water Act 1994*.

We celebrated our 125th anniversary in 2013.

Our vision and mission

We exist to serve customers. We must always ensure value in the short term while keeping an eye on the future. Our aim is to deliver solutions that deal with the issues that our customers face.

Our vision is valued water solutions, and it's the driving force behind our 2013–17 corporate strategy. Our mission sets out how we'll make this vision a reality – by putting customers front of mind and contributing to liveable cities.

On a practical level, our vision and mission translate into three mindsets that guide staff in their roles:

- customer focus
- business excellence
- forward thinking.

Underpinning all of this are a performance culture, and effective information, IT systems and processes.

Figure 1: Our corporate strategy 2013–17

Valued water solutions

Sydney Water puts customers front of mind and contributes to liveable cities

Customer focus	Business excellence	Forward thinking

Performance culture

We have effective leadership at all levels	We have a capable, engaged and motivated workforce	We have effective working relationships and processes

Information, IT systems and processes

Systems deliver customer value	Managed information assets	Roadmaps supporting business needs

Introducing our Board

Dr Thomas G Parry AM
Chairman

Kevin Young
Managing Director

Dr Abby Bloom
Non-executive Director

John Brown
Non-executive Director

Dr Diana Day
Non-executive Director

Richard Fisher
Non-executive Director

John Fletcher
Non-executive Director

Bruce Morgan
Non-executive Director

Bob Pentecost AM
Non-executive Director

Dr Greg Stewart
Non-executive Director

Biographies for all Board members are in Chapter 5 Corporate Governance.

Notes: Sydney Water Board as at 30 June 2013.

Our stakeholders

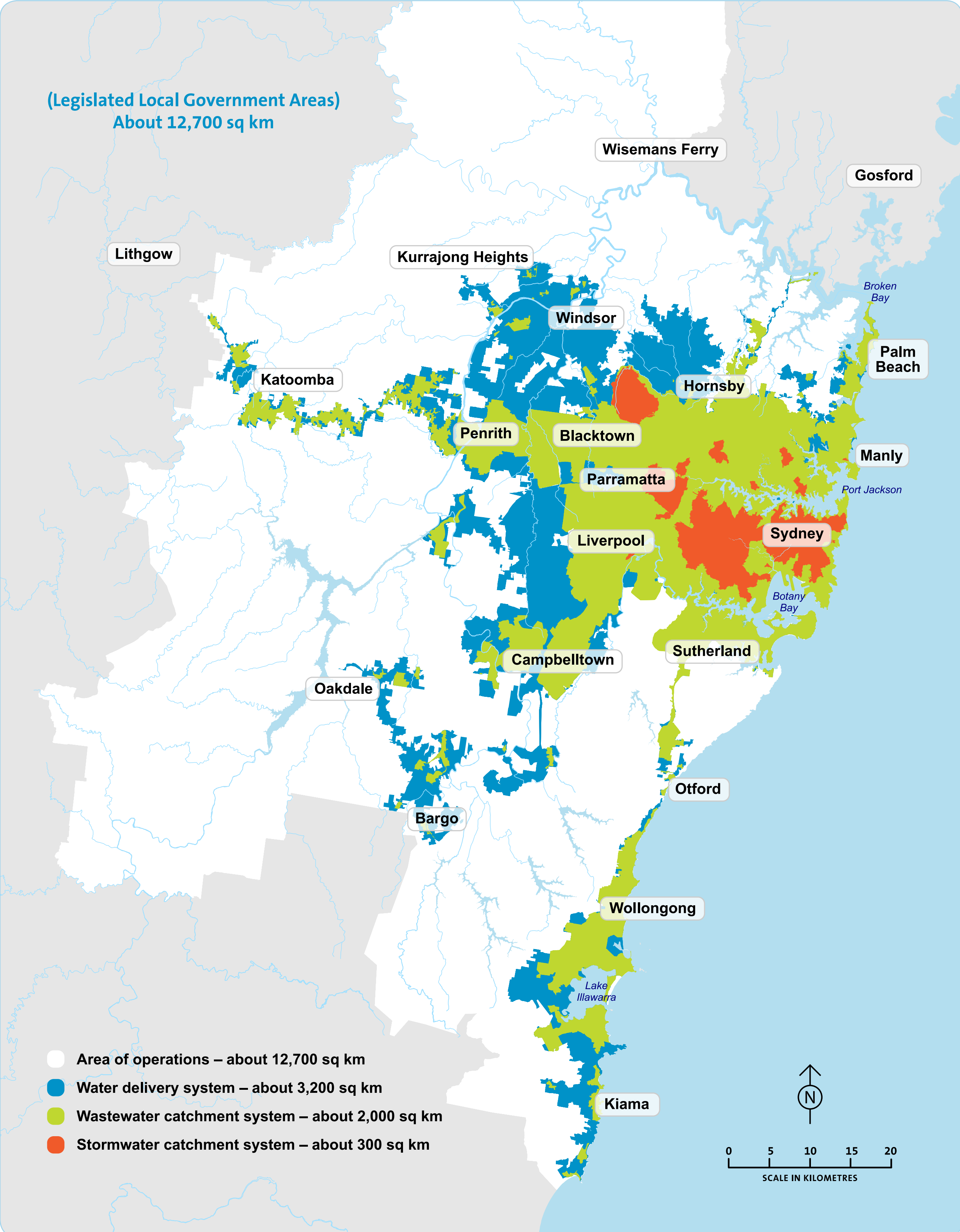
Sydney Water's stakeholders are those who are impacted by our operations, have influence over what we do or have an interest in what we do.

Table 1: Stakeholder engagement 2012–13

Our stakeholders	How we engage with stakeholders
Advocacy and representative groups	• Liaise with community service agencies to ensure that all customers have affordable access to essential water and wastewater services. • Liaise with advocacy groups on issues related to liveability and environmental performance.
Business and delivery partners	• Drive efficiencies and innovation through tender process for major contracts. • Work closely with partners to deliver customer value.
Developers	• Work with developers to support urban growth in existing and greenfield areas.
Customers	• Ensure two-way dialogue to understand what customers value and improve our services.
Local government	• Provide information on Sydney Water activities that impact on local government areas. • Work with Councils to address shared challenges.
Media	• Provide accurate, relevant and timely information through traditional and social media.
NSW Government and regulators	• Provide accurate and timely performance information. • Provide robust analysis of costs and benefits.
Other organisations focusing on community, youth and environment	• Provide sponsorship and community investment.
Other utilities	• Share information and leverage expertise. • Collaborate on research.
Research and education groups	• Invest funds and expertise in national and international research to identify and respond to emerging issues.
Staff	• Develop a safe, capable and committed workforce.
Suppliers	• Ensure market competition through fair and efficient procurement.

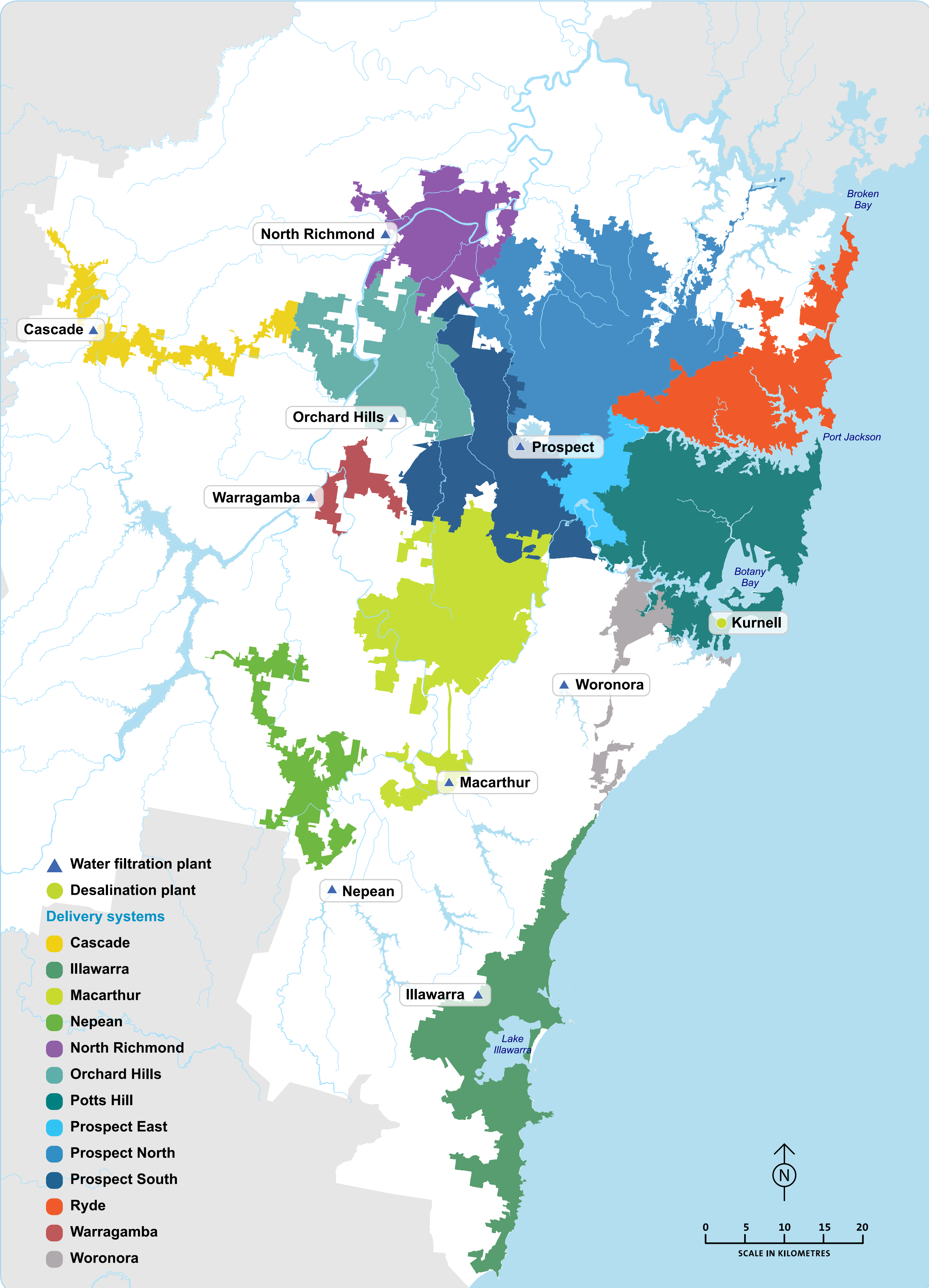
Profiling our operations

Map 1: Area of operations



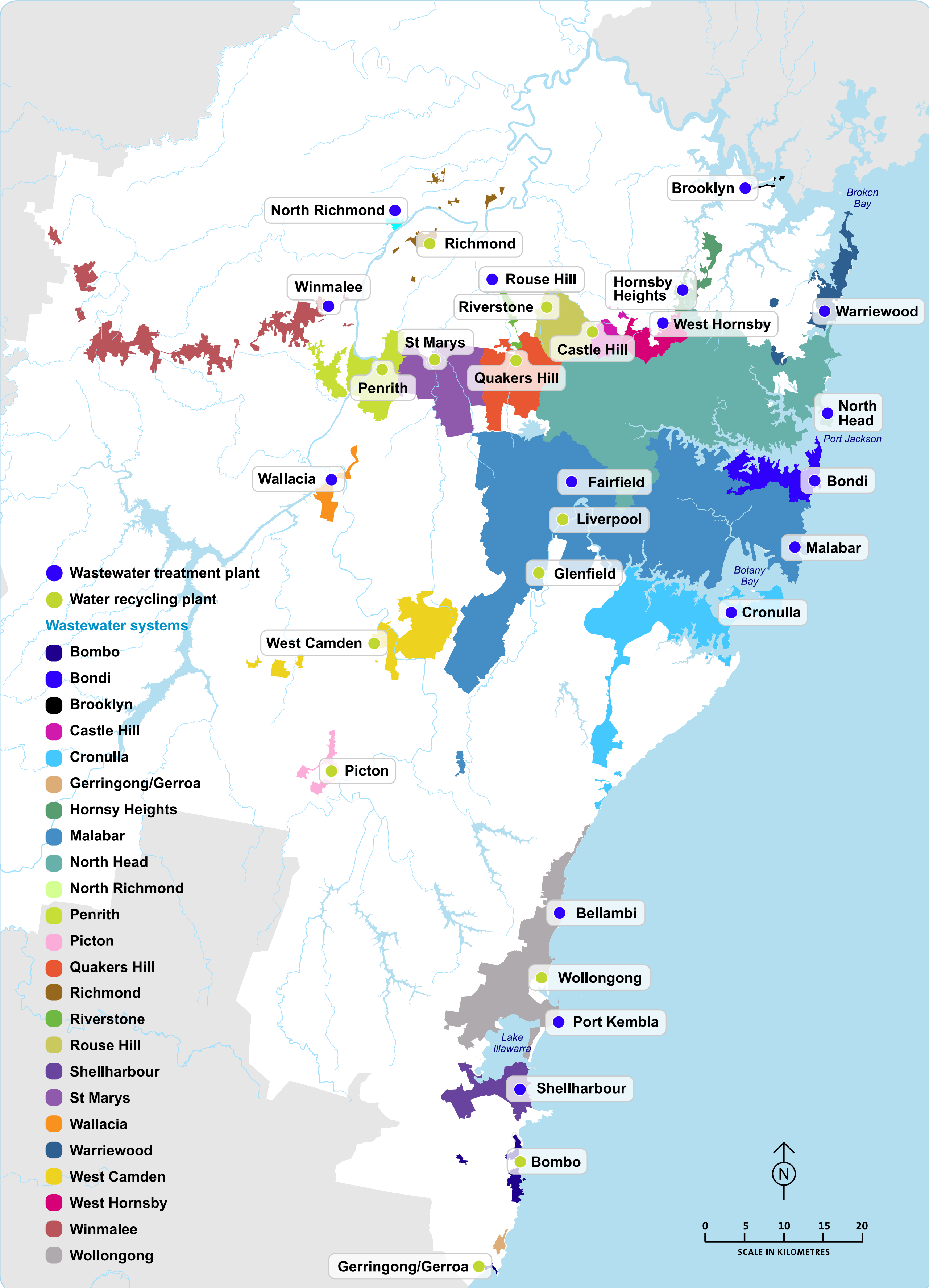
Map 2: Water delivery systems

Visit our website for information on our water quality performance:
sydneywater.com.au > Water & the environment > Water quality > Drinking water quality results



Map 3: Wastewater systems

Visit our website for information on our Sewage Treatment System Impact Monitoring Program performance:
sydneywater.com.au > About us > Our publications > Reports



Map 4: Stormwater catchment

A snapshot of our business

Below is a summary of the drinking water, wastewater, recycled water and stormwater services we provided during the financial year.

Table 2: Principal statistics 2012–13[1]

Indicators	2012–13	Unit
Drinking water		
Estimated population serviced by drinking water	4,657,080	people
Quantity of drinking water supplied	509,790	million litres
Amount of drinking water sourced from desalination	0	million litres
Length of drinking water mains we own and operate	21,340	kilometres
Number of drinking water reservoirs in service	243	drinking water reservoirs
Number of drinking water pumping stations in service	150	drinking water pumping stations
Properties with drinking water service available	1,843,681	properties
Wastewater		
Estimated population serviced by wastewater services	4,529,730	people
Wastewater collected (includes discharge, bypass, overflows and other)	496,575	million litres
Length of wastewater mains we own and operate	24,540	kilometres
Number of wastewater treatment plants	16	wastewater treatment plants
Number of wastewater systems	24	wastewater systems
Number of wastewater pumping stations in service	679	wastewater pumping stations
Properties with wastewater service available	1,794,524	properties
Recycled water		
Estimated population serviced by recycled water	72,560	people
Quantity of recycled water supplied	46,951	million litres
Length of recycled water mains we own and operate	590	kilometres
Number of water recycling plants	14	water recycling plants
Number of recycled water reservoirs in service	9	recycled water reservoirs
Number of recycled water pumping stations in service	10	recycled water pumping stations
Stormwater		
Length of stormwater channels we control	447	kilometres
Properties with stormwater drainage available	564,084	properties

1. Figures reflect the most recent data at time of reporting.

Overview

Customer focus

Business excellence

Forward thinking

Corporate governance

Financials

Appendixes

Chairman and Managing Director's review

This year, we continued to transform our business into one that delivers on our vision – valued water solutions.

Our new direction isn't just about the services we provide to customers. We have a broader role to play in enhancing the liveability of Sydney, the Illawarra and the Blue Mountains.

After launching our corporate strategy in 2011–12, we're seeing improvements across the business as we change into a more modern and agile organisation.

Customer satisfaction with the overall quality of our service is the highest it's been in five years. We're also becoming more efficient, and this is showing in our financial performance. And alongside all of this, we're strengthening our resilience to challenges like climate change and increased demand for our services.

We've been working hard to create an organisational structure that puts us in the best position to achieve our goals. And to do this properly, we had to ask some tough questions and make some even harder decisions about our workforce.

In a year of progress, we also acknowledged where we have come from. March 2013 marked our 125-year anniversary – and we took this opportunity to celebrate the people and events that shaped our organisation.

While we've had a good year overall, lasting change doesn't happen overnight. There's still a lot to do, but now that our strategy is in place, we know where we're headed and how we'll get there.

Putting customers front of mind

Providing high quality drinking water is core to our business. The Independent Pricing and Regulatory Tribunal (IPART) audits our drinking water quality and reports on this in December each year. In its 2012 report, IPART found that in 2011–12, we continued to deliver drinking water of an excellent standard to customers.

To be a customer-centric organisation, effective communication is essential. We need to listen to our customers and respond when change is needed.

In 2012–13, we built on our customer engagement through social media channels. Our Contact Centre is now using Twitter and Facebook to provide real-time updates during incidents. These channels also give customers a forum to share information about water efficiency, sustainability and other issues related to our business.

We got creative with our tap™ campaign, which promotes our drinking water as a sustainable choice for consumers. We launched a public competition to design our tap™ bottles, increasing our Facebook followers to about 17,000. We offered the designed bottles as prizes in a number of competitions run throughout the year.

Some customers are struggling to make ends meet, so we're doing our bit to help. In 2012–13, we offered a range of payment assistance programs for customers experiencing financial hardship.

Businesses use about a quarter of the water we supply to customers. Through our Business Customer Services team, we helped businesses save about 350 million litres this year, reducing their costs.

We launched our new website in March 2013, which was developed to improve customers' experience, based on feedback we collected. It's now a lot easier to pay a bill, find information or contact us through sydneywater.com.au.

We look forward to building on our relationship with customers in the coming year. By putting customers front of mind in everything we do, we ensure that we provide solutions that meet customer expectations.

Doing the right things, the right way

To be commercially successful, we need to continually improve how we do business. As part of our strategic plan, Sydney Water is developing a high performance culture that improves efficiency.

Last year, IPART asked us to find $173 million in business efficiencies by 2016. We are well on track to meet this target.

To be more efficient, we needed to realign our workforce. After an extensive review, we decided to outsource our Mechanical and Electrical Delivery business to Thiess Services. It wasn't an easy decision to make, but it was a necessary one to keep costs for customers as low as possible.

Effective IT systems are critical to our success. We have a new Chief Information Officer heading up Information Technology, which we have elevated to a division in our corporate structure. Our IT strategy now aligns with our strategic direction, and we're aiming to lead the industry in using technology to give value to customers.

We also formed the Business Strategy & Resilience division to help us plan for the future and respond to challenges on the horizon.

We're pleased to report that our lost time injury rates for staff and contractors have dropped significantly in 2012–13. This reflects a collaborative effort to make safety a top priority at Sydney Water. Nonetheless, one injury is still one too many. The theme of our *Safety Strategy 2012–14* is 'Improving Safety Together'. This means that all staff – regardless of whether they're in an office or out in the field – have a responsibility to improve safety at work.

In December 2012, customers in Botany experienced taste and odour issues with their drinking water. While there were no risks to public health, we learnt some valuable lessons from the incident. As a result, we're improving how we communicate with business and residential customers during incidents.

While large-scale competition isn't here just yet, our commitment to business excellence stands us in good stead to rise to the challenge.

A thought leader in the water industry

Our focus on forward thinking enables us to thrive in a changing environment. In planning for the future, we also have a role to play as a key thought leader in the water industry. As we build our capabilities to respond to risks and opportunities, we're developing a collaborative approach to share knowledge and expertise.

A changing climate is a real threat to our business, but we're on the front foot in preparing for harsher weather conditions. In 2012–13, we finished work on AdaptWater™ – a climate change assessment tool for the Australian water industry. This cutting edge project was recognised with a major industry award.

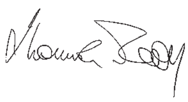
Population growth means an increased demand for drinking water, wastewater, recycled water and stormwater services. To better inform our planning, we've developed a forecasting model that looks at the short, medium and long-term demand for our services.

We proactively supported urban growth this year. We spent more than $130 million on developing existing areas and expanding into the North West and South West growth centres. We plan to invest $158 million on urban growth projects in 2013–14, which will provide water infrastructure for 24,000 homes.

Our *Liveable Cities Strategy* will set the framework for how Sydney Water will contribute to the liveability of our cities in a way that customers value. We will launch the strategy next year, and the direction we take will be guided by customer research.

We'd like to thank all of our staff, Executive and Board for their contributions over the past year. Driving organisational change while maintaining high quality service is no easy task.

We look forward to the challenges and opportunities that the coming year will bring. By focusing on customers, business excellence and forward thinking, we'll continue to grow into a business that delivers valued water solutions.



Thomas G Parry
Chairman

Kevin Young
Managing Director

Performance

What have our highlights been?

Customer focus

We supplied customers with high quality drinking water that performed well against the NSW Health guidelines and *Australian Drinking Water Guidelines 2011*.

We scored 7.7 out of 10 in customer satisfaction with our overall quality of service.

The customer satisfaction rating for our telephone service was 8.2 out of 10.

We are now using social media to engage with customers during incidents.

We resolved over 90% of the 7,581 complaints received in 2012–13 within 10 days.

Our customers are still using water efficiently at 310 litres per person a day.

Our Customer Council signed a new charter, and six new organisations joined the group in June 2013.

Business excellence

We reduced our lost time injury frequency rate (LTIFR) to 2.29 in 2012–13, down from 6.28 last year. Our contractor LTIFR fell from 3.19 in 2011–12 to 1.04 in 2012–13.

We finalised two new enterprise agreements this year, and we're improving our working relationship with unions.

We made a profit after tax of $415 million, $84 million above the budget target of $331 million.

Our retail cost to serve customers (for each connected property) is around 25% lower than the Water Services Association of Australia benchmark, and the lowest of all water utilities in Australia.

We spent $609 million on capital works projects and rolled out an innovative capital prioritisation tool that aligns expenditure with our strategic themes.

We renewed over 81 km of water pipes and 47 km of wastewater pipes.

We formed two new divisions in our organisational structure – Business Strategy & Resilience and Information Technology.

We set up a collaborative contractor framework to drive business excellence.

We established an external legal services panel to access quality, reliable, and cost-effective legal advice and services.

We trialled a mobile safety app to help staff report safety hazards.

Forward thinking

We developed the Five-Fifteen-Fifty model to forecast future demand for water services.

We developed an innovation strategy to promote the creation and sharing of new ideas across the organisation.

We invested $7.3 million in 65 research and development projects, collaborating with organisations in Australia and abroad.

We invested in energy efficiency programs that will help us to save $320,000 a year.

We benchmarked our resilience to climate change events with other Australian water utilities to strengthen how we'll respond to extreme weather events in the future.

We reduced our total gross greenhouse gas emissions.

We beneficially used 100% of biosolids produced in treating wastewater.

Awards in 2012–13

We won a National Climate Change Adaptation Research Facility Climate Adaptation Champion Award in the Business category for our Climate Change Adaptation Program.

We were a finalist in the Integrated Award Category at the Australasian Reporting Awards for the *Annual Report 2012*.

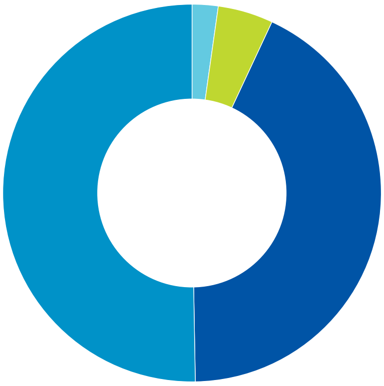
Sally Rewell from Rouse Hill Water Recycling Plant won the Australian Water Association (AWA) New South Wales Young Water Professional of the Year.

We won the AWA NSW Program Innovation Award for our Irrigation and Landscape Efficiency Program.

We won Project of the Year at the Infrastructure Partnerships Australia National Infrastructure Awards for the refinancing of the Sydney Desalination Plant.

Financial highlights

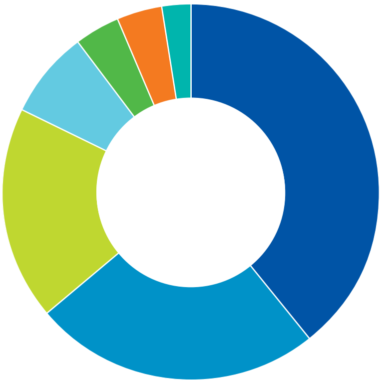
Figure 2: Total income 2012–13



$1,275m (51%) Service charges
$1,072m (42%) Usage charges
$120m (5%) Capital contributions
$55m (2%) Other income

Total income for 2012–13 was $2.5 billion, $150 million lower than the previous financial year. Income in 2011–12 included $254 million from the net proceeds from refinancing the Sydney Desalination Plant Pty Limited (SDP). We received higher income from water sales and non-regulated income (mostly developer contributions) in 2012–13.

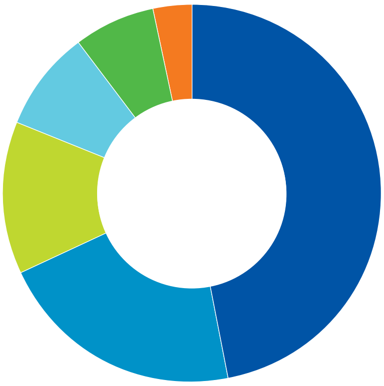
Figure 3: Operating expenditure 2012–13



$506m (40%) Bulk water and filtration
$314m (24%) Staff costs
$235m (18%) Service contractors
$97m (8%) Other expenses
$50m (4%) Materials
$49m (4%) Electricity
$32m (2%) Property and transport

Total operating expenditure for 2012–13 was $1.3 billion, $78 million higher than in 2011–12. This is mainly because we now class costs related to SDP as operating expenditure since the plant was refinanced in 2011–12. Prior to refinancing, we allocated these costs to asset charges and interest.

Figure 4: Total asset investment 2012–13

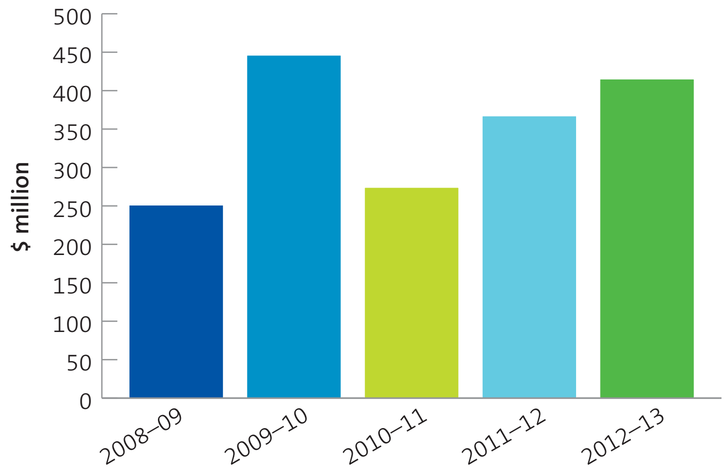


$286m (47%) Renewals
$130m (21%) Growth
$79m (13%) Reliability
$52m (9%) Mandatory standards
$42m (7%) Government programs
$20m (3%) Business efficiency

We invested $609 million in our assets, which included:

- replacing or rehabilitating water and wastewater pipelines
- renewing water and wastewater treatment plants
- programs to provide for growth in existing areas and the North West and South West growth centres.

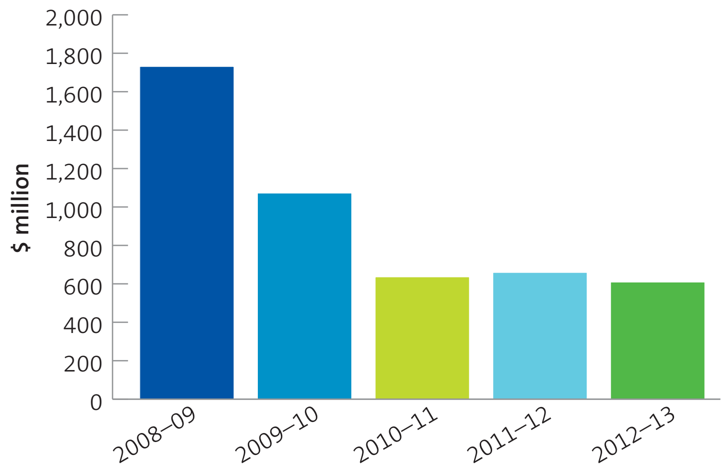
Figure 5: Profit after tax 2012–13



Profit after tax for 2012–13 was $415 million, $48 million higher than in 2011–12.

This was due to higher income from water sales and service charges ($109 million higher than in 2011–12), and developer assets free of charge ($14 million higher than 2011–12). This was partly offset by higher operating expenditure ($78 million higher than 2011–12) mostly due to SDP-related costs.

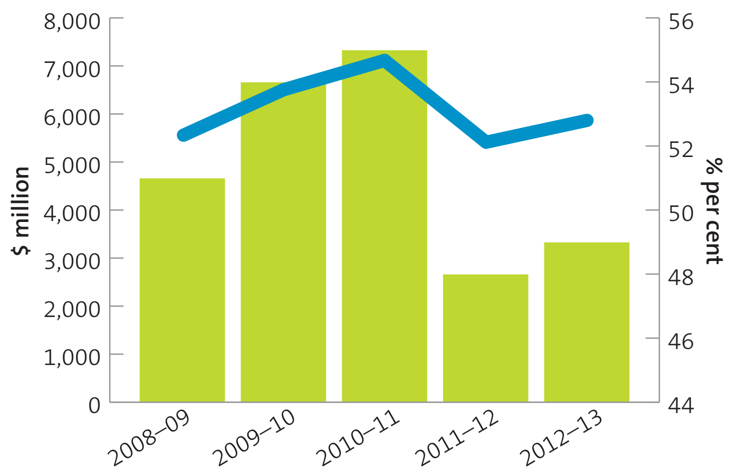
Figure 6: Capital expenditure 2012–13



Our capital investment program in 2012–13 included continued major investment in core water and wastewater assets for reliability and growth.

Total capital expenditure over the past three years has focused on core investment, such as renewals, and to provide for growth. In previous years, we focused on major projects such as SDP and major wastewater recycling projects.

Figure 7: Debt 2012–13



Debt and gearing (debt divided by debt plus equity) increased in 2012–13 compared to 2011–12. In 2011–12, we were able to repay debt with funds generated from the refinancing of SDP. Funds borrowed in 2012–13 were used to pay for capital investment.

Table 3: Summary profit and loss 2012–13 (continuing and discontinued operations)*

	2012–13 $m	2011–12 $m	2010–11 $m	2009–10 $m	2008–09 $m
Total income	2,521	2,671	2,307	2,187	1,958
Operating expenses	1,282	1,204	1,120	1,076	1,027
Earnings before interest, tax, depreciation and amortisation	**1,239**	**1,467**	**1,187**	**1,111**	**931**
Depreciation, amortisation and impairments	245	298	274	182	238
Interest expense	398	557	473	291	235
Profit before tax	**597**	**612**	**440**	**638**	**458**
Taxation expense	182	245	166	192	207
Profit after tax	**415**	**367**	**274**	**446**	**251**
Dividend payable	291	242	230	232	205

* All figures are rounded to whole dollars million. All figures prior to 2012–13 represent the Consolidated Group. All subsidiaries are now divested.

Earnings before interest, tax, depreciation and amortisation were $1.2 billion, $228 million less than in 2011–12 due to higher income in that year from the refinancing of SDP.

Depreciation, amortisation and impairments were $245 million, $53 million less than in 2011–12, due a lower asset base following the refinancing of SDP.

Interest expense was $398 million, $159 million lower than in 2011–12, due to lower interest rates and lower debt after the repayment of debt following the refinancing of SDP.

Tax expense for the year was $182 million, $63 million lower than in 2011–12. Income tax expense in 2011–12 included additional income tax expense payable on the net proceeds of refinancing SDP. It also included a one-off tax expense adjustment related to certain expenses for the Macarthur Water Filtration Plant lease being non-deductible.

The dividend payable on the 2012–13 profit after tax is $291 million. The dividend represents 70% of net profit after tax, as agreed with the shareholders in the 2012–13 Statement of Corporate Intent (SCI).

The dividend is subject to acceptance and declaration by the shareholders.

Table 4: Summary balance sheet 2012–13*

	2012–13 $m	2011–12 $m	2010–11 $m	2009–10 $m	2008–09 $m
Property, plant and equipment	13,949	13,450	14,488	13,475	12,316
Other assets	502	567	582	481	398
Total assets	**14,451**	**14,017**	**15,070**	**13,956**	**12,714**
Total debt	5,866	5,412	7,114	6,505	5,558
Other liabilities	2,542	2,673	2,043	1,884	1,775
Total liabilities	**8,408**	**8,085**	**9,157**	**8,389**	**7,333**
Net assets/equity	**6,043**	**5,932**	**5,913**	**5,567**	**5,381**

* All figures are rounded to whole dollars million. All figures prior to 2012–13 represent the Consolidated Group. All subsidiaries are now divested.

Total assets were valued at $14.5 billion, $434 million higher than in 2011–12. This was driven by capital expenditure on renewing existing assets and adding new assets.

Total liabilities were $8.4 billion, $323 million higher than in 2011–12 due to additional borrowings used to fund the capital expenditure program. The reduction of other liabilities by $131 million was mostly due to lower employee-related provisions.

Table 5: Summary cash flow 2012–13*

	2012–13 $m	2011–12 $m	2010–11 $m	2009–10 $m	2008–09 $m
Sources					
Receipts from operations	2,405	2,231	2,152	2,093	1,891
Grants, interest, social programs and other operational receipts	155	182	151	155	138
Borrowings	440	610	720	957	1,336
Other receipts	26	2,223	62	63	21
Total sources	**3,026**	**5,246**	**3,085**	**3,268**	**3,386**
Uses					
Operational expense payments	1,405	1,328	1,232	1,251	1,244
Capital expenditure payments	593	666	650	1,196	1,567
Dividends paid	368	230	232	205	190
Income tax paid	181	92	131	88	71
Interest paid	464	557	493	410	285
Borrowing reduction and other payments	17	2,413	343	79	51
Total uses	**3,028**	**5,286**	**3,081**	**3,227**	**3,408**
Increase (decrease) in cash	**(2)**	**(41)**	**4**	**41**	**(22)**

* All figures are rounded to whole dollars million. All figures prior to 2012–13 represent the Consolidated Group. All subsidiaries are now divested.

Note: Interest paid includes the NSW Government Guarantee Fee, and capital expenditure payments include payments for intangibles.

Cash receipts from operations in 2012–13 were $2.4 billion, $174 million higher than in 2011–12. This increased because of higher water sales and recovery of receivables. We received a total of $3 billion in cash, $2.2 billion less than in 2011–12, which included the proceeds of refinancing SDP ($2.2 billion).

Cash used for operational purposes in 2012–13 was $1.4 billion, $77 million higher than in 2011–12 due to SDP-related costs.

A total of $593 million was used to fund the asset investment program.

Total interest paid includes both interest and the payment of the NSW Government Guarantee Fee paid on Sydney Water's borrowings. Total interest paid was $464 million, $93 million lower than in 2011–12. This was due to lower interest rates and lower borrowings, following the repayment of debt from refinancing SDP in 2011–12, and also lower capital expenditure in 2012–13.

We paid a dividend of $368 million to the NSW Government in 2012–13. This included:

- $242 million as the normal dividend paid to the shareholders on the 2011–12 profit result as agreed in the 2011–12 SCI
- a dividend of $126 million from the net proceeds of refinancing SDP in 2011–12.

Where do we need to improve?

- The Botany water quality incident in December 2012 highlighted where we can improve in handling incidents. We are developing ways to better communicate with customers during an incident, in particular with businesses that depend on our services to operate.
- During 2012–13, billing and account complaints went up by 31% because of meter reading issues. We have corrected the issues, and the error rate has dropped. We are rolling out a new meter reading system in 2013–14 which will enable further improvements.
- In 2012–13, 1,280 out of a total of 1.8 million properties experienced water pressure less than the minimum standard – 15 metres head. The lower pressure was caused by system capacity issues and unexpected interruptions to networks. We're still doing better than our Operating Licence target for low water pressure, but we're looking to improve on this next year through our Pressure Management Program.
- In 2012, we surveyed staff on engagement, and the responses were 59% favourable, 25% neutral and 16% unfavourable. We have an internal staff engagement target of 70% favourable responses by 2018, so we're aiming to improve our rating by the next survey in 2014.

How do we measure performance?

Our principal objectives under the *Sydney Water Act 1994* are:

- to be a successful business
- to protect the environment
- to protect public health.

We integrate the social, economic and environmental aspects of our business. We do this by aligning the things we do with our corporate strategic themes – customer focus, business excellence and forward thinking.

Customer focus	Business excellence	Forward thinking
We work to understand our customers' values and needs, maintain the health of our cities, and contribute to community wellbeing and public health outcomes.	We harness the full productivity of our people and infrastructure to improve safety, protect the environment and keep water services affordable.	By understanding risk and planning for the future, we contribute to the sustainability of our cities.
To know more, go to Chapter 2 of this report.	To know more, go to Chapter 3 of this report.	To know more, go to Chapter 4 of this report.

Corporate governance

We manage our business openly and with accountability, and all are required to demonstrate our key behaviours.

To know more, read Chapter 5: Corporate governance.

Each year, we communicate our performance in these areas to stakeholders through the Balanced Sustainability Scorecard in our annual report. The scorecard measures trends that show how we have met and continue to meet their expectations – that we deliver cost-effective water services while protecting public health and the environment. Our scorecard and annual report are aligned with the Global Reporting Initiative (GRI) guidelines, which represent world's best practice in sustainability reporting.

As a statutory state owned corporation, we also report our financial performance, statutory performance indicators and other regulatory information in this report.

We prepare this report in line with section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*.

Balanced Sustainability Scorecard

We assess progress against our sustainability indicators each year, and reflect this in the summary statements and ratings for a range of performance areas in the scorecard. We include performance data and commentary on the sustainability indicators in Chapters 2, 3 and 4 of this report.

Key

▲ Expectations met or exceeded
Indicators show a positive long-term trend towards the goal.

● Areas to improve
Mixed results, positive trends for some indicators and negative trends for others towards the goal.

■ Action required
Indicators show a negative long-term trend towards the goal.

– Not applicable
Performance not reported.

Table 6: Balanced Sustainability Scorecard 2012–13

	Progress rating		
Performance summary 2012–13	**2010–11**	**2011–12**	**2012–13**
Customer focus			
Customer satisfaction: Customers have a positive view of the overall quality of service we deliver. We aim to resolve customer enquiries and complaints quickly, efficiently and to the customer's satisfaction.	▲	▲	▲
Social assistance: We continued to support customers in need by providing flexible payment arrangements and tailored assistance for customers experiencing financial hardship.	▲	▲	▲
Service quality and system performance: We maintained high levels of water and wastewater system performance and met licence targets.	▲	▲	▲
Water conservation: Our water conservation initiatives saved more than 48 billion litres of water in 2012–13. We are continuing to implement a range of cost-effective water efficiency, leak management and recycled water programs that meet individual customers' needs.	▲	▲	▲
Water drawn: Customers are still using water efficiently, maintaining an historically low level of total water use following drought restrictions. This is despite an increase in water drawn in 2012–13 due to a dry and warm summer.	▲	▲	▲
Water quality: We continue to supply drinking water to customers that has a high level of compliance with NSW Health and *Australian Drinking Water Guidelines 2011* requirements.	▲	▲	▲

Performance summary 2012–13	Progress rating 2010–11	2011–12	2012–13
Business excellence			
Profitability: Profit was above target due to income from increased water use during the warm and dry summer. Also contributing were higher developer capital contributions and lower operating costs.	▲	▲	▲
Debt servicing: We better managed our borrowing costs due to a combination of higher income, lower costs and lower interest charges.	●	▲	▲
Return on assets and equity: Return on assets and equity improved in 2012–13. The returns are based upon the regulated asset base valuation, which is significantly below the assets' depreciated replacement cost. Therefore, the results are low in respect of the replacement asset cost for a regulated utility with Sydney Water's level of commercial risk.	●	●	●
Infrastructure management: We continue to invest in our assets, funding programs to renew, rehabilitate and maintain our infrastructure to reliably deliver essential services.	▲	▲	▲
Safety: We reduced staff and contractor lost time injury frequency rates in 2012–13. We will continue to implement our new *Safety Strategy 2012–14* to achieve our goal of zero injuries to staff, contractors and visitors.	■	■	●
Capability: We provide diverse training programs and professional development opportunities to help improve staff skills and knowledge. Our entry level programs continued to have high numbers of applicants.	▲	▲	▲
Staff engagement: We replaced our yearly staff survey with a survey that will be run every two years. Previous survey results are not comparable. In 2012–13, the average rating of favourable staff engagement was 59%.	–	–	●
Wastewater treatment system discharges: We met licence requirements, to help protect the local environment and public health.	▲	▲	▲
Trade waste agreements: We managed trade waste agreements to meet wastewater discharge limits and ensure that biosolids meet required standards.[1]	–	–	▲
Environmental compliance: Two tier three penalty notices were issued under the *Protection of the Environment Operations Act 1997* – one to Sydney Water and one to a Sydney Water sub-contractor. There was minimal environmental harm from the incidents, and we have since put controls in place.	●	●	●

Performance summary 2012–13	Progress rating 2010–11	2011–12	2012–13
Forward thinking			
Environmental footprint: Our full supply chain carbon footprint and ecological footprint remained stable in 2011–12.[2]	▲	▲	–
Energy use and greenhouse gas emissions: We continued to reduce our gross total greenhouse gas emissions and maintained our net emissions through the surrender of NSW Greenhouse Gas Abatement Certificates.	▲	▲	▲
Environmental performance monitoring: Long-term monitoring results show that water quality and ecosystem health of inland and coastal waterways are being maintained.	▲	▲	▲
Flora and fauna: There was a net gain of native vegetation this year, as several major capital works projects in remnant bushland areas were completed and riparian land was revegetated. We revegetated disturbed land, resulting in a net cumulative gain of 28.6 hectares of native vegetation over the last five years.	▲	▲	▲
By-products: We continued to meet our target of beneficially using 100% of biosolids.	▲	▲	▲
Waste reduction: Our overall waste recycling rate dropped to 57% due to decreases in the recycling rates of both construction and demolition waste from contracted work and from office waste.	▲	▲	●

1. Performance indicator changed for 2012–13. Historical data is not comparable.
2. This indicator is reported for the prior year, as 2012–13 data is not available in time for publication in this report.

02

Customer focus

Putting customers front of mind

We're in business because of our customers. We need to listen to what customers have to say and build their needs into our decision-making. By putting customers front of mind, we will continue to deliver valued water solutions and improve liveability in Sydney, the Illawarra and the Blue Mountains.

What we've done well this year

- In 2012–13, we scored 7.7 out of 10 in customer satisfaction with our overall quality of service. This is the highest result in the last five years and reflects our efforts to become a more customer-centric organisation.
- We improved our rate of response to customer complaints in 2012–13. We resolved over 90% of the 7,581 complaints within 10 days.
- Water use in Sydney remains at historically low levels. Even though dam levels are high, customers are still using water efficiently under Water Wise Rules. Our customers used about 310[1] litres per person a day (LPD), well under the Operating Licence target of 329 LPD. In 2012–13, we continued to implement water efficiency initiatives, manage leaks, provide recycled water to households and businesses, and promote water efficiency and water recycling projects.
- We met our Operating Licence service quality and system performance targets in 2012–13. We reduced the number of properties affected by uncontrolled wastewater overflows to the lowest level in five years.
- We supplied customers with drinking water that performed well against the NSW Health guidelines and *Australian Drinking Water Guidelines 2011*. This is a good result, as a series of wet weather events during the year made water filtration challenging. We treated raw water for increased turbidity, natural colour, organic matter, metals (iron, aluminium and manganese) and fluctuating pH levels.

Where we can improve

- During 2012–13, the total number of complaints we received went up compared to 2011–12. This was mostly due to a 31% increase in billing and account complaints related to meter reading issues. Meter reading has since returned to normal and the error rate has dropped. We are rolling out a new meter reading system in the first half of 2013–14 which will enable further improvements.
- In 2012–13, 1,280 properties experienced water pressure less than 15 metres head – the industry standard – compared to 572 properties in 2011–12. The lower pressure was caused by system capacity issues (204 properties) and unexpected interruptions to networks (1,076 properties). We're still well below our Operating Licence target for low water pressure, which is no more than 6,000 properties a year. We will look to improve on this result next year through our Pressure Improvement Program.

1. Figure is weather corrected. For more information visit sydneywater.com.au for the *Water Efficiency Report 2012–13*.

How we performed – Customer focus

Key

▲ Expectations met or exceeded
Indicators show a positive long-term trend towards the goal.

● Areas to improve
Mixed results, positive trends for some indicators and negative trends for others towards the goal.

■ Action required
Indicators show a negative long-term trend towards the goal.

– Not applicable
Performance not reported.

Table 7: Customer focus sustainability performance indicators

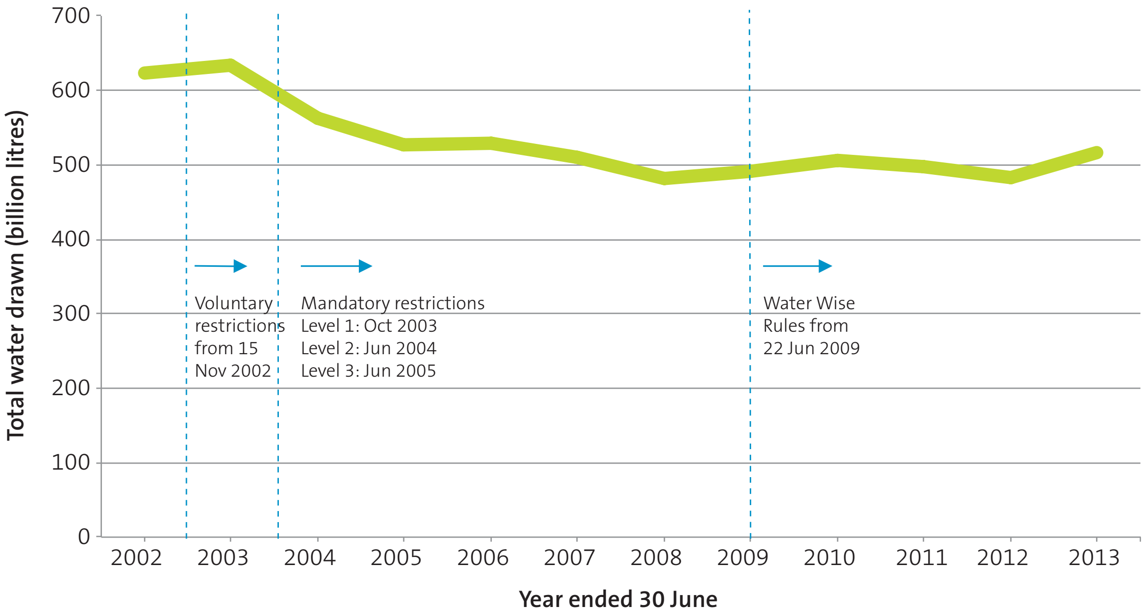
Indicator	2008–09	2009–10	2010–11	2011–12	2012–13
Customer satisfaction	●	▲	▲	▲	▲
Average rating of the overall quality of service delivered, measured through customer surveys (on a scale of zero – extremely poor, to 10 – excellent)	7.3	7.3	7.5	7.5	**7.7**
Average rating of customers satisfied with the overall quality of drinking water (on a scale of zero – extremely poor, to 10 –excellent)	7.9	8.0	8.1	8.4	**8.2**
Total number of customer complaints (including to the Energy and Water Ombudsman NSW)[1]	12,498	8,986	7,398	7,527	**8,252**[2]
Percentage of complaints received that are resolved within 10 business days (%)[3]	91	86.3	85.6	86.3	**90.2**
Social assistance	▲	▲	▲	▲	▲
Number per 1,000 properties of contacts received that are requests for instalment or deferred payment plans[4]	79.4	89.6	88.6	86.4	**94.7**[5]
The total number of residential customers with continuing instalment plans with durations greater than three months[6]	–	–	–	–	**12,192**

Indicator		2008–09	2009–10	2010–11	2011–12	2012–13
Service quality and system performance		–	–	▲	▲	▲
Number of properties that experience unplanned water interruptions[7]	More than five hours (Operating Licence condition ≤40,000 properties)	–	–	26,205	28,386	**30,806**
	More than one hour (Operating Licence condition ≤14,000 properties experience three or more unplanned interruptions)	–	–	5,305	4,171	**4,918**
Percentage of water main breaks attended to within priority response times (%)[8]	Priority 6 (Operating Licence target 90% of jobs within three hours)	–	–	91	92	**93**
	Priority 5 (Operating Licence target 90% of jobs within six hours)	–	–	91.4	93	**93**
	Priority 4 (Operating Licence target 90% of jobs within five days)	–	–	94.1	92	**91**
Number of properties that experience low water pressure (Operating Licence target ≤6,000)		1,093	36	832	572	**1,280**[9]
Properties affected by uncontrolled wastewater overflows (Operating Licence target ≤14,000)		8,898	9,905	9,158	7,708	**6,908**
Repeat wastewater overflows (Operating Licence target ≤175)		–	–	30	43	**39**
Water conservation		▲	▲	▲	▲	▲
Total volume of drinking water saved each year by water conservation programs (million litres)[10]		85,848	116,703	121,106	44,435[11]	**48,199**
Water drawn		▲	▲	▲	▲	▲
Total water use (million litres)[12] (see Figure 8)		491,962	505,650	496,695	481,930	**516,442**[13]

Indicator	2008–09	2009–10	2010–11	2011–12	2012–13
Water quality[14]	▲	▲	▲	▲	▲
Number of zones where microbiological compliance was achieved (out of 13 supply systems) (see Figure 9)	13	13	13	13	**13**
Compliance with health guideline values as determined by NSW Health in each water delivery system (%)	99.97	99.97	99.99	99.97	**99.98**
Compliance with aesthetic guideline values as determined by NSW Health in each water delivery system (%)	99.18	99.34	99.37	99.23	**99.54**

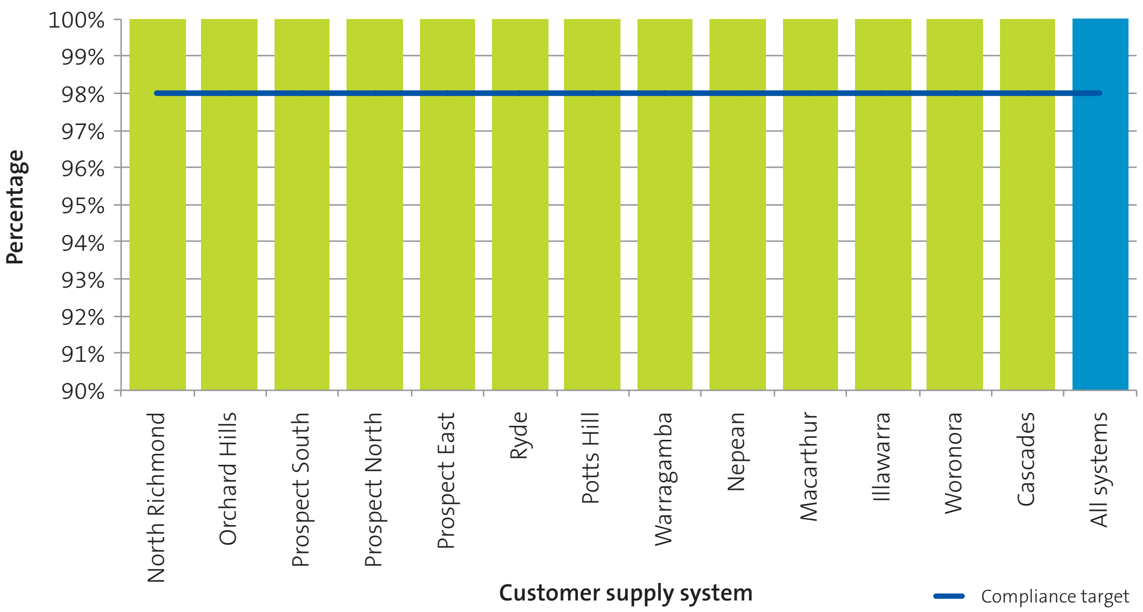
1. Under our *Operating Licence 2010–15*, we define a complaint as 'an expression of dissatisfaction made to Sydney Water, related to its products or services, or the complaints-handling process itself, where a response or resolution is explicitly or implicitly expected'. If a customer is dissatisfied with our proposed solution or the action we take to resolve a complaint, they may contact the Energy and Water Ombudsman of NSW (EWON) – www.ewon.com.au – to independently review the complaint.
2. During 2012–13, we received 7,581 complaints (out of more than 745,000 calls) and EWON received a further 671 complaints about us. The number of complaints increased in 2012–13 compared to 2011–12 mostly due to a 31% increase in billing and account complaints due to meter reading issues.
3. Complaints to EWON are not lodged with Sydney Water and are not included in this indicator.
4. Sydney Water offers customers in financial difficulty the option of requesting a payment extension or entering into a payment arrangement that best suits their needs. We can also register customers for Centrepay, which allows customers receiving Centrelink benefits to pay bills through regular deductions from their Centrelink payment. For more information see Appendix 4: Guarantee of service and social programs in this annual report. The number of payment arrangements in place for extended periods is influenced by the promotion of regular planned payments for customers having payment difficulties.
5. In 2012–13, a greater number of customers requested to defer payments online.
6. This is a new indicator introduced in 2012–13.
7. Water main breaks can cause significant disruption to our customers. They often result from moisture changes in the soil causing movement in the pipes, accidental damage by third parties and loss of strength from long-term corrosion. We have programs to minimise unplanned water interruptions and to respond quickly when they do occur. We met our Operating Licence targets for water main breaks 2012–13.
8. We respond to water main breaks and leaks reported by customers based on priority (severity). The priority system ranges from 1 (least urgent) to 6 (most urgent).
9. In 2012–13, 1,280 properties experienced water pressure less than 15 metres head, compared to 572 properties in 2011–12. The lower pressure was caused by system capacity issues (204 properties) and unexpected interruptions to networks (1,076 properties). We're still well below our Operating Licence target for low water pressure, which is no more than 6,000 properties a year.
10. This does not include water saved from activities by other organisations or regulatory measures. For more information see the *Water Efficiency Report 2012–13* on our website.
11. Before 2011–12, we reported on water savings from programs run by other agencies, recycled water schemes operated by private operators, and regulatory measures, such as the Building Sustainability Index and the Water Efficiency Labelling Scheme. From 2011–12, these savings have been reported by the Metropolitan Water Directorate in the New South Wales Department of Finance and Services.
12. Total water use includes drinking water and unfiltered water provided for industrial use in the Illawarra. Recycled water is not included.
13. Water use in Sydney remains at low levels. Total water use in 2012–13 is about the same volume used in 2006–07 when Level 3 water restrictions were in place. Sydney's population has grown by 9% since 2006–07. For more information see the *Water Efficiency Report 2012–13* on our website.
14. For more information visit sydneywater.com.au for the *Quarterly Drinking Water Quality Report*.

Figure 8: Total water drawn



Note: For more information see the *Water Efficiency Report 2012–13* on our website.

Figure 9: Percentage of water tests that met the *Australian Drinking Water Guidelines 2011* for *E. coli* in 2012–13



Note: For more information visit sydneywater.com.au for the *Quarterly Drinking Water Quality Report*.

03

Business excellence

Doing the right things, the right way

Business excellence means we're continually improving our operations, focusing on those things that will help achieve our vision. To be efficient, we all must work together while we build on our high performance culture.

Workplace safety is not negotiable at Sydney Water and it's everyone's responsibility to maintain a safe working environment.

What we've done well this year

- We reduced our lost time injury frequency rate (LTIFR) for staff from 6.28 in 2011–12 to 2.29 in 2012–13. Our contractor LTIFR fell from 3.19 in 2011–12 to 1.04 in 2012–13. We're implementing our new *Safety Strategy 2012–14* – 'Improving Safety Together', to achieve our goal of zero injuries.
- This year, we renewed and rehabilitated wastewater mains under budget. Water main renewals and rehabilitation expenditure was on target.
- We're building staff capability through training and development programs, and the Entry Level Program. Around 1,500 graduates applied for the Graduate Program in 2012–13, and we welcomed 18 new graduates to Sydney Water in February 2013.
- We continue to treat Sydney's wastewater to a high standard in line with environment protection licences issued by the NSW Environment Protection Authority (EPA).
- We work closely with industrial customers to ensure they comply with their trade waste agreement. In 2012–13, we achieved a high level of customer compliance, with 92% of industrial customers complying with their agreements.

Where we can improve

- In October 2012, we surveyed staff on how engaged they are at work. The responses were 59% favourable, 25% neutral and 16% unfavourable. We have an internal staff engagement target of 70% favourable responses by 2018. The next survey will be in 2014.
- We spent less than our budget on information technology renewal projects due to a number of delays. In addition, some projects were delivered below budget and one project was cancelled following a review that showed we would not achieve the proposed benefits.
- We received a penalty notice under the *Protection of the Environment Operations Act 1997* for a chemical spill at Quakers Hill Water Recycling Plant. The spill resulted in low pH wastewater discharges into Breakfast Creek. We have implemented the actions identified in the incident review to prevent this happening in the future.
- Sydney Water's Networks Alliance sub-contractor Punchline Excavations Pty Ltd received a penalty notice under the *Protection of the Environment Operations Act 1997* for water pollution. Water from an excavation pit was released into a stormwater drain without sediment or erosion controls during work on a water main connection. Networks Alliance has taken steps to ensure that contractors comply with our water discharge protocols in the future.

How we performed – Business excellence

Key

▲ Expectations met or exceeded
Indicators show a positive long-term trend towards the goal.

● Areas to improve
Mixed results, positive trends for some indicators and negative trends for others towards the goal.

■ Action required
Indicators show a negative long-term trend towards the goal.

– Not applicable
Performance not reported.

Table 8: Business excellence sustainability performance indicators

Indicator		2008–09	2009–10	2010–11	2011–12	2012–13
Profitability		●	▲	▲	▲	▲
Net profit after tax (NPAT) ($m)		251	446	274	367	**415**
Debt servicing		▲	▲	●	▲	▲
Funds flow from operations ($m)		396	747	435	436	**518**[1]
Funds flow from operations interest cover ratio (times)		2.4	2.2	1.9	1.8	**2.0**[2]
Return on assets and equity[3]		●	▲	●	●	▲
Return on assets (%)		4.6	7.0	6.3	8.0	**7.0**
Return on equity (%)		4.1	8.1	4.8	6.2	**6.9**
Infrastructure management		▲	▲	▲	▲	▲
Delivery of capital investment program for renewals or rehabilitation	Water mains (% of planned km achieved)	103	100	106	117	**96**
	Water mains (% of planned expenditure completed)	122	102	99	96	**96**
	Wastewater mains (% of planned km achieved)	105	101	101	102	**100**
	Wastewater mains (% of planned expenditure completed)	104	98	109	96	**89**
	Information technology (% of planned expenditure completed)	–	112	104	82	**49**[4]

Indicator		2008–09	2009–10	2010–11	2011–12	2012–13
Percentage of planned maintenance completed (% of planned expenditure completed)	Water mains	97	91	106	105	**92[5]**
	Wastewater mains	101	100	93	93	**82[6]**
	Stormwater programs	77	81	63	84	**116[7]**
	Property programs	106	99	115	101	**100**
Safety		●	●	■	■	●
Lost time injury frequency rate[8] (see Figure 10)	Sydney Water staff	3.68	4.86	6.14	6.28	**2.29**
	Contractors	3.68	1.92	3.2	3.19	**1.04**
Capability		▲	▲	▲	▲	▲
Training investment per staff member ($)[9]		1,236	1,514	1,330	1,010	**1,115**
Number of staff in Entry Level Program (total at 30 June)[10]		–	140	117	80	**78**
Staff-initiated turnover for staff with five years of service or less (%)[11]		–	7.7	6.2	8.9	**8.7**
Staff engagement		–	–	–	–	●
Average ratings of engagement indicators in staff survey[12] (% of favourable responses)		–	–	–	NA	**59**
Wastewater treatment system discharges[13]		▲	▲	▲	▲	▲
Percentage of wastewater volume treated that was compliant (%)[14]		96	97	100	99.5	**99.7**
Total volume of controlled wastewater overflows in dry weather, expressed as a percentage of total treated wastewater discharged to the environment (%)		<0.001	<0.001	<0.001	<0.001	**0.001**
Trade waste agreements[15]		–	–	–	–	▲
Percentage of trade waste customers (industrial) in compliance with their wastewater discharge limits (%)[16]		–	–	–	–	**92**
Environmental compliance		●	▲	●	●	●
Total number of prosecutions and notices (including penalty notices) issued under the *Protection of the Environment Operations Act 1997*	Sydney Water	1	0	2	0	**1[17]**
	Contractors	1	1	1	1	**1[18]**

1. Funds flow from operations 2012–13 target was $439 million.

2. Funds flow from operations interest cover ratio (times) 2012–13 target was 1.8.

3. Our return on assets in 2012–13 was 0.7% higher than the target of 6.3%. Our return on equity in 2012–13 was 1.4% higher than the target of 5.5%. The returns are based upon the regulated asset base valuation, which is significantly below the assets' depreciated replacement cost. Therefore, the results are low in respect of the replacement asset cost for a regulated utility with Sydney Water's level of commercial risk.

4. We spent less than our budget on information technology renewal projects due to a number of delays. In addition, some projects were delivered below budget and one project was cancelled following a review that showed we would not achieve the proposed benefits.

5. We spent less than budgeted on planned maintenance for water mains as we completed less corrective maintenance work than expected.

6. We completed our planned maintenance work for wastewater mains below budget. This was largely because we used less reactive closed circuit television (CCTV) than originally budgeted and we obtained CCTV targets at a much cheaper unit rate than we had planned.

7. In 2012–13, we spent more than budgeted for stormwater inspection and maintenance programs. This was due to unplanned urgent maintenance work to de-silt a section of the Cooks River that was required to maintain its hydraulic capacity. Additional funds were transferred from the wastewater maintenance program to carry out the work.

8. LTIFR is the number of lost time injuries for each million hours worked. An injury is a 'lost time injury' if the person was away from work for one day/shift or more. For more information see Appendix 12: Workplace health and safety.

9. Historical data for this indicator has been revised to include total staff training and development program expenditure, including conferences and seminars.

10. Numbers of staff on entry level programs change throughout the year as we recruit new participants and others move into permanent positions. Entry level staff have made up the following proportions of full-time equivalent staff:
    - 2.9% in 2012–13
    - 2.8% in 2011–12
    - 3.9% in 2010–11
    - 4.6% in 2009–10.

    Results are based on a 12-month rolling average.

11. Sydney Water internal targets for staff-initiated turnover for staff with five years of service or less are:
    - 15% for less than one year of service
    - 10% for one to less than three years of service
    - 7% for three to five years of service.

    This indicator enables us to track our performance in retaining staff skills and knowledge.

12. Engagement is the extent to which staff commit to someone or something in their organisation, and how hard they work, and how long they stay as a result of that commitment. In 2012, we replaced the previous staff survey with a new survey that will run every two years. Comparable historical data on staff engagement is not available.

13. For more information see the *Sewage Treatment System Impact Monitoring Program Report 2012–13* on our website.

14. We monitor our wastewater treatment systems and are required to notify the EPA and other authorities of any incident causing or threatening material harm to the environment immediately after becoming aware of the incident. We report minor licence non-compliances not causing or threatening environmental harm to the EPA in line with the conditions of environment protection licences.

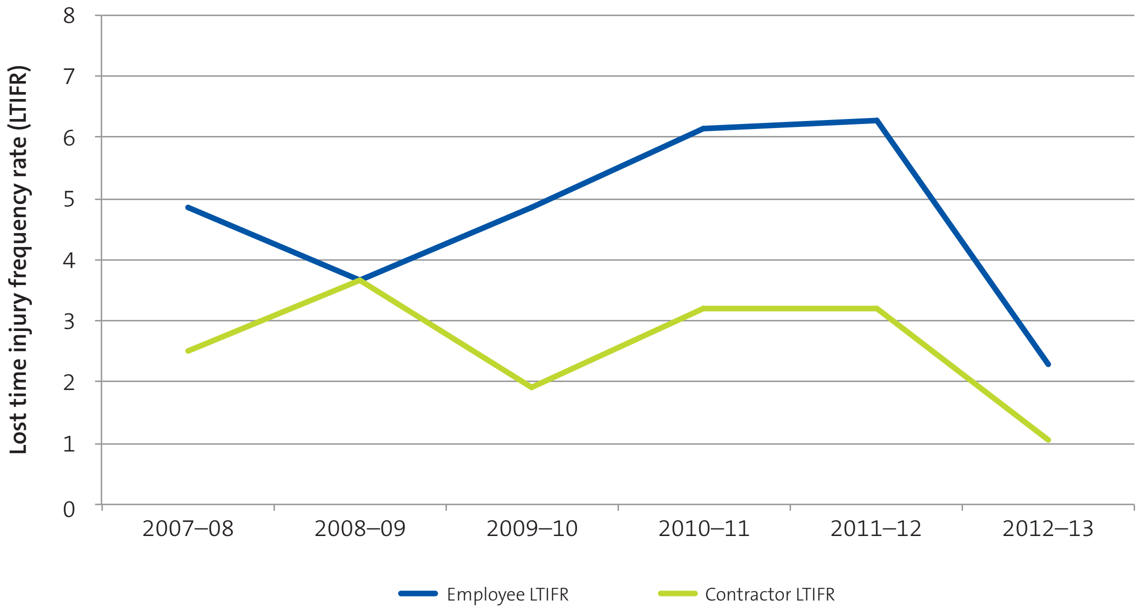
15. Performance indicator changed for 2012–13. Data from previous years is not comparable.

16. This is a new indicator in the *Operating Licence Reporting Manual June 2012*. Reporting commenced in 2012–13. In 2012–13, 92% of our 716 industrial trade waste customers complied with the wastewater discharge limits in their trade waste agreement. For more information see the *Operating Licence Environment Report 2012–13* on our website.

17. We received a penalty notice from the EPA on 28 September 2012 for a chemical spill from Quakers Hill Water Recycling Plant. The spill resulted in low pH wastewater discharges into Breakfast Creek. We have implemented a number of actions identified in our incident review to prevent future incidents.

18. Sydney Water's Networks Alliance sub-contractor Punchline Excavations Pty Ltd received a penalty notice under the *Protection of the Environment Operations Act 1997* for water pollution. Water from an excavation pit was released into a stormwater drain without sediment or erosion controls during work on a water main connection. The EPA encouraged the Networks Alliance to implement an audit program to ensure ongoing compliance.

Figure 10: **Lost time injury frequency rate (LTIFR) for Sydney Water staff and contractors 2007–08 to 2012–13**



Notes:

1. Results reflect the most recent data at the time of reporting. Historical data is updated to include any LTI notifications received subsequent to previous reporting periods.
2. Results are based on the number of contractor hours that are reported to Sydney Water.

04

Forward thinking

A thought leader in the water industry

We're preparing for a future that's complex and unpredictable. We need to be ready to respond to challenges such as a changing climate, population growth and economic uncertainty. Through better planning, decision-making and investment, we will contribute to liveability while being more resilient to future risks.

As a key thought leader in the water industry, we will use our position to create positive change and share expertise.

What we've done well this year

- We maintained stable carbon and ecological footprints in 2011–12[1] compared to the previous year. We aim to actively reduce our carbon and ecological footprints by implementing energy efficiency and renewable energy projects. Energy-intensive water recycling, tighter quality treatment standards and a growing population will continue to place upward pressure on our footprints.
- In 2012–13, we reduced our total gross greenhouse gas emissions compared to 2011–12. We also maintained our net emissions through the surrender of NSW Greenhouse Gas Abatement Certificates (NGACs). Greenhouse gas emissions per 1,000 properties for water and wastewater services were the lowest they have been in the last five years.
- Over the last 12 months, we increased the native vegetation in riparian land we manage. We aim to limit the impact of works on native vegetation and to conserve biodiversity and essential fauna habitat. Much of the native vegetation we clear is eventually revegetated through bush regeneration. We aim to protect and reinstate natural vegetation where possible.
- We again met our target of beneficially using 100% of biosolids produced at wastewater treatment plants. We have consistently achieved this target since 2005.

Where we can improve

- Our monitoring showed there were minor localised ecosystem impacts in creeks downstream of Hornsby Heights Wastewater Treatment Plant, West Camden Water Recycling Plant and Winmalee Wastewater Treatment Plant. There was no evidence these impacts had any effect on the Hawkesbury-Nepean River system to which these creeks flow. These impacts weren't significant enough to justify any course of action. We will continue to monitor the impacts our treatment plants have on local ecosystems.
- Our renewable energy generation in 2012–13 dropped slightly from last year due to less electricity generated from the Prospect Hydroelectric Plant. We will continue to generate more electricity from renewable sources in coming years. We have started expanding on existing generation capacity at North Head, Cronulla and Malabar wastewater treatment plants. We are also investigating building renewable energy plants at smaller wastewater treatment plants.

1. This indicator is reported for the prior year, as 2012–13 data is not available in time for publication in this report.

- Overall, we recycled less waste in 2012–13, mainly due to a drop in recycling from contracted works. The amount and types of waste recycled in construction and demolition works can change from year to year depending on the project. The target set by the Office of Environment and Heritage for recycling of construction and demolition waste is 76% by 2014[2]. We will review the recycling program over the next 12 months to improve the performance for contracted projects. We also recycled less waste from our office sites because of a change to the waste collection and disposal contract. On the positive side, we recycled 98% of waste from our internal construction program, up from 61% in 2011–12.

2. 2007, *NSW Waste Avoidance and Resource Recovery Strategy 2007*, Department of Environment and Climate Change NSW, Sydney.

How we performed – Forward thinking

Key

▲ Expectations met or exceeded
Indicators show a positive long-term trend towards the goal.

● Areas to improve
Mixed results, positive trends for some indicators and negative trends for others towards the goal.

■ Action required
Indicators show a negative long-term trend towards the goal.

– Not applicable
Performance not reported.

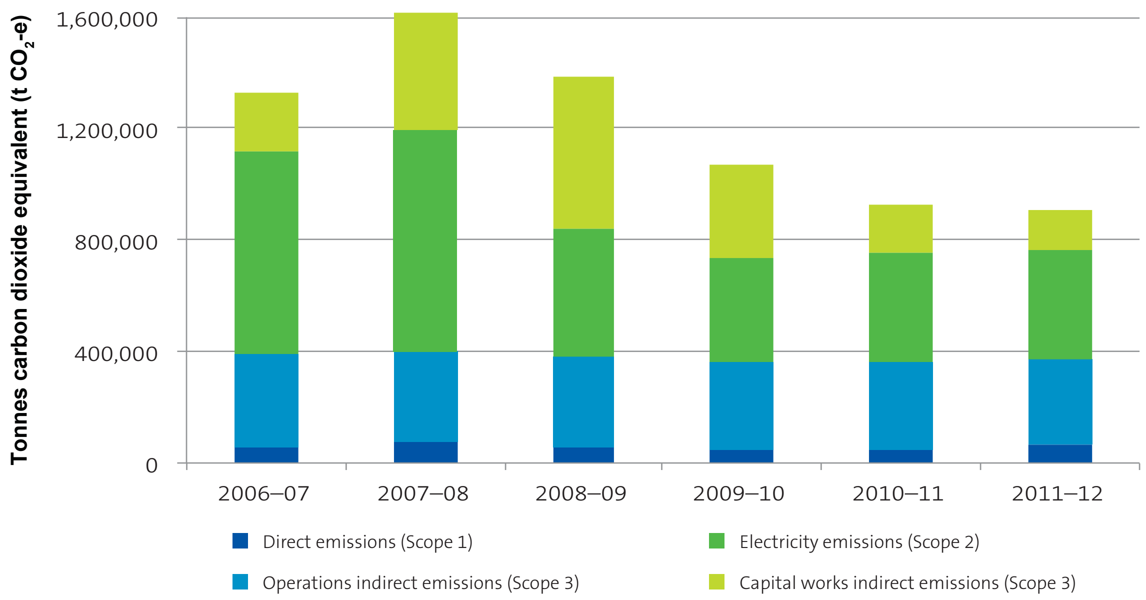
Table 9: Forward thinking sustainability performance indicators

Indicator		2008–09	2009–10	2010–11	2011–12	2012–13
Environmental footprint		–	▲	▲	▲	–
Full supply chain carbon footprint for operations and capital works (million tonnes of carbon dioxide equivalent emissions)[1] (see Figure 11)		1.4	1.1	0.9	0.9[2]	**Not available[3]**
Ecological footprint of business activities (hectares) (see Map 5)[4]		160,000	130,000	110,000	110,000[5]	**Not available[6]**
Energy use and greenhouse gas emissions		▲	▲	▲	▲	▲
Total electricity used or generated by Sydney Water (million kWh)[7]	Used	387.9	390.3	400.8	414.4	**404.1**
	Self-generated	24.5	40.2	58.7	69.0	**65.6**
Percentage of electricity generated by Sydney Water (%)[8]		6.3	10.3	14.6	16.6	**16.2**
Gross greenhouse gas emissions (per 1,000 properties)[9] (see Figure 12)		258	245	251	206	**189**
Net greenhouse gas emissions (per 1,000 properties)[10]		174	144	115	87	**85**

Indicator	2008–09	2009–10	2010–11	2011–12	2012–13
Environmental performance monitoring[11]	▲	▲	▲	▲	▲
Ecosystem health downstream of inland wastewater treatment plant discharges	Health maintained downstream of 10 of the 12 inland plants.	Health maintained downstream of nine of the 12 inland plants.	Health maintained downstream of 10 of the 12 inland plants.	Health maintained downstream of eight of the 12 inland plants.	**Health maintained downstream of nine of the 12 inland plants.**
Ecosystem impacts of deep water ocean discharges[12]	No impact	No impact	No impact	No impact	**Results not yet available**
Flora and fauna	▲	▲	▲	▲	▲
Total area of native vegetation cleared (hectares)[13]	3.1	5.4	1.8	4.0[14]	**0.02**
Total area of native vegetation rehabilitated (hectares)	4.6	30.1	2.2	2.3	**3.9**
Total area of native vegetation net gain or loss (hectares)[15]	1.4	24.7	0.4	-1.7	**3.9**
Area of riparian land managed by Sydney Water under a plan of management (hectares)	406.3	413.1	415.8	418.5	**421.8**
Flora and fauna	▲	▲	▲	▲	▲
Percentage of biosolids beneficially used (%)[16]	100	100	100	100	**100**
Waste reduction	●	▲	▲	▲	●
Percentage of solid waste recycled or used (%)[17]	53	74	72	72	**57**

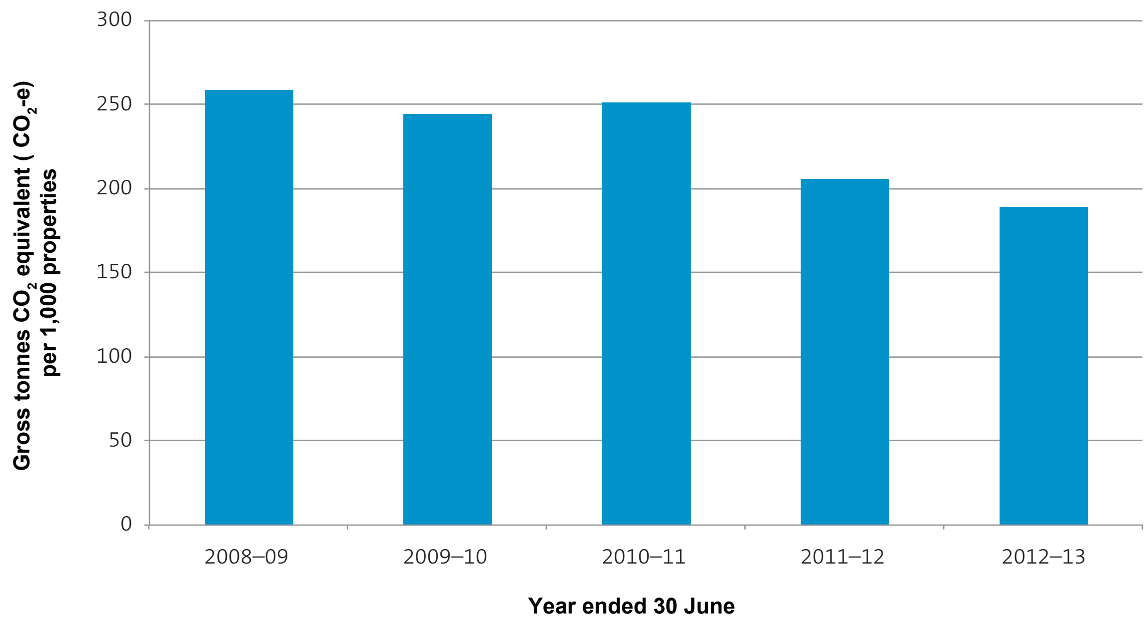
1. We report our footprint as a gross number (ie before accounting for carbon offsets) because this reflects our carbon risk exposure.
2. In 2011–12, about 7% of our carbon footprint came from direct emissions, 35% from electricity use, 43% from our operations supply chain, and 15% from carbon embedded in capital works projects. In 2011–12, we surrendered carbon credits to reduce our footprint by 32%.
3. Data for 2012–13 was not available in time for publication in this report.
4. Our ecological footprint represents the land area taken up by our infrastructure and by our disposed waste, land disturbed to produce the materials we use, and land forecast to be disturbed as a result of greenhouse gas emissions from our carbon footprint.
5. Our smaller ecological footprint since 2010–11 is largely due to a smaller capital works program and increasing renewable energy generation. Another contributing factor was that the Sydney Catchment Authority did not transfer water from the Shoalhaven River as it had done during drought.
6. Note, data for 2012–13 was not available in time for publication in this report.
7. Excludes Sydney Desalination Plant (SDP), which offset 100% of its electricity consumption with renewable energy. We refinanced SDP in June 2012. For more information see the *Operating Licence Environment Report 2012–13* on our website.
8. See note above.
9. Gross emissions are total emissions from electricity, fuel and gas use before accounting for offsets from renewable energy. Results use emission factors published by the Commonwealth Department of Climate Change and Energy Efficiency in the *National Greenhouse Accounts (NGA) Factors*. Sydney Water uses the full fuel cycle emissions factor.
10. Net emissions are the total gross emissions less renewable energy certificates, NGACs and/or carbon offsets surrendered. For more information see the *Operating Licence Environment Report 2012–13* on our website.
11. For more information see the *Sewage Treatment System Impact Monitoring Program Report 2012–13* on our website.
12. We regularly assess the impact of discharges from Malabar, Bondi and North Head wastewater treatment plants on the offshore marine environment through the Ocean Sediment Program. It is a three-year cyclical program that assesses benthic macro invertebrate health and ocean sediment quality. We also test toxicity of treated wastewater from ocean plants.
13. We report on native vegetation cleared or rehabilitated if the area of a project is more than 0.01 hectares (ha) or 100 square metres. There are no targets for these native vegetation indicators. For more information, see the *Operating Licence Environment Report 2012–13* on our website.
14. Data corrected for 2011–12 due to an error with the reported cleared figure for the South West Growth Centre drinking water pipelines project.
15. Data reflects either the net gain or loss of native vegetation annually. We have revegetated a net cumulative gain of 28.7 hectares of native vegetation over the last five years.
16. We produced 39,939 dry tonnes of biosolids in 2012–13. For more information, see the *Operating Licence Environment Report 2012–13* on our website.
17. The overall waste recycling rate is a combination of the recycling rates of construction and demolition waste from Sydney Water and contractor projects, office waste, and process waste. For more information, see the *Operating Licence Environment Report 2012–13* on our website.

Figure 11: Sydney Water's carbon footprint trends 2006–12*



* Data for 2012–13 was not available in time for publication in this report.

Figure 12: Total gross greenhouse gas emissions per 1,000 properties



Map 5: Sydney Water's ecological footprint 2006–07 to 2011–12*

* Data for 2012–13 was not available in time for publication in this report.

05

Corporate governance

Board and Executive

Who governs our business?

Board members

Dr Thomas G Parry AM (Chairman)
BEc (Hons), MEc, PhD

Term of appointment:
1 June 2010 to 30 September 2013.

Chair of the Corporate Governance and People and Remuneration committees.

Tom was a consultant to Macquarie Capital Funds Group until August 2009. He was Foundation Executive Chairman of the Independent Pricing and Regulatory Tribunal of NSW (IPART) and its predecessor, the Government Pricing Tribunal of NSW, from 1992 to 2004. He was an ex-officio Commissioner of the Australian Competition and Consumer Commission, a member of the NSW Council on the Cost and Quality of Government, and the Foundation NSW Natural Resources Commissioner. He was also a member of the Board of NSW Health's Clinical Excellence Commission and South East Area Health.

Tom is currently Chairman of the Australian Energy Market Operator, Chairman of First State Super, Chairman of Health Super Financial Services, a director of the Australian Securities Exchange's Market Compliance Company, a director of Powerco NZ, and a director of Brisbane Airport Corporation Holdings. He is a member of the Advisory Council of the SMART Infrastructure Facility at the University of Wollongong.

Kevin Young (Managing Director)
BE (Hons), MBA, FIE Aust, CPENG, FAICD

Term of appointment:
1 August 2011 – for a term equivalent to his appointment as CEO/Managing Director.

Ex-officio member of all committees.

Kevin is the Managing Director of Sydney Water. Kevin was previously the Managing Director of Hunter Water.

Kevin has a civil engineering degree with honours from the University of Newcastle and a Masters of Business Administration. Kevin is a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors.

Kevin has over 30 years' experience working for the private sector and government authorities within Australia and overseas.

Kevin was previously Chairman of the Water Services Association of Australia (WSAA), whose members serve over 17 million Australians every day with water and wastewater services. Kevin is currently Chairman of WSAA's Asset Management Committee.

Dr Abby Bloom (Non-executive Director)
BA (High Hons), MPH, PhD, FAICD

Term of appointment:
1 January 2013 to 31 December 2015.

Chair of the Customer and Environment Committee and member of the Finance and Asset Management Committee.

Abby is an experienced company director and former senior executive and corporate adviser in healthcare and health financing, water and wastewater, and ageing. During 10 years at the US Department of State, Abby was the Senior Health, Water and Sanitation Policy Advisor, responsible for US foreign aid water and health policy globally.

She has worked in Australia, the USA and over 20 emerging economies as a consultant and project manager in health reform and infrastructure. She is also the founder of three medical device companies, including a biomedical flow control technology company. Abby is currently a director of Western Sydney Local Health District, a member of the NSW Ministerial Advisory Committee on Ageing, and a member of the Griffith University Enterprise Advisory Board. A graduate of Yale and Sydney Universities, Abby is Adjunct Professor, Sydney Medical School, Menzies Centre for Health Policy.

John Brown (Non-executive Director)
BCom, FCA, MAICD

Term of appointment:
7 September 2010 to 30 September 2013.

Chair of the Audit and Risk Committee, and member of the Corporate Governance and People and Remuneration committees.

John was previously a partner with KPMG for over 26 years and since then has been appointed to be the chair or member of the audit committees of a number of NSW and Federal public sector entities. He is currently a member of the audit and risk committees of the Australian Taxation Office, the Australian Broadcasting Corporation and the Department of Defence.

He is also a director of the Charities Aid Foundation and Gift of Life Foundation Limited, and a Member of the National Health and Medical Research Council.

Diana Day (Non-executive Director)
BA (Hons 1), DipEd, PhD, FAICD

Term of appointment:
1 June 2012 to 31 May 2015.

Member of the Customer and Environment, the Finance and Asset Management and the Safety committees of Sydney Water.

Diana is an experienced independent company director of Federal and state statutory authorities, businesses, universities and not-for-profit boards. As a physical and social scientist and educator, she has held senior academic and public sector roles in water and environmental management. In these roles she worked on addressing water quality and security challenges in power development, mining, rural, riverine and metropolitan contexts.

Diana has been a director of the Murray-Darling Basin Authority, the Commonwealth Research Centre for Irrigation Futures, Meat and Livestock Australia Ltd, the Fisheries Research and Development Corporation and the Australian Maritime College.

Diana is Senior Visiting Fellow of the University of NSW and consults in career strategy. She holds a First Class Honours Degree (Geography) and a Diploma in Education from the University of Newcastle NSW, and a Doctorate in fluvial geomorphology of drainage systems from the University of New England, NSW.

Richard Fisher AM (Non-executive Director)
MEc, LLB, MAICD

Term of appointment:
1 January 2012 to 31 December 2014.

Member of the Audit and Risk, Corporate Governance and People and Remuneration committees.

Richard is General Counsel of the University of Sydney and is an Adjunct Professor in its Faculty of Law. Richard is the immediate past Chairman of Partners at Blake Dawson and specialised in corporate law during his 25 years as a partner of that firm. He has been a director of InvoCare Limited since 24 October 2003.

He is a former part-time Commissioner of the Australian Law Reform Commission and was an International Consultant for the Asian Development Bank. Richard is a member of the Library Council of NSW.

Richard holds a Master of Economics from the University of New England and a Bachelor of Laws from the University of Sydney.

John Fletcher (Non-executive Director)
BSc, MBA, FAICD

Term of appointment:
7 April 2011 to 31 March 2014.

Chair of the Finance and Asset Management Committee and member of the Audit and Risk Committee.

John is a director of APA Group. He was previously a director with Integral Energy Australia, Foodlands Australia Limited, Alinta Energy Group (formerly Babcock & Brown Power Group) and Natural Gas Corporation Holdings Limited (New Zealand).

John has held a number of executive roles at the Australian Gas Light Company including Chief Financial Officer and Group Manager Investments.

Bruce Morgan (Non-executive Director)
BComm

Term of appointment:
1 January 2012 to 31 December 2014.

Member of the Audit and Risk, Safety and Finance and Asset Management committees.

Bruce has previously been a partner with the leading global firm PricewaterhouseCoopers (PwC) for more than 25 years. Bruce served as Chairman of the Australian PwC Board and on the PwC International Board. He previously held roles as the Managing Partner of PwC's Sydney and Brisbane offices. Bruce practised as an audit partner focused on the financial services, energy and mining sectors. He retired as a partner of PwC in October 2012.

Bruce is a director of Caltex Australia Limited, Origin Energy Limited, the University of NSW Foundation, the European Australian Business Council and Redkite.

Bruce holds a Bachelor of Commerce (Accounting and Finance) from the University of NSW.

Bob Pentecost AM (Non-executive Director)
BE (Civil), GDA, MAICD

Term of appointment:
8 October 2010 to 30 September 2013.

Chair of the Safety Committee and member of the Customer and Environment, Finance and Asset Management and People and Remuneration committees.

Bob has worked in the private sector as a director on several boards, and also in government, giving advice at ministerial and cabinet level.

Recently, Bob was the Chief Executive Officer of Rail Infrastructure Corporation. He has filled similar roles at Network Design & Construction (telecoms), Merlin International Properties and the Darling Harbour Authority.

He was a past non-executive director of Allconnex Water and Hamilton Island Pty Ltd.

Bob was awarded membership to the Order of Australia for services to the building and construction industry in 1991.

He is a member of the Industry Advisory Network at the University of Technology, Sydney.

Dr Greg Stewart (Non-executive Director)
MBBS, MPH, FRACMA, FAFPHM

Term of appointment:
1 December 2011 to 30 December 2012.

Chair of the Customer and Environment Committee.

Greg is the director of Population Health for the NSW Health Reform Transition Organisation (Western). He was previously Chief Health Officer of NSW, Chief Executive Officer of Wentworth Area Health Service, and director of the Public Health Unit of South Western Sydney Area Health Service. Greg is a member of the NSW Medical Council, the Board of the Australian Institute of Health and Welfare, and the Council of the Australasian Faculty of Public Health Medicine.

Corporate governance

Sydney Water's Board and Executive believe good governance is essential for a high performing organisation with a sustainable future. This helps ensure we:

- deliver the outcomes our Shareholder Ministers (the shareholders) expect
- support our people and business operations
- set the framework for sound ethical, financial and risk management practices and effective compliance and auditing programs.

Board of directors

In line with the *Sydney Water Act 1984* (NSW), the *State Owned Corporations Act 1989* (NSW) and the *Constitution* of Sydney Water, the Board consists of a Chairperson and up to nine other directors, appointed by the shareholders. The Managing Director may be appointed as a director.

The Board members have expertise in business management, protection of the environment, public health, regulatory function, law, auditing, finance and engineering.

All members of the Board of directors, with the exception of the Managing Director, are appointed by the shareholders for terms of up to five years. Appointments may be renewed by the shareholders. The Minister advertises publicly for nominations for Board selections. Each non-executive director's remuneration is set by the shareholders and is paid out of Sydney Water's funds.

Role and responsibilities

The Board is responsible for the corporate governance of Sydney Water. This includes setting the strategic direction, establishing performance targets as set out in the Statement of Corporate Intent (SCI), and monitoring our performance against those targets. The Board's role is to govern Sydney Water rather than manage it. The directors must act in the best interests of Sydney Water and our shareholders at all times, in line with governing legislation.

The Board serves the interests of the shareholders, employees, suppliers, customers and the broader community, honestly, fairly and diligently. It delegates to the Managing Director responsibility for implementing the strategic direction and for managing our day-to-day operations. The Board operates according to its charter, which is designed to complement the *Constitution*, the Director's Manual and the Board's *Code of Conduct*.

Board charter

The Board has developed and adopted a charter, which is published on Sydney Water's website.

The charter follows the NSW Treasury's *Guidelines for Boards of Government Businesses*. The charter:

- outlines the Board's roles, powers and specific responsibilities
- details key stakeholders such as customers, staff, the shareholders, the Portfolio Minister, regulators and the community
- describes the Board's responsibilities towards each stakeholder
- outlines Board operations, such as how to:
  - conduct meetings
  - organise and run committees
  - assess Board performance
  - resolve and record concerns of individual directors
- explains the strategic importance of the Board's business, clarifying its role in approving high-level policies and strategies.

Board committees

The Board has established committees to assist in providing strategic guidance to Sydney Water. The Board committees in 2012–13 were:

- Audit and Risk
- Corporate Governance
- Customer and Environment
- Finance and Asset Management
- Safety
- People and Remuneration.

Board meetings

Table 10: Attendance at Board and committee meetings 2012–13

Director	Board of directors meeting Attended (number held)[1]	Audit and Risk Committee Attended (number held)	Customer and Environment Committee Attended (number held)	Finance and Asset Management Committee Attended (number held)	People and Remuneration Committee Attended (number held)	Safety Committee[2] Attended (number held)
T Parry	(C) 9 (11)			3 (3)	(C) 1 (2)	
A Bloom[3]	4 (4)		(C) 1 (1)[4]			
J Brown	10 (11)	(C) 5 (5)			2 (2)	
D Day	10 (11)		3 (3)	3 (3)		1 (2)
R Fisher	10 (11)	5 (5)			1 (1)	
J Fletcher	10 (11)	3 (5)		(C) 3(3)		
B Morgan	9 (11)	2 (2)		2 (3)		2 (2)
B Pentecost	11 (11)		3 (3)	3 (3)	2 (2)	(C) 2 (2)
G Stewart[5]	4 (6)		(C) 2(2)[6]			
K Young	11 (11)	5 (5)	3 (3)	3 (3)	2 (2)	2 (2)

Notes: (C) – Chairman of the Board and/or committee.

No formal meetings were held for the Corporate Governance Committee during the period July 2012 to June 2013.

1. Board strategy days were held on 15 August 2012 and 17 April 2013, however, these days are not counted as directors' meetings for these purposes.
2. The first meeting of the Safety Committee was held on 18 April 2013.
3. Dr Bloom's term commenced on 1 January 2013.
4. Dr Bloom was appointed Chair of the Customer and Environment Committee on 22 March 2013.
5. Dr Stewart's term expired 31 December 2012.
6. Dr Stewart's final Customer and Environment Committee meeting was on 21 November 2012.

Managing conflicts of interest

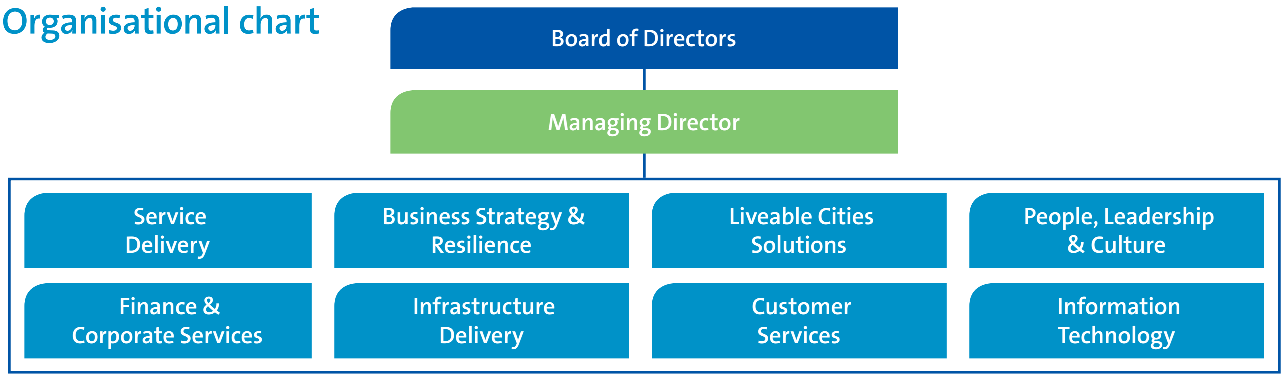
To ensure their independent status, all directors are subject to the statutory duties and responsibilities regarding conflicts of interest. We rely on the integrity of the Board to identify and disclose issues which may give rise to any conflict of interest. The Corporate Secretary maintains the Register of Disclosures, which is reviewed every 12 months to ensure the information held by the organisation is up to date.

Indemnity and insurance

In line with the *State Owned Corporations Act 1989* and Sydney Water's *Constitution*, all directors have been granted an indemnity with the approval of our Shareholder Ministers.

Sydney Water has a policy of insurance for directors' and officers' liability, which supports the Deed of Indemnity. Insurance does not extend to deliberate acts of fraud or dishonesty.

Organisational chart



Executive team

Eric De Rooy
BE (Civil) (Hons), MBA

General Manager
Service Delivery
July 2012 to present

Accountable for delivery of all water, wastewater and related products and services to customers, through operations/maintenance of our treatment processes and network systems. This includes:

- customer service management related to product quality and quantity, and asset issues
- planning for the five-year optimisation of product and asset systems to meet future customer needs
- operation and maintenance of all water filtration plants, wastewater treatment plants and recycled water plants
- operation and maintenance of all water, wastewater, recycled water and stormwater networks, and network assets
- future asset renewal programs and projects
- supporting operations.

Paul Freeman
BE (Mech) (Hons)

General Manager
Liveable Cities Solutions
July 2012 to present

Accountable for developing and driving how water, wastewater and stormwater assets and services help support a more liveable city. This includes:

- building on the solid liveability foundations Sydney Water provides in protecting public health and the environment
- exploring ways to provide increased value to customers through lower cost and improved services
- stronger customer and community engagement and leveraging our assets to enhance community amenity
- managing the asset and data information that underpins our key asset investment decisions.

Sandra Gamble
BE (Elec) (Hons), MBA, FACID

General Manager
Business Strategy & Resilience
July 2012 to present

Accountable for leading and informing Sydney Water's strategic corporate functions, including:

- the development and implementation of the corporate strategy
- corporate public affairs
- risk and resilience framework
- competition and regulatory strategy
- corporate secretariat
- in-house legal services
- internal audit.

Peter Mills
BA (Psych)

General Manager
People, Leadership & Culture
July 2012 to present

Accountable for providing strategies to create a safe, capable and committed workforce and advice on human resources. This includes:

- industrial relations
- organisation development (leadership and culture)
- planning and reporting
- recruitment and retention
- reward and recognition
- workplace health and safety.

James K Mitchell
BComm FCPA MAICD

Chief Financial Officer
Finance & Corporate Services
July 2012 to present

Accountable for providing financial, economic and performance analysis and reporting, and corporate support services. This includes:

- accounts payable
- business improvement initiatives
- financial control
- financial accounting and statutory reporting
- fleet management
- procurement and contracts
- property management.

Ian Payne
BE (Civil), MEngSc, MBA

General Manager
Infrastructure Delivery
July 2012 to present

Accountable for finding innovative and cost-effective ways to deliver infrastructure and procure goods and services. This includes:

- delivery of the capital program
- engineering services
- procurement and contracts
- program delivery – water, wastewater and growth
- project management
- workplace accommodation.

Angela Tsoukatos
BSocWk, MM, GAICD

General Manager
Customer Services
July 2012 to present

Accountable for managing customer support and billing activities to achieve customer service and revenue objectives. This includes:

- customer connections and complex business customer interactions
- customer interactions, including complaint handling and resolving complex customer issues
- the meter to cash process to maximise revenue
- development of unregulated products and services to meet customer needs and increase revenue
- developing and communicating customer policies and guides
- generating customer insight.

Stephen Wilson
BEc

Chief Information Officer
Information Technology
July 2012 to present

Accountable for providing strategies to enable business capability and create sustainable competitive advantage using information and information technologies (IT). This includes:

- IT strategy
- enterprise information capability and roadmaps
- information security operations, policy and governance
- ongoing operation and life cycle management of enterprise IT applications and IT infrastructure
- business intelligence.

Note: Colin Nicholson was General Manager Reform (not a division in the new structure) from July 2012 to April 2013.

Risk management, insurance and the law

How do we manage risks and insurance?

Risk management

Sydney Water has a proactive risk management culture. We have a corporate risk management framework approved by the Board, which provides a consistent approach for managing our commercial, social, environmental and customer risks. Our framework is in line with the Risk Management Standard AS/NZS ISO 31000.

The corporate risk management framework is integrated with our decision-making processes. This enables managers to identify, manage and control risks that can affect our ability to achieve strategic, divisional and operational objectives.

Sydney Water has a number of key risk themes aligned to our corporate strategy and linked to issues and emerging threats. Our risks are mapped against key risk themes to enable transparent reporting of risks and mitigation strategies to the Board.

Insurance

Sydney Water has a comprehensive insurance program as part of our risk management strategy.

We review our insurance annually and consult with our appointed insurance broker to protect against various insurable risks. These risks could affect:

- our operations
- our legal liabilities
- existing assets and those under construction.

We transfer insurable risks by making contributions to the New South Wales Treasury Managed Fund. We also buy insurance with reputable insurers in the commercial market.

Table 11: Strategic risk themes 2012–13

Risk theme	Theme details
Safety	Risks related to protecting the safety of our staff, contractors and members of the public.
Servicing solutions	Risks related to the strategies, plans and partnering arrangements we use to deliver services into the future.
Stakeholder relations	Risks related to maintaining strong relationships with regulators, stakeholders and shareholders to inform decisions that impact on Sydney Water and our customers.
Commercial operations	Risks related to commercial transactions including procurement, commercial arrangements, investment and budgeting activities.
Product and service standards	Risks related to complying with our Operating Licence including protecting the environment, public health and service continuity.
Resilience	Risks related to Sydney Water's ability to respond to threats and opportunities, to adapt to change, and to be innovative.

What legal events have we faced?

Recommendations by the Independent Commission Against Corruption

In April 2013, the Independent Commission Against Corruption (ICAC) received and published our 24-month progress report on the actions we have taken to implement the Commission's recommendations to prevent corruption. The Commission made these recommendations in its 2011 report on the conduct of several of our employees.

We commissioned an independent review to assess the implementation status of the actions for the report to ICAC. This found all recommendations had been implemented, but some with exception. These were subsequently addressed.

ICAC will no longer pursue this matter. We will monitor the actions arising from ICAC's recommendations to ensure we prevent corrupt behaviour at Sydney Water.

NSW Supreme Court actions

We began legal action in the Supreme Court of NSW in March 2011 to recover money related to a contract allegedly signed by a staff member who did not have the authority to sign it.

On 13 December 2011, the Supreme Court made a determination in favour of Sydney Water. After an appeal process, this judgement was upheld in June 2013. Sydney Water has filed a motion to have the judgement enforced.

In October 2012, we began legal action in the Supreme Court of NSW against the liquidator of HIH. We did this to gain priority access to reinsurance funds relevant to our insurance arrangements dating back to 1998.

On 12 June 2013, the Supreme Court made a decision that was not in our interests. We intend to appeal the decision.

Changes to legislation

Public Interest Disclosures Act 1994 (NSW)

On 3 April 2013, the *Public Interest Disclosures Act 1994* was amended. The amendment clarifies that an employee of a corporation engaged under contract to provide services to or on behalf of Sydney Water is considered a public official under the Act. NSW public officials can report suspected corruption, maladministration, serious and substantial waste, and breaches of the *Government Information (Public Access) Act 2009* under the Act which offers legal protection from workplace reprisals. The Act also protects the person making the disclosure from criminal and disciplinary action for a breach of confidentiality.

Independent Commission Against Corruption Act 1988 (NSW)

On 3 April 2013, the *Independent Commission Against Corruption Act 1988* was amended. The amendment allows evidence used in ICAC proceedings or a public inquiry to be used by Sydney Water in disciplinary proceedings regarding the corrupt conduct of an employee.

06

Financial performance

Performance summary

We have to balance our objectives to protect public health and the environment while providing affordable services and return to shareholders. The challenge is to do this while continuing to achieve business efficiency.

As a state owned corporation, we are required to operate as efficiently as any comparable business and maximise the net worth of the NSW Government's investment.

How are we tracking?

Net profit after tax (versus Statement of Corporate Intent)

Sydney Water's Board agrees on the Statement of Corporate Intent (SCI) each year with the Shareholder Ministers. The SCI includes key business objectives, commercial performance and income targets, operational expenditure and capital investment. The SCI forms the basis of our yearly budget.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were $1.23 billion, $77 million above the SCI target of $1.16 billion. Profit after tax for 2012–13 was $415 million, $84 million above the SCI target of $331 million.

Our profit improved from higher income from water use, receiving assets free of charge from developers and lower core operating costs – driven mostly by lower contractor costs and labour efficiencies. Lower depreciation and finance costs also contributed to higher profit.

Table 12: Profit and loss statement 2009–10 to 2012–13

Financial performance target	2012–13 variance to SCI budget	2012–13 SCI budget	2012–13 result	2011–12 result	2010–11 result	2009–10 result
Total income ($m)	58*	2,463	2,521	2,671	2,307	2,187
Operating expenses ($m)	19*	1,301	1,282	1,204	1,120	1,076
Earnings before interest, tax, depreciation and amortisation (EBITDA) ($m)	77*	1,162	1,239	1,467	1,187	1,111
Depreciation, amortisation, impairments and loss on asset sales ($m)	13*	257	245	298	274	182
Borrowing expenses ($m)	10*	408	398	557	473	291
Total expenses ($m)	42*	1,967	1,925	2,059	1,867	1,549
Net profit before tax (NPBT) ($m)	101*	496	597	612	440	638
Income tax expense ($m)	17#	165	182	245	166	192
Net profit after tax (NPAT) ($m)	84*	331	415	367	274	446
Dividend payable ($m)	59*	232	291	242	230	232

Financial performance target	2012–13 variance to SCI budget	2012–13 SCI budget	2012–13 result	2011–12 result	2010–11 result	2009–10 result
Return on assets (%)	0.7*	6.3	7.0	8.0	6.3	7.0
Funds flow interest cover (times)	0.2*	1.8	2.0	1.8	1.9	2.2
Capital investment program ($m)	40*	650	610	659	636	1,072
Gearing ratio (%)	0	49	49	48	55	54

* Favourable variance to SCI. # Unfavourable variance to SCI.

Income

Total income for the year was $2.52 billion, $58 million above the SCI target of $2.46 billion.

Regulated income was $2.36 billion, $34 million above the SCI target of $2.33 million. This was due to higher income from water use during the warm and dry summer.

Non-regulated income was $160 million, $25 million above the SCI target of $135 million. This was mostly due to free assets provided by developers, driven by higher commercial and industrial demand.

Property sales

During 2012–13, we sold 10 properties surplus to our needs at a total gross sale price of $6 million, net of GST. We placed proceeds from the sales in general revenue. We made all sales in line with accepted NSW Government disposal standards and guidelines. Access to documents relating to property disposal may be gained in accordance with the *Government Information (Public Access) Act 2009*.

Expenditure

Operating expenses for the year were $1.28 billion, $19 million below the SCI target of $1.3 billion. This was mostly due to savings in labour and contractor costs from reforms and delayed projects.

Total asset charges (depreciation, amortisation, impairments and losses on asset sales) for the year were $245 million, $13 million below the SCI target of $258 million. This was mostly due to lower depreciation costs after revaluing our wastewater mains – resulting in a higher proportion of lower depreciating assets.

Total borrowing expenses (interest expense and NSW Government Guarantee Fees) for the year were $398 million, $10 million lower than the SCI target of $408 million. This was mostly due to lower than budgeted interest rates for new debt and lower borrowings.

Income tax

Income tax expense for the year was $182 million, $17 million above the SCI target of $165 million. This was mostly due to a higher profit result.

Dividends

For 2012–13, we recognised a dividend payable of $291 million, which is $59 million higher than the SCI target of $232 million. The higher dividend is in line with the dividend payout policy of 70% of after tax profit, as agreed in the 2012–13 SCI.

The dividend is subject to acceptance and declaration by the shareholders.

Time for payment of accounts

We did not make any penalty interest payments during 2012–13 for late payments to creditors.

Funds flow from operations interest cover

Cash (funds flow) from our operations in 2012–13 was $518 million. This is $79 million higher than our target due to higher water sales and lower operating costs.

The funds flow from operations interest cover ratio was 2.0. This was above the target of 1.8 due to a combination of higher income, lower costs and lower interest charges.

Table 13: Funds flow from operations interest cover 2008–09 to 2012–13

Funds flow	2012–13 target	2012–13	2011–12	2010–11	2009–10	2008–09
Funds flow from operations ($m)	439	518	436	435	747	396
Funds flow from operations interest cover ratio (times)	1.8	2.0	1.8	1.9	2.2	2.4

Investment management

We benchmark our investment portfolio's performance against the NSW Treasury Corporation's hourglass cash facility. This meets NSW Treasury guidelines and increases our investment returns while maintaining risk controls.

In 2012–13, our investment performance was 3.3% compared to the benchmark of 3.7%, with an average investment balance of $400,000. This reflected the short-term nature of our investments, with the return closely in line with the Reserve Bank of Australia cash rate.

At 30 June 2013, we had cash in the bank of $3.8 million.

Table 14: Cash and investments 2012–13

	Sydney Water	Benchmark
Market valuation 30 June 2013 ($m)	3.8	N/A
Yearly return (%)	3.3	3.7

Debt management

At 30 June 2013, our total debt was $5.9 billion (current capital value). Our debt portfolio was sourced almost entirely through NSW Treasury Corporation, and we manage it actively to limit the cost of funds.

We continued to use NSW Treasury Corporation's short-term borrowing facility to help meet cash requirements and reduce our fixed borrowings.

At 30 June 2013, 76% of our total debt was fixed-rate debt with a maturity of more than one year, while 17% was inflation-indexed debt maturing out to 2035. The remaining 7% was fixed-rate debt due for refinancing in 2013–14.

Table 15: Debt management 2012–13

	Sydney Water	Benchmark
Market valuation of debt 30 June 2013* ($bn)	6.4	N/A
Generalised cost of funds (%)	2.5	2.6

*Market value of debt represents the value if all debt had to be retired and is different to the capital value, which is the value in the financial statements.

Cash flow

In 2012–13, we received $2.4 billion in cash from our operations, which is $174 million higher than the year before.

We used $1.4 billion in cash for operations.

We used $593 million to fund our asset investment program, which was $73 million lower than in 2011–12. Our capital program is relatively stable from year to year, reflecting continued renewal of assets and servicing growth areas.

We paid $464 million in interest, which was $93 million lower than the year before. This was due to reduced interest charges from lower interest rates, mostly offset by a higher NSW Government Guarantee Fee.

Return on assets and equity

We measure return on assets by dividing our earnings before interest and tax (EBIT) by the average value of our total assets. We measure return on equity by dividing the profit after tax by the average value of total shareholder funds (total equity).

Our return on assets for 2012–13 was 7%, 0.7% higher than the target of 6.3%. The return on equity was 6.9%, 1.4% higher than the target of 5.5%. This was due to a combination of higher income from water use, operating cost efficiencies and lower asset charges.

The returns are based upon the regulated asset base valuation, which is significantly below the assets' depreciated replacement cost. Therefore, the results are low in respect of the replacement asset cost for a regulated utility with Sydney Water's level of commercial risk.

Table 16: Return on assets and equity 2008–09 to 2012–13

Measure	2012–13 target	2012–13 actual	2011–12	2010–11	2009–10	2008–09
Return on assets (%)	6.3	7.0	8.0	6.3	7.0	4.6
Return on equity (%)	5.5	6.9	6.2	4.8	8.1	4.1

How have we set our prices and budgets?

Pricing

The Independent Pricing and Regulatory Tribunal (IPART) set prices for Sydney Water's services in June 2012, for the period from July 2012 to June 2016.

As a government owned monopoly service provider, our prices are regulated to cover the cost of conducting business while generating an adequate return on assets.

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Table 17: 2013–14 budget

Items	Budget 2013–14
Total income ($m)	**2,525**
Total operating expenses ($m)	1,326
Depreciation, amortisation, impairments and sales losses ($m)	248
Borrowing costs ($m)	410
Total expenses ($m)	**1,984**
Profit before tax ($m)	**541**
Income tax expense ($m)	181
Profit after tax ($m)	**360**
Dividend payable ($m)	252

Table 18: IPART pricing table 2012–13

	2012–13		
	Tribunal determined price (in 2012–13 values)	Sydney Water price set July–September 2012[a]	Sydney Water price set October 2012–June 2013
Service charges			
Residential properties			
Water			
Individually metered	$135.12	$33.78	$33.78
Multi premises with a common meter	$71.12	$17.78	$17.78
Unmetered	$518.52	$129.63	$129.63
Sewerage	$555.08	$138.77	$138.77
Stormwater (drainage)			
Standalone premises	$49.08	$12.27	$12.27
Multi premises	$49.08	$12.27	$12.27
Non-residential properties			
Water			
Meter size (mm):[b]			
single 20mm	$135.12	$33.78	$33.78
common or multi 20mm	$140.27	$35.09	$35.06

	2012–13		
	Tribunal determined price (in 2012–13 values)	Sydney Water price set July–September 2012[a]	Sydney Water price set October 2012–June 2013
25	$219.18	$54.81	$54.79
32	$359.11	$89.80	$89.77
40	$561.11	$140.30	$140.27
50	$876.73	$219.19	$219.18
80	$2,244.43	$561.13	$561.10
100	$3,506.91	$876.75	$876.72
150	$7,890.54	$1,972.65	$1,972.63
200	$14,027.63	$3,506.93	$3,506.90
250	$21,918.00	$5,479.50	$5,479.50
300	$31,561.92	$7,890.48	$7,890.48
500	$87,672.00	$21,918.00	$21,918.00
600	$126,247.68	$31,561.92	$31,561.92
Unmetered	$518.52	$129.63	$129.63
Sewerage[c]			
Meter size (mm):[d]			
single 20mm	$555.08	$138.77	$138.77
common or multi 20mm	$633.29	$158.33	$158.32
25	$989.52	$247.38	$247.38
32	$1,621.23	$405.33	$405.30
40	$2,533.18	$633.31	$633.29
50	$3,958.09	$989.53	$989.52
80	$10,132.72	$2,533.18	$2,533.18
100	$15,832.37	$3,958.10	$3,958.09
150	$35,622.83	$8,905.73	$8,905.70
200	$63,329.47	$15,832.39	$15,832.36
250	$98,952.00	$24,738.00	$24,738.00
300	$142,490.88	$35,622.72	$35,622.72
500	$395,808.00	$98,952.00	$98,952.00
600	$569,963.52	$142,490.88	$142,490.88
Unmetered	$555.08	$138.77	$138.77
Stormwater (drainage)	$127.74	$31.95	$31.93

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	2012–13		
	Tribunal determined price (in 2012–13 values)	Sydney Water price set July–September 2012[a]	Sydney Water price set October 2012–June 2013
Usage charges per kilolitre			
Residential properties			
Water	$2.13	$2.13	$2.13
Non-residential properties			
Water	$2.13	$2.13	$2.13
Sewerage (>450kL wastewater discharge per year)[e]	$1.40	$1.40	$1.40

a. Sydney Water's charges applied from 1 July 2012.

b. IPART's maximum determined water service charge for meter sizes not specified in its determination is calculated using the following formula: (meter size)^2 x 25mm charge/625.

c. The prices assume the application of a Discharge Factor (df%) of 100%. The relevant df% may vary from case to case, as determined by Sydney Water. A pro rata adjustment shall be made where the df% is less than 100%.

d. IPART's maximum determined sewerage charge for meter sizes not specified in its determination is calculated using the following formula: (meter size)^2 x 25mm charge/625 x df%.

e. For non-residential properties, the sewer usage charge will apply when a property's discharge into the sewerage system exceeds 1.233kL/day (or 112.5kL/quarter average).

Note: All Sydney Water prices are in nominal dollars ($ of the year).

Other charging arrangements including: Rouse Hill Development Area, boarding houses, metered standpipes, trade waste and ancillary charges were set in accordance with IPART's determined maximum price.

Removal of audit qualification

During 2012–13, the Audit Office of NSW removed its long-standing audit qualification on the accounting treatment adopted by Sydney Water for the water filtration plant agreements covering the Prospect, Illawarra and Woronora plants. The audit qualification had been in place since 1993–94.

Sydney Water's accounting treatment has been to expense all payments under the agreements, on the basis that these agreements are considered to be service agreements rather than leases. This approach has been maintained as part of the 2012–13 operating profit, but there is still a difference in professional opinion with the Audit Office of NSW. We maintain that this accounting treatment is still appropriate – and this has been supported by professional accounting advice and also by NSW Treasury.

Although this difference in professional opinion still exists, the Audit Office of NSW removed this qualification on the basis that this accounting issue is no longer considered to be a material issue in Sydney Water's financial statements.

Sydney Water Corporation

Financial Statements for the year ended 30 June 2013

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Sydney Water Corporation

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue	2(a)	2,518,908	2,414,020
Other income	2(b)	2,544	260,935
Finance costs	2(c)	(397,710)	(415,151)
Other expenses	2(c)	(1,526,805)	(1,590,747)
Profit before income tax		**596,937**	**669,057**
Income tax expense	3(a)	(181,758)	(263,174)
Profit for the period		**415,179**	**405,883**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment	17(b)	(43,072)	363,249
Income tax effect	3(c)	12,922	(108,975)
		(30,150)	254,274
Cash flow hedges:			
Gains (losses) taken to equity	17(b)	11	-
Transferred to the initial carrying amount of hedged items	17(b)	(11)	-
		-	-
Income tax effect	3(c)	-	-
		-	-
Defined benefit superannuation actuarial gains (losses)	2(c)	204,372	(494,955)
Income tax effect	3(c)	(61,312)	148,486
		143,060	(346,469)
Total items that will not be reclassified subsequently to profit or loss, net of income tax		112,910	(92,195)
Other comprehensive income for the period net of income tax		**112,910**	**(92,195)**
Total comprehensive income for the period		**528,089**	**313,688**

This statement should be read in conjunction with the accompanying notes.

Sydney Water Corporation

Statement of financial position

as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	4	3,831	6,337
Trade and other receivables	5	322,272	352,900
Inventories	6	888	521
Other current assets	7	8,822	16,829
Current tax asset	8	687	-
		336,500	376,587
Non-current assets classified as held for sale	9(f)	763	-
Total current assets		**337,263**	**376,587**
Non-current assets			
Trade and other receivables	5	-	7,658
Property, plant and equipment	9	13,948,528	13,449,725
Intangible assets	10	164,869	182,675
Total non-current assets		**14,113,397**	**13,640,058**
Total assets		**14,450,660**	**14,016,645**
Current liabilities			
Trade and other payables	12	532,895	544,237
Borrowings and other financial liabilities	13	11,240	10,782
Current tax liability	8	71,298	111,374
Dividends payable	14	290,625	242,000
Provisions	15	211,760	206,461
Total current liabilities		**1,117,818**	**1,114,854**
Non-current liabilities			
Borrowings and other financial liabilities	13	6,045,321	5,596,959
Deferred tax liabilities	11	505,895	414,902
Provisions	15	738,539	958,507
Total non-current liabilities		**7,289,755**	**6,970,368**
Total liabilities		**8,407,573**	**8,085,222**
Net assets		**6,043,087**	**5,931,423**
Equity			
Share capital	16	3,108,354	3,108,354
Reserves	17	1,149,760	1,183,107
Retained earnings	18	1,784,973	1,639,962
Total equity	19	**6,043,087**	**5,931,423**

This statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2013

	Note	Share capital $'000	Asset revaluation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total equity $'000
Balances as at 1 July 2012		3,108,354	1,183,107	-	1,639,962	5,931,423
Comprehensive income for the period:						
Profit for the period	18	-	-	-	415,179	415,179
Other comprehensive income	17(b), 18	-	(30,150)	-	143,060	112,910
Total comprehensive income for the period		-	(30,150)	-	558,239	528,089
Transfers between equity items	17(b), 18	-	(3,197)	-	3,197	-
Total transfers between equity items		-	(3,197)	-	3,197	-
Transactions with owners in their capacity as owners:						
Dividends recognised as a liability	14	-	-	-	(416,425)	(416,425)
Total transactions with owners in their capacity as owners		-	-	-	(416,425)	(416,425)
Balances as at 30 June 2013		**3,108,354**	**1,149,760**	**-**	**1,784,973**	**6,043,087**
Balances as at 1 July 2011		3,108,354	900,088	-	1,851,293	5,859,735
Comprehensive income for the period:						
Profit for the period	18	-	-	-	405,883	405,883
Other comprehensive income	17(b), 18	-	254,274	-	(346,469)	(92,195)
Total comprehensive income for the period		-	254,274	-	59,414	313,688
Transfers between equity items	17(b), 18	-	28,745	-	(28,745)	-
Total transfers between equity items		-	28,745	-	(28,745)	-
Transactions with owners in their capacity as owners:						
Dividends recognised as a liability	14	-	-	-	(242,000)	(242,000)
Total transactions with owners in their capacity as owners		-	-	-	(242,000)	(242,000)
Balances as at 30 June 2012		**3,108,354**	**1,183,107**	**-**	**1,639,962**	**5,931,423**

This statement should be read in conjunction with the accompanying notes.

Sydney Water Corporation

Statement of cash flows

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Cash receipts in the course of operations (inclusive of Goods and Services Tax)		2,405,043	2,235,924
Cash payments in the course of operations (inclusive of Goods and Services Tax)		(1,405,296)	(1,466,371)
Cash generated from operations		999,747	769,553
Revenue grants received from Commonwealth Government		19	18
Cash receipts for social programs		154,170	149,920
Cash receipts for reimbursements from NSW Climate Change Fund		-	2,746
Interest received		134	1,025
Dividend received from former subsidiary	24(c)	-	8,436
Income tax received		905	28,399
Government guarantee fee received from former subsidiary	24(c)	-	30,272
Interest paid		(329,212)	(363,148)
Government guarantee fee paid		(135,130)	(94,127)
Contributions paid to NSW Climate Change Fund		-	(17,050)
Income tax paid		(180,823)	(92,434)
Net cash from operating activities	20(a)	**509,810**	**423,610**
Cash flows from investing activities			
Repayment of contributed equity received from former subsidiaries	24(c)	-	12,234
Proceeds from sale of investment in former subsidiary	24(c)	-	398,858
Proceeds from sale of property, plant and equipment		5,934	8,445
Capital contributions received for social programs		-	1,650
Other capital contributions received		15,081	16,331
Security and other deposits received		4,575	6,454
Payments for property, plant and equipment		(561,026)	(611,153)
Payments for intangible assets		(31,896)	(54,146)
Security and other deposits released		(6,514)	(18,531)
Net cash from investing activities		**(573,846)**	**(239,858)**
Cash flows from financing activities			
Proceeds from borrowings		440,112	415,486
Repayment of borrowings		(6,178)	(404,962)
Other finance payments		(4,604)	(4,243)
Dividends paid	14	(367,800)	(230,000)
Net cash from financing activities		**61,530**	**(223,719)**
Net increase (decrease) in cash and cash equivalents		**(2,506)**	**(39,967)**
Cash and cash equivalents at beginning of period		**6,337**	**46,304**
Cash and cash equivalents at end of period	4	**3,831**	**6,337**

This statement should be read in conjunction with the accompanying notes.

Sydney Water Corporation

Notes to the financial statements for the year ended 30 June 2013

Corporate information

Sydney Water Corporation ('the Corporation') is a NSW statutory state owned corporation established on 1 January 1999 following the enactment of the *Water Legislation Amendment (Drinking Water and Corporate Structure) Act 1998* and legislative amendments to the *Sydney Water Act 1994*. The address of the Corporation's head office is 1 Smith Street, Parramatta, NSW 2150.

The Corporation's ultimate parent is the NSW Government. Accordingly, the results, financial position and cash flows of the Corporation are included in the NSW Total State Sector Accounts.

The Corporation provides water and water-related services under its Operating Licence to customers in its area of operations in NSW. The Corporation operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that the Corporation is a for-profit entity for financial reporting purposes.

The Corporation's financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 30 August 2013.

The significant accounting policies that have been adopted in the preparation of the financial statements are detailed below.

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with applicable Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars adopted in the Corporation's Statement of Corporate Intent, Part 3 of the *Public Finance and Audit Act 1983* and the associated requirements of the *Public Finance and Audit Regulation 2010*. In preparing these financial statements, the accounting policies described below are based on the requirements applicable to for-profit entities in these mandatory and statutory requirements.

The financial statements cover the financial performance and cash flows of the Corporation for the reporting period 1 July 2012 to 30 June 2013, and its financial position as at 30 June 2013. As the Corporation no longer has any subsidiaries and therefore the consolidated Group in the previous reporting period no longer exists, the financial statements are presented only for the Corporation for the current and previous reporting periods.

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- certain classes of property, plant and equipment are stated at the lower of fair value and recoverable amount;
- non-current assets classified as held for sale, if any, are stated at the lower of carrying amount and fair value less costs to sell;
- derivative financial instruments, if any, are stated at fair value;
- defined benefit superannuation liabilities are stated at the present value of accrued defined benefit obligations less the fair value of fund assets; and
- other non current provisions are stated at the present value of the future estimated obligations for the relevant liabilities concerned.

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

The accounting policies set out below have been consistently applied by the Corporation to all periods presented in the financial statements. Judgements, key assumptions and estimations that management has made in the preparation of the financial statements are disclosed in the relevant notes to the financial statements.

Where relevant, comparative amounts are restated to conform to the current reporting period's presentation. This could arise as a result of the requirements of new or revised Australian Accounting Standards or Australian Interpretations, a voluntary change in accounting policy or a reclassification of items presented.

(b) Statement of compliance

The financial statements comply with all applicable Australian Accounting Standards and Australian Interpretations. The financial statements also comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(c) Foreign currency

Transactions in foreign currencies are translated to Australian Dollars at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian Dollars at the foreign exchange rate ruling on that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian Dollars at foreign exchange rates ruling at the dates the fair value was determined.

Net foreign exchange gains are classified as other income (refer note 1(e)) and net foreign exchange losses are classified as expenses.

(d) Revenue

Revenue is income that arises in the course of ordinary activities. Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. In respect of the significant categories of revenue earned, the following recognition criteria must also be met before revenue is recognised:

- **Rendering of services**

  The Corporation provides water, wastewater and stormwater services under its Operating Licence to customers in its area of operations on a daily basis. Revenue from the rendering of these services comprises service availability charges, usage charges and various ancillary service charges.

  Service availability charges constitute a fixed charge to customers covering the cost of making the Corporation's water, wastewater and stormwater services available.

  Usage charges reflect revenue derived from the consumption and use made of the Corporation's water, wastewater and trade waste services.

  Ancillary services are those provided to customers for water, wastewater and stormwater related services including building approvals and the provision of information such as plans and diagrams.

  Revenue is recognised in respect of these services on an accrual basis as the services are provided.

  In regard to usage charges covering water usage, sewer usage, trade waste and recycled water charges, the Corporation recognises an estimate for the accrued revenue earned from the unbilled consumption of these services where meters have not been read as at the reporting date. (Refer note 5).

- **Interest revenue**

  Interest revenue is recognised as the interest accrues using the effective interest method. The effective interest method calculates the amortised cost of a financial asset and allocates interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to its net carrying amount.

- **Government grants**

  Grants that compensate the Corporation for expenses incurred or revenue foregone are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred or the revenue is foregone.

  Government grants that are provided on the basis that conditions need to be met are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Corporation will comply with the conditions attaching to them. They are then transferred to profit or loss as revenue as the conditions are fulfilled unless they are of a material amount that compensates the Corporation for the cost of a specific identifiable asset, in which case they are recognised in profit or loss as revenue on a systematic basis over the useful life of that asset.

  Government grants received by the Corporation mainly comprise social program reimbursements from the NSW Government. In the previous reporting period, this also included reimbursements made from the NSW Climate Change Fund administered by the Office of Environment and Heritage (OEH) to compensate the Corporation for costs incurred on various water demand management and other energy saving initiatives undertaken that meet certain eligibility criteria.

Social program reimbursements

The Corporation provides a number of non-commercial social programs at the direction of the NSW Government. These include pensioner rebates, properties exempt from service and usage charges and expenditures for priority sewerage areas.

The Corporation seeks full cost reimbursement for all social programs provided at the request of the NSW Government that result in costs and/or revenues foregone for the Corporation. Where the portfolio Minister, with the approval of the NSW Treasurer, directs the Corporation to undertake activities of a non-commercial or social nature in the public interest under Sections 20N or 20P of the *State Owned Corporations Act 1989*, the Corporation may seek reimbursement of costs incurred in complying with such a direction.

Revenue from social program reimbursements is recognised on an accrual basis as the Corporation's right to receive these amounts emerges. This is considered to be at the same time as the related social program items are recognised in profit or loss.

As these reimbursements are usually compensating the Corporation for costs already incurred or revenue already foregone, they are recognised as revenue. Where such reimbursements are received in advance, they are recognised initially as deferred income in the statement of financial position and are recognised subsequently as revenue when the costs incurred or revenues foregone for which they are intended to compensate are recognised in profit or loss.

Revenue from social program reimbursements is separately disclosed in note 2(a).

Reimbursements from NSW Climate Change Fund

The Corporation undertakes a number of water demand management and other energy saving initiatives that result in costs being incurred by the Corporation. In the previous reporting period, the Corporation received a reimbursement of costs for some of these initiatives from the NSW Climate Change Fund that is administered by OEH. A claim for reimbursement was usually submitted on a quarterly basis. This arrangement has now ceased in the current reporting period and no further claims for reimbursement are being made by the Corporation.

Reimbursements from the NSW Climate Change Fund were recognised as revenue on an accrual basis as the Corporation's right to receive these amounts emerged under the previous arrangement. This was considered to be at the same time as the related expenses for the initiatives were recognised. Reimbursements were for costs already incurred and thus were recognised as revenue.

Revenue arising from reimbursements from this Fund is separately disclosed in note 2(a).

- **Dividend revenue**

  Dividend revenue was recognised in the previous reporting period when the right to receive payment from the Corporation's former subsidiaries was established. This was considered to be when the dividend was declared by the former subsidiary.

- **Rental revenue**

  Rental revenue is recognised on a straight-line basis over the lease term.

- **Developer contributions**

  Developer contributions may take a variety of forms, including both monetary and non-monetary resources, and include cash advances received free of repayment obligation towards the construction of assets, and assets that are acquired at no cost.

  Developer contributions are recognised as revenue in profit or loss at their fair value.

  Developer contributions in the form of cash are now mainly applicable to recycling works. Their fair value is the amount of cash received from the developer and they are recognised as revenue when received.

  Developer contributions in the form of assets are recognised upon certification by the Corporation that the assets are in accordance with the Corporation's standards and when control of the assets is transferred to the Corporation. Their fair value is an estimate of the sub-contractor's cost, which in effect represents replacement cost as at the date of acceptance.

(e) Other income

Other income comprises gains arising from either the disposal of recognised assets and liabilities or the re-measurement of some items to fair value at the reporting date that are required to be taken to profit or loss under the relevant applicable Australian Accounting Standards.

Examples are gains from the disposal of assets, foreign exchange gains on transactions, and gains from re-measurement to fair value of financial assets that are classified as held for trading and for derivative financial instruments used as fair value hedges.

- **Disposal of investments or other financial assets**

  The net gain or loss on disposal of investments or other financial assets is calculated as the difference between the carrying amount at the time of disposal and the net proceeds on disposal and is recognised in profit or loss in the period of disposal. Net gains on disposal are recognised as other income. Net losses on disposal are reclassified as expenses.

- **Disposal of property, plant and equipment, assets held for sale and intangible assets**

  The net gain or loss on disposal of these assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the net proceeds on disposal and is recognised in profit or loss in the period of disposal.

  Gains or losses arising from the sale of property holdings are recognised at the date that the risks and rewards of ownership have been transferred to the purchaser and the Corporation has no continuing involvement with the relevant property. This is normally considered to be when legal title passes to the purchaser at the date of settlement.

  Net gains on disposal are recognised as other income. Net losses on disposal are reclassified as expenses.

- **Sale of other current assets**

  The net gain or loss on sale of other current assets such as inventory or greenhouse trading certificates is calculated as the difference between the carrying amount of the assets at the time of sale and the net proceeds on sale and is recognised in profit or loss in the period of sale. Net gains on sale are recognised as other income. Net losses on sale are reclassified as expenses.

- **Foreign exchange gains**

  Refer accounting policy for foreign exchange in note 1(c).

- **Fair value gains through profit or loss**

  Refer accounting policies for investments (note 1(i)), derivative financial instruments (note 1(k)) and greenhouse trading certificates (note 1(m)). Net losses are reclassified as expenses.

(f) Expenses

Expenses are recognised in profit or loss when incurred. Expenses include items that are incurred in the course of ordinary activities as well as various losses that arise from either the disposal of recognised assets or the re-measurement of some items at the reporting date that are required to be taken to profit or loss under the relevant applicable Australian Accounting Standards.

Examples of losses are those arising from the disposal of property, plant and equipment, foreign exchange losses on transactions, some asset impairment losses, losses from re-measurement to fair value of financial assets that are classified as held for trading and for derivative financial instruments used as fair value hedges. Expenses are disclosed in these financial statements by nature. (Refer note 2(c)).

- **Water filtration plant agreements**

The Corporation has contractual arrangements with the owner/operators of water filtration plants at Prospect, Woronora, Illawarra and Macarthur for the filtration of bulk water supplied to the Corporation. The contractual arrangements and the accounting policies adopted in respect of each agreement are described below:

Prospect, Woronora and Illawarra

The agreements in respect of services provided by these water filtration plants are for 25 years and require the Corporation to pay the owners a tariff for the filtration services provided. At the end of the agreements, the Corporation has the option to extend the agreements or to acquire the water filtration plants at an independently determined market value at that time. The water filtration plants do not automatically transfer to the Corporation at that time.

The tariff incurred by the Corporation under these agreements comprises two components: an availability charge and a usage charge. The accounting treatment adopted by the Corporation in respect of these agreements is to record the entire tariff as an expense when incurred in profit or loss.

The Corporation considers these agreements to be service agreements for the filtration of water, similar to other executory supply agreements that are dependent on both parties fulfilling obligations equally during the terms of the agreements.

Macarthur

The water filtration agreement that previously existed in respect of this plant was renegotiated with the plant owners during the 2010-11 reporting period, with the new agreement taking effect from 1 March 2011. Up until that date, the previous agreement was similar to the service agreements for Prospect, Illawarra and Woronora water filtration plants detailed above. It was originally for a period of 25 years and was originally due to expire in 2020. It also contained a similar tariff structure and similar optional conditions relating to the possible acquisition of the plant at the end of the agreement at an independently determined market value.

The new existing agreement, however, now extends to 8 September 2030 and has within it a number of different conditions and tariff components. In particular, the components within the availability charge have been amended to two fixed daily charges (see below) and there is now a bargain purchase option at the end of the agreement where the Corporation can acquire the plant for a terminal nominal value of $1 if it chooses to do so.

As mentioned above, the availability charge now comprises two separate fixed daily charges: a service element to cover fixed operational costs incurred in operating the plant (which is adjusted over time with escalation factors), and a fixed charge that is related to the capital cost of the plant itself and which does not vary over the term of the agreement. This fixed charge is not dependent on output or performance and it essentially creates an arrangement that is similar to a take-or-pay agreement. Other operational service elements within the agreement are covered by the usage charge component of the tariff.

The new agreement became effective from 1 March 2011 after a number of conditions precedent were satisfied in the 2010-11 reporting period. Up until that date, the Corporation recognised the entire tariff incurred under the previous agreement as an expense within profit or loss. From 1 March 2011 onwards, the Corporation has only recognised the usage charge and the service element component of the availability charge within expenses in profit or loss.

The fixed charge component of the availability charge that is related to the capital cost of the plant itself meets the criteria within Australian Interpretation 4 'Determining whether an Arrangement contains a Lease' and, in substance, this represents a lease arrangement within the overall water filtration plant agreement. Further, this lease is considered to be a finance lease in accordance with Australian Accounting Standard AASB 117 'Leases' and therefore it results in a finance lease asset and a finance lease liability being recognised in the statement of financial position. (Refer notes 1(n), 9(a) and 13). This accounting treatment has been confirmed by a leading international accounting firm and also by NSW Treasury.

The amount recognised as an expense in profit or loss in relation to all of the above water filtration agreements is disclosed in note 2(c). Disclosure of the Corporation's finance lease commitments in respect of the Macarthur water filtration plant agreement is shown in note 21(c). Disclosure of commitments in respect of the agreements covering the Prospect, Woronora and Illawarra water filtration plants is shown in note 21(d).

- **Depreciation and amortisation**

Items of property, plant and equipment (excluding freehold land) that are either owned or under a finance lease, and intangible assets with finite lives (such as computer application software and licences for rights of access to certain properties) are depreciated/amortised on a straight-line basis over their estimated useful lives, making allowance where appropriate for residual values. The lives are reviewed annually, taking into account assessments of asset condition, commercial and technical obsolescence and expected normal wear and tear. Land is not depreciated.

Work in progress is not depreciated until the assets are brought into service and are available for use.

The estimated useful life of a finance lease asset is determined by whether there is reasonable certainty that the Corporation will acquire the asset at the end of the lease term. If there is no reasonable certainty, the finance lease asset is amortised over the term of the lease. If there is reasonable certainty, the asset is amortised over the life of the physical asset that is the subject of the finance lease.

The normal life expectancies of major asset categories are as follows:

Depreciable asset classes and categories	**Number of Years**
• **Property, plant and equipment**	
System asset network categories:	
Dams (non-catchment)	200
Stormwater wetlands infrastructure	200
Canals and tunnels	100
Major pipelines (above ground)	140
Weirs	100
Submarine outfalls	100
Water mains	55 to 140
Wastewater mains	
- Gravity mains – pipe conduit only *	55 to 130
- Pressure mains	55 to 130
Stormwater drains and basins	80 to 150
System buildings	20 to 50
Water, sewage and stormwater pumping stations:	
- Civil component	50 to 100
- Electrical component	25 to 30
- Mechanical component	25 to 40
- Electronic component	10 to 15
Water and sewage treatment plants and water filtration plants under a finance lease: **	
- Civil component	50 to 100
- Electrical component	10 to 30
- Mechanical component	10 to 40
- Electronic component	7 to 15
Reservoirs:	
- Civil component	20 to 150
- Electrical component	25 to 30
- Mechanical component	25 to 40
- Electronic component	10 to 15
Integrated control systems	3 to 10
Market buildings	20 to 50
Leasehold property	99
Working plant and equipment	3 to 12
Computer equipment	3 to 12
Water meters	8 to 15
• **Intangible assets**	
Computer application software	3 to 9
Licences for right of access to properties	40

* For wastewater gravity mains greater than 100mm in diameter, the hole/cavity component is considered to be non-depreciable as these mains are capable of being repeatedly relined in the future (rather than being entirely replaced through excavation) and hence only the pipe conduit component for these mains is considered to be depreciable.

** The reference to water filtration plants under a finance lease refers to the finance lease contained within contractual arrangements currently in place with the owners of the Macarthur water filtration plant referred to in the previous section.

- **Operating lease expenses**

  Payments made under operating leases are representative of the pattern of benefits derived from the leased assets and accordingly they are recognised as an expense in profit or loss in the periods in which they are incurred. In most cases, recognition as an expense occurs on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense in profit or loss.

- **Borrowing costs**

  Interest and other borrowing costs, such as government guarantee fees payable in respect of the Corporation's borrowings, are expensed as incurred within finance costs in profit or loss unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. The Corporation considers this to be 12 months or more.

  Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the relevant projects giving rise to qualifying assets. Typically, these are projects whose annual budgeted expenditure is approximately $5 million or greater.

  Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average. (Refer note 2(c)).

(g) Taxation

- **Income tax**

  The Corporation is subject to notional taxation in accordance with the *State Owned Corporations Act 1989*. An 'equivalent' or 'notional' income tax is payable to the NSW Government through the Office of State Revenue. Taxation liability is assessed according to the National Tax Equivalent Regime (NTER) that replaced the former State Tax Equivalent Regime of the NSW Treasury from 1 July 2001. The NTER closely mirrors the Commonwealth *Income Tax Assessment Acts* of 1936 and 1997 (as amended) and is administered by the Australian Taxation Office (ATO).

  The Corporation applies the 'balance sheet method' of tax-effect accounting to determine income tax expense and current and deferred tax assets and liabilities.

  Income tax expense on the operating result for the reporting period comprises both current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the income tax is itself recognised directly in equity as part of other comprehensive income.

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

  Deferred tax represents future assessable or deductible amounts that arise due to temporary differences existing at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (their tax bases). Deferred tax balances are not recognised for temporary differences that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting profit nor taxable profit, or for those that arise from investments in subsidiaries where the differences will probably not reverse in the foreseeable future.

  The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

  Deferred tax assets and liabilities provided are based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities to which they relate. They are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax laws enacted or substantively enacted at the reporting date.

  Current and deferred tax assets are offset with current and deferred tax liabilities respectively where they relate to income taxes levied by the same taxation authority and the Corporation intends to settle current tax assets and liabilities with that taxation authority on a net basis. (Refer note 11).

- **Tax consolidation**

  From 1 July 2002 to 30 June 2012, the Corporation and its former wholly-owned Australian subsidiaries were consolidated as a single entity for income tax purposes. The Corporation was the head entity in the tax-consolidated group and accordingly was the only Australian taxpayer in the tax-consolidated group for the purposes of the NTER. As the head entity, the Corporation recognised all of the current tax assets and liabilities of the tax-consolidated group (after elimination of intra-group transactions). The tax-consolidated group did not have a tax funding agreement between the Corporation and its former wholly-owned Australian subsidiaries.

In accordance with Australian Interpretation 1052 'Tax Consolidation Accounting', each entity in the former tax-consolidated group initially recognised its own income tax expense and current and deferred tax balances. Subsequent to initial recognition, the Corporation as the head entity in the tax-consolidated group assumed all of the current Australian tax balances from its former wholly-owned Australian subsidiaries in order to recognise the total current tax payable or receivable of the tax-consolidated group in its statement of financial position.

As there was no tax funding agreement in the tax-consolidated group, the assumption of current tax balances by the Corporation was recognised as an adjustment to its investment in its former Australian wholly-owned subsidiaries and as an equity transaction (as other contributed or distributed equity) in the statement of financial position of those former subsidiaries. These adjustments were then eliminated on consolidation.

With the disposal and or voluntary liquidation of all remaining Australian wholly-owned subsidiaries in the previous reporting period, tax consolidation for the former tax-consolidated group has now ceased in the current reporting period.

- **Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the ATO. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The GST obligations (amount receivable) in relation to the Corporation's former subsidiaries were remitted to (received from) the Corporation in the previous reporting period and were included in the former GST Group's monthly consolidated Business Activity Statement submitted to the ATO in that period. With the disposal and or voluntary liquidation of all remaining Australian wholly-owned subsidiaries in the previous reporting period, consolidation for the former GST Group has now ceased in the current reporting period.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as a current asset or liability in the statement of financial position. Cash flows of GST are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

Commitments are disclosed inclusive of GST where applicable. (Refer note 21).

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise positive cash balances and short-term investments with a maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consists of the above definition for the statement of financial position, net of bank overdraft balances. Bank overdraft balances, if any, are included within borrowings under current liabilities in the statement of financial position. (Refer note 13).

(i) Investments

- **Financial assets**

Investments in marketable securities with a maturity period of three months or less are classified as cash and cash equivalents (see note 1(h) above) and those with a maturity period longer than three months are classified as Investments. Those with a maturity period greater than 12 months are classified under non-current assets. All others are classified under current assets. Valuations for all investments are carried out annually as at the reporting date.

Investments in marketable securities are initially recognised at cost, being the fair value of the consideration given and including any acquisition charges associated with the investment. After initial recognition, investments are classified as either held-to-maturity, at fair value through profit or loss (held for trading) or available-for-sale, and are measured as follows:

  - **Held-to-maturity**

  Where the Corporation has the positive intent of holding investments to maturity, they are classified as held-to-maturity and are measured at amortised cost less any impairment losses. Amortised cost is calculated using the effective interest method, taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

  - **At fair value through profit or loss (held for trading)**

  Where the Corporation holds investments with the intention of trading them in the short term to generate a profit from fluctuations in price, they are classified as held for trading within the category of 'At fair value through profit or loss' and are measured at the reporting date at fair value. Any gains or losses arising from their measurement to fair value are recognised in profit or loss.

- **Available-for-sale**

  Where the Corporation holds investments that are not classified as either held-to-maturity or held for trading, they are classified as available-for-sale and are measured at the reporting date at fair value. Any gains or losses arising from their measurement to fair value are recognised in other comprehensive income and taken directly to an investment revaluation reserve (a separate component of equity) until the investment is disposed of, or until the investment is determined to be impaired, at which time the cumulative amount previously taken to this reserve is transferred to profit or loss.

For investments classified as 'At fair value through profit or loss (held for trading)' or 'Available-for-sale', fair value is their market value determined on the basis of discounted cash flows using valuation rates supplied by independent market sources.

Purchases and sales of investments in marketable securities that require delivery within the time frame generally established by regulation or convention in the market place are recognised on the trade date, which is the date on which the Corporation commits to purchase or sell the securities.

- **Subsidiaries**

  Investments in former subsidiaries were recognised in the Corporation's statement of financial position in the previous reporting period at cost, less any impairment losses, and were adjusted for any current tax assets or liabilities assumed by the Corporation from its wholly-owned Australian subsidiaries that, together with the Corporation, formed the tax-consolidated group under previous tax consolidation arrangements. (Refer note 1(g)).

  An impairment loss was recognised by the Corporation when its investment in former subsidiaries was greater than their net assets.

(j) Trade and other receivables

Trade and other receivables represent amounts that are receivable by the Corporation for providing services to customers prior to the end of the reporting period and that are yet to be collected. (Refer note 5).

Trade and other receivables due within 12 months of the reporting date, which generally have settlement terms between 14 and 60 days, are recognised initially and subsequently carried at original invoice amount, which is their fair value, less any impairment losses recognised by way of an allowance for impairment that represents specific amounts considered to be either doubtful or uncollectible.

Recognition at original invoice amount for these receivables is adopted as this is not materially different to amortised cost, given the short-term nature of these receivables. Trade and other receivables due greater than 12 months, however, are discounted to amortised cost using the Government bond rate which closely matches the term of the receivable as the discount rate.

The recoverability of trade receivables is regularly reviewed throughout the reporting period. The allowance for impairment is recognised when collection of the full amount invoiced is considered to be no longer probable after due consideration of factors such as the length of time in excess of the due date, financial difficulties of the debtor, past recoverability experience and prevailing economic conditions. All of these factors are considered to be objective evidence of impairment.

Known bad debts are written off against the allowance as and when identified.

(k) Other financial assets

Other financial assets comprise any derivative financial instruments that are favourable at the reporting date. (Derivative financial instruments that are unfavourable at the reporting date are classified as other financial liabilities – refer note 1(s)).

- **Derivative financial instruments**

  The Corporation enters into a small number of derivative financial instruments from time to time to manage its exposure to foreign exchange rate and interest rate risks arising from operational, financing and investment activities. The instruments used are forward foreign exchange contracts and interest rate swaps respectively.

  Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are re-measured and stated at fair value in the statement of financial position.

  Fair values are determined on the basis of valuation rates and valuations supplied by independent market sources.

  The gain or loss on re-measurement to fair value is recognised in profit or loss, unless the derivative financial instruments qualify for hedge accounting. Under hedge accounting, the recognition of any resultant gain or loss depends on the nature of the item being hedged and the classification of the derivative financial instrument, as follows:

Hedge accounting

Under hedge accounting, derivative financial instruments that are used as hedging instruments and meet strict hedge effectiveness criteria are classified as either fair value hedges or cash flow hedges (see below).

Hedge effectiveness is assessed at the inception of the hedge, and at each subsequent reporting date, by assessing the extent to which changes in fair values or cash flows of the hedging instrument offset those of the associated hedged asset or liability or forecast transaction. If the actual result is within a range of 80-125 per cent, the hedge is considered to be highly effective.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income and presented within equity remains there until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss presented within equity is transferred to profit or loss.

Fair value hedges and cash flow hedges under hedge accounting are defined and recognised as follows:

- **Fair value hedges**

  Hedges are fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment, or identified portions thereof, and which could affect profit or loss.

  Any gain or loss from re-measuring the hedging instrument to fair value at the reporting date is recognised immediately in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss also being recognised in profit or loss.

- **Cash flow hedges**

  Hedges are cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

  For cash flow hedges that are hedging firm commitments, the portion of the gain or loss on re-measurement to fair value that is determined to be an effective hedge is recognised in other comprehensive income and taken directly to a hedging reserve (a separate component of equity). Any ineffective portion is recognised in profit or loss.

  When the hedged firm commitment results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated cumulative gains or losses that had previously been recognised in the hedging reserve are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

  For all other cash flow hedges, the gains or losses that are recognised in the hedging reserve are transferred to profit or loss in the same reporting period in which the hedged firm commitment affects profit or loss.

(l) Inventories

Inventories include a variety of items on hand including stock, stores and materials of a critical nature for operational and maintenance purposes. (Refer note 6).

These items have been arrived at by actual count, weight or measurement and are valued at the lower of cost and net realisable value using the ‘first-in first-out’ basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(m) Other current assets

Other current assets comprises greenhouse trading certificates acquired and held by the Corporation at the reporting date. (Refer note 7).

- **Greenhouse trading certificates**

  Greenhouse trading certificates held at the reporting date by the Corporation include Large-scale Generation Certificates (LGCs – formerly Renewable Energy Certificates (RECs)) and Energy Saving Certificates (ESCs). In the previous reporting period, the Corporation also held NSW Greenhouse Abatement Certificates (NGACs) under the Greenhouse Gas Reduction Scheme (GGAS) in NSW, which has now closed from 1 July 2012.

  Greenhouse trading certificates are items that can be traded in energy markets and are required by energy retailers to meet greenhouse gas emissions or renewable energy targets imposed on them by NSW or Commonwealth legislation, as applicable. As such, they have a fair value that can be attributed to them at the reporting date based on observable market prices if they are held for trading purposes.

Greenhouse trading certificates can either be held for trading purposes, or utilised/surrendered to the regulators that administer the registration of these certificates in order to demonstrate the achievement of carbon neutral initiatives during any relevant period.

The Corporation is entitled to generate or acquire these certificates as a result of various energy saving initiatives undertaken, such as installing water saving devices in customers' properties or constructing co-generation facilities to produce renewable energy at a number of its treatment plants.

Greenhouse trading certificates that are generated by the Corporation for a nominal registration fee and which are held for potential trading purposes are initially recognised at fair value based on the market price at the time of acquisition. Their carrying amount is subsequently restated at each reporting date to the fair value based on the prevailing market price at that time, with any gains or losses recognised in profit or loss as part of other income.

Greenhouse trading certificates that are generated by the Corporation for a nominal registration fee and which are not held for trading purposes are recognised at the cost of registration.

When greenhouse trading certificates are surrendered, their carrying value is recognised as an expense in profit or loss at that time.

(n) Property, plant and equipment

- **Acquisitions and capitalisation**

All items of property, plant and equipment acquired by the Corporation are recognised initially at the cost of acquisition. Subsequent to initial recognition, particular classes of assets are revalued in accordance with the Corporation's revaluation policies (see Asset valuations below).

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the asset, including costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Items costing $5,000 or more individually and having a minimum expected working life of three years are capitalised. In the case of system asset categories that work together to form an entire network (collectively referred to hereafter as 'system assets'), all expenditures are capitalised regardless of cost. This also applies to water meters.

In respect of system assets constructed by the Corporation for its own use, cost includes:

- materials used in construction
- direct labour
- contractors' services
- major inspection costs
- an estimate, where relevant, of the costs of dismantling, decommissioning and removing the asset and restoring the site on which it is located
- an appropriate proportion of overheads.

Borrowing costs are also capitalised to the cost of constructed system assets where applicable. (Refer note 1(f)).

Construction costs for system assets are capitalised initially as work in progress within property, plant and equipment. Subsequently, the costs within work in progress are reclassified as completed assets when construction has ended and each facility, or operating unit in each facility, becomes operational and available for use in the manner intended.

In respect of major inspections undertaken for system assets, the cost of the inspection is capitalised as part of the cost of the asset if it is probable that future economic benefits will flow to the Corporation and the cost can be measured reliably. The inspection cost capitalised is then 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.

The cost of dismantling, decommissioning and removing an asset and restoring the site on which it is located is capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision. (Refer also note 1(u)).

Where asset components that connect to the Corporation's system asset network are handed over by developers, they are initially recognised at the Corporation's estimate of the sub-contractor's cost, which in effect represents replacement cost as at the date of acceptance. (Refer also note 1(d)).

- **Asset valuations**

Following initial recognition at cost, each class of property, plant and equipment is stated in the statement of financial position at fair value less any subsequent accumulated depreciation and accumulated impairment losses. Adopting the fair value model for property, plant and equipment assets, rather than the cost model, is a requirement of NSW Treasury's mandates in respect of options to be adopted by NSW public sector entities under Australian Accounting Standards.

For some classes of assets, re-measurement to fair value is undertaken by way of an asset revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount prior to any impairment adjustments does not differ materially from the asset's fair value at the reporting date. The valuation basis that is representative of fair value in respect of each class of assets is detailed below.

In respect of classes of assets for which there exists an active market, fair value is the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's length transaction, having regard to the highest and best use of the assets for which other parties would be willing to pay to obtain the most advantageous price or highest possible value.

In respect of classes for which there is no active market due to the specialised nature of the assets, fair value is determined as the estimated depreciated current replacement cost of the assets.

Where an asset's carrying amount is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

- **System assets**

System assets are those infrastructure assets owned by the Corporation that deliver water, wastewater and stormwater services to its customers through an integrated network of various asset categories. (Refer note 1(f) for depreciable asset categories within this asset class).

Due to the specialised nature of this class of assets where there is generally no active market, the fair value is usually determined as the estimated depreciated current replacement cost. The determination of estimated depreciated current replacement cost for these assets is based on estimates of modern engineering equivalent replacement asset (MEERA) values on a whole of facility basis and takes into account condition-based assessments of the assets and their asset lives to determine their remaining service potential.

Valuations for system assets are carried out annually, effective from 1 July each financial reporting period. Comprehensive engineering valuations of different categories of system assets are carried out on a progressive cycle not exceeding five years. Valuations carried out during the intervening years of the progressive cycle are carried out using an output index that is applicable to the general construction industry. In relation to the desalination plant, a revaluation was carried out on this basis at the end of the previous reporting period.

When categories of system assets are revalued to estimated depreciated replacement cost, any accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the net carrying amount of the system asset category after revaluation equals its revalued amount.

Work in progress is not revalued as the cost that is recognised in the statement of financial position is considered to approximate the fair value of the assets or asset categories under construction at the reporting date.

Subsequent to determining their fair value, the assets are then tested for impairment by applying a cash-generating unit test to determine their recoverable amount, which represents their value in use. The cash-generating unit test calculates the discounted present value of the net cash inflows that the Corporation expects to be generated from its assets within separately identified cash-generating units, over their expected useful lives.

For the Corporation, the cash-generating unit is considered to be at the whole of entity level as all of the system asset categories that it owns work together as an integrated system asset network, rather than as individual assets, to generate cash flows under current pricing methodologies.

After determining recoverable amount, the assets are then stated in the statement of financial position at the lower of their fair value and recoverable amount. (For further details regarding the assumptions used in the cash-generating unit test, refer note 9(e)).

- **Land and buildings**

System land is land upon which the Corporation's system assets are located and which has no other alternative use at the reporting date. Unless there is a specific business need to obtain an independent market valuation for particular system land parcels, system land is valued using the market valuation provided by the Valuer-General that is normally used for rating purposes, less estimated costs to sell.

Market land and buildings, which are commercial properties held by the Corporation, are valued by registered valuers employed by the Corporation or independent valuers on a three-yearly cycle, unless market conditions necessitate an earlier valuation to be undertaken. Market land is stated in the statement of financial position at market value less estimated costs to sell and costs to remediate environmental contamination (where these have been reliably estimated). Market buildings are stated at market value less accumulated depreciation and costs to sell.

Leasehold properties are stated at market value less accumulated amortisation and costs to sell.

When these assets are revalued, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation increments or decrements.

- **Plant and equipment, computer equipment and water meters**

Plant and equipment, including plant, vehicles and computer equipment are recognised at the cost of acquisition. Water meters are recognised at estimated cost of acquisition including handling and installation. These assets are not revalued as it is considered that their depreciated net carrying amount closely approximates their market value less costs to sell.

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

Where a revaluation decrement or an impairment loss reverses a revaluation increment previously credited to, and which is still in the balance of, the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve. In other cases, the decrement or impairment loss is recognised as an expense in profit or loss.

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

- In respect of its class of system assets, the Corporation considers the unit of measure for an ‘individual asset’ in its single cash-generating unit to be the entire system asset network taken as a whole. (Refer note 9(e)).
- In respect of the Corporation’s property holdings, the ‘individual asset’ is considered to be each individual land parcel together with any building improvements on the land parcel.

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

- **Leased assets**

  - **Finance Leases**

Leases of property, plant and equipment where the Corporation, as lessee, assumes substantially all the risks and rewards of ownership are classified as finance leases. This includes contractual arrangements in which a finance lease can be inferred in accordance with Australian Interpretation 4 ‘Determining whether an Arrangement contains a Lease’ and Australian Accounting Standard AASB 117 ‘Leases’. (Refer note 1(f) in relation to the renegotiated Macarthur water filtration plant agreement).

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs incurred or amounts received as a condition precedent to entering an arrangement that creates a finance lease relationship for the underlying asset are taken into account in establishing the amount recognised as a finance lease asset.

A finance lease liability is also established at inception at the present value of the future minimum lease payments. (Refer also note 1(s)). Each lease payment thereafter is allocated between the liability in the statement of financial position and finance costs in profit or loss.

Capitalised finance lease assets are depreciated on a straight-line basis over either the term of the lease or the expected useful life of the leased asset, depending on whether or not there is reasonable certainty that the leased asset will be acquired at the end of the lease term.

If there is reasonable certainty that the leased asset will be acquired at the end of the lease term, the finance lease asset is depreciated over the economic life of the leased asset consistent with the depreciation policies applied to other similar assets owned by the Corporation.

If there is no reasonable certainty that the leased asset will be acquired at the end of the lease term, the finance lease asset Is depreciated over the shorter of the lease term and the useful life of the leased asset.

  - **Operating Leases**

Leases of property, plant and equipment where the Corporation as a lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred by the Corporation acting as a lessor in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on a straight-line basis in line with lease rental revenue.

Payments made under operating leases by the Corporation acting as a lessee are recognised in accordance with the accounting policy in note 1(f).

- **Assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale in the statement of financial position. Assets classified as held for sale are shown under current assets. Classification as held for sale occurs only when:

- the Corporation is committed to a plan to sell the asset
- an active program to locate a buyer and complete the plan has been initiated
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale is expected to occur within one year from the date of classification.

Immediately before classification as held for sale, the measurement of the relevant asset is brought up to date in accordance with applicable Australian Accounting Standards and the Corporation’s accounting policies. Then, on initial classification as held for sale, the asset is measured at the lower of its carrying amount and its fair value less costs to sell.

Subsequent to classification as held for sale, any impairment losses related to the value of the asset are recognised in profit or loss. Any reversals of impairment are also recognised in profit or loss except that any such reversal cannot exceed the amount of impairment losses previously recognised as an impairment expense to profit or loss before the asset was classified as held for sale.

Once a depreciable asset is classified as held for sale, depreciation ceases for that asset.

(o) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired, such as easements or 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 model 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 in respect of the particular items within each class of the Corporation's intangible assets.

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. (Refer also note 1(f)). 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. However, they are tested for impairment as part of the cash-generating unit test applied by the Corporation in conjunction with other assets. Any resulting impairment losses are recognised as an expense in profit or loss. Any reversals of impairment losses are also recognised in profit or loss. These assets are recognised in the statement of financial position at cost less accumulated impairment losses, where applicable. (Refer note 10).

- **Research and development**

  Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge or understanding, is recognised as an expense in profit or loss when incurred.

  Expenditure on development activities, whereby research findings are applied to the development of substantially new or improved products or processes, is capitalised if the product or process is significant, is technically or commercially feasible, will provide future economic benefits and there are sufficient resources to complete development.

  The development activities expenditure capitalised, if any, comprises direct labour, materials, other costs directly attributable to the development activity and an appropriate proportion of overheads. Such expenditure is tested for impairment at each reporting date, whether or not the intangible asset arising from the expenditure is available for use or in progress.

  Other development expenditure is recognised in profit or loss when incurred.

(p) Impairment of assets

At each reporting date, the carrying amounts of assets (other than inventories, greenhouse trading certificates held for trading and deferred tax assets) are reviewed to determine whether there is an indication of impairment. If any such indication exists, a formal estimate of their recoverable amount is made. (Refer below - Calculation of recoverable amount). Where the carrying amount of an asset is greater than its recoverable amount, the asset is considered impaired.

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 with any excess recognised through 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 where those assets do not have a separately determinable recoverable amount.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity through other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been previously recognised directly in equity is transferred to profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised through profit or loss.

- **Calculation of recoverable amount**

  Financial assets

  The recoverable amount of investments classified as held-to-maturity and any receivables stated at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate determined at initial recognition of these financial assets. Receivables with a short duration are not discounted. Impairment in respect of these receivables is determined in accordance with the accounting policy in note 1(j).

  Other assets

  The recoverable amount of other assets for which there is an active and liquid market, such as land, is the greater of fair value less costs to sell and their value in use. The recoverable amount of other assets for which there is no active and liquid market due to their specialised nature, such as system assets, is their value in use.

In assessing value in use, the estimated future cash flows from the continuing use and ultimate disposal of an asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash flows that are largely independent from other assets, the recoverable amount is determined for the cash-generating unit to which it belongs. (Refer also note 1(n)). For further specific details of the assumptions behind the cash-generating unit test, refer note 9(e).

- **Reversals of impairment**

Financial assets

An impairment loss in respect of investments classified as held-to-maturity or any receivables stated at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment was recognised.

Other assets

Impairment losses in respect of other assets such as system assets or easements are reversed if there has been a change in the estimates used to determine the recoverable amount or if an event or significant changes have occurred during the reporting period that have led, or will lead, to a benefit to the Corporation because of the manner in which the relevant asset is expected to be used.

Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Corporation prior to the end of the reporting period and that are unpaid.

Trade and other payables are recognised in the statement of financial position at cost, which is considered to approximate amortised cost due to their short-term nature. They are not discounted, as the effect of discounting would not be material for these liabilities.

Recognition of trade and other payables occurs when the goods or services purchased by the Corporation have been received and an obligation to make future payments arises. (Refer note 12).

- **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 guarantees provided by the Corporation to other parties, if any, are recognised as financial liabilities when, at the reporting date, it is probable that the Corporation will be required to make a payment to the holder of the guarantee as a result of a default and the amount can be measured reliably.

Financial guarantee liabilities, if any, are recognised in the statement of financial position at fair value. Fair value is calculated by assessing a number of factors, such as the ability of the defaulting party to obtain funding in its own right, the range of probabilities that a default would occur and the range of probable outcomes for payment as a result of a default.

(r) Borrowings

Interest-bearing borrowings obtained by the Corporation from the NSW Treasury Corporation 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. This includes capital indexed bonds whose carrying amount is restated at each reporting date by way of an indexation adjustment based on the Consumer Price Index (CPI) in Australia. (Refer note 13).

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

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.

Interest-bearing borrowings are classified as current liabilities only if the borrowing is due to be settled within 12 months after the reporting date and there is no discretion on the part of the Corporation to extend or refinance the obligation on a long-term basis with the respective lender. All other interest-bearing borrowings are classified as non-current liabilities, including those in which the Corporation has the discretion to refinance or roll over the borrowings for at least 12 months after the reporting date even if they are due to mature within a shorter period.

(s) Other financial liabilities

Other financial liabilities (refer also note 13) comprise any derivative financial instruments that are unfavourable at the reporting date (refer note 1(k)), any finance lease liabilities (refer notes 1(f) and 1(n) in relation to the Macarthur water filtration plant agreement) and liabilities for the Corporation's obligations under the Blue Mountains Sewage Transfer Scheme agreement described below.

- **Blue Mountains Sewage Transfer Scheme agreement**

  The Corporation has a service agreement with the legal owner of a sewage tunnel in the Blue Mountains for the transfer of sewage through that tunnel to a sewage treatment plant owned by the Corporation. Under that agreement, which was entered into in June 1993, the legal owner financed the construction of the tunnel under a build-own-operate-transfer arrangement.

  The term of the agreement is for 35 years, with the Corporation having an option to extend to 50 years. A tariff is payable to the legal owner of the tunnel over the term of the agreement. Payments are made quarterly and are indexed with movements in Average Weekly Ordinary Time Earnings (AWOTE).

  At the end of the agreement, the legal title of the tunnel constructed under this scheme will ultimately transfer to the Corporation at a nominal consideration of $1. Notwithstanding this, however, the Corporation considers that, in substance, it presently controls the tunnel and that the future payments to be made to the legal owner are, in substance, for the acquisition of the tunnel over the term of the agreement.

  Accordingly, the Corporation has capitalised the cost of the tunnel asset as an item of property, plant and equipment and has recognised a liability in the statement of financial position for the obligation to make future tariff payments to the legal owner.

  After construction of the tunnel was completed in April 1996, the asset and the liability that were initially recognised in the statement of financial position were for equal amounts representing the final construction cost of the tunnel. Subsequent to this initial recognition, the tunnel asset has been, and continues to be, revalued along with all other system assets each reporting period and it is being depreciated over its estimated useful life. The liability is now stated at amortised cost, using the effective interest method.

  Payments are separated between principal repayments that reduce the liability and interest expense, which is recognised in profit or loss as part of finance costs.

(t) Dividends payable

A liability for dividends payable is recognised in the reporting period in which the dividend is declared. This is considered to be the period in which the dividend has been proposed, targeted and agreed with the Corporation's voting Shareholder Ministers through the Corporation's Statement of Corporate Intent. (Refer note 14).

(u) Provisions

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

If the obligation is to be settled greater than 12 months after the reporting date and the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. This is usually the risk free rate on Government bonds that most closely match the expected future payments, except where noted below. If the obligation is due to be settled less than 12 months after the reporting date, the provision is stated at the best estimate available and is not discounted.

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

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

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

- **Employee benefits**

  All liabilities for employee benefits are recognised in the statement of financial position. Employee benefits comprise short-term benefits, other long-term benefits, termination benefits and post-employment benefits.

  - **Short-term employee benefits**

    Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which employees render the related service. They include wages and salaries, sick leave and annual leave.

    All short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid, except for annual leave benefits that are expected to be paid beyond 12 months. The annual leave benefits that are expected to be paid beyond 12 months are actuarially calculated and discounted using the yield at the reporting date on Government bonds that have maturity dates approximating to the terms of the annual leave obligations.

    Expenses for wages and salaries are recognised on an accrual basis as services are rendered by employees. Expenses for annual leave are recognised when employees render service that increases their entitlement to future payment for annual leave. Expenses for sick leave, which is non-vesting, are recognised when the absences occur.

    Liabilities for wages and salaries are included within trade and other payables while liabilities for annual leave and any non-vesting sick leave, where applicable, are included within provisions in the statement of financial position.

    Liabilities for annual leave are classified as current liabilities in the statement of financial position regardless of when they are expected to be settled.

  - **Other long-term employee benefits**

    Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within 12 months after the end of the period in which the employees rendered the related service. In the case of the Corporation, this refers specifically to employee benefits for long service leave.

    The liability for long service leave at the reporting date is the present value of the future benefit that employees have earned in return for their service in the current and prior reporting periods, less the fair value of any related assets at that date. The present value of the future benefit is actuarially 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 used is the yield at the reporting date on Government bonds that have maturity dates approximating to the terms of the long service leave obligations.

    The liability and expense are recognised when employees render service that increases their entitlement to future benefits of long service leave. The expense is recognised as one net amount that encompasses a number of components, such as current service cost and the interest cost from discounting.

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

  - **Termination benefits**

    Termination benefits are employee benefits payable as a result of an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

    A liability and expense for redundancy benefits are recognised when there is a demonstrable commitment to provide termination benefits to affected employees. This is usually when specific employees affected by restructures have elected to take redundancy termination benefits as at the reporting date. Earlier recognition via a general provision is only recognised when a detailed formal plan has been approved and communicated to employees and unions.

    The liability for redundancy benefits for specific employees that have accepted redundancy is measured at the calculated entitlement that will be paid to those employees. This is usually in the following reporting period and thus is not discounted. For a general provision, an estimate is calculated on the basis of the number of employees expected to accept an offer of redundancy in accordance with the formal detailed plan. The liability is only discounted, using market yields on Government bonds, if the termination benefits are to fall due more than 12 months after the reporting date.

  - **Post-employment benefits**

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

- **Defined contribution superannuation schemes**

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

- **Defined benefit superannuation schemes**

The Corporation 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 Corporation's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted.

The discount rate is the yield at the reporting date on Government bonds that have maturity dates approximating to the terms of the Corporation's obligations. Calculations are performed by the Pooled Fund's actuary using the projected unit credit method and they are advised to individual agencies for recognition and disclosure purposes in their financial statements.

Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the statement of financial position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the statement of financial position.

Any superannuation asset recognised is limited to the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the schemes or reductions in future contributions to the schemes, as advised by the Pooled Fund's actuary.

Australian Accounting Standard AASB 119 'Employee Benefits' does not specify whether an entity shall distinguish current and non-current portions of assets and liabilities arising from post-employment benefits because at times the distinctions may be arbitrary. Based on this, the Corporation discloses defined benefit superannuation liabilities or assets as non-current as this best reflects when the Corporation expects to settle (realise) the liabilities (assets).

Actuarial gains or losses are recognised in other comprehensive income (directly through retained earnings) in the reporting period in which they occur.

- **Other provisions**

Employee benefit on-costs

Costs that are a consequence of employing employees but which are not employee benefits themselves, such as payroll tax, are recognised as liabilities and expenses when the employment to which they relate has occurred.

Payroll tax payable at the reporting date in relation to wages and salaries paid during the previous month is recognised as part of trade and other payables in the statement of financial position, consistent with the classification of any recognised liability for wages and salaries. Payroll tax payable in respect of annual leave, long service leave or redundancy payments to be made in the future is recognised as part of provisions, consistent with the classification of liabilities for these employee benefits.

Provisions for payroll tax on unpaid annual leave, long service leave and redundancy benefits are measured at the reporting date based on payroll tax laws that have been enacted or substantively enacted at the reporting date.

Workers' compensation self-insurance

Prior to 1 March 2007, the Corporation held a group self-insurer's licence with the WorkCover Authority for workers' compensation that applied to the Corporation and its then wholly-owned subsidiaries based in NSW. For injuries that occur from 1 March 2007, the Corporation has now insured with the Treasury Managed Fund (TMF) in NSW. Accordingly, the liability for self-insurance workers' compensation that remains with the Corporation now only relates to injuries that occurred prior to 1 March 2007.

The liability for workers' compensation self-insurance recognised as a provision in the statement of financial position is actuarially calculated on a discounted cash flow basis, using a range of information including case cost estimates that are assessed having regard to a number of factors such as potential recoveries and industry wide experience. The liability also includes an estimate for incurred but not reported claims based on past experience.

The discount rate used by the actuary is the yield on Government bonds, which is a pre-tax rate that the actuary considers to be representative of current market assessments of the time value of money and the risks specific to the liability.

The actuary provides a range of calculations of the central estimate liability that take into account different levels of likelihood of adequacy and different risk margins. The Corporation adopts as the liability the central estimate calculation based on a 50 per cent likelihood of adequacy, which contains no risk margin. This is considered to be the best and most objective assessment of the liability.

General insurance

The Corporation recognises a general insurance provision for outstanding uninsured claims and claims within the deductible levels of its various insurance policies. Outstanding claims are recognised when an incident occurs that may give rise to a claim against the Corporation.

The liability that is recognised is actuarially assessed on the basis of individual estimates of actual claims existing as at the reporting date, and includes an estimate for incurred but not reported claims based on past experience and other industry wide experience. Claim estimates include an estimate for probable loss and take into account legal and loss adjusting expertise to establish the quantum on an individual claim basis. This is considered to be the best estimate of the amount required to settle the present obligation for each claim at the reporting date.

For claims after 31 July 2008, the Corporation's general insurance is now covered by the TMF scheme (which has a $300 franchise) in NSW. This cover includes claims that have occurred but have not been reported between 30 June 1989 and 31 July 2008. For claims where the date of loss is between 31 May 2006 and 31 July 2008, the Corporation's previous commercial insurance arrangements apply (for which the Corporation has an excess of $1 million). The Corporation continues to manage all liability claims.

Road restoration

Road restoration costs are those incurred for the purpose of restoring roads back to their original state after a period of construction or maintenance activity. Road restoration costs are capitalised as part of the cost of an asset that is constructed. Where no asset is created and road restoration costs are incurred, the costs are expensed in profit or loss.

Provisions for road restoration costs are recognised as the relevant activity is being undertaken. The liability recognised in the statement of financial position is an estimate of costs that would be invoiced by local government councils on an individual project basis. This is considered to be the best estimate of the amount required to settle the present obligation at the reporting date.

Restoration of leased premises

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

Provisions for restoration of leased premises are calculated based on discounted future cash flows using the yield on Government bonds, which is a pre-tax rate that the Corporation considers to be representative of current market assessments of the time value of money and the risks specific to the liability.

Provisions are recognised at the inception of a lease when such restoration is a condition of the lease. Unwinding of the discount is recognised as a finance cost in profit or loss.

The restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fitouts. Where the Corporation has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Restoration costs for decommissioning system asset network components

Restoration costs in respect of the decommissioning of system asset network components include costs for the purpose of dismantling, decommissioning, removing the particular system asset component and restoring the site on which it was located. Whilst it is the Corporation's intention to locate its system asset network components indefinitely at their current location, obligations to incur restoration costs can arise at the time of constructing these components for a temporary period or when a management decision is made to alter the system asset network by decommissioning one of its components.

When it is known during construction that a system asset network component is to be decommissioned at a particular time in the future, the estimated cost of the restoration is capitalised as part of the cost of that component and a corresponding liability is recognised within provisions in the statement of financial position.

When a management decision has been subsequently made to decommission an existing system asset network component, the estimated cost of restoration is added to the cost of that component and is depreciated over its remaining useful life. A corresponding liability is recognised at the same time within provisions in the statement of financial position.

The estimated cost to be initially recognised in both cases is determined by discounting the present value of the future cash flows using the yield on Government bonds, which is a pre-tax rate that the Corporation considers to be representative of current market assessments of the time value of money and the risks specific to the liability.

Subsequent to initial recognition, any changes to the liability that result from changes in the estimated timing or amount of the outflow of economic benefits required to settle the obligation, or a change in the discount rate, are recognised as follows:

- An increase in the liability is debited to the asset revaluation reserve to the extent of any existing credit balance for the system asset network, otherwise it is expensed in profit or loss
- A decrease in the liability is credited to the asset revaluation reserve after any previous revaluation decrease that was originally charged to profit or loss has firstly been reversed.

Any change to the liability from the unwinding of the discount due to the passage of time is recognised as a finance cost in profit or loss.

(v) Accounting standards and interpretations issued but not yet operative

At the reporting date, a number of Australian Accounting Standards and Australian Interpretations have been issued by the AASB that are not yet operative and which have not been early adopted by the Corporation. The following is a list of these standards and interpretations with a description of their possible impact on the financial statements in the period of their initial application:

- **AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]' (issued December 2009)**

  This standard makes consequential amendments to various standards and interpretations as a result of the issuance of AASB 9 'Financial Instruments' in December 2009, which focused only on financial assets and has since been replaced by AASB 9 issued in December 2010 (see below). AASB 9 issued in December 2010 sets out new requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements. This standard can be early adopted by entities that early adopt AASB 9 issued in December 2009. However, the standard is effectively replaced by AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' issued in December 2010 (see below) if an entity also adopts AASB 9 issued in December 2010. The initial application of this standard will have no impact on the financial results of the Corporation. The initial application date of this standard was originally annual reporting periods beginning on or after 1 January 2013 (ie 2013-14). However, amendments introduced by AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' issued in September 2012 (see below) have now deferred the application date of AASB 9 and consequently AASB 2010-7 and this standard to annual reporting periods beginning on or after 1 January 2015 (ie 2015-16).

- **AASB 1053 'Application of Tiers of Australian Accounting Standards' (issued June 2010)**

  This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

  (a) Tier 1 – Australian Accounting Standards; and
  (b) Tier 2 – Australian Accounting Standards – Reduced Disclosure Requirements

  Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1, and substantially reduced disclosures corresponding to those requirements. Tier 1 requirements must be complied with by for-profit entities in the private sector that have public accountability (as defined in the standard), and Australian, State, Territory and Local Governments. Tier 2 requirements can apply as an optional choice to for-profit private sector entities that do not have public accountability, all not-for-profit private sector entities and public sector entities other than Australian, State, Territory and Local Governments. Whether this becomes an optional choice for the Corporation in the future to present reduced disclosure requirements under the standard will depend on NSW public sector-wide policy decisions of the NSW Treasury. The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' (issued June 2010)**

  This standard makes amendments to many Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to these pronouncements for entities that prepare general purpose financial statements under the differential reporting framework and the two Tiers of financial reporting requirements established by Australian Accounting Standard AASB 1053 'Application of Tiers of Australian Accounting Standards' (see above). The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only, and its applicability on the Corporation is dependent on NSW public sector-wide policy decisions of the NSW Treasury in the future. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 9 'Financial Instruments' (issued December 2010)**

  This standard includes new requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments, resulting from the completion of Phase 1 of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement' (and consequently AASB 139 'Financial Instruments: Recognition and Measurement'). It replaces AASB 9 issued in December 2009 that focused only on requirements for financial assets. The new requirements improve and simplify the approach for financial instruments compared with the requirements of the existing AASB 139. The main changes from AASB 139 are as follows:

  (a) Financial assets are classified on the basis of both the objective of an entity's business model for managing its financial assets, and the characteristics of the contractual cash flows. This reduces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.
  (b) The standard requires a financial asset to be measured at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, financial assets are to be measured at fair value.
  (c) The standard allows an irrevocable election on initial recognition to present gains or losses on investments in equity instruments that are not held for trading in other comprehensive income. There is no subsequent recycling on disposal of the instrument through profit or loss. Any dividends from these investments are to be recognised in profit or loss.

(d) Hybrid contracts with financial asset hosts are classified and measured in their entirety based on the classification criteria in (a) above.
(e) Investments in unquoted equity instruments must be measured at fair value. Cost may be an appropriate estimate of fair value in limited circumstances.
(f) Investments in contractually linked instruments that create concentrations of credit risk (tranches) are classified and measured by looking through to the underlying assets generating cash flows and assessing them against the classification criteria in (a) above to determine whether the investment is to be measured at fair value or amortised cost.
(g) Financial assets are reclassified only in rare circumstances when there is a relevant change in the entity's business model.
(h) The portion of a change in fair value relating to an entity's own credit risk for financial liabilities measured at fair value utilising the fair value option is presented in other comprehensive income, except when that would create an accounting mismatch in which case all changes in fair value are to be recognised in profit or loss.

While these are significant changes to the classification and measurement requirements for financial instruments for many entities, these amendments and the initial application of this standard will have no impact on the financial results of the Corporation. The initial application date of this standard was originally annual reporting periods beginning on or after 1 January 2013 (ie 2013-14). However, amendments introduced by AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' issued in September 2012 (see below) have now deferred the application date of this standard to annual reporting periods beginning on or after 1 January 2015 (ie 2015-16).

- **AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]' (issued December 2010)**

  This standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of Australian Accounting Standard AASB 9 'Financial Instruments' issued in December 2010 (see above). When operative, the standard supersedes AASB 2009-11 (see earlier). The initial application of this standard will have no impact on the financial results of the Corporation. The initial application date of this standard was originally annual reporting periods beginning on or after 1 January 2013 (ie 2013-14). However, amendments introduced by AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' issued in September 2012 (see below) have now deferred the application date of AASB 9 and consequently AASB 2011-9 and this standard to annual reporting periods beginning on or after 1 January 2015 (ie 2015-16).

- **AASB 2010-10 'Further Amendments to Australian Accounting Standards –Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]' (issued December 2010)**

  This standard makes amendments that provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. The amendments to AASB 2009-11 (see earlier) will only affect early adopters of both AASB 2009-11 and AASB 9 as issued in December 2009, as AASB 2009-11 has since been superseded by AASB 2010-7 (see above). The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2011-2 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]' (issued May 2011)**

  This standard makes amendments to Australian Accounting Standards AASB 101 'Presentation of Financial Statements' and AASB 1054 'Australian Additional Disclosures' to establish reduced disclosure requirements for those entities that can choose to prepare general purpose financial statements under the Tier 2 reduced disclosure requirements defined in AASB 1053 (see earlier). These amendments have been made in the context of the Australian additional disclosures and amendments made under the Trans-Tasman Convergence Project. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Disclosure Requirements [AASB 124]' (issued July 2011)**

  This standard makes amendments to Australian Accounting Standard AASB 124 'Related Party Disclosures' to remove the individual key management personnel disclosures within the standard that applied to entities defined as 'disclosing entities' under the *Corporations Act 2001*. The Corporation does not meet the definition of a disclosing entity and thus the amendments do not apply to it. Accordingly, the initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 2011-6 'Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131]' (issued July 2011)**

  This standard makes amendments to Australian Accounting Standards AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates' and AASB 131 'Interests in Joint Ventures' to extend relief from consolidation, the equity method and proportionate consolidation in particular circumstances to entities that can choose to prepare general purpose financial statements under the Tier 2 reduced disclosure requirements defined in AASB 1053 (see earlier). Under these existing standards, relief is provided for entities that satisfy certain criteria, such as having an ultimate or intermediate parent that produces consolidated financial statements available for public use that are compliant with IFRS. The amendments introduce that relief to Tier 2 entities. Tier 2 requirements can apply as an optional choice to public sector entities other than Australian, State, Territory and Local Governments. However, whether this becomes an optional choice for the Corporation in the future to present reduced disclosure requirements under AASB 1053 will depend on NSW public sector-wide policy decisions of the NSW Treasury. The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 10 'Consolidated Financial Statements' (issued August 2011)**

  This standard redefines and clarifies the notion of control that is the basis for determining which entities should be incorporated on a line by line basis into the consolidated financial statements of a group. A number of additional factors will now need to be considered, such as whether an investor has rights to direct relevant activities of the investee and the impact of potential voting rights, in determining whether control exists. The standard also addresses agency relationships, providing guidance on when a principal/agent relationship exists and clarifies that it is the principal (rather than the agent) that controls an entity over which the principal has delegated decision-making authority to the agent. When operative, this standard together with AASB 127 'Separate Financial Statements' (issued August 2011) (see below) supersedes the requirements related to consolidated financial statements in AASB 127 'Consolidated and Separate Financial Statements' (issued March 2008, as amended) and AASB Interpretation 112 'Consolidation – Special Purpose Entities' (issued December 2004, as amended). The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 11 'Joint Arrangements' (issued August 2011)**

  This standard establishes new principles for the financial reporting by entities that have an interest in arrangements that are controlled jointly (ie a joint arrangement). A joint arrangement is either a joint operation or a joint venture. The accounting by an entity must now reflect the rights and obligations arising from the contractual arrangement, rather than by way of its legal form. The standard removes the proportionate consolidation accounting option that previously existed in relation to accounting for joint ventures. A joint operator is required to recognise its assets and liabilities from the arrangement, including its share of assets or liabilities held or incurred jointly. A joint operator is also required to recognise revenue from the sale of its share of the output, its share of the revenue from the sale of the output by the joint operation, and its expenses including its share of any expenses incurred jointly. A joint venturer is required to recognise its interest in a joint venture as an investment and is required to account for it using the equity method of accounting. When operative, this standard supersedes AASB 131 'Interests in Joint Ventures' (issued July 2004, as amended) and AASB Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers' (issued July 2004, as amended). The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 12 'Disclosure of Interests in Other Entities' (issued August 2011)**

  This standard focuses on disclosures in relation to the nature and financial effects of an entity's interests in other entities, such as subsidiaries, associates, joint arrangements and unconsolidated structured entities. The standard expands the disclosure requirements for both consolidated entities and unconsolidated structured entities. It also requires disclosure of summarised financial information for each individually material joint venture, including disclosure of the nature and effects of an entity's relationship with other parties or investors in the joint arrangement and the nature of the risks associated with those interests. The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 127 'Separate Financial Statements' (issued August 2011)**

  This standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Separate financial statements are those presented by a parent entity (ie an investor with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with AASB 9 'Financial Instruments'. When operative, this standard together with AASB 10 (see above) supersedes AASB 127 'Consolidated and Separate Financial Statements' (issued March 2008, as amended). The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 128 'Investments in Associates and Joint Ventures' (issued August 2011)**

  This standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. When operative, this standard supersedes AASB 128 'Investments in Associates' (issued July 2004, as amended). The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]' (issued August 2011)**

  This standard makes amendments to a range of Australian Accounting Standards and Interpretations to replace references to standards that have been superseded as a consequence of the issuance of Australian Accounting Standards AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' and AASB 128 'Investments in Associates and Joint Ventures' in August 2011 (see above). The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 13 'Fair Value Measurement' (issued September 2011)**

  This standard sets out a new definition of 'fair value' as well as the principles to be applied when determining the fair value of assets and liabilities. The standard replaces the existing fair value definition and measurement guidance and disclosure requirements in other standards and interpretations. It establishes a single source of guidance for determining the fair value of assets and liabilities. It defines 'fair value' as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. That is, fair value is an exit price from the perspective of the market participant holding the asset or owing the liability. For many assets and liabilities, fair value can be derived from observable market transactions or market information. Where such information is not observable, however, an entity is required to measure fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Depreciated replacement cost is a valuation technique that can be used in this regard. The standard requires inputs to be classified in a fair value hierarchy comprising 3 levels:

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

  Based on these definitions, the standard requires a number of quantitative and qualitative disclosures about fair value measurements. For some assets and liabilities, the information to be disclosed will be similar to existing requirements in various standards. However, the less observable the inputs are in an entity's fair value measurements (particularly level 3), the more disclosures will be required. The Corporation's existing policies and methods to determine fair value is currently consistent with the new standard. However, NSW Treasury is currently reviewing and assessing the policy to be adopted throughout the NSW public sector in light of the 'exit price' and 'income based' approach within the new standard. Any changes mandated may have a financial impact not only on the Corporation but also the NSW public sector as a whole. Accordingly, it is not possible to assess the future financial impact of the standard at the present time. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 119 'Employee Benefits' (issued September 2011)**

  This standard makes a number of amendments to the existing Australian Accounting Standard AASB 119 'Employee Benefits' issued in December 2004, as amended. The most significant amendment is to eliminate two of the three options available in the existing standard for recognising actuarial gains or losses on defined benefit plans. Recognition of actuarial gains or losses either through profit or loss or through the 'corridor method' are no longer permitted under the new standard. The only remaining option available is to recognise these actuarial gains or losses in other comprehensive income, which the Corporation already does in accordance with NSW Treasury's mandated policies for NSW public sector entities. Changes in defined benefit obligations and plan assets will be required to be segregated and disclosed into three components: service cost, net interest and re-measurement, replacing the components of current service cost, interest cost, expected return on plan assets and actuarial gains or losses under the existing standard. In determining net interest, the difference between the interest income on plan assets measured using the discount rate and the return on plan assets measured using the expected rate of return on plan assets will now be included in the re-measurement of the defined benefit liability or asset and will be recognised in other comprehensive income rather than profit or loss under the existing standard. The financial impact of this change on the financial results of the Corporation is not able to be determined as the components are actuarially determined and advised at the end of each reporting period to all entities within the Pooled Fund in the NSW public sector. It is possible that this change will lead to an increase in the defined benefit expense recognised in profit or loss. Other comprehensive income would be impacted by the same amount but with the opposite effect. Apart from these changes, the standard also changes the definition of short-term employee benefits as those that are 'expected to be settled wholly before twelve months after the end of the annual reporting period'. This may impact on the classification of both annual leave and unconditional long service leave liabilities being reclassified from current to non-current when the standard becomes operative. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]' (issued September 2011)**

  This standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of Australian Accounting Standard AASB 13 'Fair Value Measurement' (see above). As mentioned earlier, AASB 13 establishes a new definition of 'fair value' and general requirements when measuring the fair value of assets and liabilities. This standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations. This standard is to be applied when AASB 13 is applied. The initial application of this standard is expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]' (issued September 2011)**

  This standard makes consequential amendments to a number of Australian Accounting Standards and one Interpretation as a result of the issuance of Australian Accounting Standard AASB 119 'Employee Benefits' in September 2011 (see above). This standard is to be applied when AASB 119 (September 2011) is applied. The amendments are editorial in nature and are expected to have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2011-11 'Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements' (issued September 2011)**

  This standard makes amendments to Australian Accounting Standard AASB 119 Employee Benefits (September 2011) to incorporate reduced disclosure requirements for entities applying Tier 2 requirements, as defined in AASB 1053 'Application of Tiers of Australian Accounting Standards' (see earlier), in preparing general purpose financial statements. Tier 2 applies to for-profit private sector entities that do not have 'public accountability', not-for-profit private sector entities, and public sector entities other than the Australian Government and State, Territory and Local Governments. These entities are required to comply with all recognition and measurement requirements of Australian Accounting Standards, but can elect to have reduced disclosure in their financial statements. This standard gives effect to the reduced disclosure requirements for Tier 2 entities specifically arising from AASB 119 issued in September 2011. Whether this becomes an optional choice for the Corporation in the future to present reduced disclosure requirements under the standard will depend on NSW public sector-wide policy decisions of the NSW Treasury. The standard is to be applied when AASB 1053 is applied. The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' (issued November 2011)**

  This interpretation clarifies when stripping costs during the production phase in a surface mining operation should lead to the recognition of an asset and how that asset should initially and subsequently be measured. Stripping costs are those costs incurred during surface mining operations to remove mine waste materials to gain access to mineral ore deposits. As this interpretation covers costs incurred in surface mining operations, it is not relevant to the Corporation. Thus, the initial application of this interpretation will have no impact on the financial results of the Corporation. This interpretation is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]' (issued November 2011)**

  This standard makes amendments to Australian Accounting Standard AASB 1 'First-time Adoption of Australian Accounting Standards' as a consequence of the issuance of AASB Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' in November 2011 (see above). It includes stripping costs in the production phase of a surface mine to be included as one of a number of exemptions entities can elect to use when applying AASB 1. The standard is to be applied when AASB Interpretation 20 is applied. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-1 'Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]' (issued March 2012)**

  This standard sets out reduced disclosure requirements to be applied by Tier 2 entities, as defined in Australian Accounting Standard AASB 1053 'Application of Tiers of Australian Accounting Standards' (see above), in relation to Australian Accounting Standard AASB 13 'Fair Value Measurement' (also see above). The standard also amends reduced disclosure requirements within a number of other Australian Accounting Standards that were amended as a consequence of the issuance of AASB 13 by Australian Accounting Standard 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13' (see above). The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only, and its applicability on the Corporation is dependent on NSW public sector-wide policy decisions of the NSW Treasury in the future. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 2012-2 ‘Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]’ (issued June 2012)**

  This standard amends the required disclosures in Australian Accounting Standard AASB 7 ‘Financial Instruments: Disclosures’ to include information that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. The standard also amends Australian Accounting Standard AASB 132 ‘Financial Instruments: Presentation’ to refer to the additional disclosures added to AASB 7 by this standard. The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-3 ‘Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]’ (issued June 2012)**

  This standard adds application guidance to Australian Accounting Standard AASB 132 ‘Financial Instruments: Presentation’ to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2014 (ie 2014-15).

- **AASB 2012-4 ‘Amendments to Australian Accounting Standards – Government Loans [AASB 1]’ (issued June 2012)**

  This standard adds an exception to the retrospective application of Australian Accounting Standard AASB 1 ‘First-time Adoption of Australian Accounting Standards’. It requires that first-time adopters apply the requirements in Australian Accounting Standard AASB 139 ‘Financial Instruments: Recognition and Measurement’ (or Australian Accounting Standard AASB 9 ‘Financial instruments’) and Australian Accounting Standard AASB 120 ‘Accounting for Government Grants and Disclosure of Government Assistance’ prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards. The initial application of this standard will have no impact on the financial results of the Corporation as the Corporation is no longer a first-time adopter. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-5 ‘Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]’ (issued June 2012)**

  This standard makes amendments to various Australian Accounting Standards resulting from the 2009-2011 Annual Improvements Cycle of the International Accounting Standards Board. The standard addresses a range of editorial improvements, including allowing repeat application of Australian Accounting Standard AASB 1 ‘First-time Adoption of Australian Accounting Standards’, clarifying presentation of comparative information especially when an entity provides a third balance sheet and clarifying information about the classification of servicing equipment as either inventories or property, plant and equipment. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-6 ‘Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8]’ (issued September 2012)**

  This standard amends the mandatory effective date of Australian Accounting Standard AASB 9 ‘Financial Instruments’ (see above) from annual reporting periods beginning on or after 1 January 2013 (ie 2013-14) to annual reporting periods beginning on or after 1 January 2015 (ie 2015-16). It also makes consequential amendments arising from AASB 9 to other relevant standards that will apply either from 1 January 2013 or 1 January 2015 shown above and described earlier. In particular, it modifies the relief from restating prior periods by amending AASB 7 ‘Financial Instruments: Disclosures’ to require additional disclosures on transition from AASB 139 ‘Financial Instruments: Recognition and Measurement’ to AASB 9 in some circumstances. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-7 ‘Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, AASB 12, AASB 101 & AASB 127]’ (issued September 2012)**

  This standard adds to or amends the reduced disclosure requirements of Australian Accounting Standards AASB 7 ‘Financial Instruments: Disclosure’, AASB 12 ‘Disclosure of Interests in Other Entities’, AASB 101 ‘Presentation of Financial Statements’ and AASB 127 ‘Separate Financial Statements’ for Tier 2 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (see AASB 1053 above). Tier 2 requirements can apply as an optional choice to for-profit private sector entities that do not have public accountability, all not-for-profit private sector entities and public sector entities other than Australian, State, Territory and Local Governments. Whether this becomes an optional choice for the Corporation in the future to present reduced disclosure requirements under these standards will depend on NSW public sector-wide policy decisions of the NSW Treasury. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 2012-9 'Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039' (issued December 2012)**

  This standard makes an amendment to Australian accounting Standard AASB 1048 'Interpretation of Standards' to remove the reference to Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia' due to its withdrawal by the AASB. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]' (issued December 2012)**

  This standard makes amendments to the transitional guidance relevant to Australian Accounting Standard AASB 10 'Consolidated Financial Statements', resulting from the AASB's decision to defer the mandatory application period for this and other related standards to annual reporting periods beginning on or after 1 January 2014 for not-for-profit entities only. The standard also makes editorial amendments to a number of standards. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2013 (ie 2013-14).

- **AASB 2012-11 'Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, AASB 2, AASB 8, AASB 10, AASB 107, AASB 128, AASB 133, AASB 134 & AASB 2011-4]' (issued December 2012)**

  This standard makes amendments to Australian Accounting Standards AASB 10 'Consolidated Financial Statements' and AASB 128 'Investments in Associates and Joint Ventures' to extend relief from consolidation and the equity method for Tier 2 entities complying with Australian accounting Standards – Reduced Disclosure Requirements (see AASB 1053 earlier). These amendments reflect those made previously to now-superseded standards in Australian accounting Standard AASB 2011-6 'Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements' (see above). The standard also makes editorial amendments to reduced disclosure requirements in a number of standards for Tier 2 entities. Tier 2 requirements can apply as an optional choice to for-profit private sector entities that do not have public accountability, all not-for-profit private sector entities and public sector entities other than Australian, State, Territory and Local Governments. Whether this becomes an optional choice for the Corporation in the future to present reduced disclosure requirements under these standards will depend on NSW public sector-wide policy decisions of the NSW Treasury. Finally, the standard makes an editorial amendment to Australian Accounting Standard AASB 2011-4 'Amendments to Australian accounting Standards to Remove Key Management Personnel Disclosure Requirements' to ensure that Australian Accounting Standard AASB 124 'Related Party Disclosures' has the same wording for all entities required to apply that standard. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2013 (ie 2013-14).

- **AASB 1055 'Budgetary Reporting' (issued March 2013)**

  This standard sets out budgetary reporting requirements for the whole of Government, General Government Sector (GGS) and not-for-profit entities within the GGS of the Australian Government and State and Territory Governments, and as such is not applicable to the Corporation. This standard, together with Australian Accounting Standard AASB 2013-1 'Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements' (see below), relocates the corresponding budgetary reporting requirements for the whole of Government and GGS of the Australian Government and State and Territory Governments from Australian Accounting Standard AASB 1049 'Whole of Government and General Government Sector Financial Reporting'. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2014 (ie 2014-15).

- **AASB 2013-1 'Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements' (issued March 2013)**

  This standard makes amendments to Australian Accounting Standard AASB 1049 'Whole of Government and General Government Sector Financial Reporting', and as such is not applicable to the Corporation. The standard removes the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendments). All budgetary reporting requirements applicable to whole of Governments and General Government Sectors are now located in a single, topic-based, Australian Accounting Standard AASB 1055 'Budgetary Reporting' (see above). The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 July 2014 (ie 2014-15).

- **AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets' (issued June 2013)**

  This standard makes amendments to the disclosure requirements in Australian Accounting Standard AASB 136 'Impairment of Assets'. The amendments include the requirement to disclose additional information about fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2014 (ie 2014-15).

- **AASB Interpretation 21 'Levies' (issued June 2013)**

  This interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised and whether that liability should be recognised at a specific date or progressively over a period of time. In this regard, such a liability is required to be recognised in line with the obligating event or activity that triggers the payment of the levy, as identified in the relevant legislation. The initial application of this interpretation will have no impact on the financial results of the Corporation. This interpretation is applicable to annual reporting periods beginning on or after 1 January 2014 (ie 2014-15).

- **AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] (issued July 2013)**

  This standard makes amendments to AASB 139 'Financial Instruments: Recognition and Measurement' to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The initial application of this standard will have no impact on the financial results of the Corporation. This standard is applicable to annual reporting periods beginning on or after 1 January 2014 (ie 2014-15).

- **AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (issued August 2013)**

  This standard makes amendments to various standards by defining an 'investment entity' and requiring that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 'Business Combinations' when it obtains control of another entity. Instead, these amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 'Financial Instruments' in its consolidated and separate financial reports. The amendments also introduce new disclosure requirements for investment entities. An investment entity is defined as an entity that:
  (a) obtains funds from one or more investors for the purpose of providing those investors with management services;
  (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

  The initial application of this standard will have no impact on the financial results of the Corporation, as the Corporation does not meet the definition of an investment entity. This standard is applicable to annual reporting periods beginning on or after 1 January 2014 (ie 2014-15).

	Note	2013 $'000	2012 $'000

2. Income and expenses

Profit before income tax expense has been arrived at after including the following income and expense items:

(a) Revenue

Revenue items are shown below.

		2013 $'000	2012 $'000
Revenue from rendering of services:			
Service availability charges		1,113,123	1,086,034
Usage charges		1,071,527	999,956
Service availability and usage charges		2,184,650	2,085,990
Ancillary services		24,882	29,048
Sundry revenue		13,655	16,064
		2,223,187	2,131,102
Interest revenue from:			
Financial assets not at fair value through profit or loss using the effective interest method:			
Investments in marketable securities		14	46
Bank balances		112	248
Overdue accounts		2,297	2,742
		2,423	3,036
Other transactions		498	736
Total interest revenue		2,921	3,772
Dividend revenue		-	8,436
Revenue from government grants:			
NSW Government contributions for social programs #		162,155	151,611
Reimbursements from NSW Climate Change Fund		-	2,665
Grants from Commonwealth Government		19	18
		162,174	154,294
Other revenue from:			
Rent		11,093	10,892
Contributions by developers for capital works		119,533	105,524
		130,626	116,416
Total revenue recognised in profit or loss		2,518,908	2,414,020

This amount comprised contributions of $155.467 million (2012: $149.557 million) in respect of pensioner and other rebates and other contributions of $6.688 million (2012: $2.054 million).

	Note	2013 $'000	2012 $'000
Dissection of total revenue into regulated and non-regulated categories			
Regulated			
Service availability charges		1,117,643	1,090,252
Usage charges		1,059,667	990,341
Ancillary services		22,778	26,272
Sundry revenue		831	732
NSW Government contributions for social programs		155,467	149,557
Reimbursements from NSW Climate Change Fund		-	2,665
Rent		5,438	5,328
Contributions by (repayments to) developers for capital works		58	3,865
		2,361,882	2,269,012
Non-regulated			
Service availability charges (customer redress rebates)		(4,520)	(4,217)
Usage charges		11,860	9,615
Ancillary services		2,104	2,776
Sundry revenue		12,824	15,332
Interest revenue		2,921	3,772
Dividend revenue		-	8,436
NSW Government contributions for social programs		6,688	2,054
Grants from Commonwealth Government		19	18
Rent		5,655	5,564
Contributions by developers for capital works		119,475	101,658
		157,026	145,008
Total revenue recognised in profit or loss		2,518,908	2,414,020

(b) Other income

Other income items are shown below. Other income is non-regulated.

	Note	2013 $'000	2012 $'000
Net gain on disposal of property, plant and equipment:			
Assets classified as held for sale		1,129	4,430
Net gain on disposal of intangible assets:			
Software	20(a)	204	-
Net gain on disposal of investment in subsidiary	24(c)	-	254,230
Net gain on disposal of greenhouse trading certificates		563	-
Net fair value gain on greenhouse trading certificates		648	2,275
Total other income recognised in profit or loss		2,544	260,935

	Note	2013 $'000	2012 $'000

(c) Expenses

Finance costs expense

Finance costs expense items are shown below.

	Note	2013 $'000	2012 $'000
Financial liabilities not at fair value through profit and loss using the effective interest method:			
Interest expense		335,453	360,096
Amortisation of deferred discounts (premiums) on loans	20(a)	5,091	8,693
Total interest expense using effective interest method		340,544	368,789
Government guarantee fee expense		104,914	104,868
Indexation of CPI bonds	20(a)	14,399	15,894
Loss on loans repaid before maturity	20(a)	-	86
Other		6	243
		459,863	489,880
Less amount capitalised	20(a)	(62,153)	(74,729)
Total finance costs expense recognised in profit or loss		397,710	415,151

	Note	2013 $'000	2012 $'000

(c) Expenses (continued)

Other expenses

Other expenses comprises expenses that are considered core operations expenses, and also expenses that arise from asset adjustments and various losses recognised in profit or loss that are considered non-core.

Below is an analysis of core operations expenses from continuing operations. Additional expenses from continuing operations that are considered non-core are provided on the following page in addition to these core operations expenses to arrive at total other expenses recognised in the statement of profit or loss and other comprehensive income.

	Note	2013 $'000	2012 $'000
Core operations expenses:			
Employee-related expenses:			
Total employee-related expenses		372,281	451,320
Less amount capitalised		(58,241)	(62,335)
Employee-related expenses *		314,040	388,985
Non employee-related expenses:			
Purchases of bulk water from Sydney Catchment Authority		197,002	203,935
Purchases of desalinated water from:			
Sydney Desalination Plant Pty Limited before sale	24(c)	-	197,189
Sydney Desalination Plant Pty Limited after sale		195,068	17,823
Tariff expenses for water filtration plant service agreements		114,411	100,131
Maintenance services expenses **		123,978	121,047
Operational services expenses **		94,924	111,352
Materials, plant and equipment expenses		49,515	47,858
Operating lease expenses ***		51,860	50,288
Electricity and other energy expenses		48,732	41,418
Contributions to NSW Climate Change Fund		-	17,050
Transport expenses (excluding leases)		10,306	10,107
Property expenses (excluding leases)		21,370	19,868
Data management expenses (excluding leases)		16,985	16,843
Other expenses from ordinary activities		60,709	41,470
		984,860	996,379
Less amount capitalised		(16,764)	(17,611)
Non employee-related expenses		968,096	978,768
		1,282,136	1,367,753
Less transaction costs incurred for sale of former subsidiary and applied against gain on sale		-	(19,955)
Total core operations expenses		1,282,136	1,347,798

* Employee-related expenses within other expenses in profit or loss exclude defined benefit superannuation actuarial gains or losses, as these are recognised in other comprehensive income. (See details on Superannuation expense below and note 15(c)).

** Maintenance services include various services provided to the Corporation for repairs and maintenance activities carried out on the Corporation's system asset network. Operational services include a number of other professional services provided to the Corporation, such as customer billing, revenue collection and meter reading services, scientific services and services for operating assets.

*** Operating lease expenses represent minimum lease payments only.

	Note	2013 $'000	2012 $'000
Other expenses (continued)			
Total core operations expenses (continued from previous page)		1,282,136	1,347,798
Depreciation and amortisation expenses	9(a), 10(a), 20(a)	210,900	214,003
Total other expenses in the course of ordinary activities		1,493,036	1,561,801
Net losses from disposal of:			
Property, plant and equipment		17,661	21,873
Intangible assets	20(a)	-	644
Greenhouse trading certificates		-	3
Investment in subsidiary *	20(a), 24(c)	27	-
		17,688	22,520
Impairment losses expensed (reversed) through profit or loss:			
Financial assets:			
Receivables	5	(15)	128
Property, plant and equipment	9(a), 20(a)	14,230	5,338
Intangible assets	10(a), 20(a)	1,866	960
		16,081	6,426
Total other expenses recognised in profit or loss		1,526,805	1,590,747

* This refers to a variance between the amount accrued at the previous reporting date and the actual settlement amount for working capital adjustments agreed with the purchaser during the current reporting period as part of the conditions of sale.

	Note	2013 $'000	2012 $'000
Superannuation expense (gain) recognised in profit or loss			
• **Defined benefit schemes**			
Total expense (gain) advised by Pillar Administration *	15(c)	(6,979)	3,616
Other movements		(3,650)	(3,967)
		(10,629)	(351)
Less amount capitalised		(1,185)	(1,847)
		(11,814)	(2,198)
• **Defined contribution schemes**			
Total expense		10,935	10,917
Less amount capitalised		(2,847)	(2,454)
	15(c)	8,088	8,463
Total superannuation expense (gain) recognised in profit or loss		(3,726)	6,265

* Excludes superannuation actuarial gains of $204.372 million (2012: losses of $494.955 million) included in other comprehensive income. (Refer notes 15(c) and 18).

	Note	2013 $'000	2012 $'000
Maintenance expenses			
Maintenance-related employee expenses (included in employee-related expenses)		85,647	87,947
Maintenance expenses (excluding maintenance-related employee expenses)		123,978	121,047
Total maintenance expenses		209,625	208,994
Research and development expenses			
Research and development costs recognised as an expense		4,749	5,492

	Note	2013 $'000	2012 $'000

3. Income tax expense

Major components of income tax expense recognised in profit or loss for the reporting period are as follows:

(a) Recognised in profit or loss

	Note	2013 $'000	2012 $'000
Current tax expense			
Current year		140,172	140,687
Adjustments for prior years		(1,017)	19,875
		139,155	160,562
Deferred tax expense			
Origination and reversal of temporary differences		42,603	89,752
	11(b)	42,603	89,752
Transfer of deferred tax liability to former subsidiary	9(d), 10(b)	-	12,860
Total income tax expense in profit or loss		181,758	263,174

	Note	2013 $'000	2012 $'000

(b) Reconciliation between income tax expense and profit before income tax

Profit before income tax		596,937	669,057
Income tax expense calculated using the domestic corporation tax rate of 30% (2012: 30%)		179,081	200,717
Increase in tax expense due to:			
Non-deductible expenses		2,302	2,098
Adjustment of temporary differences		2,079	37,020
Transfer of deferred tax liability to former subsidiary 9(d), 10(b)		-	12,860
Decrease in tax expense due to:			
Research and development concession		(687)	(740)
Adjustment of tax base on disposal of investment in former subsidiary		-	(2,129)
Capital loss from prior period now utilised		-	(6,527)
		182,775	243,299
Under (Over)-provided in prior years		(1,017)	19,875
Income tax expense		181,758	263,174

(c) Income tax on other comprehensive income

Deferred tax relating to:			
Revaluation of property, plant and equipment	17(b)	(12,922)	108,975
Fair value adjustments for cash flow hedges	17(b)	-	-
Superannuation actuarial gains (losses)	18	61,312	(148,486)
	11(b)	48,390	(39,511)

	Note	2013 $'000	2012 $'000

4. Cash and cash equivalents

Cash		3,831	6,337
Cash and cash equivalents in statement of financial position and statement of cash flows		3,831	6,337

Significant terms and conditions

Details in respect of cash and cash equivalents categories are as follows:

- **Cash book balance**

During the reporting period, the cash book balance can fluctuate from a positive balance to a negative (overdraft) balance. When the cash book balance is negative at the reporting date, it is shown as a bank overdraft under borrowings in the statement of financial position. (Refer note 13).

Cash balances earn interest at bank rates.

- **Short-term investments maturing three months or less**

Short-term investments maturing three months or less are considered cash equivalents. These usually consist of interest-bearing deposits held by the Corporation. There were no interest-bearing deposits or other cash equivalents at the current or previous reporting dates.

Interest-bearing deposits are non-negotiable investments with banks and government authorities. Interest-bearing deposits are issued at face value paying a fixed interest rate over their life at maturity. Interest-bearing deposits can be issued for any duration although the Corporation typically holds only short dated deposits maturing within three months. Their carrying amount approximates fair value due to their short term to maturity.

Refer also note 25(c) for a maturity analysis of all financial assets and financial liabilities.

	Note	2013 $'000	2012 $'000

5. Trade and other receivables

Current

Trade receivables

Outstanding service availability and usage charges billed		96,024	134,480
Allowance for impairment		(671)	(673)
		95,353	133,807
Accrued unbilled usage charges on unread meters		164,671	158,729
		260,024	292,536
Other trade debtors billed		7,596	6,649
		7,596	6,649
Allowance for impairment		-	(38)
		7,596	6,611
		267,620	299,147
Other receivables			
Other debtors and accrued revenue		45,681	43,623
Prepayments		8,971	10,130
		54,652	53,753
Total current trade and other receivables		322,272	352,900

Non-current

Other receivables

Other debtors and accrued revenue		-	7,658
Total non-current trade and other receivables		-	7,658

Significant terms and conditions

Trade debtors for service availability and usage charges receivable are required to be settled within 21 days. Other current trade debtors receivable are generally required to be settled between 14 and 60 days.

Accrued investment income is receivable within a maximum period of six months. All other current receivables are expected to be realised within 12 months of the reporting date. The non-current receivable in the current and previous reporting periods relates to the amortised cost of the balance of proceeds outstanding on the sale of a property with a deferred settlement period of 2 years after the previous reporting date.

Refer note 25(c) for a maturity analysis of all financial assets and financial liabilities.

- **Accrued unbilled usage charges on unread meters**

Accrued unbilled usage charges on unread meters comprises estimates for accrued revenue for water usage, sewer usage, trade waste and recycled water charges where meters have not been read as at the reporting date. These charges are billed to customers with actual consumption after the next meter reading cycles in the next reporting period. However, in order to recognise an accrual for these unbilled charges at the reporting date for financial reporting purposes, the Corporation uses different estimation techniques for each of these charges.

For accrued unbilled water usage charges on unread meters, the Corporation compares the amount of megalitres of water purchased from the Sydney Catchment Authority and other sources (such as desalination) with the amount of water used for billing to customers in any given period. After deducting an estimated water loss factor and taking into account other factors such as free water supplied, the remaining amount is deemed to be the unbilled water used by customers as at the reporting date. This quantity is then converted to a monetary amount for the accrual by applying the price per kilolitre charged to customers for water usage. The accrual recognised at the reporting date was $146.422 million.

During the current reporting period, the Corporation undertook a process of refining the parameters used in estimating the accrued unbilled water usage charges on unread meters. This resulted in the identification of new information relating to the estimated water consumption volumes. The outcome of this process was to reduce trade receivables (accrued water usage charges on unread meters) and usage charges revenue by $33.550 million during the current reporting period. Whilst there is inherent uncertainty in the estimation of this balance due to its complex and dynamic nature, this change is deemed to have increased the accuracy in the estimation of accrued unbilled water usage charges moving forward.

In addition, the Corporation has developed methodologies for the first time to estimate accrued unbilled sewer usage, trade waste and recycled water charges to further improve the process for estimating accrued revenue in the financial statements.

For accrued unbilled sewer usage charges, the Corporation estimates consumption for the reporting period and compares it with actual billed consumption to which sewer usage charges are applied to non-residential customers who exceed a daily discharge allowance. Consumption data from previous quarters is also used in the estimation process. The accrual recognised at the reporting date was $12.168 million in addition to the normal monthly consumption accrual of $1.902 million.

For accrued unbilled trade waste charges, the Corporation applies assumptions and proportional factors to the typical billing cycles (monthly, quarterly or six monthly) used for different customers in the estimation process. The accrual recognised at the reporting date was $2.672 million.

For accrued unbilled recycled water charges, the Corporation derives separate estimates for contracted schemes with industrial customers and schemes with residential customers. For the contracted schemes where the customers are billed monthly, the estimate is assumed to be one month’s billed revenue. For residential customers, the estimate is based on the timings of actual meter readings undertaken in the most recent quarter, which is equivalent to approximately 7 weeks of unbilled revenue as at the end of the reporting period. The accrual recognised at the reporting date was $1.507 million.

	Note	2013 $'000	2012 $'000

Ageing analysis of trade receivables billed to customers

At the reporting date, the ageing analysis of outstanding trade receivables billed to customers is as follows:

Outstanding service availability and usage charges billed

• **Gross amounts**		
Not past due	8,980	32,230
Past due 22 - 30 days	10,920	9,756
Past due 31 - 60 days	15,812	14,906
Past due 61 - 90 days	9,855	8,536
Past due 91 - 180 days	35,694	53,638
Past due 181 - 365 days	8,768	8,696
Past due > 365 days	5,995	6,718
Outstanding service availability and usage charges billed	96,024	134,480
• **Allowance for impairment**		
Past due > 365 days	(671)	(673)
Allowance for impairment	(671)	(673)

Other trade debtors billed

• **Gross amounts**		
Not past due	6,844	5,803
Past due 15 - 30 days	105	522
Past due 31 - 60 days	126	150
Past due 61 - 90 days	183	56
Past due 91 - 180 days	320	45
Past due 181 - 365 days	15	36
Past due > 365 days	3	37
Other trade debtors billed	7,596	6,649
• **Allowance for impairment**		
Past due > 365 days	-	(38)
Allowance for impairment	-	(38)

All other balances within trade and other receivables are not past due and are expected to be realised at the amounts carried in the statement of financial position when due.

	Note	2013 $'000	2012 $'000
Movement in allowance for impairment			
The movement during the reporting period for the allowance for impairment is as follows:			
Carrying amount at beginning of period:			
Outstanding service availability and usage charges		(673)	(636)
Other trade debtors		(38)	(10)
		(711)	(646)
Charge for impairment reversal (loss) made during the period:			
Outstanding service availability and usage charges		(15)	(84)
Other trade debtors		30	(44)
	2(c)	15	(128)
Amounts written off:			
Outstanding service availability and usage charges		17	47
Other trade debtors		8	16
		25	63
Carrying amount at end of period:			
Outstanding service availability and usage charges		(671)	(673)
Other trade debtors		-	(38)
		(671)	(711)

6. Inventories

		2013 $'000	2012 $'000
Current			
Stock, stores and materials - at cost		888	521
Total inventories		888	521

7. Other current assets

		2013 $'000	2012 $'000
Greenhouse trading certificates			
- at cost		-	167
- at market value		8,822	16,662
Total other current assets		8,822	16,829

8. Current tax liability

Where the Corporation's pay-as-you-go income tax instalment payments made during the reporting period are less than the income tax payable in respect of the operating result for that period, the balance is recognised in the statement of financial position as a current tax liability. Where the pay-as-you-go payments made during the reporting period have exceeded the income tax payable for that period, the balance is recognised as a current tax asset.

At the reporting date, the Corporation had both a current tax asset of $0.687 million (2012: $Nil) receivable in respect of the previous reporting period, and a current tax liability balance of $71.298 million (2012: $111.374 million) outstanding in respect of the current reporting period. These balances represent the remaining balance of income taxes payable (or, if a current tax asset, receivable) at the reporting date in respect of current and prior periods, after allowing for payments already made during the reporting periods on a pay-as-you-go basis.

The income tax payable in respect of the operating result for the reporting period was $140.172 million (2012: $140.688 million).

9. Property, plant and equipment

Non-current

(a) Movements and carrying amounts

Year ended 30 June 2013	Market land and buildings	Leasehold property	System land	System assets (owned)	System assets (under finance lease)	Water meters	Plant and equipment	Computer equipment	Work in progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2012 – net carrying amount	315,320	9,953	616,409	11,420,829	50,341	46,357	80,286	13,204	897,026	13,449,725
Additions to work in progress	-	-	-	-	-	-	-	-	639,234	639,234
Additions from work in progress	6,468	912	11,255	691,466	-	7,200	10,257	7,482	(735,040)	-
Additions - other	-	-	-	103,901	-	-	-	-	-	103,901
Disposals	(6)	-	(7)	(16,146)	-	(1,171)	(351)	(6)	-	(17,687)
Reclassified as assets held for sale	(5,542)	-	-	-	-	-	-	-	-	(5,542)
Other reclassifications	177	-	(42)	(255)	-	-	116	-	840	836
Revaluation increases (+) and decreases (-), unrelated to impairments, recognised in the asset revaluation reserve	(21,338)	-	(1,230)	-	-	-	-	-	-	(22,568)
Impairment losses (-) recognised in the asset revaluation reserve	(4,897)	-	-	(9,203)	(6,404)	-	-	-	-	(20,504)
Impairment losses reversed (+) and recognised in the asset revaluation reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses (-) recognised in profit or loss in the line item 'Other expenses'	(780)	-	(3,914)	-	-	-	-	-	(9,536)	(14,230)
Impairment losses reversed (+) and recognised in profit or loss in the line item 'Other expenses'	-	-	-	-	-	-	-	-	-	-
Depreciation charge	(128)	(181)	-	(135,533)	(1,295)	(5,448)	(14,477)	(7,575)	-	(164,637)
At 30 June 2013 – net carrying amount	289,274	10,684	622,471	12,055,059	42,642	46,938	75,831	13,105	792,524	13,948,528

	Market land and buildings	Leasehold property	System land	System assets (owned)	System assets (under finance lease)	Water meters	Plant and equipment	Computer equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2012										
Fair value:										
Cost	-	-	-	-	-	83,555	140,623	56,935	897,026	1,178,139
Independent market value 2011	320,081	10,410	634,877	-	-	-	-	-	-	965,368
Independent market value 2012	1,855	-	-	-	-	-	-	-	-	1,855
Replacement value 2011	-	-	-	48,068,961	194,082	-	-	-	-	48,263,043
	321,936	10,410	634,877	48,068,961	194,082	83,555	140,623	56,935	897,026	50,408,405
Accumulated depreciation or amortisation	(260)	(353)	-	(14,553,373)	(46,352)	(37,198)	(60,337)	(43,731)	-	(14,741,604)
Accumulated impairment	(6,356)	(104)	(18,468)	(22,094,759)	(97,389)	-	-	-	-	(22,217,076)
	(6,616)	(457)	(18,468)	(36,648,132)	(143,741)	(37,198)	(60,337)	(43,731)	-	(36,958,680)
Net carrying amount	315,320	9,953	616,409	11,420,829	50,341	46,357	80,286	13,204	897,026	13,449,725
At 30 June 2013										
Fair value:										
Cost	-	-	-	-	-	87,027	147,128	62,126	792,524	1,088,805
Independent market value 2011	298,925	11,402	-	-	-	-	-	-	-	310,327
Independent market value 2012	1,855	-	641,326	-	-	-	-	-	-	643,181
Replacement value 2012	-	-	-	56,529,135	196,146	-	-	-	-	56,725,281
	300,780	11,402	641,326	56,529,135	196,146	87,027	147,128	62,126	792,524	58,767,594
Accumulated depreciation or amortisation	(387)	(614)	-	(15,623,761)	(51,453)	(40,089)	(71,297)	(49,021)	-	(15,836,622)
Accumulated impairment	(11,119)	(104)	(18,855)	(28,850,315)	(102,051)	-	-	-	-	(28,982,444)
	(11,506)	(718)	(18,855)	(44,474,076)	(153,504)	(40,089)	(71,297)	(49,021)	-	(44,819,066)
Net carrying amount	289,274	10,684	622,471	12,055,059	42,642	46,938	75,831	13,105	792,524	13,948,528
Revalued assets based on cost model:										
Cost	61,428	19,387	231,107	15,513,862	104,623					
Accumulated depreciation or amortisation	(5,797)	(3,818)	-	(3,577,091)	(8,263)					
Accumulated impairment	(3,579)	(5,887)	(100,991)	-	-					
	(9,376)	(9,705)	(100,991)	(3,577,091)	(8,263)					
Net carrying amount 30 June 2013	52,052	9,682	130,116	11,936,771	96,360					

Year ended 30 June 2012	Market land and buildings	Leasehold property	System land	System assets (owned)	System assets (under finance lease)	Water meters	Plant and equipment	Computer equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2011 – net carrying amount	337,752	10,274	615,743	11,120,991	52,113	46,655	92,958	9,227	888,387	13,174,100
Additions to work in progress	-	-	-	-	-	-	-	-	693,050	693,050
Additions from work in progress	6,544	3,195	8,016	633,857	-	5,892	1,777	12,647	(671,928)	-
Additions - other	-	-	-	86,162	-	-	-	-	-	86,162
Disposals	(7)	-	(99)	(20,856)	-	(874)	(489)	(2)	-	(22,327)
Reclassified as assets held for sale	(19,616)	-	-	(643,642)	-	-	-	-	-	(663,258)
Other reclassifications	3,427	(3,400)	(8,260)	7,314	-	-	-	2	(7,044)	(7,961)
Revaluation increases (+) and decreases (-), unrelated to impairments, recognised in the asset revaluation reserve	(12,719)	-	1,055	-	-	-	-	-	-	(11,664)
Impairment losses (-) recognised in the asset revaluation reserve	-	-	-	-	(277)	-	-	-	-	(277)
Impairment losses reversed (+) and recognised in the asset revaluation reserve	-	-	-	375,190	-	-	-	-	-	375,190
Impairment losses (-) recognised in profit or loss in the line item 'Other expenses'	-	-	(46)	-	-	-	-	-	(5,439)	(5,485)
Impairment losses reversed (+) and recognised in profit or loss in the line item 'Other expenses'	145	2	-	-	-	-	-	-	-	147
Depreciation charge	(206)	(118)	-	(138,187)	(1,495)	(5,316)	(13,960)	(8,670)	-	(167,952)
At 30 June 2012 – net carrying amount	315,320	9,953	616,409	11,420,829	50,341	46,357	80,286	13,204	897,026	13,449,725

	Market land and buildings	Leasehold property	System land	System assets (owned)	System assets (under finance lease)	Water meters	Plant and equipment	Computer equipment	Work in progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2011										
Fair value:										
Cost	-	-	-	-	-	78,653	140,759	52,366	888,387	1,160,165
Independent market value 2011	344,455	10,615	633,855	-	-	-	-	-	-	988,925
Replacement value 2011	-	-	-	43,900,512	188,212	-	-	-	-	44,088,724
	344,455	10,615	633,855	43,900,512	188,212	78,653	140,759	52,366	888,387	46,237,814
Accumulated depreciation or amortisation	(123)	(237)	-	(11,787,659)	(40,528)	(31,998)	(47,801)	(43,139)	-	(11,951,485)
Accumulated impairment	(6,580)	(104)	(18,112)	(20,991,862)	(95,571)	-	-	-	-	(21,112,229)
	(6,703)	(341)	(18,112)	(32,779,521)	(136,099)	(31,998)	(47,801)	(43,139)	-	(33,063,714)
Net carrying amount	337,752	10,274	615,743	11,120,991	52,113	46,655	92,958	9,227	888,387	13,174,100
At 30 June 2012										
Fair value:										
Cost	-	-	-	-	-	83,555	140,623	56,935	897,026	1,178,139
Independent market value 2011	320,081	10,410	634,877	-	-	-	-	-	-	965,368
Independent market value 2012	1,855	-	-	-	-	-	-	-	-	1,855
Replacement value 2011	-	-	-	48,068,961	194,082	-	-	-	-	48,263,043
	321,936	10,410	634,877	48,068,961	194,082	83,555	140,623	56,935	897,026	50,408,405
Accumulated depreciation or amortisation	(260)	(353)	-	(14,553,373)	(46,352)	(37,198)	(60,337)	(43,731)	-	(14,741,604)
Accumulated impairment	(6,356)	(104)	(18,468)	(22,094,759)	(97,389)	-	-	-	-	(22,217,076)
	(6,616)	(457)	(18,468)	(36,648,132)	(143,741)	(37,198)	(60,337)	(43,731)	-	(36,958,680)
Net carrying amount	315,320	9,953	616,409	11,420,829	50,341	46,357	80,286	13,204	897,026	13,449,725
Revalued assets based on cost model:										
Cost	73,535	18,395	221,127	14,829,435	122,584					
Accumulated depreciation or amortisation	(6,123)	(3,497)	-	(3,222,496)	(12,140)					
Accumulated impairment	(2,799)	(5,887)	(97,084)	-	-					
	(8,922)	(9,384)	(97,084)	(3,222,496)	(12,140)					
Net carrying amount 30 June 2012	64,613	9,011	124,043	11,606,939	110,444					

(b) Land and buildings valuations

System land is land upon which the Corporation's system asset network categories are located and which has no other alternative use at the reporting date. Unless there is a specific business need to obtain an independent market valuation for particular system land parcels, the independent valuation used is the current Valuer-General's market valuation that is used by local government for the purpose of rating properties, less an estimate of the cost that would be incurred by the Corporation in order to sell the land. Estimates of the costs to sell system land are determined internally based on recent sales experience. Where system land has been identified as being surplus to requirements, it is reclassified as market land. An independent valuation is subsequently undertaken in the reporting period during which the reclassification has taken place.

Market land and buildings are commercial properties held by the Corporation that have potential for alternative use. Valuations used for market land and buildings are obtained from independent valuers that have been engaged to determine property values based on the open market value of the properties concerned. Estimates of the costs to sell, which are determined internally, are subsequently deducted from the independent market values. Some land holdings have been found to be environmentally contaminated. Where reliable estimates of the cost to remediate this land has been determined, the estimated remediation cost is included as an impairment to (deducted from) the independent market valuation.

The Corporation's policy is to obtain independent market valuations for market land and buildings every three years, unless market conditions necessitate an earlier valuation to be undertaken. (Refer note 1(n)). Market land and buildings acquired during the intervening years of the revaluation cycle are normally stated at directors' valuation for the reporting period in which the property was acquired and qualify for independent valuation at the next independent valuation cycle, unless there is a specific business need to obtain an independent valuation earlier. At each reporting date, a review of the property market is undertaken to determine whether there is evidence to suggest that there has been a material change in the fair values of market land and buildings since the revaluation date. Where there has been a material change, the carrying amounts in the statement of financial position are adjusted accordingly.

(c) Valuation of system assets and easements

The directors' valuation of system assets and easements at the beginning of the reporting period was carried out in two stages:

1. Revaluation to MEERA estimated written down current replacement cost

The first stage involved increasing system asset values by $28.923 billion (2012: $23.233 billion) to an estimated written down current replacement cost of $40.394 billion (2012: $34.406 billion) based on the modern engineering equivalent replacement asset (MEERA) methodology, effective from 1 July in the reporting period. This was carried out using recent market prices, condition-based assessments of system asset categories and their lives, an output index that is applicable to the general construction industry and for the current reporting period included a comprehensive valuation of all sewer mains (2012: all water mains and stormwater drains). (Refer note 1(n)).

Revaluations undertaken during each reporting period are effective from 1 July so as to ensure asset categories subject to revaluation are depreciated for the full reporting period on the same basis. Although the effective date for these revaluations is 1 July, the Corporation reassesses the revaluation again at the reporting date to see whether there has been any material movement in the fair value of the asset categories since the revaluation at 1 July. This includes an assessment of whether there has been a material movement in the output index used in the revaluation for the vast majority of asset categories and obtaining engineering advice in relation to the costs used for the asset categories subject to a comprehensive valuation. The Corporation undertook this assessment at the reporting date and increased system assets owned by the Corporation by $0.447 billion (2012: $0.267 billion).

2. Application of cash-generating unit test

The second stage involved the impairment valuation decrease of system asset and easement values by $28.940 billion (2012: $23.248 billion) to their recoverable amount upon application of a cash-generating unit test, also effective from 1 July in the reporting period. (Refer note 9(e)). After taking into consideration additions and other subsequent movements during the reporting period, a further comparison was made at the reporting date to ensure that the carrying amount of all property, plant and equipment assets and intangible assets in the Corporation's statement of financial position did not exceed their recoverable amount of $14.114 billion (2012: $13.632 billion).

The combined effect of all revaluation impairment adjustments in respect of system assets, recognised in the asset revaluation reserve, was a net decrease of $15.607 million (2012: a net increase of $374.913 million).

The significant impairment adjustments from MEERA values to recoverable amount are an indication that expected future net cash flows that are to be generated from these assets over their remaining life, under existing regulatory pricing structures, are not currently sufficient to cover the estimated written down current replacement costs of these assets as at the reporting date.

(d) Sale of desalination pipeline to former subsidiary in the previous reporting period

On 1 February 2012, the Corporation sold to its then subsidiary company, Sydney Desalination Plant Pty Limited, the pipeline that connects the desalination plant at Kurnell, NSW, to the Corporation's system asset network at Erskineville. The pipeline was sold for $643.642 million, along with associated easements totalling $11.392 million and deferred tax liabilities totalling $12.860 million. The net of these amounts totalling $642.174 million was used to extinguish borrowings by the Corporation, with a corresponding increase in borrowings for the former subsidiary upon acquisition of these assets and liabilities. No cash was exchanged as part of this transaction. The above transaction took place in order to position all relevant desalination plant and associated assets within the former subsidiary prior to its sale to the successful bidder in the private sector on 1 June 2012.

(e) Recoverable amount

Due to the interdependent nature of the various categories of water industry infrastructure assets (such as pipes, pumping stations and treatment plants), their recoverable amount is determined by the stream of future net cash flows that can be derived from the use of the asset categories working together as an integrated network within the relevant cash-generating unit, rather than the realisable value of the asset categories themselves. Accordingly, the cash-generating unit test referred to in notes 1(n), 1(o), 1(p) and 9(c) is a value in use calculation that calculates recoverable amount using relevant estimated future net cash flows discounted to their present value for the assets within the Corporation's single cash-generating unit. The discount rate used is the weighted average cost of capital for the cash-generating unit, as this is the rate that best represents the time value of money and the risks specific to the assets within the cash-generating unit under the current regulatory pricing environment.

Undertaking a cash-generating unit test is highly dependent on the assumptions used to estimate the future net cash flows that are able to be derived from the relevant assets. This calculation therefore contains an element of subjectivity and uncertainty in relation to these assumptions, particularly in relation to long-lived infrastructure assets that are subject to a regulatory pricing environment in which a new Pricing Determination is determined every four years.

As the cash flows that are generated by the Corporation's system assets are a direct function of the current regulatory pricing methodology undertaken by the Corporation's regulator, the Independent Pricing and Regulatory Tribunal (IPART), the Corporation aligns the estimation of its future cash flows for the purposes of the cash-generating unit test with the IPART regulatory pricing methodology. In this regard, the Corporation uses a model developed internally that complies with the same regulatory principles used by IPART.

These principles involve determining a regulatory asset base (RAB) for the purpose of calculating an 'annual revenue requirement'. The 'annual revenue requirement' is composed of the revenue streams, and therefore the future cash flows, attributable to the existing regulated assets at the reporting date. The 'annual revenue requirement' derived for each year of the model decreases over the long term as the RAB decays through regulatory depreciation.

The model used by the Corporation is a 100-year model, as this captures the future revenue streams and cash flows for most long-lived infrastructure assets. Any cash flows for assets that have useful lives that are longer than 100 years are considered to be not material in present value terms. This model is based on a 'real' framework rather than a 'nominal' framework.

The IPART methodology used to determine prices for the Corporation's water, wastewater and stormwater services is often referred to as a 'building blocks' approach. As mentioned above, its purpose is to derive an 'annual revenue requirement', which is needed by the Corporation to pay for the investment in its assets ('return of' capital), obtain an investment return ('return on' capital) and pay for its operating expenses. In addition, IPART now includes a theoretical income tax amount as one of the building blocks and now also uses a post-tax weighted average cost of capital for the Corporation as the discount rate in deriving the 'annual revenue requirement'.

The Corporation's weighted average cost of capital determined by IPART is an inherent part of the calculation at each Pricing Determination. As mentioned above, Pricing Determinations generally occur every four years. Although IPART has now adopted a post-tax regulatory pricing model, the Corporation's cash-generating unit test converts this approach to a pre-tax approach to comply with Australian Accounting Standard AASB 136 'Impairment of Assets'.

In addition to deriving future net cash flows for regulated categories of system assets from the above regulatory estimation approach, an allowance for estimated cash flows to be derived from or attributable to non-regulated categories of system assets is also included in the cash-generating unit test to derive the total recoverable amount of the Corporation's assets.

Cash outflows used in the cash-generating unit test include all estimated operating expenses that are considered to be efficient and hence passed through from a pricing perspective, as well as any future capital expenditure required to complete asset categories that are under construction and still in progress at the reporting date.

The major assumptions underlying the calculations for the cash-generating unit test for the Corporation, for both the current and previous reporting periods, are detailed in the table below for comparative purposes:

Item	2013	2012
Discount rate	Pre-tax weighted average cost of capital of 8.5% pa 'nominal' (equivalent to a 'real' pre-tax rate of 5.9% pa)	Pre-tax weighted average cost of capital of 8.5% pa 'nominal' (equivalent to a 'real' pre-tax rate of 5.9% pa)
CPI rate	The regulated asset base (RAB) was escalated by the CPI rate, adjusted down for the carbon price impact, of 1.8% prior to determining the annual revenue requirement. Other than this, modelling was undertaken in a 'real' framework.	The regulated asset base (RAB) was reset by IPART as part of the June 2012 Pricing Determination. This value was used to determine the annual revenue requirement. Modelling was undertaken in a 'real' framework.
Period of discounting	Maximum of 100 years or the economic lives of the assets as determined by IPART, whichever is the shorter.	Maximum of 100 years or the economic lives of the assets as determined by IPART, whichever is the shorter.
Cash inflows:		
• Service and usage revenue	The 'annual revenue requirement' calculated using the post-tax IPART regulatory methodology for the full period of discounting, based on the regulatory asset base value (RAB) determined by IPART from the June 2012 Pricing Determination and rolled forward. The 'annual revenue requirement' calculated using the IPART post-tax methodology based on the RAB rolled forward and capital spending in future years limited to only the amount of capital expenditure required to complete capital projects in progress at 30 June 2013.	The 'annual revenue requirement' calculated using the post-tax IPART regulatory methodology for the full period of discounting, based on the regulatory asset base value (RAB) determined by IPART from the June 2012 Pricing Determination. The 'annual revenue requirement' calculated from the IPART post-tax methodology based on the RAB and capital spending in future years limited to only the amount of capital expenditure required to complete capital projects in progress at 30 June 2012.
• Developer charges	No adjustment for developer charges as these have been abolished by NSW Government	No adjustment for developer charges as these have been abolished by NSW Government
• Proceeds from sale of land	Proceeds from sale of land have been deducted from the RAB as part of determining its value rolled forward as at 30 June 2013 since the June 2012 Pricing Determination.	Proceeds from sale of land have been deducted from the RAB as part of determining its value as at 30 June 2012 in the June 2012 Pricing Determination.
• Rental income	50% of expected rental income is used to reduce the 'annual revenue requirement'. The other 50% is included as non-regulated revenue.	50% of expected rental income is used to reduce the 'annual revenue requirement'. The other 50% is included as non-regulated revenue.
• Other non-regulated revenue	Cash flows from non-regulated recycled water assets are added to future regulated income streams determined from the rolled forward RAB. Investment/interest income is excluded.	Cash flows from non-regulated recycled water assets are added to future regulated income streams determined from the RAB. Investment/interest income is excluded.
Cash outflows:		
• Operating expenditure	Operating expenditure from budgets in the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses.	Operating expenditure from budgets in the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses.
• Capital expenditure	Capital expenditure required to complete capital projects in progress at 30 June 2013.	Capital expenditure required to complete capital projects in progress at 30 June 2012.

Cash-generating unit

The Corporation has a single cash-generating unit, which is considered to be at the whole of entity level. This is because all of the system asset categories that it owns work together as an integrated system asset network, rather than as individual assets, to generate cash flows under current pricing methodologies.

Sensitivity to changes in assumptions

The carrying amount of the Corporation's assets is currently their recoverable amount. In this regard, there are currently no reasonably possible changes in any of the above key assumptions that would cause the recoverable amount to be greater than the estimated depreciated replacement cost of these assets.

(f) Non-current assets classified as held for sale

At the reporting date, there was one property (2012: Nil properties) classified as assets held for sale under current assets in the statement of financial position. (Refer note 1(n)). The property was previously used as a regional depot but is now considered to be surplus to the needs of the Corporation.

(g) Changes of estimated useful lives

During the current reporting period, the estimated useful lives of stormwater drains and basins, wetlands infrastructure and pumping stations were reviewed and amended by the Corporation. The changes were as follows:

	Number of years		Effect on depreciation expense
	From	To	$'000
Stormwater drains and basins	150	80 to 150	1,232
Stormwater wetlands infrastructure	150	200	(9)
Stormwater pumping stations	50	15 to 100	2
			1,225

The financial effect in the current reporting period of the above changes in estimated useful lives was to increase depreciation expense by a net $1.225 million. It is not practicable to determine the financial effect on future reporting periods as this is a prospective adjustment commencing with the current reporting period for the remainder of their estimated useful lives whilst held by the Corporation. For example, system asset categories are subject to regular condition assessments that will be incorporated in future asset revaluations and further adjustments to estimates may occur at that time.

10. Intangible assets

Non-current

(a) Movements and carrying amounts

Year ended 30 June 2013	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Acquisitions in progress $'000	Total $'000
At 1 July 2012 – net carrying amount	37,292	108,254	145,546	8,342	28,787	182,675
Additions to acquisitions in progress	-	-	-	-	30,955	30,955
Additions from acquisitions in progress	9,494	27,408	36,902	1,353	(38,255)	-
Additions - other	-	-	-	-	-	-
Disposals	204	-	204	-	-	204
Reclassified as assets held for sale	-	-	-	-	-	-
Other reclassifications	-	-	-	-	(836)	(836)
Impairment losses (-) recognised in profit or loss in the line item 'Other expenses'	-	-	-	(1,866)	-	(1,866)
Impairment losses reversed (+) and recognised in profit or loss in the line item 'Other expenses'	-	-	-	-	-	-
Amortisation charge	(9,724)	(36,539)	(46,263)	-	-	(46,263)
At 30 June 2013 – net carrying amount	37,266	99,123	136,389	7,829	20,651	164,869

	Computer software – internally developed	Computer software – acquired from external parties	Total computer software	Easements and other rights of access	Acquisitions in progress	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2012						
Cost	82,700	282,990	365,690	24,921	28,787	419,398
Accumulated amortisation	(45,408)	(174,736)	(220,144)	-	-	(220,144)
Accumulated impairment	-	-	-	(16,579)	-	(16,579)
	(45,408)	(174,736)	(220,144)	(16,579)	-	(236,723)
Net carrying amount	37,292	108,254	145,546	8,342	28,787	182,675
At 30 June 2013						
Cost	90,095	307,586	397,681	26,271	20,651	444,603
Accumulated amortisation	(52,829)	(208,463)	(261,292)	-	-	(261,292)
Accumulated impairment	-	-	-	(18,442)	-	(18,442)
	(52,829)	(208,463)	(261,292)	(18,442)	-	(279,734)
Net carrying amount	37,266	99,123	136,389	7,829	20,651	164,869

Year ended 30 June 2012	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Acquisitions in progress $'000	Total $'000
At 1 July 2011 – net carrying amount	21,561	124,310	145,871	8,167	32,832	186,870
Additions to acquisitions in progress	-	-	-	-	46,890	46,890
Additions from acquisitions in progress	25,015	21,343	46,358	12,541	(58,899)	-
Additions - other	-	-	-	-	-	-
Disposals	(559)	(84)	(643)	-	-	(643)
Reclassified as assets held for sale	-	-	-	(11,392)	-	(11,392)
Other reclassifications	(387)	384	(3)	-	7,964	7,961
Impairment losses (-) recognised in profit or loss in the line item 'Other expenses'	-	-	-	(960)	-	(960)
Impairment losses reversed (+) and recognised in profit or loss in the line item 'Other expenses'	-	-	-	-	-	-
Amortisation charge	(8,338)	(37,699)	(46,037)	(14)	-	(46,051)
At 30 June 2012 – net carrying amount	37,292	108,254	145,546	8,342	28,787	182,675

	Computer software – internally developed $'000	Computer software – acquired from external parties $'000	Total computer software $'000	Easements and other rights of access $'000	Acquisitions in progress $'000	Total $'000
At 1 July 2011						
Cost	59,904	267,376	327,280	23,430	32,832	383,542
Accumulated amortisation	(38,343)	(143,066)	(181,409)	(4)	-	(181,413)
Accumulated impairment	-	-	-	(15,259)	-	(15,259)
	(38,343)	(143,066)	(181,409)	(15,263)	-	(196,672)
Net carrying amount	21,561	124,310	145,871	8,167	32,832	186,870
At 30 June 2012						
Cost	82,700	282,990	365,690	24,921	28,787	419,398
Accumulated amortisation	(45,408)	(174,736)	(220,144)	-	-	(220,144)
Accumulated impairment	-	-	-	(16,579)	-	(16,579)
	(45,408)	(174,736)	(220,144)	(16,579)	-	(236,723)
Net carrying amount	37,292	108,254	145,546	8,342	28,787	182,675

(b) Recognition and Measurement

The Corporation has two main categories of intangible assets that are recognised in the statement of financial position, as follows:

Computer application software

Computer application software that is not an integral part of any related hardware is classified as an intangible asset. Software that is an integral part of related hardware is incorporated within the class of computer equipment under property, plant and equipment.

Computer application software is dissected between software that has been internally developed and software that has been acquired from external sources.

Computer application software is assessed as having a finite life. Accordingly it is amortised over the expected useful life for the particular software. (Refer note 1(f)).

Easements and other rights of access

Easements are legal rights acquired by the Corporation to be able to gain access to its system assets where they are situated on, or under the surface of, land owned by parties external to the Corporation. Where easements are not legally able to be created over certain properties (such as Commonwealth land), other rights of access by the Corporation are usually by way of a licensing agreement with the property owner concerned for a defined period.

Easements are determined to have indefinite lives, as there is no finite period over which their use is fully consumed. They convey a right to the Corporation to enable it to gain access to its system assets over an indefinite period of time. Unlike the system assets themselves, which are consumed over a finite period and undergo replacement to enable continuity of service, an easement can exist continuously throughout this period and beyond, and thus may never need to be released. Easements are only derecognised when a management decision has been made to relocate the relevant system asset component and the need for the easement no longer exists.

Since easements are viewed as having an indefinite life, they are not amortised. However, they are tested for impairment as part of the cash-generating unit test used to determine the recoverable amount of system assets of the Corporation's single cash-generating unit. (Refer note 9(c)). Other rights of access that have a defined licensing period are amortised over that period on a straight-line basis.

Any proportional impairment write-down to recoverable amount that is applied to system assets in the Corporation's single cash-generating unit is also applied to the easements and other rights of access within those units. Easements and other rights of access do not have their own recoverable amount separate from system assets.

As mentioned earlier in note 9(d), easements totalling $11.392 million were sold on 1 February 2012 to the former subsidiary, Sydney Desalination Plant Pty Limited, along with the pipeline that connects the desalination plant at Kurnell, NSW, to the Corporation's system asset network at Erskineville. As part of this transaction, the pipeline was sold for $643.642 million, along with associated deferred tax liabilities totalling $12.860 million. The net of all of these amounts totalling $642.174 million was used to extinguish borrowings by the Corporation, with a corresponding increase in borrowings for the former subsidiary upon acquisition of these assets. No cash was exchanged as part of this transaction. The above transfer took place in order to position all relevant desalination plant and associated assets, such as the pipeline, land, easements and other access rights, within the former subsidiary prior to its sale to the successful bidder in the private sector on 1 June 2012.

11. Deferred tax assets and liabilities

(a) Recognised and unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities recognised in the statement of financial position are attributable to the following:

	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Property, plant and equipment	-	-	801,692	774,449	801,692	774,449
Accrued interest revenue	-	-	153	6	153	6
Consumable stores	-	-	266	156	266	156
Employee benefits	(258,482)	(328,102)	-	-	(258,482)	(328,102)
Provisions not currently deductible	(18,239)	(11,953)	-	-	(18,239)	(11,953)
Anticipated receipts and accrued expenses	(156)	(271)	-	-	(156)	(271)
Other financial instruments	(21,986)	(24,432)	-	-	(21,986)	(24,432)
Greenhouse trading certificates	-	-	2,647	5,049	2,647	5,049
Tax (assets) liabilities	(298,863)	(364,758)	804,758	779,660	505,895	414,902
Set-off of tax	298,863	364,758	(298,863)	(364,758)	-	-
Net tax (assets) / liabilities	-	-	505,895	414,902	505,895	414,902

There were no unrecognised deferred tax assets and liabilities for the Corporation at the reporting date.

(b) Movements in temporary differences

	Balance 1 July 2012 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2013 $'000	Balance 1 July 2011 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2012 $'000
Property, plant and equipment	774,449	40,165	(12,922)	801,692	580,182	85,292	108,975	774,449
Accrued interest revenue	6	147	-	153	4	2	-	6
Consumable stores	156	110	-	266	259	(103)	-	156
Employee benefits	(328,102)	8,308	61,312	(258,482)	(173,708)	(5,908)	(148,486)	(328,102)
Provisions not currently deductible	(11,953)	(6,286)	-	(18,239)	(14,346)	2,393	-	(11,953)
Anticipated receipts and accrued expenses	(271)	115	-	(156)	(1,181)	910	-	(271)
Other financial instruments	(24,432)	2,446	-	(21,986)	(28,115)	3,683	-	(24,432)
Greenhouse trading certificates	5,049	(2,402)	-	2,647	1,566	3,483	-	5,049
Net tax (assets) / liabilities	414,902	42,603	48,390	505,895	364,661	89,752	(39,511)	414,902

	Note	2013 $'000	2012 $'000

12. Trade and other payables

	Note	2013 $'000	2012 $'000
Current			
Trade payables		59,633	42,804
Non-trade payables and accrued expenses		473,262	501,433
Total trade and other payables		532,895	544,237

Significant terms and conditions

Trade accounts payable and accrued expenses (other than for interest on loans) are normally settled within 30 days. Accrued interest on loans and advances is generally payable within a maximum period of six months. Other non-trade payables are payable at various times throughout the reporting period. Trade and other payables are not secured against the assets of the Corporation.

Refer also note 25(c) for a maturity analysis of all financial assets and financial liabilities.

Financial guarantees

At the current reporting date, the Corporation had no financial guarantees in place with external parties.

13. Borrowings and other financial liabilities

	Note	2013 $'000	2012 $'000
Current			
Current portion of long-term borrowings		6,234	6,178
Other financial liabilities:			
Current portion of obligation under Blue Mountains Sewage Transfer scheme		1,912	1,797
Current portion of finance lease liabilities		3,094	2,807
Total current borrowings and other financial liabilities		11,240	10,782
Non-current			
Long-term borrowings		5,859,608	5,406,240
Other financial liabilities:			
Long-term obligation under Blue Mountains Sewage Transfer Scheme		58,044	59,956
Long-term obligation under finance lease liabilities		127,669	130,763
Total non-current borrowings and other financial liabilities		6,045,321	5,596,959

Significant terms and conditions

(a) Borrowings

Financial accommodation

The Corporation obtains financial accommodation from the following facilities:

- a bank overdraft facility with its corporate banker
- a purchase credit card facility with its corporate banker
- a bank guarantee facility with its corporate banker and with NSW Treasury Corporation
- a 'Come and Go' short-term borrowing facility with NSW Treasury Corporation
- long-term borrowing facilities with NSW Treasury Corporation.

These financing facilities are approved by the NSW Treasurer under the *Public Authorities (Financial Arrangements) Act 1987*. The NSW Treasurer's approval of the facilities relating to the Corporation is in place until amended or revoked.

Details in relation to each of these facilities at the reporting date are provided below.

- **Bank overdraft facility**

At the reporting date, the Corporation has a bank overdraft facility of $10 million (2012: $10 million) with its corporate banker. The bank overdraft facility is used as and when required as part of the Corporation's daily cash management functions. It provides coverage of $10 million (2012: $10 million) during the day and $2 million (2012: $2 million) overnight. Overdraft interest is charged on the basis of the corporate banker's debit rate that is calculated daily and applied to overdrawn balances. This facility was not utilised at the reporting date (2012: $Nil) by the Corporation.

- **Purchase credit card facility**

At the reporting date, the Corporation has the NSW Treasurer's approval for a purchase credit card facility limit of $5 million (2012: $5 million). The purchase credit card facility is used by the Corporation only as an efficient means for staff to purchase low value monetary items for the Corporation. At the reporting date, the purchase credit card facility in place with the Corporation's corporate banker amounted to $2.5 million (2012: $2.5 million) and the amount payable from the use of purchase credit cards amounted to $0.064 million (2012: $0.016 million). This amount is included within trade and other payables in the statement of financial position.

- **Bank guarantee facility**

At the reporting date, the Corporation has the NSW Treasurer's approval for obtaining a total bank guarantee facility of up to $55 million (2012: $55 million) from either the Corporation's corporate banker, NSW Treasury Corporation or a combination of both. This facility is predominantly used by the Corporation to provide a bank guarantee to the WorkCover Authority in respect of the Corporation's remaining self-insurance workers' compensation liability. However, the facility is also used from time to time by the Corporation whenever a bank guarantee is required, in lieu of security deposits, under contractual arrangements with external parties. (Refer also note 26(a)). At the reporting date, $43.082 million of this total facility had been utilised (2012: $43.682 million) by the Corporation.

- **'Come and Go' short-term borrowing facility**

At the reporting date, the Corporation has a 'Come and Go' short term borrowing facility of $100 million (2012: $100 million) in place with the NSW Treasury Corporation. The 'Come and Go' facility was used extensively as part of the Corporation's daily cash management function during the reporting period. This facility totalled $Nil at the reporting date (2012: $Nil).

- **Long- term borrowing facilities**

At the reporting date, the Corporation has approval to obtain long-term borrowing facilities from the central borrowing authority, the NSW Treasury Corporation. The Corporation cannot borrow new loans in its own name from the market. Instead, both new loans and the refinancing of maturing existing loans need to be arranged via the NSW Treasury Corporation, which raises borrowings on the Corporation's behalf.

At the reporting date, the NSW Treasurer had approved a global borrowing limit up to $6.696 billion (2012: $6.696 billion) for the Corporation including the Come and Go facility. The global limit in place for the current reporting period effectively resulted in the Corporation having approval to obtain additional loan funding during the current reporting period of $1.284 billion (2012: $676.6 million) in excess of the debt balance at the previous reporting date.

Of the Corporation's total new longer term borrowing facilities of $1.284 billion (2012: $676.6 million) in place with the NSW Treasury Corporation in the current reporting period, loan proceeds of $440.112 million (2012: $415.486 million) were drawn down by the Corporation by the reporting date and loans totalling $6.178 million (2012: $404.875 million) were repaid.

Long-term borrowings shown in this note consist of the following categories:

- Board's loans
- Commonwealth Government loans
- Other advances
- NSW Treasury Corporation loans.

None of these categories are secured against the assets of the Corporation. Details in respect of each category are shown below. For details in respect of the maturity analysis of these long-term borrowings, refer to note 25(c).

- **Board's loans**

Board's loans comprise loans raised prior to 1983 when the then Metropolitan Water Sewerage and Drainage Board (a predecessor entity of the Corporation) borrowed in its own name. These are 'bullet' loans, on which interest is paid on a half yearly basis and the full principal is repaid on maturity. These loans will mature within a maximum period of one year. Board's loans outstanding at the reporting date totalled $0.720 million (2012: $1.520 million) for the Corporation.

- **Commonwealth Government loans**

Commonwealth Government loans were issued via the NSW Government over several years in the 1970s to the then Metropolitan Water Sewerage and Drainage Board to fund sewerage backlog works. These loans involve the half-yearly payment of principal and interest and will mature within a maximum period of three years. Principal repayments are not refinanced. Commonwealth Government loans outstanding at the reporting date totalled $12.416 million (2012: $17.380 million) for the Corporation.

- **Other advances**

Other advances comprise loan obligations assumed from the Blue Mountains and Penrith City Councils when predecessor entities of the Corporation assumed control over the water and/or wastewater systems of those councils. The majority of the outstanding loans involve the half-yearly repayment of principal and interest over the life of the loans. Some 'bullet' loans remain, on which interest is paid on a half yearly basis and the full principal is repaid on maturity. These loans are very long term in nature with many extending between one year and six years. Other advances outstanding at the reporting date totalled $0.737 million (2012: $1.151 million) for the Corporation.

- **NSW Treasury Corporation loans**

The largest category of loans outstanding is NSW Treasury Corporation loans. These are loans raised on behalf of the Corporation by the central borrowing authority, the NSW Treasury Corporation.

Loans are negotiated with either a floating interest rate, in which case the rate is reset periodically in accordance with the requirements of the Corporation, or at a fixed rate where interest is paid half-yearly in arrears or on maturity. Additionally, the NSW Treasury Corporation provides CPI indexed bonds to the Corporation. These loans are either restated by an indexation adjustment based on the Australian CPI on a quarterly basis, or they pay the CPI indexation semi-annually along with the interest payment.

The Corporation's loans are usually refinanced at maturity. In the previous reporting period, loans totalling $642.174 million for the Corporation were extinguished along with the transfer of the desalination pipeline on 1 February 2012 to the Corporation's former subsidiary Sydney Desalination Plant Pty Limited. (Refer also note 9(d)).

Short-term debt facilities have a term to maturity of between one and six months, while fixed rate loans currently have maturities up to 28 years (2012: 29 years) for the Corporation. CPI indexed bonds have a maximum term to maturity of 22 years to 2035 (2012: 23 years to 2035).

NSW Treasury Corporation loans outstanding at the reporting date, inclusive of any deferred discounts or premiums on the loans, totalled $5.852 billion (2012: $5.392 billion) for the Corporation.

(b) Other financial liabilities

Details in respect of other financial liabilities, which are not secured against the assets of the Corporation, are as follows:

- **Obligation under Blue Mountains Sewage Transfer Scheme:**

Availability payments to the private sector under this contract include repayment of principal (per above) and interest calculated at a real yield of 6.25%. Payments are made quarterly and are indexed with movements in Average Weekly Ordinary Time Earnings (AWOTE). The contract commenced in the 1995-96 reporting period and is for 35 years, with the Corporation having an option to extend for a further 15 years. If the Corporation chooses to exercise the option after 35 years, the annual payment to be made until the end of the agreement will be fixed at 80% of the final payment in the 35th year with no further indexation. At the end of the agreement, the legal title of the tunnel constructed under this scheme will ultimately transfer to the Corporation at a nominal consideration of $1.

- **Finance lease liabilities:**

As mentioned in note 1(f), the Corporation has identified a finance lease within the renegotiated water filtration agreement with the owners of the Macarthur Water Filtration Plant. The new agreement took effect from 1 March 2011 and extends for nearly 20 years to 8 September 2030.

The new agreement has within it an obligation for the Corporation to make a fixed daily payment to the owners of the Plant as part of the availability charge component of the tariff. This daily charge does not vary over the term of the agreement and is not dependent on output or performance, and the ongoing payment stream ultimately leads to a bargain purchase option of $1 at the end of the agreement. In the Corporation's view, this payment stream in substance represents a series of lease payments that together with the bargain purchase option create a finance lease arrangement with the owners of the Plant.

The net present value of the future payment stream of these lease payments at the reporting date has been recognised as a finance lease liability in the statement of financial position. The interest rate used for discounting this payment stream is the Corporation's then 'real' pre-tax weighted average cost of capital of 7.5% per annum, which is equivalent to a nominal rate of 10.19% per annum. Lease payments are allocated between repayment of principal (per above) and interest, which is recognised within finance costs in profit or loss.

For details in respect of the maturity analysis for all of the above financial liabilities, refer to note 25(c).

	Note	2013 $'000	2012 $'000

14. Dividends payable

Current

Dividends recognised during the period:

Dividend on ordinary shares held by the Corporation's shareholders and recognised as a liability at 13.40 cents per share (2012: 7.79 cents per share) *	19, 20	416,425	242,000

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

* The total amount of dividends recognised during the current reporting period as a liability amounted to $416.425 million. This comprised of $290.625 million in respect of the current reporting period's profit after tax and an amount of $125.800 million in relation to the after-tax gain on the sale of the Corporation's former subsidiary Sydney Desalination Plant Pty Limited on 1 June 2012. The latter amount was subsequently paid during the current reporting period (see below), leaving a balance outstanding at the reporting date of $290.625 million in the Statement of Financial Position.

Dividends paid during the period:

Dividend on ordinary shares paid to the Corporation's shareholders at 11.83 cents per share (2012: 7.40 cents per share) **		367,800	230,000

** The dividend paid in the current reporting period includes an amount of $125.800 million in relation to the after-tax gain on the sale of the Corporation's former subsidiary Sydney Desalination Plant Pty Limited on 1 June 2012. The remaining portion of $242.000 million was in respect of the dividend recognised as a liability at the previous reporting date.

	Note	2013 $'000	2012 $'000

15. Provisions

(a) Carrying amounts

Current

		2013 $'000	2012 $'000
Short-term provisions:			
Employee benefits for annual leave #		33,424	36,209
Termination benefits		30,734	21,993
Employee benefits on-costs		2,272	2,241
Road restoration		8,849	9,977
		75,279	70,420
Current portion of long-term provisions:			
Employee benefits for long service leave #		111,376	118,972
Employee benefits on-costs		6,070	6,484
Workers' compensation self-insurance		2,727	2,307
General insurance		1,314	1,778
Restoration of leased premises		359	-
Restoration costs from decommissioning system asset network components		14,635	6,500
		136,481	136,041
Total current provisions		211,760	206,461

As mentioned in note 1(u), provisions are classified as current liabilities if the Corporation does not have an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date. This means that short-term employee benefits provisions, such as annual leave entitlements, and the unconditional component of long service leave entitlements, must be classified as current liabilities regardless of when they are expected to be settled.

In relation to employee benefits for annual leave recognised above as a current liability, the Corporation expects to make payments totalling $20.572 million (2012: $20.009 million) in the next reporting period.

In relation to employee benefits for long service leave (the unconditional component) recognised above as a current liability, the Corporation expects to make payments totalling $22.826 million (2012: $15.869 million) in the next reporting period.

All other provisions under current liabilities are expected to be paid in the next reporting period for the amount so recognised.

Non-current

		2013 $'000	2012 $'000
Long-term provisions:			
Employee benefits for long service leave		7,142	8,422
Employee benefits on-costs		389	459
Post-employment benefits from superannuation		670,200	898,894
Workers' compensation self-insurance		25,838	29,856
General insurance		3,948	5,298
Restoration of leased premises		6,993	7,597
Restoration costs from decommissioning system asset network components		24,029	7,981
Total non-current provisions		738,539	958,507

	Note	2013 $'000

(b) Reconciliations of movements in carrying amounts

Reconciliations of the carrying amounts of each class of provision, other than for employee benefits which is excluded from the scope of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', are set out below:

- **Road restoration**

Carrying amount at beginning of period	9,977
Provisions made during the period	7,864
Provisions used during the period	(8,992)
Carrying amount at end of period	8,849

This provision is used to recognise the Corporation's obligations for payment of road restoration costs to local government councils. Such obligations arise during a period of construction or maintenance activity by the Corporation, where roads need to be restored to their original condition at the completion of the activity. There is uncertainty in relation to the amount estimated on a project basis. However, there is also some uncertainty as to the timing of payment as it is dependent on actual invoicing by local government councils and any associated delays. The Corporation's estimates are based on past experience of works undertaken.

- **Workers' compensation self-insurance**

Carrying amounts at beginning of period:	
Current	2,307
Non-current	29,856
	32,163
Provisions made (reversed) during the period	(2,300)
Provisions used during the period	(2,195)
Unwinding of discount	897
	28,565
Carrying amounts at end of period:	
Current	2,727
Non-current	25,838
	28,565

This provision is used to recognise the Corporation's remaining self-insurance liability for workers' compensation injury claims prior to 1 March 2007. The provision is actuarially calculated on a discounted cash flow basis, using a range of information including case cost estimates that are assessed having regard to a number of factors such as the type of injuries and claims, potential recoveries and industry wide experience. The liability recognised also includes an estimate for incurred but not reported claims based on past experience, and is based on a likelihood of adequacy of 50%. Associated with the liability, the actuary has estimated expected recoveries totalling $0.730 million (2012: $0.793 million). These recoveries have not been recognised as an asset as they are not considered to be virtually certain.

Due to the long-term nature of the liability, there is uncertainty in a number of factors such as the costs that will ultimately be incurred, the discount rate that is used by the independent actuary, the time period for settlement of the claims, the level of likelihood of adequacy adopted by the Corporation and the possibility that claims incurred and not yet reported may be underestimated or overestimated.

	Note	2013 $'000
• **General insurance**		
Carrying amounts at beginning of period:		
Current		1,778
Non-current		5,298
		7,076
Provisions made during the period		9,884
Provisions used during the period		(11,876)
Unwinding of discount		178
		5,262
Carrying amounts at end of period:		
Current		1,314
Non-current		3,948
		5,262

This provision is used to recognise the Corporation's proportion of insured and uninsured claims under circumstances where the Corporation is liable to pay for damage, costs, loss or injury (other than workers' compensation). The provision is actuarially calculated on a discounted cash flow basis, using a range of information including estimates of the probable cost of each claim, the type of injuries and claims, potential recoveries and industry wide experience. The liability recognised also includes an estimate for incurred but not reported claims based on past experience and the nature of the claims.

In assessing this provision, there is uncertainty in a number of factors such as the costs that will ultimately be incurred, the discount rate that is used by the independent actuary, the time period for settlement of the claims, the level of likelihood of adequacy adopted by the Corporation and the possibility that claims incurred and not yet reported may be under- or over-estimated. In respect of a claim or series of claims arising out of an incident where there is insurance coverage, the amount recognised is not greater than the deductible stated on the relevant policy.

• **Restoration of leased premises**		
Carrying amounts at beginning of period:		
Current		-
Non-current		7,597
		7,597
Provisions (reversed) made during the period		(482)
Provisions used during the period		-
Unwinding of discount		237
		7,352
Carrying amounts at end of period:		
Current		359
Non-current		6,993
		7,352

This provision is used to recognise the Corporation's obligation in respect of payment of restoration costs for leased premises, whereby the Corporation must restore the relevant leased premises back to their original state at the end of the lease term. Estimates of restoration costs are calculated based on details of the individual property concerned and the terms and conditions of the relevant lease. These estimates are then discounted using the yield on government bonds. The main uncertainty is in relation to the actual restoration costs that will ultimately be incurred. Estimates will also change if there is a change in the discount rate.

	Note	2013 $'000
• **Restoration costs from decommissioning system asset network components**		
Carrying amounts at beginning of period:		
Current		6,500
Non-current		7,981
		14,481
Provisions made (reversed) during the period		25,813
Provisions used during the period		(1,820)
Unwinding of discount		190
		38,664
Carrying amounts at end of period:		
Current		14,635
Non-current		24,029
		38,664

This provision is used to recognise the Corporation's obligation for restoration costs in respect of the decommissioning of system asset network components. Such costs include costs for the purpose of dismantling, decommissioning, removing a system asset network component and restoring the site on which it was located. It also includes constructive obligations for rectification works where safety issues have been identified, such as electrical cabling repairs and asbestos removal. Obligations arise when it is known that an asset is being constructed for a temporary period or when a management decision is made to alter the system asset network by decommissioning a system asset network component, or when investigations reveal that safety issues require rectification on the relevant sites.

The liability is calculated on a discounted cash flow basis, using the yield on government bonds as the discount rate. Estimates of costs are made on a case by case basis at the reporting date, depending on the specific system asset network component and its location, the constructive obligation being assessed, and using past experience. Estimates are also made in relation to the period over which the system asset network component will be decommissioned, or the constructive obligation is expected to be settled. In calculating these estimates, some uncertainty exists in relation to the actual costs that will ultimately be incurred for the restoration, and in relation to the period of time until actual decommissioning occurs or the rectification works will be completed. Estimates will also change if there is a change in the discount rate.

(c) Post-employment benefits from superannuation schemes

- **Defined contribution superannuation schemes**

The Corporation contributes to the First State Superannuation Scheme, a defined contribution scheme, as well as other private schemes to a lesser extent. The amount recognised as an expense in profit or loss, as part of employee-related expenses, is $8.088 million (2012: $8.463 million). (Refer also note 2(c)).

- **Defined benefit superannuation schemes**

The Corporation contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund, which holds in trust the investments of these schemes. The schemes are:

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

As these schemes are defined benefit schemes, at least a component of the final benefit is derived from a multiple of member salary and years of membership. Benefits are payable on retirement, disability or death.

These schemes are closed to new members.

The following disclosures in relation to these schemes have been provided by Pillar Administration.

	SASS		SANCS		SSS	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Reconciliation of the present value of the defined benefit obligation						
Present value of partly funded defined benefit obligations at beginning of period	277,091	247,638	59,265	54,659	1,488,678	1,087,948
Current service cost	6,632	6,074	2,441	2,423	6,209	4,773
Interest cost	8,086	12,451	1,715	2,734	44,782	56,231
Contributions by fund participants	3,606	3,658	-	-	5,397	5,830
Actuarial (gains) losses	(4,515)	29,772	(6,463)	6,647	(120,225)	378,441
Benefits paid	(23,844)	(22,502)	(5,741)	(7,198)	(48,847)	(44,545)
Past service cost	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Settlements	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Exchange rate changes	-	-	-	-	-	-
Present value of partly funded defined benefit obligations at end of period	267,056	277,091	51,217	59,265	1,375,994	1,488,678
Reconciliation of the fair value of fund assets						
Fair value of fund assets at beginning of period	176,389	184,116	26,089	30,803	723,662	755,815
Expected return on fund assets	14,372	15,136	2,064	2,509	60,408	63,425
Actuarial gains (losses)	14,236	(11,430)	1,980	(2,497)	56,953	(66,168)
Employer contributions	7,134	7,411	2,245	2,472	7,964	9,305
Contributions by fund participants	3,606	3,658	-	-	5,397	5,830
Benefits paid	(23,844)	(22,502)	(5,741)	(7,198)	(48,847)	(44,545)
Settlements	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Exchange rate changes	-	-	-	-	-	-
Fair value of fund assets at end of period	191,893	176,389	26,637	26,089	805,537	723,662
Reconciliation of the assets and liabilities recognised in the statement of financial position						
Present value of partly funded defined benefit obligations at end of period	267,056	277,091	51,217	59,265	1,375,994	1,488,678
Fair value of fund assets at end of period	(191,893)	(176,389)	(26,637	(26,089)	(805,537)	(723,662)
	75,163	100,702	24,580	33,176	570,457	765,016
Unrecognised past service cost	-	-	-	-	-	-
Unrecognised gain (loss)	-	-	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-	-	-
Net liability (asset) recognised in the statement of financial position at end of period	75,163	100,702	24,580	33,176	570,457	765,016

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	SASS		SANCS		SSS	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Expense recognised in profit or loss by component						
Current service cost	6,632	6,074	2,441	2,423	6,209	4,773
Interest cost	8,086	12,451	1,715	2,734	44,782	56,231
Expected return on fund assets (net of expenses)	(14,372)	(15,136)	(2,064)	(2,509)	(60,408)	(63,425)
Past service cost	-	-	-	-	-	-
Movement in adjustment for limitation on net asset	-	-	-	-	-	-
Curtailment or settlement (gain) loss	-	-	-	-	-	-
Total included in 'Other expenses' in profit or loss (refer also note 2(c))	346	3,389	2,092	2,648	(9,417)	(2,421)
Amounts recognised in other comprehensive income						
Actuarial (gains) losses (refer also note 18)	(18,751)	41,202	(8,443)	9,144	(177,178)	444,609
Adjustment for limit on net asset	-	-	-	-	-	-

Cumulative amount recognised in other comprehensive income

The cumulative amount of actuarial gains and losses since 1 July 2004 recognised in other comprehensive income is an accumulated loss of $820.257 million (2012: accumulated loss of $1,024.629 million).

Before 1 July 2004 and the adoption of Australian equivalents to International Financial Reporting Standards, it is not practicable to determine the cumulative actuarial gain or loss as if the new policy had always been applied, given that the actuarial gains and losses were not separately identified and accumulated, and the superannuation expense was calculated on a different basis.

Fund assets

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

	2013 %	2012 %
Australian equities	30.4	28.0
Overseas equities	26.1	23.7
Australian fixed interest securities	6.9	4.9
Overseas fixed interest securities	2.2	2.4
Property	8.3	8.6
Cash	13.1	19.5
Other	13.0	12.9
	100.0	100.0

Fair value of fund assets

All fund assets are invested by Superannuation Trustee Corporation (STC) at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns for each class are net of investment tax and investment fees.

Actual return on Fund assets

	SASS		SANCS		SSS	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Actual return on plan assets	28,664	280,280	4,044	11,954	120,359	(303,573)

Valuation method and principal actuarial assumptions at the reporting date

(i) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. 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.

(ii) Economic assumptions

	2013	2012
Salary increase rate (excluding promotional increases):		
2013-14	2.25% pa	2.5% pa
2014-15	2.25% pa	2.5% pa
2015-16 to 2019-20	2.0% pa	2.5% pa
2020 onwards	2.5% pa	2.5% pa
Rate of CPI increase	2.5% pa	2.5% pa
Expected rate of return on assets	8.60% pa	8.60% pa
Discount rate	3.80% pa	3.06% pa

(iii) Demographic assumptions

The demographic assumptions at 30 June 2013 are those used in the 2012 triennial actuarial valuation. The demographic assumptions at 30 June 2012 are those used in the 2009 triennial actuarial valuation. The 2012 triennial review report is available from the NSW Treasury website.

Historical information

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
SASS					
Present value of defined benefit obligation	267,056	277,091	247,638	236,343	213,801
Fair value of fund assets	(191,893)	(176,389)	(184,116)	(172,494)	(161,539)
(Surplus) Deficit in fund	75,163	100,702	63,522	63,849	52,262
Experience adjustments - Fund liabilities	(4,515)	29,772	5,319	16,644	4,413
Experience adjustments - Fund assets	(14,236)	11,430	(2,028)	(2,176)	26,820
	(18,751)	41,202	3,291	14,468	31,233
SANCS					
Present value of defined benefit obligation	51,217	59,265	54,659	52,730	48,774
Fair value of fund assets	(26,637)	(26,089)	(30,803)	(29,640)	(29,022)
(Surplus) Deficit in fund	24,580	33,176	23,856	23,090	19,752
Experience adjustments - Fund liabilities	(6,463)	6,647	708	3,457	3,531
Experience adjustments - Fund assets	(1,980)	2,497	(5)	(82)	5,741
	(8,443)	9,144	703	3,375	9,272
SSS					
Present value of defined benefit obligation	1,375,994	1,488,678	1,087,948	1,076,577	990,022
Fair value of fund assets	(805,537)	(723,662)	(755,815)	(726,582)	(689,115)
(Surplus) Deficit in fund	570,457	765,016	332,133	349,995	300,907
Experience adjustments - Fund liabilities	(120,225)	378,441	(9,783)	59,136	169,472
Experience adjustments - Fund assets	(56,953)	66,168	858	(3,479)	137,527
	(177,178)	444,609	(8,925)	55,657	306,999

Expected contributions

	SASS		SANCS		SSS	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Expected employer contributions to be paid in the next reporting period	6,851	6,951	2,388	2,518	8,635	9,327

Funding arrangements for employer contributions

	SASS 2013 $'000	SASS 2012 $'000	SANCS 2013 $'000	SANCS 2012 $'000	SSS 2013 $'000	SSS 2012 $'000
(i) Surplus/deficit						
The following is a summary of the 30 June 2013 and 30 June 2012 financial position of the fund calculated in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'.						
Accrued benefits	226,654	230,304	42,798	50,292	828,015	806,555
Net market value of fund assets	(191,893)	(176,389)	(26,637)	(26,089)	(805,537)	(723,662)
Net (surplus) deficit	34,761	53,915	16,161	24,203	22,478	82,893
(ii) Contribution recommendations						
Recommended contribution rates for the Corporation are:						
Multiple of member contributions	1.90	1.90	-	-	1.60	1.60
Percentage of member salary	-	-	2.50	2.50	-	-

(iii) Funding method

Contribution rates are set after discussion between the Corporation, STC and NSW Treasury.

(iv) Economic assumptions

The economic assumptions adopted for the 2012 actuarial review of the Fund (2012: 2009 actuarial review of the Fund) were:

Weighted Average Assumptions:	2013 % pa	2012 % pa
Expected rate of return on Fund assets backing current pension liabilities	8.3	8.3
Expected rate of return on Fund assets backing other liabilities	7.3	7.3
Expected salary increase rate	2.7 for 6 years, then 4.0	4.0
Expected rate of CPI increase	2.5	2.5

Nature of asset or liability

If a surplus exists in the Corporation's interest in the Fund, the Corporation may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, however, the Corporation is responsible for any difference between its share of Fund assets and the defined benefit obligation.

	Note	2013 $'000	2012 $'000

16. Share capital

Issued and fully paid up share capital

3,108,354,000 (2012: 3,108,354,000) ordinary shares		3,108,354	3,108,354

Significant terms and conditions

The Corporation's two shareholders are:

- the Premier, Minister for Western Sydney
- the Treasurer, Minister for Industrial Relations.

Each shareholder holds 1,554,177,000 ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholders.

Any changes to the Corporation's share capital can only be undertaken in accordance with the Corporation's constitution and with the agreement of its shareholders. There were no movements in share capital during the period.

17. Reserves

(a) Carrying amounts

Asset revaluation reserve		1,149,760	1,183,107
Hedging reserve		-	-
Total reserves		1,149,760	1,183,107

(b) Movements during the reporting period

- **Asset revaluation reserve**

Balance at beginning of period		1,183,107	900,088
Net gain (loss) before tax on revaluation of system and property assets		(43,072)	363,249
Transfer from (to) retained earnings	18	(3,197)	28,745
Tax effect of asset revaluation	3(c)	12,922	(108,975)
Balance at end of period		1,149,760	1,183,107

The asset revaluation reserve relates to system and property assets within property, plant and equipment and non-current assets classified as held for sale (prior to their reclassification to current assets), and comprises after-tax revaluation increments and decrements arising from the revaluation of these assets and any applicable impairment write-downs to recoverable amount on an individual asset basis. (Refer note 1(n)).

In respect of assets that have been reclassified as held for sale, the reserve also includes the cumulative after-tax revaluation increments that existed up until the date of reclassification.

When assets or asset components are derecognised, the amounts in the reserve relating to those assets or asset components are transferred to retained earnings.

	Note	2013 $'000	2012 $'000
• **Hedging reserve**			
Balance at beginning of period		-	-
Net gain (loss) before tax on adjustments to fair value of cash flow hedges		11	-
Transferred to the initial carrying amount of hedged items		(11)	-
Tax effect of fair value adjustments	3(c)	-	-
Balance at end of period		-	-

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

18. Retained earnings

	Note	2013 $'000	2012 $'000
Balance at beginning of period		1,639,962	1,851,293
Profit for the period		415,179	405,883
Superannuation actuarial gains (losses)	2(c), 15(c)	204,372	(494,955)
Income tax (expense) revenue on superannuation actuarial (gains) losses	3(c)	(61,312)	148,486
Transfer from (to) asset revaluation reserve	17(b)	3,197	(28,745)
Transactions with owners as owners:			
Dividends recognised as a liability	14	(416,425)	(242,000)
Balance at end of period		1,784,973	1,639,962

19. Total equity reconciliation

	Note	2013 $'000	2012 $'000
Balance at beginning of period		5,931,423	5,859,735
Total comprehensive income for the period		528,089	313,688
Transactions with owners as owners:			
Dividends recognised as a liability	14	(416,425)	(242,000)
Balance at end of period		6,043,087	5,931,423

	Note	2013 $'000	2012 $'000

20. Notes to the statement of cash flows

(a) Reconciliation of profit to net cash from operating activities

	Note	2013 $'000	2012 $'000
Profit for the period		415,179	405,883
Adjustments for:			
Profit or loss items classified as either investing or financing:			
Net loss (gain) on sale of subsidiary excluding transaction costs	2(c), 24(c)	27	(274,185)
Net loss (gain) on disposal of property, plant and equipment (including assets held for sale)		16,532	17,444
Net loss (gain) on disposal of intangible assets	2(c)	(204)	644
Current year contributions for capital works		(126,221)	(107,578)
Depreciation and amortisation	2(c)	210,900	214,003
Interest expense capitalised to work in progress	2(c)	(62,153)	(74,729)
Interest expense on developer agreements		300	873
Amortisation of deferred discounts (premiums) on loans	2(c)	5,091	8,693
Indexation of CPI bonds	2(c)	14,399	15,894
Loss (gain) on loans repaid prior to maturity	2(c)	-	86
Impairment loss recognised (reversed) for property, plant and equipment	2(c)	14,230	5,338
Impairment loss recognised for intangible assets	2(c), 10(a)	1,866	960
Net movement in statement of financial position items applicable to operating activities:			
Inventories		(233)	214
Greenhouse trading certificates		8,007	(11,609)
Trade and other receivables		38,260	(23,157)
Trade and other payables		(23,330)	24,097
Provisions		(4,691)	21,600
Income tax assets and liabilities		1,840	199,139
Derivatives		11	-
Net cash from operating activities		509,810	423,610

(b) Non-cash financing and investing activities

Assets that are acquired by the Corporation under finance leases or other similar financing arrangements, and assets handed over at no cost by developers are not included in the statement of cash flows as these are regarded as non-cash. The amount capitalised during the current reporting period in respect of assets handed over at no cost by developers to the Corporation was $104.451 million (2012: $89.193 million).

There were no new finance leases during the current or previous reporting periods.

(c) Standby credit arrangements

Details of financial accommodation facilities for the Corporation are disclosed in note 13.

(d) Cash balance not recognised

Under the terms of an agreement between Parramatta City Council and the Corporation, the Corporation is contributing to the overall development of the Civic Place public domain at Parramatta. At the reporting date, an amount of $3.478 million (2012: $3.375 million) is currently placed in an interest-bearing bank account administered by the Corporation in accordance with the agreement. The balance of cash in this bank account has not been recognised by the Corporation as an asset as the account is jointly controlled by both the Corporation and Parramatta City Council.

The cash is not able to be used for any other purpose by the Corporation. Funds can only be released from the bank account when Parramatta City Council provides to the Corporation certification of public domain works procured by the Council in relation to the Civic Place development. At that time, the Corporation must hand over to the Council 14.3 per cent of the certified value of the public domain work completed. Any funds remaining unexpended in the bank account as at 31 December 2018 will return to the Corporation's normal cash management activities and restrictions over the use of this cash will cease.

	Note	2013 $'000	2012 $'000

21. Commitments

(a) Capital expenditure commitments

The total amount of contractual commitments for capital expenditure (covering both property, plant and equipment and intangible assets) at the reporting date (inclusive of GST) is $674.187 million for the Corporation (2012: $638.699 million). The amount of GST included in this amount that is recoverable from the ATO is $61.290 million (2012: $58.064 million).

(b) Operating lease commitments

Payable as lessee

	2013 $'000	2012 $'000
Future operating lease rentals not provided for in the financial statements and payable:		
not later than one year	38,652	40,392
later than one year and not later than five years	139,993	140,357
later than five years	381,083	395,596
	559,728	576,345
Representing:		
Cancellable operating leases	14,687	19,065
Non-cancellable operating leases	545,041	557,280
	559,728	576,345
Non-cancellable operating lease rentals are payable as follows:		
not later than one year	31,729	31,111
later than one year and not later than five years	132,263	130,590
later than five years	381,049	395,579
	545,041	557,280

The Corporation leases property, motor vehicles and some desktop computer equipment under operating leases. It also has an agreement to obtain recycled water from a plant that is owned and operated by an external party in the Rosehill/Camellia area. This recycled water plant was constructed under a privately financed project (PFP) that is in substance an operating lease for the Corporation in relation to the payments made to obtain the recycled water, which is subsequently sold to a small number of foundation customers for industrial and irrigation purposes.

Leases for property generally have terms of one to seven years' duration with option periods following, ranging up to 15 years. The only exception is a 99-year ground lease at Homebush that does not expire until 2086.

Where no option periods exist under these leases, it is necessary to negotiate a new lease with the owner, who has the right to require vacant possession. Where there are option periods, the option to continue occupation rests with the Corporation alone.

The leasing of the Head Office building at 1 Smith Street, Parramatta is by way of an operating lease of 15 years with two 5-year option periods.

Leases for motor vehicles are predominantly for terms between two and five years and provide the Corporation with an option to replace at the end of the lease term.

Leases for desktop computers are generally for three-year terms and provide the Corporation with an option to replace at the end of the lease term. The leases are gradually being phased out, as the Corporation is now purchasing all new desktop computers.

The lease agreement involving the recycled water plant at Rosehill/Camellia is for a term of 20 years, extending to 2031-32.

Amounts disclosed for these commitments include total GST of $17.153 million (2012: $18.576 million) for the Corporation that is recoverable from the ATO.

	Note	2013 $'000	2012 $'000
Receivable as lessor			
Future operating lease rentals not recognised in the financial statements and receivable:			
not later than one year		8,808	9,315
later than one year and not longer than five years		12,281	15,985
later than five years		14,497	14,184
		35,586	39,484

Operating leases are non-cancellable and are mainly in respect of residential, commercial and industrial properties, open space and space for telecommunication towers. Operating leases are for terms ranging from less than one year to 50 years, with the longest remaining term expiring in 2039 with a 50-year option. Lease rentals are generally reviewed annually.

Amounts disclosed for these commitments include total GST of $3.235 million (2012: $3.589 million) that is payable to the ATO.

(c) Finance lease commitments

	Note	2013 $'000	2012 $'000
Payable as lessee			
Future minimum lease payments payable:			
not later than one year		15,695	15,695
later than one year and not later than five years		62,823	62,823
later than five years		191,479	207,174
		269,997	285,692
Less future finance costs		139,234	152,122
Finance lease liabilities – present value		130,763	133,570
Current		3,094	2,807
Non-current		127,669	130,763
Finance lease liabilities in statement of financial position	13	130,763	133,570

These finance lease commitments represent the future payments of a fixed charge per day within the availability charge component of the tariff payable under the renegotiated Macarthur Water Filtration Plant agreement. (Refer also note 1(f)).

The new agreement extends to 8 September 2030, at which time there is a bargain purchase option for the Corporation to acquire the Plant for a terminal value of $1. The discount rate used to derive the net present value of the future lease payments is a 'real' pre-tax rate of 7.50% per annum. This is equivalent to a 'nominal' pre-tax rate of 10.19% per annum.

Amounts disclosed for these commitments do not include GST as they are comprised of principal and interest payments. The additional GST that would be applicable when making these payments and which would be recoverable from the ATO by the Corporation is $27.000 million (2012: $28.569 million).

(d) Commitments for availability charges in other water filtration plant agreements

	2013 $'000	2012 $'000
Future commitments for availability charges not recognised in the financial statements and payable:		
not later than one year	66,067	63,797
later than one year and not later than five years	279,891	272,347
later than five years	236,902	296,785
	582,860	632,929

The above commitments relate to availability charges only in water filtration plant agreements covering the Prospect, Woronora and Illawarra plants. The Prospect agreement expires in 2021, while the agreement for the Woronora and Illawarra plants expires in 2022. The present value of these commitments at the reporting date is $324.085 million (2012: $335.953 million). The amount of GST included in the above commitments that is recoverable from the ATO is $52.987 million (2012: $57.539 million).

	Note	2013 $'000	2012 $'000

22. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was $0.385 million (2012: $1.838 million).

23. Auditors' remuneration

		2013 $'000	2012 $'000
Remuneration for audit of the financial statements by Audit Office of NSW		410	425
		410	425

	Note	2013 $'000	2012 $'000

24. Related party disclosures

The Corporation has related party relationships with key management personnel (refer (a) below), their related entities (refer (b) below), subsidiaries that it owned in the previous reporting period (refer (c) below) and other related parties (refer (d) below).

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various divisions of the Corporation.

Key management personnel compensation is as follows:

	2013 $'000	2012 $'000
Short-term employee benefits	4,256	3,348
Post-employment benefits	625	786
Other long-term benefits	955	150
Termination benefits	352	-
	6,188	4,284
This comprises compensation relating to:		
Directors		
Executive	662	713
Non-executive	588	575
	1,250	1,288
Senior executives	4,938	2,996
	6,188	4,284

The above disclosures for senior executives are based on actual payments made for employee benefits during the reporting period.

(b) Other transactions with key management personnel and related entities

From time to time, key management personnel may purchase goods or services from the Corporation. These purchases are on the same terms and conditions as those entered into by other customers and are trivial or domestic in nature.

Any transactions undertaken with entities related to key management personnel are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

During the current reporting period, the following related party transactions with entities related to key management personnel occurred:

A director of the Corporation from 1 January 2012, Mr B. Morgan, is also a director of Origin Energy Limited from 16 November 2012. From this date to the end of the reporting period, the Corporation made payments totalling $31.427 million to Origin Energy for electricity supply and services. Payments for these services were made on an arm's length basis and on commercial terms and conditions in the ordinary course of business. The Corporation also received payments on an arm's length basis from Origin Energy totalling $0.987 million comprising payments for the sale of greenhouse trading certificates totalling $0.780 million, payments for service and usage charges on properties totalling $0.003 million and payments of $0.204 million to recoup the Corporation for unused electricity due to the Corporation generating its own electricity at treatment plant co-generation facilities.

A close family member of the Corporation's former General Manager, Corporate Services up to 13 July 2012, Ms D. Dawson, was the Transportation Business Stream Leader in the Sydney Office of GHD Pty Ltd during the reporting period. The Corporation engaged GHD Pty Ltd for the provision of various engineering services to the Corporation. Costs incurred by the Corporation with GHD Pty Ltd during the reporting period amounted to $4.480 million (2012: $8.011 million). Payments under these contracts were made on an arm's length basis and on commercial terms and conditions in the ordinary course of business.

During the previous reporting period, the following related party transactions with entities related to former key management personnel occurred:

A director of the Corporation from 1 February 2009 to 31 October 2011, Ms K. McKenzie, was an employee of Telstra Limited at that time. During the previous reporting period, the Corporation made payments totalling $4.040 million to Telstra for a range of telecommunications services. Payments for these services were made on an arm's length basis and on commercial terms and conditions in the ordinary course of business. The Corporation also received payments from Telstra Limited for rental properties made on an arm's length basis totalling $2.342 million.

A director of the Corporation from 21 September 2001 to 31 December 2011, Mr R. Kelly, was a member of the Audit Committee of the Office of State Revenue at that time. During the previous reporting period, the Corporation received net receipts totalling $60.909 million from the Office of State Revenue for various social program receipts and taxation remittances. Transactions with the Office of State Revenue were made on an arm's length basis and in the ordinary course of business.

There were no other material transactions during either the current or previous reporting periods with entities related to key management personnel.

(c) Transactions with former subsidiaries in the previous reporting period

- **Australian Water Technologies Pty Ltd**

The role of the Corporation's former subsidiary, Australian Water Technologies Pty Ltd, was to market the Corporation's expertise in water and water-related services in the water industry to external customers both domestically and overseas. This role was being progressively winding down over time, ending with the subsidiary's voluntary liquidation by 31 May 2012. The subsidiary was deregistered with the Australian Securities and Investments Commission on 13 October 2012.

When the subsidiary undertook that role, the Corporation provided the subsidiary with all of the resources and services necessary for the subsidiary to fulfil any contractual obligations for external work that it had. Services provided included engineering consulting and project management. In providing its resources to the subsidiary, the Corporation charged for its services based upon an assessment of direct costs and a factor to cover local and corporate overheads.

Apart from the above, the subsidiary placed its surplus funds with the Corporation for investment purposes. The Corporation invested these funds and remitted interest earned to the subsidiary on a monthly basis. All amounts deposited and any unpaid interest were recognised as a payable in the Corporation's statement of financial position until the Company's voluntary liquidation, at which time all such amounts were settled and extinguished.

The following is a summary of related party transactions with Australian Water Technologies Pty Ltd in the previous reporting period:

	2012 $'000
Interest revenue earned by former subsidiary from the Corporation	283
Dividend revenue received from former subsidiary by the Corporation	8,436
Income tax liabilities assumed from former subsidiary by the Corporation during the period	85
Repayment of contributed equity received from former subsidiary by the Corporation during the period	2,766

- **Sydney Desalination Plant Pty Limited**

This former subsidiary was established on 13 June 2007 as a special purpose vehicle to procure the construction and ongoing operation and maintenance of a desalination plant at Kurnell, NSW. It was subsequently sold on 1 June 2012 and the Corporation received $398.858 million for the sale of its investment in this former subsidiary. The gain on sale was $254.230 million. (Refer also note 2(b)).

The Corporation provided the former subsidiary with engineering consulting and project management services as part of the overall desalination plant construction project in previous reporting periods. In providing these services and resources to the former subsidiary, the Corporation charged for its services based upon an assessment of direct costs and a factor to cover local and corporate overheads.

A formal trading arrangement was in place during the previous reporting period that included a fixed charge per month and a price per kilolitre of water provided. This trading arrangement was subsequently adjusted on 1 February 2012 to cater for the sale of the desalination pipeline from the Corporation to this former subsidiary. (Refer note 9(d) and below). From 1 July 2012, this trading arrangement has been replaced by the Pricing Determination issued by the Independent Pricing and Regulatory Tribunal (IPART) for this former subsidiary now under new ownership.

A service level agreement was also in place to cover the provision of management and support services provided by the Corporation to the former subsidiary. Such services included corporate governance and executive management, operational and contract management services, telemetry services, water quality monitoring, financial services, environmental services, safety and quality audits. The Corporation charged an agreed fixed management fee per month covering all of these various services. The term of the service level agreement initially covered the period 1 February 2010 to 30 June 2010, and had a mutual option to renew on a rolling six-month basis thereafter. This option was exercised during the previous reporting period.

As mentioned in note 9(d) and above, on 1 February 2012, the Corporation sold to this former subsidiary the pipeline that connects the desalination plant at Kurnell, NSW, to the Corporation's system asset network at Erskineville. The pipeline was sold for $643.642 million, along with associated easements totalling $11.392 million and deferred tax liabilities totalling $12.860 million. The net of these amounts totalling $642.174 million was used to extinguish borrowings by the Corporation, with a corresponding increase in borrowings for the former subsidiary upon acquisition of these assets. No cash was exchanged as part of this transaction.

The following is a summary of related party transactions with Sydney Desalination Plant Pty Limited in the previous reporting period:

		2012 $'000
Sales revenue:		
Operating expense activities		1,892
Capital expenditure activities		460
		2,352
Purchases of desalinated water	2(c)	197,189
Sale of desalination pipeline and easements (net of deferred tax liabilities) to subsidiary	9(d)	642,174
Income tax liability assumed from the former subsidiary by the Corporation during the period		38,716
Government guarantee fee received from the former subsidiary by the Corporation during the period		30,272
Repayment of other contributed equity received from the former subsidiary by the Corporation during the period		9,468

(d) Transactions with other related parties

There were no transactions with other related parties in either the current or previous reporting period.

25. Financial risk management disclosures

Financial instruments and financial risk factors

The Corporation undertakes transactions in a range of financial instruments including:

- cash (refer note 4)
- investments in marketable securities that are cash equivalents (refer note 4)
- receivables (refer note 5)
- payables and financial guarantees (refer note 12)
- borrowings (refer note 13)
- liabilities under the Blue Mountains Sewage Transfer Scheme agreement and the finance lease within the renegotiated Macarthur Water Filtration Plant agreement (refer note 13)
- derivatives.

These financial instruments expose the Corporation to a range of financial risks in its normal course of their business operations. These risks include market risk (both foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management policies, objectives and reporting

The risks outlined above are managed centrally by the Corporation's Treasury Management Unit in its Finance and Corporate Services Division, in accordance with treasury management policies approved by the Board. These policies provide a framework of strict controls within the Corporation to manage the impact of these exposures on the financial results of the Corporation. The policies have also been set to operate in a manner that sits within the overall framework of the *Public Authorities (Financial Arrangements) Act 1987* in NSW. The policies cover a number of aspects such as:

- approved delegation levels and segregation of duties for dealing, authorising and settling treasury management transactions
- approved credit limits for dealing with counterparties
- the types of treasury transactions, including derivatives, that the Corporation can enter into
- approved limits for hedging foreign exchange exposures
- the structure of debt and investment portfolios
- approved benchmarks for managing performance.

Reporting of treasury and financial risk management performance to the Board occurs on a quarterly basis, with specific treasury management matters being reviewed by a designated sub-committee of the Board, on a regular basis. Treasury management strategies and performance are also reported on and reviewed on a monthly basis by a Treasury Committee of senior finance managers within the Finance and Corporate Services Division of the Corporation.

In addition, the NSW Treasury conducts regular reviews of the Corporation's treasury management activities as to its compliance with the *Public Authorities (Financial Arrangements) Act 1987*.

Use of derivative financial instruments and hedge accounting

The Corporation enters into a small number of derivative financial instruments to manage exposure to foreign currency risk and interest rate risk. These instruments can include interest rate swaps, forward interest rate contracts, forward foreign exchange contracts, bond options and interest rate futures. Typically, the most common that are used are forward foreign exchange contracts and, to a lesser extent, interest rate swaps.

The Corporation uses derivative financial instruments for hedging purposes only and does not enter into or trade them for speculative purposes. Strict internal guidelines and treasury management policies approved by the Board exist to control the use of derivative financial instruments.

As mentioned in note 1, hedge accounting involves classification of hedging instruments into categories of fair value hedges and cash flow hedges. A third category known as hedges of net investments in foreign operations is also possible. However, this is not applicable to the Corporation. There were no derivative financial instruments in place at either the current or previous reporting date for the Corporation. Any derivative financial instruments would normally be used as cash flow hedges.

If any derivative financial instruments have been entered into and still exist at the reporting date, they would be shown below in note 25(a) and their maturity analysis would be shown in note 25(c). They are usually recognised in the statement of financial position of the Corporation under other financial assets or other financial liabilities, depending on whether at the reporting date their fair value is measured such that a cash inflow or cash outflow respectively will occur.

Any cash flow hedges are recognised at fair value, with fair value movements recognised in other comprehensive income and reflected in a hedging reserve in the statement of financial position. Hedges are assessed for effectiveness at each reporting date. They are considered to be effective if their cash flows would offset the cash flows of the purchase commitments that they are hedging by a ratio of between 80 to 125%. Any ineffectiveness is recognised in profit or loss.

When cash flow hedges mature, any gain or loss that is ultimately realised is transferred from the hedging reserve in equity to the cost of the carrying amount of the asset acquired under the purchase commitments being hedged.

Financial risk exposures

(a) 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. Market risk comprises two types of financial risk for the Corporation: foreign currency risk and interest rate risk.

- **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The objective in managing foreign currency risk is to minimise the impact that changes in foreign exchange rates will have on the Corporation's financial outcomes.

Exposure to foreign currency risk for the Corporation arises from contractual arrangements for the purchase or supply of goods and services where payment is either required to be made in foreign currency or is pegged to foreign currency rates.

The policies for management of foreign currency risks arising from contractual arrangements for the purchase or supply of goods and services are contained in the Corporation's Treasury Management Policy manual. These policies include hedging of all foreign currency exposures in excess of Australian Dollars (AUD) 1,000,000 and foreign currency exposures above AUD 500,000 that exceed 90 days.

The Corporation generally manages foreign exchange exposures by entering into forward foreign exchange contracts to hedge the relevant purchase and sale commitments. It is the Corporation's policy not to enter forward foreign exchange contracts until a firm commitment is in place and to negotiate the terms of these cash flow hedging derivatives to match the terms of the hedged item in order to maximise hedge effectiveness.

Under forward foreign exchange contracts, the Corporation agrees to exchange specified amounts of various currencies at an agreed future date at a specified exchange rate. Forward foreign exchange contracts can vary in duration from less than one month to several years and they are settled in net terms.

During the current reporting period, the Corporation had one exposure to foreign exchange risk as there was one new contract to acquire specialised equipment from overseas that required hedging under the Corporation's policy. This contract was closed out during the reporting period, and there were no exposures at either the current or previous reporting dates. Accordingly, there were also no forward foreign exchange contracts in place at the current or previous reporting dates.

Sensitivity analysis

A sensitivity analysis showing the effect on profit and equity after tax at the reporting date of a 10% adverse and favourable movement in exchange rates at that date is not required for the Corporation as there were no foreign exchange exposures at the reporting date.

- **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The objective in managing interest rate risk is to manage the impact that changes in interest rates will have on the Corporation's financial outcomes, and thus support the delivery of financial targets contained in the Corporation's Statement of Corporate Intent.

The Corporation is exposed to changes in market interest rates. Although there is a small exposure arising from cash and investment portfolios, the main exposure arises primarily from the Corporation's portfolio of interest-bearing short and long-term borrowings.

The Corporation manages this exposure by implementing various treasury management policies and controls approved by the Board that are designed to ensure debt maturities are spread across the yield curve. These controls include approved parameters specifying the minimum and maximum percentages of debt issuance in maturity bands, approved parameters limiting the maximum exposure to floating interest rate debt products, portfolio duration management targets and approved trading bands.

In addition, a small number of derivative financial instruments are entered into from time to time, when appropriate, to assist in managing interest rate risk. These mainly comprise interest rate swaps, but can also include forward interest rate contracts, bond options and interest rate futures where appropriate. The use of these derivatives is subject to various treasury management policies and controls approved by the Board, including limits on their use and levels of delegation.

The Corporation regularly analyses its interest rate exposure due to the regular use of borrowing facilities with the NSW Treasury Corporation to fund its extensive capital works programs. Within this analysis, consideration is given to potential renewals of existing positions, possible hedging strategies and the appropriate mix of fixed rate, floating variable rate and CPI indexed debt undertaken in light of current and expected conditions in the economy that may affect interest rates. Debt portfolios are constantly repositioned and compared with approved benchmark positions in order to manage the impact of interest rates on finance costs over the long term and to measure portfolio performance.

The Corporation's exposure to interest rate risk at the reporting date increased compared to the previous reporting date due to higher debt levels. However, reductions in official interest rates in the Australian economy as the Reserve Bank of Australia has gradually reduced interest rates, and lower average bond rates, led to reduced debt financing costs.

The Corporation's interest rate exposures are being managed strategically by placing new and maturing debt for fixed maturity periods in fixed and floating rate debt instruments in line with parameters approved by the Board under current treasury management policies. Long-term fixed rate and CPI indexed bonds with maturities to 2041 have been issued in order to maintain a high modified duration of the debt portfolio over time.

All interim and long-term treasury management strategies in regard to borrowings have been approved by the Board. Consideration is currently being given to incorporate further debt management strategies to manage the financial impact of regulatory risks that can occur in the current regulatory pricing environment.

At the current and previous reporting date, there were no derivative financial instruments outstanding for managing interest rate risk.

The following table details the carrying amounts of financial assets and financial liabilities, including their weighted average interest rates, that are exposed to interest rate risk at the reporting date and that are not designated in cash flow hedges:

		Weighted average interest rate		Carrying amount	
	Note	2013 %	2012 %	2013 $'000	2012 $'000
• **Financial assets**					
At amortised cost:					
Cash	4	2.55	3.40	3,831	6,337
				3,831	6,337
• **Financial liabilities**					
At amortised cost:					
Borrowings:					
NSW Treasury Corporation loans	13	5.57	5.97	5,851,969	5,392,367
Board's loans	13	6.59	6.35	720	1,520
Commonwealth Government loans	13	9.73	9.72	12,416	17,380
Other advances	13	8.67	7.79	737	1,151
Obligation under Blue Mountains Sewage Transfer Scheme	13	6.25	6.25	59,956	61,753
Finance lease liabilities	13	10.19	10.19	130,763	133,570
				6,056,561	5,607,741

Sensitivity analysis

The following table shows the effect on profit and equity after tax at the reporting date if nominal interest rates had been 100 basis points (that is, one percentage point) higher or lower than current levels, with all other variables being held constant and taking into account all underlying exposures and related hedges if any. A sensitivity of 100 basis points has been used, as this is considered reasonable based on the current level of both short-term and long-term NSW Treasury Corporation and Australian interest rates.

Based on the value of the Australian short-term interest rates (one month Bank Bill Swap Rate – BBSW) at the reporting date of 2.82% (2012: 3.58%), a 100 basis points increase would increase the rate to 3.82% (2012: 4.58%) and a 100 basis points decrease would reduce the rate to 1.82% (2012: 2.58%). This is broadly representative of recent interest rate increases and decreases within a certain range, which is reasonably possible given historical movements in official interest rates by the Reserve Bank of Australia (RBA). Historically, the RBA official cash rate has fluctuated between 7.25% and 2.75% over the past five years.

	Finance costs* Higher (lower)		Post tax profit* Higher (lower)		Equity* Higher (lower)	
Judgement of reasonably possible events	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Interest rates 100 basis points higher	42	2,257	(29)	(1,580)	(29)	(1,580)
Interest rates 100 basis points lower	(42)	(2,257)	29	1,580	29	1,580

* The impact shown is before capitalisation to qualifying assets and any consequential adjustments to recoverable amount. After capitalisation and consequential adjustments to recoverable amount, there would be no impact on finance costs or post tax profit. However, equity would be lower by $0.029 million (2012: $1.580 million lower) for a 100 basis point increase, and vice versa.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In this context, it refers to the risk that indebted counterparties will default on their contractual obligations, resulting in financial loss to the Corporation. Exposures to credit risk for the Corporation exist in respect of all financial assets recognised in the statement of financial position, such as trade and other receivables, cash and cash equivalents, investments in marketable securities and derivative financial instruments (if any).

In respect of trade and other receivables, the Corporation monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding.

In respect of cash and cash equivalents, investments in marketable securities and derivative financial instruments (if any), the Corporation only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating against the risk of financial losses from defaults. Policies are in place to monitor the credit ratings of counterparties and to limit the amount of funds placed with those counterparties, depending on their credit rating. In addition, only highly liquid marketable securities are used for investment purposes.

There was no change to the level of credit risk exposure for the Corporation during the current reporting period. At the reporting date, there were no significant concentrations of credit risk in which the Corporation is significantly exposed to any single counterparty or group of counterparties having similar characteristics or similar geographical locations.

At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of each financial asset in the statement of financial position. (Refer notes 4 and 5).

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is managed by the Corporation through the maintenance of extensive short-term and long-term cash flow forecasting models, and through the availability of financial accommodation facilities approved by the Treasurer of NSW under the *Public Authorities (Financial Arrangements) Act 1987*. These facilities include a long-term fixed borrowing facility with the NSW Treasury Corporation, a 'Come and Go' short-term borrowing facility with the NSW Treasury Corporation, and a bank account overdraft facility with the Corporation's corporate banker. Details of all financial accommodation facilities are shown in note 13.

The objective of managing liquidity risk using the above facilities is to maintain a balance of funding and flexibility in ensuring cash is available each day to meet the Corporation's financial obligations, whilst maintaining a daily bank balance with minimum surplus funds (with a target of between $Nil and $3 million on at least 90% of calendar days). In addition, the Corporation's treasury management policies limit debt with terms to maturity of less than three months to 30% of total borrowings within the Corporation's debt portfolio.

During the current reporting period, the Corporation's liquidity risk increased due to the additional funding required to meet commitments under its extensive capital works programs, given the Corporation's revenue levels under its current IPART Pricing Determination. The exposure to this increased liquidity risk was managed by obtaining the approval of the NSW Treasurer to secure the appropriate levels of both long-term and short-term borrowing facilities with NSW Treasury Corporation, and using the facilities in accordance with approved policies for cash flow management, so that all commitments could be met as and when they fell due.

Maturity analysis of financial assets and financial liabilities recognised in the statement of financial position

The following tables reflect the maturity bands for settlement of the carrying amounts of financial assets and financial liabilities recognised in the statement of financial position at the reporting date.

2013	Note	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
		Repricing or maturing in:						
• **Financial assets**								
At amortised cost:								
Cash	4	3,831	-	-	-	-	-	3,831
Trade and other receivables	5	322,272	-	-	-	-	-	322,272
		326,103	-	-	-	-	-	326,103
• **Financial liabilities**								
At amortised cost:								
Trade and other payables	12	532,895	-	-	-	-	-	532,895
Borrowings:								
Board's loans	13	720	-	-	-	-	-	720
Commonwealth Government loans	13	5,457	5,998	961	-	-	-	12,416
Other advances	13	58	209	249	184	25	12	737
NSW Treasury Corporation loans	13	420,023	408,702	638,644	1,019,426	271,190	3,093,984	5,851,969
Obligation under Blue Mountains Sewage Transfer Scheme	13	-	-	-	-	-	59,956	59,956
Finance lease liabilities	13	-	-	-	-	-	130,763	130,763
		959,153	414,909	639,854	1,019,610	271,215	3,284,715	6,589,456

2012	Note	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
		Repricing or maturing in:						
• **Financial assets**								
At amortised cost:								
Cash	4	6,337	-	-	-	-	-	6,337
Trade and other receivables	5	352,900	7,658	-	-	-	-	360,558
		359,237	7,658	-	-	-	-	366,895
• **Financial liabilities**								
At amortised cost:								
Trade and other payables	12	544,237	-	-	-	-	-	544,237
Borrowings:								
Board's loans	13	800	720	-	-	-	-	1,520
Commonwealth Government loans	13	4,964	5,457	5,998	961	-	-	17,380
Other advances	13	414	58	209	249	184	37	1,151
NSW Treasury Corporation loans	13	232,000	412,310	407,597	426,472	1,012,272	2,901,716	5,392,367
Obligation under Blue Mountains Sewage Transfer Scheme	13	-	-	-	-	-	61,753	61,753
Finance lease liabilities	13	-	-	-	-	-	133,570	133,570
		782,415	418,545	413,804	427,682	1,012,456	3,097,076	6,151,978

Contractual maturities of all cash flows from financial liabilities

The following tables reflect the maturity bands for all undiscounted contractual payments for settlement, including repayments of principal and interest, resulting from recognised financial liabilities as at the reporting date. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

	Note	Repricing or maturing in: Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Total $'000
2013								
At amortised cost:								
Trade and other payables	12	532,895	-	-	-	-	-	532,895
Borrowings:								
Board's loans		760	-	-	-	-	-	760
Commonwealth Government loans		6,536	6,536	1,035	-	-	-	14,107
Other advances		121	263	283	197	27	13	904
NSW Treasury Corporation loans		721,002	688,876	888,113	1,281,438	444,225	4,124,057	8,147,711
Obligation under Blue Mountains Sewage Transfer Scheme		12,164	12,709	13,279	13,875	14,497	259,644	326,168
Finance lease liabilities		15,695	15,695	15,738	15,695	15,695	191,479	269,997
		1,289,173	724,079	918,448	1,311,205	474,444	4,575,193	9,292,542
2012								
At amortised cost:								
Trade and other payables	12	544,237	-	-	-	-	-	544,237
Borrowings:								
Board's loans		884	760	-	-	-	-	1,644
Commonwealth Government loans		6,536	6,536	6,536	1,035	-	-	20,643
Other advances		497	121	263	283	197	40	1,401
NSW Treasury Corporation loans		519,478	687,867	663,632	662,757	1,267,966	4,058,930	7,860,630
Obligation under Blue Mountains Sewage Transfer Scheme		11,645	12,167	12,712	13,283	13,878	274,241	337,926
Finance lease liabilities		15,695	15,695	15,695	15,738	15,695	207,174	285,692
		1,098,972	723,146	698,838	693,096	1,297,736	4,540,385	9,052,173

Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities are determined on the following bases:

- **Cash**

The carrying amount is considered to be a reasonable approximation of the fair value.

- **Cash equivalents**

Fair values are determined on the basis of discounted cash flows using valuation rates supplied by independent market sources.

- **Investments in marketable securities**

Fair values are determined on the basis of discounted cash flows using valuation rates supplied by independent market sources.

- **Trade and other receivables**

The carrying amount is considered to be a reasonable approximation of the fair value.

- **Derivative financial instruments**

If any, fair values are determined on the basis of valuation rates and valuations supplied by independent market sources.

- **Trade and other payables**

The carrying amount is considered to be a reasonable approximation of the fair value.

- **Borrowings**
  - Bank overdraft balances

  If any, the carrying amount is considered to be a reasonable approximation of the fair value.

  - NSW Treasury Corporation loans

  Fair values are determined on the basis of discounted cash flows using valuation rates supplied by independent market sources.

  - All other categories of loans

  Fair values are determined on the basis of discounted cash flows using the equivalent interest rate swap rates supplied by independent market sources. It is considered that this method closely approximates the settlement values of these loans should they be actively traded.

- **Other financial liabilities**
  - Obligation under Blue Mountains Sewage Transfer Scheme

  The fair value is determined on the basis of discounted cash flows using valuation rates supplied by independent market sources.

  - Finance lease liabilities

  The fair value is determined on the basis of discounted cash flows using valuation rates supplied by independent market sources.

The following table details the carrying amounts and fair values at the reporting date for all financial instruments:

	Note	Carrying amount 2013 $'000	Carrying amount 2012 $'000	Fair value 2013 $'000	Fair value 2012 $'000
• **Financial assets**					
At amortised cost:					
Cash	4	3,831	6,337	3,831	6,337
Trade and other receivables	5	322,272	360,558	322,272	360,558
		326,103	366,895	326,103	366,895
• **Financial liabilities**					
At amortised cost:					
Trade and other payables	12	532,895	544,237	532,895	544,237
Borrowings:					
NSW Treasury Corporation loans	13	5,851,969	5,392,367	6,415,253	6,122,032
Board's loans	13	720	1,520	746	1,589
Commonwealth Government loans	13	12,416	17,380	13,666	19,588
Other advances	13	737	1,151	845	1,302
Obligation under Blue Mountains Sewage Transfer Scheme	13	59,956	61,753	184,305	183,195
Finance lease liabilities	13	130,763	133,570	130,763	133,570
		6,589,456	6,151,978	7,278,473	7,005,513

Fair value hierarchy

There were no financial instruments at either the current or previous reporting dates that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	2013 $'000	2012 $'000

Management of capital

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide appropriate returns for its voting shareholders and benefits for the community within its area of operations. This is achieved by maintaining an optimal capital structure that aims to minimise or reduce the cost of capital, whilst at the same time ensuring the Corporation's operations and capital works objectives are achieved.

The capital structure of the Corporation is monitored on the basis of key performance indicators, which includes:

- the level of gearing for the Corporation (see below), and
- its debt to equity ratio.

In determining appropriate prices for the Corporation to charge its customers, IPART, the Corporation's pricing regulator, has adopted a standard gearing assumption of 60 per cent for the purposes of determining the Corporation's weighted average cost of capital (WACC). The WACC is a key input in IPART's regulatory pricing methodology in which a regulated asset base is used to determine the Corporation's 'annual revenue requirement' (and ultimately prices to be charged to customers) based on the efficient use of resources and an appropriate rate of return on capital invested.

The table below shows the level of capital employed at the reporting date for the Corporation, as well as financial ratios used in the management of capital based on the definitions within the NSW Treasury's Commercial Policy Framework.

	Note	2013 $'000	2012 $'000
Interest-bearing debt	13	5,865,842	5,412,418
Other interest-bearing liabilities	13	190,719	195,323
Total interest-bearing liabilities		6,056,561	5,607,741
Total equity	19	6,043,087	5,931,423
Total capital employed		12,099,648	11,539,164
		%	%
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		49.3	47.7
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		100.2	94.5

	Note	2013 $'000	2012 $'000

26. Contingencies

(a) Contingent liabilities

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

Litigation

	2013 $'000	2012 $'000
Claims made against the Corporation in which there is a risk of financial exposure (other than matters covered by workers' compensation self-insurance and general insurance provisions – refer note 15) and which have been referred to lawyers amounted to:	82	6,680

In the directors' opinion, disclosure of any further information about the relevant claims would be prejudicial to the interests of the Corporation.

There are other claims that are in existence at the reporting date but they cannot be reliably measured at this time.

Site contamination and licence compliance

The Corporation has risk exposures from normal operations. These take the form of contaminated land/infrastructure and environmental incidents. These risks are managed in conjunction with the Office of Environment and Heritage. There is an ongoing program for management of contamination and its remediation. It is not possible to estimate contingent liabilities reliably, as the need for and the type of remediation are dependent on future events that cannot be determined at this time.

	2013 $'000	2012 $'000
Matters identified in which there is a risk of financial exposure due to matters relating to contamination and environmental incidents amounted to:	10,038	10,038

Operational activities

Risk exposures occur 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. It is not possible to estimate contingent liabilities reliably as most exposures require clarification of the extent of loss.

	2013 $'000	2012 $'000
Matters identified in which there is a risk of financial exposure from operational activities amounted to:	150	1,650

Guarantees provided

- Workers' compensation self-insurance

	2013 $'000	2012 $'000
Under the Workers' Compensation Act 1987, as the Corporation was a self-insurer until 1 March 2007 and as a state owned corporation was deemed to not have government employer status, the Corporation is required to provide a bank guarantee to the WorkCover Authority that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the bank guarantee at the reporting date was:	43,082	43,082

	Note	2013 $'000	2012 $'000
• Performance guarantees			
The Corporation has been required to provide bank guarantees for performing work under contractual arrangements with external customers. The total bank guarantees in place with customers at the reporting date amounted to:		-	600

There are other indemnities that are in existence at the reporting date. However, they are considered remote or not able to be reliably measured at this time.

(b) Contingent assets

Details of contingent assets are set out below.

Contractual claims

The Corporation is seeking to recover costs incurred under contractual arrangements through litigation. In the directors' opinion, disclosure of any further information about the relevant claims would be prejudicial to the interests of the Corporation and cannot be reliably measured at this time.		-	-

Insurance claims

The Corporation is seeking to settle a number of outstanding insurance claims and recover costs or losses from insurers. In the directors' opinion, disclosure of any further information about the relevant claims would be prejudicial to the interests of the Corporation and cannot be reliably measured at this time.		-	-

End of audited financial statements

DIRECTORS' DECLARATION

In the opinion of the Directors of Sydney Water Corporation:

(a) the accompanying Financial Statements and notes thereto:

(i) exhibit a true and fair view of the financial position of the Corporation as at 30 June 2013 and of its financial performance, as represented by its transactions for the year ended on that date;

(ii) comply with applicable Australian Accounting Standards (including Australian Accounting Interpretations) and other mandatory and statutory reporting requirements, including Part 3 of the *Public Finance and Audit Act 1983* and the associated requirements of the *Public Finance and Audit Regulation 2010*.

(b) the accompanying Financial Statements and notes thereto also comply with International Financial Reporting Standards.

(c) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

(c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the accompanying Financial Statements and notes thereto to be misleading or inaccurate.

Signed in accordance with section 41C(1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Directors:

Director

Director

Date: 30 August 2013

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Sydney Water Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Sydney Water Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 1(b).

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

Directors' Responsibility for the Financial Statements

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

In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence 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 but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

Peter Achterstraat

Peter Achterstraat
Auditor-General

4 September 2013
SYDNEY

07

Appendixes

Special projects

Appendix 1: Capital expenditure

In 2012–13, Sydney Water spent about $609 million on capital works, which was 6% under budget.

Through our capital works program, we renew and upgrade existing assets, deliver government programs and support urban growth.

Table 19: Major capital works projects completed 2012–13

Project	Project benefits
Wastewater main renewals (outputs achieved in 2012–13)	Renewed 12.2 km of key wastewater mains that are nearing the end of their service life to reduce the impact of failures on the community and the environment. Rehabilitated 35 km of wastewater mains to reduce dry weather and repeat overflows affecting customers.
Water main renewals (outputs achieved in 2012–13)	Renewed and replaced 69 km of water reticulation mains (excluding 3.2 km of decommissioned reticulation mains) and 12.6 km of water trunk mains (excluding 5.8 km of decommissioned trunk mains) to maintain water supply and to reduce interruptions.
Water Flow Meter Program	Installed 263 flow meters over the life of the program to improve the efficiency of leak identification and management. By June 2013 we commissioned 262 flow meters. Program with a reduced scope was completed on time and within budget.
Water Pressure Management Program	Delivered 178 pressure management schemes over the life of the program to reduce water main breaks and leakage, and achieve water savings of 27 mL a day. Program was reduced in scope, and completed on time and within budget.
Warriewood Wastewater Treatment Plant Upgrade	Improved reliability of operation at the plant and increased ability to cater for expected growth in the Pittwater area. Project was completed within budget but four months later than planned due to wet weather.
Hoxton Park Recycled Water Scheme	Project will supply recycled water to residential, industrial and irrigation customers. Project completed on time and within a revised budget. Budget was increased because of delivery cost, scope changes and additional land acquisition costs.
South West Growth Centre, Spring Farm and Elderslie Major Drinking Water Mains	Constructed approximately 12.2 km of major water mains to service growth in the areas of Oran Park, Turner Road, Spring Farm and Elderslie. Project completed on time and within budget.
Edmondson Park Infrastructure	Project provides wastewater and water infrastructure to 2,000 new dwellings in Edmondson Park. Project completed ahead of schedule and within budget.
Replace Wastewater Pumping Station SPS259 Quakers Hill	Construction of a new wastewater pumping station at Quakers Hill to improve reliability and meet licence requirements. Project completed on time and within budget.
Malabar Odour Management	Program will reduce the impact of odours from Malabar Wastewater Treatment Plant on nearby residential and commercial development to meet licence requirements. Project completed within budget, but 10 months later than originally planned due to additional repairs.

Project	Project benefits
Homebush Data Centre Refurbishment	Refurbishment of the Data Centre, upgrade of building services and structured IT cabling system. Project completed on time and within a revised budget. Budget was increased following a revised delivery cost estimate and a value engineering exercise.
Appin Wastewater Scheme	Construction of wastewater pipes to connect around 550 properties. The scheme will also protect the environment and reduce risks to public health. Project completed on time and under budget.
Sydney Water Information Management Program	Delivered new systems to improve information management and enhance the efficiency of business operations. Project completed within a revised schedule and budget. Schedule and budget were revised to address system performance issues during the deployment of some of the program components.
Wet Weather Overflow Abatement Program	Completed the Illawarra and Quakers Hill catchments to reduce the frequency of wet weather overflows in those catchments.

Table 20: Major capital works in progress as at 30 June 2013

Project	Forecast completion date	Budget $m	Cost to date $m
Wet Weather Overflow Reduction Program 2012–13 to 2015–16 – program of works to reduce repeat wet weather overflows to properties, swimming areas and environmentally sensitive sites.	June 2016	179	53
North West Growth Centre Package 2 and 3A – project will provide water services to the second release precincts of the North West Growth Centre.	December 2014	120	19
Water reticulation main and water trunk main renewals – continuing program to replace water mains nearing the end of their service life to reduce interruptions to supply.	Ongoing	84 a year	Ongoing
Wastewater pumping station and wastewater treatment plant renewals – continuing program to replace equipment nearing the end of its service life.	Ongoing	57 a year	Ongoing
Bargo Sewerage Scheme – construction of wastewater pipes to connect around 830 properties. The scheme will also protect the environment and reduce risks to public health.	June 2014	50	8
Information Technology Projects – continuing program of minor projects to reduce operating expenditure, renew IT systems and equipment, and deliver new systems and capabilities.	Ongoing	47 a year	Ongoing

Project	Forecast completion date	Budget $m	Cost to date $m
Buxton Sewerage Scheme – construction of wastewater pipes to connect around 701 properties. The scheme will also protect the environment and reduce risks to public health.	June 2014	40	4
Cronulla Odour Management – program will reduce the impact of odours from Cronulla Wastewater Treatment Plant on nearby residential and commercial developments to meet licence requirements. The original budget of $19.3 million was increased as tendered cost estimates were over the approved funding.	December 2013	30	17
Metropolitan IICATS Water Remote Terminal Unit Renewal – project will replace remote terminal units, used to control and monitor assets at 324 sites, to meet current and future operational needs.	June 2015	29	10
Camden Wastewater Treatment Plant Biosolids Upgrade – project will increase the plant's ability to produce biosolids to serve population growth in the catchment. The original budget of $19.5 million was increased following a value engineering exercise when initial tender prices were above the approved funding.	June 2014	25	19
Douglas Park Sewerage Scheme – construction of wastewater pipes to connect around 154 properties. The scheme will also protect the environment and reduce risks to public health.	June 2014	21	2
Cowan Sewerage Scheme – construction of wastewater pipes to connect around 248 properties. The scheme will also protect the environment and reduce risks to public health.	June 2014	21	8
Wilton Sewerage Scheme – construction of wastewater pipes to connect around 256 properties. The scheme will also protect the environment and reduce risks to public health.	June 2014	18	1
Dry Weather Overflow Reduction Program – continuing program to upgrade small wastewater mains suffering overflows caused by blockages.	Ongoing	15 a year	Ongoing
Upgrade of Wastewater Pumping Station SPS614 Narellan – project will service future growth in the Turner Road precinct of the South West Growth Centre.	December 2013	15	7
New Wastewater Pumping Station 1146 Balmain – construction of a new pumping station to provide reliable wastewater services to the Balmain area.	August 2014	15	2
Wastewater Treatment Plant Accommodation Program – project to modify and redesign wastewater treatment plant offices at North Head, Glenfield and West Hornsby. Also provided designs for Malabar, Bondi, St Marys and Penrith.	August 2013	15	13

Project	Forecast completion date	Budget $m	Cost to date $m
Picton Sewerage Amplification – construction of wastewater main to service West Picton and upgrade of Picton Wastewater Treatment Plant facilities.	June 2015	11	1
Reservoir Renewal and Reliability Program – continuing program to ensure reservoirs and associated equipment operate at lowest costs complying with regulatory requirements.	Ongoing	10 a year	Ongoing
West Hoxton Sewerage Scheme – construction of wastewater pipes to connect around 91 properties. The scheme will also protect the environment and reduce risks to public health.	June 2014	10	3

Drivers of planned capital expenditure for the next financial year

Our capital works budget for 2013–14 is $658 million (nominal – not including capital borrowing cost). Drivers of planned capital expenditure are (2013–14 forecast in brackets):

- renewal and rehabilitation of assets to meet system performance regulations and customer service levels ($337 million)
- development of new water, wastewater, recycled water and stormwater infrastructure to meet the needs of urban growth in both infill (existing) and greenfield (new) areas including North West and South West growth centres ($158 million)
- Government programs mainly for Priority Sewerage Programs to meet Operating Licence requirements. This includes substantial investment in the Bargo, Buxton, Cowan, Douglas Park, West Hoxton and Wilton wastewater schemes ($116 million)
- new regulatory standards such as wastewater system performance under environment protection licences ($15 million)
- business efficiency such as information technology or energy saving projects that lead to reduced operating expenditure ($31 million).

Over the next five years, we will deliver a capital works program of about $3.4 billion in nominal (escalated) dollars.

Table 21: Capital expenditure 2013–14 to 2017–18 ($ nominal)

Primary driver	2013–14 $m	2014–15 $m	2015–16 $m	2016–17 $m	2017–18 $m
Business efficiency	31	46	37	35	35
Government programs	116	45	24	0	0
Growth*	158	163	228	200	193
Mandatory standards	15	7	20	31	15
Reliability	86	106	109	115	101
Renewal	251	325	278	312	299
Total	**658**	**692**	**697**	**692**	**642**

*The expenditure needed each year to efficiently maintain systems and to meet growth.
This table shows planned capital expenditure by corporate driver.

Appendix 2: Community investment

Our Strategic Partnerships Program covers community sponsorships, industry conferences, donations and in-kind support. Through the program we strengthen relationships with the community and key stakeholders.

In 2012–13 we continued our long-term community partnerships with:

- Taronga Zoo
- Sculpture by the Sea
- Powerhouse Museum
- Keep Australia Beautiful
- Sutherland to Surf
- Illawarra Surf Premiership.

We also created a formal agreement with City to Surf, which we have supported for many years.

Sydney Water donated more than $364,000 to charity. From this amount, $126,750 was given to programs focusing on general hardship and mental health.

Table 22: Funds granted to non-government organisations in 2012–13*

Sponsorships	$524,000
Donations	$364,150
Total investment	$888,150

*All sponsorship commitments are tied to commercial in-confidence contracts.

Appendix 3: Research and development

We invested $7.25 million on 65 research and development projects in 2012–13. Of this, we invested $483,934 in key national and international research alliances. We also committed $32,874 through arrangements with our Build-Own-Operate (BOO) water filtration plant partners.

The key drivers of the research program are to:

- maintain safe, high quality drinking water
- improve our understanding of our assets and our ability to predict their long-term performance
- better understand and respond to climate variability and long-term climate change
- improve energy efficiency
- improve environmental performance
- better understand water supply and demand balance issues
- successfully implement water recycling schemes.

Table 23: Major alliance and collaborative research investment 2012–13

Research partner	Area of focus	Sydney Water investment 2012–13
Water Services Association of Australia (WSAA) • Water Research Foundation (formerly the American Water Works Association Research Foundation) • Water Environment Research Foundation • Water Reuse Association	Drinking water quality and public health, asset management practices, sustainable water supplies and climate change Water quality research and innovative technologies for improving the water environment Promote water recycling and desalination through research and technical meetings	$483,934
Water filtration plants: BOO R&D	Water quality and public health, treatment technologies, wastewater treatment	$32,874 (Excludes funding from BOO partners)
Total alliance and collaborative subscriptions		**$516,808**

Table 24: Completed projects (>$100,000) 2012–13

Project title	Sydney Water investment to 30 June 2012	Sydney Water investment to 30 June 2013	Estimated total project investment (all partners)
Trial of acoustic sewer inspection technology	$57,076	$59,870	$150,000
Resilience benchmarking	$67,748	$79,498	$163,000
Vulnerability of climate change risks	$515,395	$597,549	$780,000
Collaboration with Sydney Coastal Council's Group on climate change adaptation	$136,018	$151,827	$770,000
Cyanobacterial survey	$21,113	$21,668	$371,000
Extreme events and water quality impacts	$5,211	$6,779	$694,000

Table 25: **Ongoing projects (>$100,000) 2012–13**

Project title	Sydney Water investment to 30 June 2012*	Sydney Water investment to 30 June 2013*	Estimated total project investment (all partners)
Optimal management of corrosion and odour in sewers: Australian Research Council (ARC) linkage project	$1,523,370	$1,628,479	$21,000,000
Advanced condition assessment	$1,684,109	$2,807,466	$16,000,000
Data Driven Pipe Failure Prediction (new project)	$0	$176,985	$192,500
Online monitoring of sewers	$664,122	$948,722	$3,776,000
Smart Grid Smart City Project with Ausgrid	$167,622	$261,401	$172,500,000
Biosolids research and development	$392,285	$1,100,830	$2,250,000
Hawkesbury-Nepean water quality modelling	$2,933,051	$3,729,254	$6,000,000
NSW Environmental Trust environmental risk assessment of selected human pharmaceuticals	$8,234	$10,786	$400,000
Investigation of endocrine disruption in the Australian aquatic environment	$81,374	$92,252	$1,000,000
Treatment requirement for Australian source waters	$20,000	$20,555	$470,000
Monitoring membrane integrity for virus removal	$22,774	$22,893	$193,000
National Demonstration Education and Engagement program to investigate and address the barriers to public acceptance of adding recycled water to drinking water supplies	$24,573	$66,933	$10,138,000
Environmental *E. coli*	$20,595	$33,973	$1,060,000
Energy R&D program	$366,513	$632,873	$762,500
BASIX multi-dwelling monitoring study	$112,872	$205,168	$930,000
Regional climate modelling	$104,329	$120,814	$2,500,000
Climate change risk management framework tool – AdaptWater™	$314,177	$452,896	$1,025,000
A Novel Approach to Quantify Indirect Ingestion of Recycled Water: Improving the Evidence Base for Water Guidelines	$0	$20,000	$232,310
St Marys Water Recycling Initiative Aquatic Environmental Assessment Program	$106,417	$151,004	$3,463,683
Sydney Harbour and Botany Bay modelling	$0	$168,580	$4,500,000

*Cumulative totals.

Customer service

Appendix 4: Guarantee of service and social programs

Guarantee of service

Our *Customer Contract* sets out how we manage customers' access to water supply, including:

- rights for customers experiencing hardship
- delivery of customer assistance
- restriction, disconnection and restoration procedures.

We made no changes to these *Customer Contract* provisions during 2012–13.

We continue to implement the *2010–2015 Payment Assistance Strategy*, which we developed in consultation with Sydney Water's Customer Council. This ensures our program adopts industry best practice and meets the needs of customers experiencing hardship now and in the future.

Sydney Water's customer service policies and programs focus on helping customers in financial hardship keep access to supply. We have over 240 community welfare agency partners who assist us with the delivery of these programs.

In 2012–13, Sydney Water's customer assistance programs included:

- **Pensioner Concession Scheme** – Each year, we give concessions to about 230,000 pensioners on their water bills. Pensioners are eligible for concessions if they hold a Pensioner Concession Card, a Department of Veterans' Affairs Gold Card or if they receive a Department of Veterans' Affairs intermediate rate pension.
- **BillAssist** – We have a team of qualified community service professionals who work as case coordinators with residential customers experiencing financial hardship. We provide personalised support, advice and payment assistance, and referral to other specialist services.
- **Payment Assistance Scheme (PAS)** – This scheme helps customers who are having difficulty paying their water bill. Community welfare agencies or BillAssist case coordinators can approve credit directly to the customer's Sydney Water account after completing a hardship assessment. This service is available to customers who own and occupy their own home or private tenants responsible for paying for their water use. Customers must enter a payment arrangement if they have received PAS once within 12 months.
- **PlumbAssist** – We provide essential or emergency plumbing repairs if there is a risk to health, public amenity or safety, water efficiency or water costs. Eligible customers must own and occupy their home, be experiencing financial hardship and be unable to afford plumbing repairs. We normally repair leaking or broken taps, toilets and hot water services through PlumbAssist.
- **No Interest Loans Scheme (NILS)** – In 2012–13, we contributed $39,000 in to a specialist NILS program for frail, aged seniors.
- **Instalment plans** – Sydney Water helps customers facing financial difficulty with instalment plans. We offer payment extensions or enter into a tailored payment arrangement using the payment method that best suits customers' needs. We can also register customers for Centrepay by phone. Centrepay is a free service for customers receiving income support from Centrelink. Centrelink customers can choose to pay bills directly by having a regular amount deducted from their Centrelink payments.

See our website for more information on Sydney Water's assistance:
http://www.sydneywater.com.au/SW/accounts-billing/paying-your-bill/financial-assistance/index.htm

Outreach

In 2012–13, Sydney Water briefed 12 community welfare agencies on our PAS. We also focused our outreach on seniors, families and culturally and linguistically diverse (CALD) groups. We attended a number of seniors expos and community information workshops, and held 15 Centrelink outreach days. We aimed to introduce low income customers in our highest debt areas to Sydney Water's PAS and available services.

We will continue to partner with agencies that assist seniors, families, people with disabilities and their carers, and CALD groups.

Social programs

We run several social programs at the direction of the NSW Government. The goals of the programs are:

- equity and affordability – to give customers adequate access to water, wastewater and stormwater services
- environmental protection – to protect sensitive environments and local waterways.

Sydney Water provides concessions to eligible recipients and is reimbursed by the NSW Government.

During 2012–13, we invested nearly $156 million in social programs.

Table 26: Social program expenditure 2012–13

Social program	2012–13 expenditure $m
Pensioner water concessions	135.3
Exempt property forgone revenue	19.1
Hardship Support Scheme	1.1
Blue Mountains septic pump-out	0.2
Total	**155.7**

In 2012–13, there was an increase of $3.6 million (2%) in total expenditure from the previous year. This was mainly due to higher pensioner rebates and exempt properties.

Pensioner Concession Scheme

We provide rebates to pensioners for water, wastewater and stormwater service charges. The rebates cover:

- 100% of the water service charge
- 50% of the drainage service charge
- 83% of the wastewater service charge.

All valid pensioner concession card holders are eligible for this scheme.

In 2012–13, we gave about 230,000 pensioner households concessions on water, wastewater and drainage service charges. The average concession payment was about $600 a pensioner, at a total cost of just over $135 million.

Exempt Properties Scheme

The *Sydney Water Act 1994* states that certain types of properties are exempt from paying the service charges. We give exemptions following an application and on-site inspection. Land owned and used by not-for-profit community services organisations is generally exempt.

During 2012–13, we granted service charge exemptions to more than 10,000 properties. We spent over $19 million on the scheme.

Hardship Support Scheme

We provide various forms of assistance to customers experiencing financial hardship or with a low income.

The number of customers seeking help through these schemes has increased in recent years. Our aim is to enable customers having financial difficulties to manage payments, reduce debts and use mainstream payment channels. The programs include:

- Payment Assistant Program (PAS)
- BillAssist
- PlumbAssist.

Sydney Water spent over $1 million in 2012–13 on this scheme.

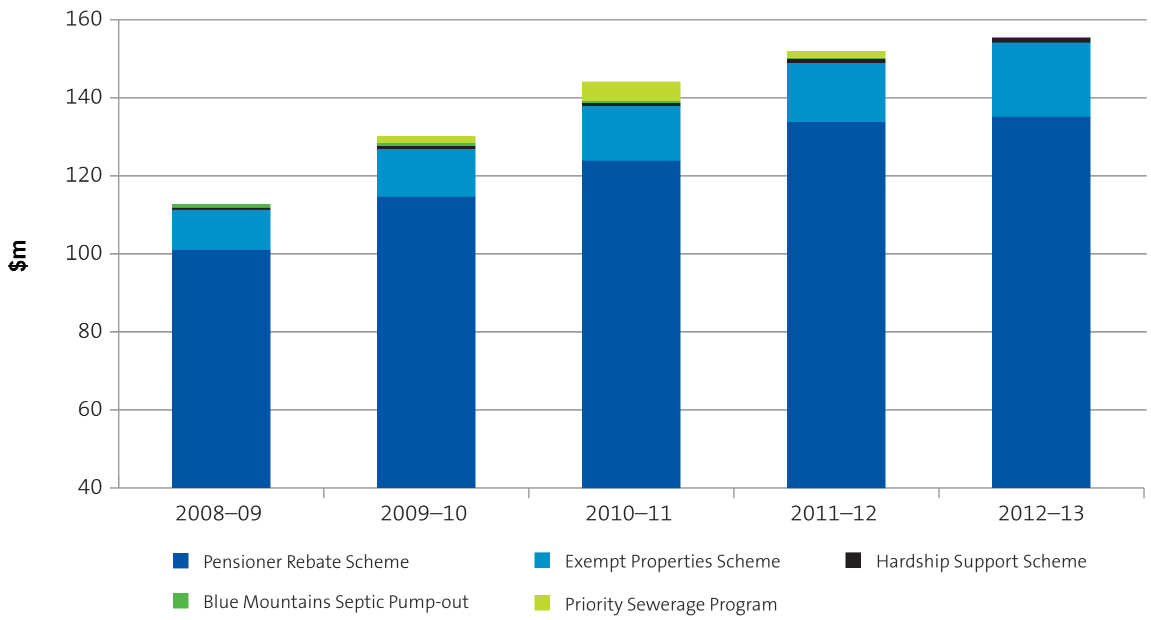
Blue Mountains Septic Pump-out Scheme

In 2012–13, we subsidised the Blue Mountains Septic Pump-out Scheme by servicing 72 properties with wastewater pump-out services. We spent $200,000 in 2012–13 on this scheme. At the direction of the Minister for Finance and Services we will be phasing out this scheme.

Priority Sewerage Program

Under the Priority Sewerage Program, we extend reticulated wastewater services to areas with no wastewater pipes. The NSW Government determines and prioritises these areas. The NSW Government pays a subsidy a lot for each property to be able to connect to the wastewater service. Due to the timing of scheme completions, we received no social program reimbursements in 2012–13 for the Priority Sewerage Program.

Figure 13: Sydney Water's five-year history of social program expenditure



Appendix 5: Multicultural Policies and Services Program 2012–13

We recognise that many of our customers are from culturally and linguistically diverse (CALD) communities. We implement a range of initiatives to engage with CALD communities.

Table 27: Multicultural Policies and Services Program initiatives and achievements 2012–13

Strategy	Key initiatives and achievements
Develop and implement strategies specifically targeting CALD customers based on demographic information, needs analysis and market research	**Residential customers** The Payment Assistance Program (PAS) delivers special assistance strategies to lower income customers from diverse backgrounds. We provide financial and water saving assistance and ongoing access to services. In 2012–13, Sydney Water analysed community welfare agency partners in our area of operation. We reviewed geographic coverage, agency types, service gaps and specialist needs including health services, CALD customers, seniors and families. We identified the top 10 local government areas (LGA) with the highest percentage of CALD groups. We then analysed the number of community welfare agencies servicing CALD groups in those areas. The main languages spoken in these LGAs (other than English) are Arabic, Cantonese, Vietnamese, Korean and Mandarin. Through our outreach program, we held briefings for these agencies on our PAS. In 2012–13, we attended the following CALD specific outreach events: • Seniors day at Club Marconi Bossley Park • Bankstown Library English conversion class • 15 outreach days at Centrelink offices in Blacktown, Penrith, Mount Druitt, Liverpool and Campbelltown. Sydney Water also partnered with 16 community welfare agencies that specifically work with CALD groups. We will continue to partner with community welfare agencies that assist CALD groups in 2013–14. **Non-residential customers** The Independent Pricing and Regulatory Tribunal (IPART) recently determined new prices for our water, wastewater, stormwater and recycled water services. This determination included a significant change to Sydney Water's Wastesafe program. Wastesafe is an electronic tracking system we use to monitor the generation, collection, transport and disposal of grease trap waste. This change affected commercial business customers, many of whom are small business owners. To effectively communicate these changes, Sydney Water produced a multilingual fact sheet. We translated the fact sheet into seven languages and sent it to 23,500 business customers.

Strategy	Key initiatives and achievements
Provide equitable and accessible services	Sydney Water's Corporate Customer Council, includes a representative from the Ethnic Communities Council. We provide free phone interpreter services for customers requiring translation services. We also provide multilingual brochures and information for customers experiencing financial hardship. These resources are available in seven languages. Community agencies like St. Vincent de Paul Society and various diversity and migrant resource centres help distribute this information to CALD communities. Sydney Water has formed partnerships with community agencies that have specialised access to CALD groups. These include 16 agencies that deliver emergency relief and two agencies that deliver interest-free loans for water efficient household appliances.

Appendix 6: Promotions

Table 28: External communications materials produced in 2012–13

Publication	Date	Format
Application to vary connection agreement to discharge trade wastewater	2 July 2012	Interactive form
Application for connection to discharge trade wastewater	2 July 2012	Interactive form
Application to cancel permission to discharge trade wastewater	2 July 2012	Interactive form
Wastesafe grease trap waste contractor nomination form	2 July 2012	Interactive form
Proposed wastewater service to the West Hoxton village under the Priority Sewerage Program	5 July 2012	Newsletter
Proposed wastewater service to the Cowan village under the Priority Sewerage Program	5 July 2012	Newsletter
Temporary contractor induction pass	5 July 2012	Card
Trade waste authorised pre-treatment bucket traps	9 July 2012	Fact sheet
Trade waste authorised pre-treatment grease traps 1,500 litres	9 July 2012	Fact sheet
Trade waste authorised pre-treatment grease traps 1,000 litres	9 July 2012	Fact sheet
Trade waste authorised pre-treatment – Other pre-treatment	9 July 2012	Fact sheet
Trade waste authorised pre-treatment – 2,000 to 5,000 L grease traps	9 July 2012	Fact sheet
Trade waste authorised pre-treatment – Oil water separators	9 July 2012	Fact sheet
Waterwrap Spring	11 July 2012	Newsletter
Business update Spring	11 July 2012	Newsletter
Your Water Spring	11 July 2012	Newsletter
Enterprise agreement – Responding to recent union claims	13 July 2012	Fact sheet

Publication	Date	Format
Tempe Wastewater Repair – Questions and Answers	13 July 2012	Fact sheet
SewerFix Improving the Wastewater System	17 July 2012	Fact sheet
Working with recycled water – A guide for property developers and builders	24 July 2012	Fact sheet
Recycled water – Stage 2 Lesson plan	31 July 2012	Education resources
Water Efficiency Report 2011–12	3 August 2012	Report
Restoration calling card	6 August 2012	Calling card
WaterFix Thank you	6 August 2012	Flyer
WaterFix terms and conditions	7 August 2012	Brochure
Explore the possibilities flow chart	7 August 2012	Flow chart
Working in a recycled water area?	9 August 2012	Poster
Major Project Milestone Award approval form	10 August 2012	Form
Aqua Awards nomination form	10 August 2012	Form
Aqua Awards Executive scoring sheet	10 August 2012	Form
Balmain wastewater pumping station project – Community Update – August 2012	15 August 2012	Newsletter
Proposed wastewater services to the Bargo and Buxton villages under the PSP	16 August 2012	Newsletter
Pollution Incident Response Management Plan – Water and wastewater	16 August 2012	Plan
Payment Assistance Scheme – Guidelines for community agencies	20 August 2012	Flyer
Excursion booking form	21 August 2012	Form
Restoration calling card	22 August 2012	Calling card
Temporary service and neighbour card	22 August 2012	Calling card
Exchange water meter card	23 August 2012	Calling card
Warragamba Chlorination Plant – Safety case summary	24 August 2012	Booklet
Water supply now restricted card	29 August 2012	Calling card
Ad for Plumbers Union Diary	29 August 2012	Ad
Northern Beaches Storage Project Community update – September 2012	29 August 2012	Newsletter
West Dapto Urban Release Area and Adjacent Growth Areas	3 September 2012	Booklet
Your responsibilities calling card	3 September 2012	Calling card
We were unable to install a meter calling card	3 September 2012	Calling card
We were unable to exchange a meter calling card	3 September 2012	Calling card
Bellambi WWTP photo sign	5 September 2012	Display
Bombo WRP photo sign	5 September 2012	Display
Bondi WWTP photo sign	5 September 2012	Display
Cascades WFP photo sign	5 September 2012	Display
Castle Hill WRP photo sign	5 September 2012	Display

Publication	Date	Format
Cronulla WWTP photo sign	5 September 2012	Display
Fairfield WWTP photo sign	5 September 2012	Display
Liverpool WRP – Overhead photo sign	5 September 2012	Display
Liverpool WRP Map 1 Site overview photo sign	5 September 2012	Display
Liverpool WRP Map 2 Oxidation pond area photo sign	5 September 2012	Display
Liverpool WRP Map 3 Sludge storage area photo sign	5 September 2012	Display
Liverpool WRP Map 4 Plant area photo sign	5 September 2012	Display
Malabar WWTP photo sign	5 September 2012	Display
Nepean WFP photo sign	5 September 2012	Display
North Head WWTP photo sign	5 September 2012	Display
North Richmond WFP photo sign	5 September 2012	Display
North Richmond WWTP photo sign	5 September 2012	Display
Orchard Hills WFP photo sign	5 September 2012	Display
Penrith WRP photo sign	5 September 2012	Display
Port Kembla WWTP photo sign	5 September 2012	Display
Richmond WRP photo sign	5 September 2012	Display
Rouse Hill WRP photo sign	5 September 2012	Display
Shellharbour WWTP photo sign	5 September 2012	Display
Wallacia WWTP photo sign	5 September 2012	Display
Warragamba WFP photo sign	5 September 2012	Display
Winmalee WWTP photo sign	5 September 2012	Display
Wollongong WRP photo sign	5 September 2012	Display
Appin Newsletter – Update September 2012	6 September 2012	Newsletter
Let's get connected (updated)	6 September 2012	Booklet
Water recycling – Key words	10 September 2012	Fact sheet
Maintaining wastewater pipes, Mascot, Botany, Banksmeadow, Hillsdale	14 September 2012	Fact sheet
We were unable to read your water meter	17 September 2012	Calling card
Hoxton Park Recycled Water Scheme – Getting ready for recycled water	17 September 2012	Fact sheet
Having difficulty paying your water bill	18 September 2012	Poster
Having difficulty paying your water bill – (Mt Druitt)	18 September 2012	Poster
Improving the local water and wastewater system	18 September 2012	Calling card
Rouse Hill land charge	18 September 2012	Fact sheet
Science excursions	20 September 2012	Fact sheet
Sydney Water financial statements 2012	21 September 2012	Booklet
Plumbing seminar registration form	21 September 2012	Form
Plumbing seminar invitation	21 September 2012	Flyer

Publication	Date	Format
Plumbing seminar survey	21 September 2012	Form
Consent to discharge industrial trade wastewater	26 September 2012	Booklet
Having difficulty paying your water bill – (Penrith version)	26 September 2012	Poster
Having difficulty paying your water bill – (Blacktown version)	26 September 2012	Poster
Having difficulty paying your water bill – (Campbelltown version)	26 September 2012	Poster
Completion of work form – PlumbAssist	26 September 2012	Form
Completion of work form – WaterFix	26 September 2012	Form
Completion of work form – Private wastewater pipe jetting	26 September 2012	Form
Proposed wastewater services to Wilton and Douglas Park under PSP	26 September 2012	Newsletter
Installing a water meter	26 September 2012	Fact sheet
Fact sheet: Reporting corrupt conduct and ICAC	5 October 2012	Fact sheet
Waterwrap Summer	8 October 2012	Newsletter
Business update Summer	8 October 2012	Newsletter
SewerFix wastewater ventilation system	9 October 2012	Fact sheet
Annual Report 2012 MD's message video	10 October 2012	Video
Annual Report 2012	10 October 2012	Report
Annual Report 2012 Summary	10 October 2012	Report
Annual Report 2012 – Smart Home video	10 October 2012	Video
Annual Report 2012 – Trading places video	10 October 2012	Video
Annual Report 2012 – New approach to safety video	10 October 2012	Video
Annual Report 2012 – Night trial video	10 October 2012	Video
Annual Report 2012 – Stormwater video	10 October 2012	Video
Annual Report 2012 – What is tap video	10 October 2012	Video
Annual Report 2012 – tap taste test video	10 October 2012	Video
Flow measurement for tradewaste dischargers	12 October 2012	Booklet
141–143 Bowden Street, Meadowbank. Fixing basement sewer surcharges	12 October 2012	Fact sheet
PlumbAssist terms and conditions	16 October 2012	Brochure
Using recycled water at BlueScope Steel	16 October 2012	Fact sheet
Using recycled water at Camden Council	16 October 2012	Fact sheet
Using recycled water at Castle Hill Country Club	16 October 2012	Fact sheet
Using recycled water at Dunheved Golf Club	16 October 2012	Fact sheet
Using recycled water at Elizabeth Macarthur Agricultural Institute	16 October 2012	Fact sheet
Using recycled water at Kiama Golf Club	16 October 2012	Fact sheet
Using recycled water at Liverpool Golf Club	16 October 2012	Fact sheet
Using recycled water at Penrith City Council	16 October 2012	Fact sheet

Publication	Date	Format
Using recycled water at Port Kembla Coal Terminal	16 October 2012	Fact sheet
Using recycled water at Richmond Golf Club	16 October 2012	Fact sheet
Using recycled water at Stonecutters Ridge Golf Club	16 October 2012	Fact sheet
Using recycled water at the University of Western Sydney, Hawkesbury campus	16 October 2012	Fact sheet
Using recycled water at Warwick Farm Racecourse	16 October 2012	Fact sheet
Using recycled water at Wollongong City Council	16 October 2012	Fact sheet
Using recycled water at Wollongong Golf Club	16 October 2012	Fact sheet
Recycled water checklist – Requirements for irrigation and industrial customers	16 October 2012	Fact sheet
Recycling water for irrigation and industry – A guide for recycled water customers	16 October 2012	Fact sheet
Managing recycled water at irrigation sites – Smart, safe and sustainable management practices	16 October 2012	Fact sheet
Paper engineered safety cones	16 October 2012	Promo item
Safety cone full size stickers	16 October 2012	Sticker
Geography teachers' field trip	17 October 2012	Invitation
Your Water Summer	17 October 2012	Newsletter
Science excursions preview	18 October 2012	Invitation
Payment assistance agencies – Parramatta	24 October 2012	Fact sheet
Northern Beaches Storage Project Community update – November 2012	24 October 2012	Fact sheet
Growth Quarterly Update July to September 2012	26 October 2012	Newsletter
Maintaining wastewater pipes, Mascot	26 October 2012	Fact sheet
Payment assistance agencies – Auburn	31 October 2012	Fact sheet
Payment assistance agencies – Bankstown	31 October 2012	Fact sheet
Payment assistance agencies – Blacktown	31 October 2012	Fact sheet
Payment assistance agencies – Blue Mountains	31 October 2012	Fact sheet
Payment assistance agencies – Burwood	31 October 2012	Fact sheet
Payment assistance agencies – Camden	31 October 2012	Fact sheet
Payment assistance agencies – Campbelltown	31 October 2012	Fact sheet
Payment assistance agencies – Canterbury	31 October 2012	Fact sheet
Payment assistance agencies – Canada Bay	31 October 2012	Fact sheet
Payment assistance agencies – Fairfield	31 October 2012	Fact sheet
Payment assistance agencies – Hawkesbury	31 October 2012	Fact sheet
Payment assistance agencies – Holroyd	31 October 2012	Fact sheet
Payment assistance agencies – Hornsby	31 October 2012	Fact sheet
Payment assistance agencies – Hunters Hill	31 October 2012	Fact sheet
Payment assistance agencies – Hurstville	31 October 2012	Fact sheet

Publication	Date	Format
Payment assistance agencies – Ku-Ring-Gai	31 October 2012	Fact sheet
Payment assistance agencies – Leichhardt	31 October 2012	Fact sheet
Payment assistance agencies – Liverpool	31 October 2012	Fact sheet
Payment assistance agencies – Manly	31 October 2012	Fact sheet
Payment assistance agencies – Marrickville	31 October 2012	Fact sheet
Payment assistance agencies – Penrith	31 October 2012	Fact sheet
Payment assistance agencies – Randwick	31 October 2012	Fact sheet
Payment assistance agencies – Richmond	31 October 2012	Fact sheet
Payment assistance agencies – Ryde	31 October 2012	Fact sheet
Payment assistance agencies – Shellharbour	31 October 2012	Fact sheet
Payment assistance agencies – Sutherland	31 October 2012	Fact sheet
Payment assistance agencies – Sydney	31 October 2012	Fact sheet
Payment assistance agencies – The Hills	31 October 2012	Fact sheet
Payment assistance agencies – Warringah	31 October 2012	Fact sheet
Payment assistance agencies – Waverly	31 October 2012	Fact sheet
Payment assistance agencies – Willoughby	31 October 2012	Fact sheet
Payment assistance agencies – Wollongong	31 October 2012	Fact sheet
Have you installed your backflow prevention device?	31 October 2012	Fact sheet
Backflow prevention containment – Info for owners/tenants	31 October 2012	Q&A
State of the Assets Report 2012 – Asset management capability	1 November 2012	Fact sheet
State of the Assets Report 2012 – Introduction	1 November 2012	Fact sheet
State of the Assets Report 2012 – Avoid fail sewer mains	1 November 2012	Fact sheet
State of the Assets Report 2012 – Critical water mains	1 November 2012	Fact sheet
State of the Assets Report 2012 – Assets to service new customers	1 November 2012	Fact sheet
State of the Assets Report 2012 – Reservoirs	1 November 2012	Fact sheet
State of the Assets Report 2012 – Reticulation water mains	1 November 2012	Fact sheet
State of the Assets Report 2012 – Sewage pumping stations	1 November 2012	Fact sheet
State of the Assets Report 2012 – Stormwater	1 November 2012	Fact sheet
State of the Assets Report 2012 – Water pumping stations	1 November 2012	Fact sheet
State of the Assets Report 2012 – Wastewater treatment and water recycling plants	1 November 2012	Fact sheet
State of the Assets Report 2012 – Reticulation sewer mains	1 November 2012	Fact sheet
State of the Assets Report 2012 – Group property	1 November 2012	Fact sheet
State of the Assets Report 2012 – Water filtration plants	1 November 2012	Fact sheet
State of the Assets Report 2012 – Enabling information systems	1 November 2012	Fact sheet
Payment assistance agencies – Wollondilly	1 November 2012	Fact sheet

Publication	Date	Format
Backflow prevention containment annual testing	1 November 2012	Fact sheet
Backflow prevention containment information for plumbers	1 November 2012	Fact sheet
Botany Wetlands Plan of Management Project fact sheet	5 November 2012	Fact sheet
Winmalee Wastewater System Improvement Project (Preferred option booklet)	7 November 2012	Fact sheet
Developer manual	8 November 2012	Booklet
Science excursions preview	8 November 2012	Flyer
Annual Aqua Awards finalist booklet	9 November 2012	Booklet
Hoxton Park Recycled Water Scheme folder	13 November 2012	Folder
Hoxton Park Recycled Water Scheme note pad	13 November 2012	Note pad
2012 EA – summary of changes and voting information	14 November 2012	Fact sheet
Fact Sheet – Winmalee Wastewater System Improvement Project – Options Explored	16 November 2012	Fact sheet
Fact Sheet – Winmalee Wastewater System Improvement Project – Erosion Study Summary	16 November 2012	Fact sheet
Fact Sheet – Winmalee Wastewater System Improvement Project – Environmental Impact Assessment Process	16 November 2012	Fact sheet
Geography teachers' field trip	19 November 2012	Agenda
Cowan Wastewater Scheme	20 November 2012	Booklet
Excursion booking form	20 November 2012	Form
Sydney Water Talk flyer	22 November 2012	DL flyer
Sydney Water Festive season card	22 November 2012	Card
Sydney Water Festive season ecard	22 November 2012	eCard
Service Delivery team brief video – November 2012	22 November 2012	Video
West Hoxton Wastewater Scheme	23 November 2012	Fact sheet
Science excursions preview	26 November 2012	Agenda
Direct Debit reprint	27 November 2012	Brochure
Excursion syllabus links: Chemistry	27 November 2012	Fact sheet
Excursion syllabus links: Senior Science	27 November 2012	Fact sheet
Excursion syllabus links: Biology	27 November 2012	Fact sheet
Excursion syllabus links: Earth & Environmental Science	27 November 2012	Fact sheet
Excursion syllabus links: Stage 4 & 5 Science	27 November 2012	Fact sheet
North West Growth Centre package 2 and 3a	3 December 2012	Newsletter
Changes to Wastesafe charges from July 2013	5 December 2012	Fact sheet
Air release facilities Cowan Wastewater Scheme	6 December 2012	Fact sheet
Understanding the costs – PSP	6 December 2012	Fact sheet
Chemical dosing unit	7 December 2012	Fact sheet
Pressure sewerage system	7 December 2012	Fact sheet
Reasons to connect	7 December 2012	Fact sheet

Publication	Date	Format
Service Delivery team brief video – December 2012	7 December 2012	Video
Northern Beaches Storage Project – Community update December 2012	12 December 2012	Fact sheet
End of year highlights video	17 December 2012	Video
Waterwrap Autumn 2013	17 December 2012	Newsletter
Business Update Autumn 2013	17 December 2012	Newsletter
Your Water October–December 2012	17 December 2012	Newsletter
End of year highlights video – (external)	21 December 2012	Video
Water meter installation guide	14 January 2013	Fact sheet
Water meters policy	14 January 2013	Fact sheet
Water meter maintenance guide	14 January 2013	Fact sheet
Community Relations – Induction Pack – Networks & Facility Renewals Framework	15 January 2013	Fact sheet
Bargo Wastewater Scheme	15 January 2013	Booklet
Buxton Wastewater Scheme	17 January 2013	Booklet
Excursion syllabus links: Preliminary Earth & Environmental Science	17 January 2013	Fact sheet
Excursion syllabus links: Stage 4 Science	17 January 2013	Fact sheet
Excursion syllabus links: HSC Earth & Environmental Science	17 January 2013	Fact sheet
Excursion syllabus links: Preliminary Chemistry	17 January 2013	Fact sheet
Excursion syllabus links: HSC Chemistry	17 January 2013	Fact sheet
Excursion syllabus links: Stage 4 Geography	17 January 2013	Fact sheet
Excursion syllabus links: Stage 5 Geography	17 January 2013	Fact sheet
Excursion syllabus links: Stage 6 HSC Geography	17 January 2013	Fact sheet
Excursion syllabus links: Stage 6 Preliminary Geography	17 January 2013	Fact sheet
Excursion syllabus links: Stage 5 Science	17 January 2013	Fact sheet
Science excursions preview	23 January 2013	Flyer
Geography teachers' field trip	23 January 2013	Flyer
Service Delivery team brief video – January 2013	24 January 2013	Video
Service Delivery team brief PDF – January 2013	24 January 2013	Newsletter
Land development manual	24 January 2013	Booklet
Plumbing for retail food businesses	24 January 2013	Fact sheet
Cowan wastewater scheme – connection guide	25 January 2013	Flyer
Community Relations – Induction Pack for Networks' Delivery Contractors	30 January 2013	Fact sheet
Excursion syllabus links: Stage 4–6 Science	31 January 2013	Fact sheet
Cup and Saucer Creek video	31 January 2013	Video
Water & Wastewater Servicing of the West Dapto Release Area & Adjacent Growth Areas: Submissions Response Report	1 February 2013	Report

Publication	Date	Format
Sub-surface irrigation – Bargo Wastewater Scheme	1 February 2013	Fact sheet
Sub-surface irrigation – Buxton Wastewater Scheme	1 February 2013	Fact sheet
Excursion syllabus links: Stage 4–6 Geography	4 February 2013	Fact sheet
Water Recycling Education Centre: Science and geography excursions	4 February 2013	Fact sheet
Winmalee Wastewater System Improvement Project (Invitation)	7 February 2013	Invitation
Responsibilities for connected customers	7 February 2013	Policy
School excursions: Safety conditions and excursion checklist	7 February 2013	Fact sheet
School excursion confirmation form	7 February 2013	Form
O&M Integration animation about the shared story	8 February 2013	Video
Winmalee Wastewater System Improvement Project REF	11 February 2013	Booklet
Winmalee Wastewater System Improvement Project advertisement	11 February 2013	Advertisement
Winmalee Wastewater System Improvement Project display panels	11 February 2013	Display
Policy for connecting to Sydney Water systems	11 February 2013	Policy
St Marys Water Recycling Plant – Conditions of Approval documents	14 February 2013	Fact sheet
Additional service agreement general terms and conditions	14 February 2013	Booklet
Additional service agreement schedule of our requirements	14 February 2013	Booklet
Plumbing seminar registration form	14 February 2013	Form
Plumbing seminar invitation	14 February 2013	Flyer
Plumbing seminar survey	14 February 2013	Form
SWWA Winmalee Review of Environmental Factors (REF) February 2013	19 February 2013	Report
Water efficiency Q&As	21 February 2013	Fact sheet
Botany Q&As	21 February 2013	Fact sheet
Graduate brochure 2013	22 February 2013	Brochure
Service Delivery team brief video – February 2013	25 February 2013	Video
Service Delivery team brief PDF – February 2013	25 February 2013	Newsletter
Grease traps and under sink pump units	26 February 2013	Fact sheet
Grease trap installation requirements	26 February 2013	Fact sheet
Coalescing Plate separators installation requirements	26 February 2013	Fact sheet
NWGC Package 2 and 3A customer contact card	28 February 2013	Calling card
Georges River water quality – Preventing wastewater overflows	1 March 2013	Fact sheet
Recycled water Q&A	1 March 2013	Q&A
NWGC Package 2 and 3A while you were out card	5 March 2013	Calling card
Environmental incident fact sheet	6 March 2013	Fact sheet

Publication	Date	Format
Reporting pollution Q&As	6 March 2013	Fact sheet
Discoloured water research at Macarthur WFP	6 March 2013	Fact sheet
Discoloured water research at Nepean WFP	6 March 2013	Fact sheet
Trade waste authorised pre-treatment grease traps 1,000 litres	7 March 2013	Fact sheet
Trade waste authorised pre-treatment grease traps 1,500 litres	7 March 2013	Fact sheet
Trade waste authorised pre-treatment – 2,000 to 5,000 L grease traps	7 March 2013	Fact sheet
Wastesafe Transporters	7 March 2013	Fact sheet
Wolli Creek SPS 99 Upgrade and Rising Main Duplication REF	7 March 2013	Report
Northern Beaches Storage Project – Community Update Mar 2013	8 March 2013	Fact sheet
REG2 Review of Environmental Factors	12 March 2013	REF
Bargo Wastewater Scheme – Connection guide	14 March 2013	Flyer
Buxton Wastewater Scheme – Connection guide	14 March 2013	Flyer
Backflow explained	21 March 2013	Booklet
Working at Sydney Water	22 March 2013	Booklet
Service Delivery team brief video – March 2013	26 March 2013	Video
Service Delivery team brief PDF – March 2013	26 March 2013	Newsletter
Prices for your business – Stormwater charges 2013	27 March 2013	Fact sheet
Castle Hill WRP photo board	11 April 2013	Display
Rouse Hill WRP photo board	11 April 2013	Display
Emptying Residential Swimming Pools	12 April 2013	Fact sheet
Monitoring Services – Swimming pools capability	18 April 2013	Fact sheet
Monitoring Services – Marine capability	18 April 2013	Fact sheet
Monitoring Services – Monitoring services capability	18 April 2013	Fact sheet
Wastesafe mailout	18 April 2013	Fact sheet and letter
Real Conversations teaser video	19 April 2013	Video
Water Wrap 2nd quarter	19 April 2013	Newsletter
Business Update	19 April 2013	Newsletter
Your Water – Q2 2013	19 April 2013	Newsletter
125 anniversary video – Contributing to a liveable Sydney (short)	19 April 2013	Video
125 anniversary video – A culture of foresight and resilience (short)	19 April 2013	Video
SewerFix work in Marrickville – Map of work area and traffic restrictions	22 April 2013	Fact sheet
SewerFix work in Marrickville – Improving the wastewater system	22 April 2013	Map

Publication	Date	Format
125 anniversary video – Culture (long)	22 April 2013	Video
Service Delivery team brief PDF – April 2013	22 April 2013	Newsletter
Service Delivery team brief video – April 2013	22 April 2013	Video
Community news – North Head Wastewater Treatment Plant (WWTP)	23 April 2013	Newsletter
SewerFix work in Neutral Bay – Improving the wastewater system	26 April 2013	Fact sheet
SewerFix work in Neutral Bay – Map of work area and traffic restrictions	26 April 2013	Fact sheet
Burwood heritage refurbishment poster	26 April 2013	Poster
2013 Graduate promo video	26 April 2013	Video
WaterAid interview video with MD & CEO	30 April 2013	Video
Glass washer efficiency	3 May 2013	Fact sheet
New ways of servicing – Marsden Park	9 May 2013	Case study
Getting more gas (Co-generation)	9 May 2013	Case study
Happy frogs happy walkers (Cup and Saucer Creek)	9 May 2013	Case study
North West Growth Centre Schofields Water and Wastewater Infrastructure	10 May 2013	Fact sheet
North West Growth Centre Construction Using Bores	10 May 2013	Fact sheet
WaterFix Terms and conditions 2013	16 May 2013	Brochure
Bargo Wastewater Scheme May update	21 May 2013	Newsletter
Buxton Wastewater Scheme May update	21 May 2013	Newsletter
2014 Sydney Water UBD 49th edition	21 May 2013	Booklet
Proposed wastewater services to Galston and Glenorie	24 May 2013	Newsletter
North West Growth Centre Alex Avenue Water and Wastewater Infrastructure	24 May 2013	Fact sheet
North West Growth Centre Box Hill, Riverstone and Vineyard Water and Wastewater Infrastructure	24 May 2013	Fact sheet
Service Delivery team brief, May 2013 – PDF	27 May 2013	Newsletter
Service Delivery team brief, May 2013 – Video	27 May 2013	Video
Cowan Wastewater Scheme Update	28 May 2013	Newsletter
Customer Assistance cards	30 May 2013	Card
Stormwater – request for low impact discount form	31 May 2013	Form
Northern Beaches Storage Project – Community Update – June 2013	6 June 2013	Fact sheet
Emergency Work Affecting your Property	11 June 2013	Card
How to connect – Commercial or industrial development	11 June 2013	Brochure
How to connect – Knock down and rebuild	11 June 2013	Brochure
How to connect – Multi-dwelling residential developments	11 June 2013	Brochure
How to connect – New homes	11 June 2013	Brochure

Publication	Date	Format
How to connect – Poster	11 June 2013	Poster
Hydrants	11 June 2013	Fact sheet
Hydrants	11 June 2013	Poster
Wilton Wastewater Scheme	12 June 2013	Booklet
Service Delivery team brief, June 2013 – PDF	12 June 2013	Newsletter
Service Delivery team brief, June 2013 – Video	12 June 2013	Video
Air release facilities Bargo/Buxton Wastewater Scheme	17 June 2013	Fact sheet
Monthly meter reading application form	17 June 2013	Form
Wastesafe multilingual brochure	18 June 2013	Brochure
Project Update at Cronulla WWTP	20 June 2013	Fact sheet
The osmosis principle	21 June 2013	Video
How does reverse osmosis work?	21 June 2013	Video
Ultrafiltration	21 June 2013	Video
Customer Contract in Brief	24 June 2013	Brochure
Prices for your home 2013–14	24 June 2013	Fact sheet
Prices for other services 2013–14	24 June 2013	Fact sheet
Prices for your business 2013–14	24 June 2013	Fact sheet
You must apply to connect	24 June 2013	Poster
125 anniversary video – Robert Kirkpatrick	25 June 2013	Video
125 anniversary video – Jon Breen	25 June 2013	Video
Industrial customers acceptance standards and charging rates 2013–14	25 June 2013	Fact sheet
Commercial customers trade wastewater fees and charges 2013–14	25 June 2013	Fact sheet
Industrial customers trade wastewater fees and charges 2013–14	25 June 2013	Fact sheet
SewerFix work in Woronora – Improving the wastewater system	28 June 2013	Fact sheet
SewerFix work in Woronora, map of work area 1st shift	28 June 2013	Map
SewerFix work in Woronora, map of work area 2nd shift	28 June 2013	Map
SewerFix work in Woronora, map of work area 3rd shift	28 June 2013	Map

Environmental performance

Appendix 7: Energy Efficiency Opportunities (EEO)

Sydney Water is a registered organisation under the Commonwealth *Energy Efficiency Opportunities (EEO) Act 2006*. We are required to publicly report the outcomes of our 2012–13 energy efficiency assessments.

We are also required to submit this information to the Department of Resources, Energy and Tourism by 31 December each year. The results of our EEO assessments in 2012–13 will be available – http://www.sydneywater.com.au/SW/water-the-environment/what-we-re-doing/energy-management/index.htm.

Appendix 8: Environmental performance against special objectives

As set out in the *Sydney Water Act 1994*, our principal objectives are to protect public health, to protect the environment, and to be a successful business.

In implementing these principal objectives, Sydney Water has the following special objectives:

- to reduce risks to human health
- to prevent the degradation of the environment.

When applying these special objectives, we review our performance against a number of clauses in the *Sydney Water Act 1994* and the *Protection of the Environment Administration Act 1991*.

We provide links in the table below to publicly available reports and information that demonstrate our performance against these clauses.

We publish key performance reports on our website:

- *Annual Report 2013*.
- *Sydney Water Operating Licence Environment Report* (Environment Plan 2012–17 Annual Report and Environmental Indicators Report 2012–13) – details our corporate performance information on our environmental objectives, targets and indicators.
- *Water Efficiency Report 2012–13* – outlines how we are meeting our water conservation requirements and contributing to water efficiency, leak management, and water recycling initiatives.
- *Sewage Treatment System Impact Monitoring Program (STSIMP) Report 2012–13* – a summary of wastewater discharge quality, quantity and loads data for key pollutants with respect to regulatory limits. This report also contains wastewater overflows and recycled water data.

Table 29: Environmental performance against special objectives 2012–13

Special objectives clauses	Sydney Water performance report section	Additional public reports
Reduce the impact of Sydney Water's discharges into or onto the air, water or land of substances which are likely to cause harm to the environment	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Wastewater treatment and system discharges • Biosolids • Waste • Electricity • Greenhouse gas emissions *Annual Report 2013* – Chapter 4 – Forward thinking *Annual Report 2013* – Appendix 11: Waste Reduction and Purchasing Policy (WRAPP) annual statement *Water Efficiency Report 2012–13* *Sewage Treatment System Impact Monitoring Program (STSIMP) Report 2012–13*	• Input to National Greenhouse and Energy Reporting (NGER) scheme www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-Reporting (Note: the Clean Energy Regulator is required to publish 2012–13 data by 28 February 2014) • National Pollutant Inventory (NPI) returns www.npi.gov.au/npi-data/search-npi-data (Note: the Australian Government publicly releases NPI facility data for the preceding year on 31 March) • Environment Protection Licence Annual Returns, Protection of the Environment Operations (POEO) Public Register www.epa.nsw.gov.au/prpoeoapp • Input to Bureau of Meteorology (BOM) National Water Account (available mid 2014) www.bom.gov.au/water/nwa/ • Input to *Office of Environment and Heritage (OEH) State of the Beaches Report* www.environment.nsw.gov.au/beach • *Waste Reduction and Purchasing Policy (WRAPP) Report* www.environment.nsw.gov.au/wrapp/
Promote pollution prevention through reduction, reuse and recovery of energy, water and other materials and substances, used or discharged by Sydney Water, by the use of appropriate technology practices	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Trade waste • Biosolids • Waste • Electricity indicators • Greenhouse gas emissions *Annual Report 2013* – Chapter 4 – Forward thinking *Water Efficiency Report 2012–13*	• Input to NGER scheme www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-Reporting • Input to Bureau of Meteorology (BOM) National Water Account www.bom.gov.au/water/nwa/ • WRAPP Report www.environment.nsw.gov.au/wrapp/

Special objectives clauses	Sydney Water performance report section	Additional public reports
Reduce significantly the combined environmental impact of the per capita amount of energy and water used by the Corporation and of other materials and substances discharged by the Corporation	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Wastewater treatment and system discharges • Biosolids • Waste • Electricity • Greenhouse gas emissions *Annual Report 2013* – Chapter 4 – Forward thinking: • Environmental footprint • Environmental performance monitoring *Annual Report 2013* – Appendix 11: WRAPP annual statement *Water Efficiency Report 2012–13* *STSIMP Report 2012–13*	• Input to Bureau of Meteorology (BOM) National Water Account www.bom.gov.au/water/nwa/ • Input to NGER scheme www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-Reporting • WRAPP Report www.environment.nsw.gov.au/wrapp/ • Environment Protection Licence Annual Returns, POEO Public Register www.epa.nsw.gov.au/licensing/lbl/annualreturn.htm • Input to *OEH State of the Beaches Report* www.environment.nsw.gov.au/beach
Minimise Sydney Water's creation of waste by the use of appropriate technology, practices and procedures	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Biosolids • Waste *Annual Report 2013* – Appendix 11: WRAPP annual statement	• WRAPP Report www.environment.nsw.gov.au/wrapp/
Regulate the transport, collection, treatment, storage and disposal of waste	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Trade waste	

Special objectives clauses	Sydney Water performance report section	Additional public reports
Adopt minimum environmental standards prescribed by complementary Commonwealth and State legislation and advise government to prescribe more stringent standards where appropriate	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Environmental compliance *Annual Report 2013* – Appendixes 7–11 – Environmental and system performance	• Government Gazette and online contaminated land management public record, NSW EPA website www.environment.nsw.gov.au/prclmapp/searchregister.aspx
Conduct public information and awareness programs about environmental programs, and involve the community in decision-making on environmental matters	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Annual Report 2013* – Chapter 2 – Customer focus *Water Efficiency Report 2012–13*	• Input to *2010 Metropolitan Water Plan, NSW Government* led by Department of Primary Industries, Office of Water www.waterforlife.nsw.gov.au/mwp • Input into the *OEH State of the Beaches Report* www.environment.nsw.gov.au/beach
Ensure the community has relevant information about hazardous substances arising from, or stored by, any industry or public authority	*Operating Licence Environment Report – Environment Plan 2012–17 Annual Report* *Operating Licence Environment Report – Environmental Indicators Report 2012–13*: • Trade waste • Biosolids • Waste *Annual Report 2013* – Appendix 11: WRAPP annual statement	• NPI returns www.npi.gov.au/index.html • Government Gazette and online contaminated land management public record, NSW EPA website www.environment.nsw.gov.au/prclmapp/searchregister.aspx • WRAPP Report www.environment.nsw.gov.au/wrapp/

Appendix 9: Heritage delegation actions

We have the regulatory power to approve and endorse certain works to assets listed on the State Heritage Register (SHR). This also includes approving works to certain archaeological sites in our entire area of operations. We can also endorse conservation management plans and strategies prepared for assets listed on the SHR.

Table 30: Decisions made under the Heritage Council of NSW Delegation 2012–13

Site	Description	Decision
Alexandra Canal	Stabilisation and reconstruction of 400 metres of embankment	Approved under S60
Potts Hill Reservoirs Site	Installation of underground 330kV cables	Approved under S60
Potts Hill Reservoirs Site	Demolition of asbestos clad toilet block	Approved under S57(2) – Standard Exemption 7
Potts Hill Reservoirs Site	Bridge replacement	Approved under S57(2) – Standard Exemption 7
Potts Hill Reservoirs Site and Pipehead Site	Installation of new flow meters	Approved under S57(2) – Standard Exemption 7
Potts Hill Reservoirs Site and Bankstown Reservoir	Bore holes and test pits	Approved under S57(2) – Standard Exemption 7
Prospect Reservoir	New valve on water main	Approved under S57(2) – Standard Exemption 7
Centennial Park Reservoir No. 1	New flow meter	Approved under S57(2) – Standard Exemption 7
Potts Hill Reservoirs Site and Bankstown Reservoir	New 750mm trunk main	Approved under S57(2) – Standard Exemption 7
Tank Stream	Trench over the channel near Circular Quay	Approved under S57(2) – Standard Exemption 4
Cooks River Sewage Aqueduct	Temporary security barriers	Approved under S57(2) – Standard Exemption 16
Kiama Reservoirs	Replacement of chlorine analysers	Approved under S57(2) – Standard Exemption 7
Potts Hill Reservoirs Site	Installation of 132kV overhead cables and 11kV underground cables	Approved under S57(2) – Standard Exemption 7
Surry Hills, Kippax Street	Excavation works	Approved under S139(4) – Schedule 1B
Mays Hill, Napier Street	Excavation works	Approved under S139(4) – Schedule 1B
Rosehill, Virginia Street	Excavation works	Approved under S139(4) – Schedule 1B
Rosehill, Eleanor Street	Excavation works	Approved under S139(4) – Schedule 1B
Rydalmere, Muriel Ave	Excavation works	Approved under S139(4) – Schedule 1B

Appendix 10: *Threatened Species Conservation Act 1995*

Section 70 of the *Threatened Species Conservation Act 1995* requires public authorities to report on implementation of recovery plans.

1. A public authority (including the Director-General but not including a council) identified in a recovery plan as responsible for the implementation of measures included in the plan must report on action taken by it to implement those measures in its annual report to Parliament.

Table 31: Actions to implement measures in our threatened species recovery plan 2012–13

(a) Is Sydney Water identified as responsible for implementing measures included in a threatened species recovery plan? (Yes/No)
Yes – they include: • Eastern Suburbs Banksia scrub • Coastal Saltmarsh • endangered population of bandicoots (*Perameles nasuta*) at North Head • *Acacia pubescens* • Green and Golden Bell Frog (*Litoria aurea*) • *Grevillea caleyi* • Recovery Plan for Cumberland Plain Woodland • Tadgell's Bluebell (*Wahlenbergia multicaulis* Benth)
(b) If yes, provide a description of the actions taken to implement those measures.
We have completed 140 Property Environmental Management Plans for the most environmentally sensitive sites that we own. The sites include all of those with known threatened species, communities and populations. We have included relevant requirements from recovery plans in each Sydney Water site-specific Property Environmental Management Plan.
Eastern Suburbs Banksia scrub We have a Plan of Management for Botany Wetlands. This plan covers the wetlands themselves and Bonnie Doon, Eastlakes and The Lakes golf courses, which contain remnants of Eastern Suburbs Banksia scrub (ESBS). Under the plan, the golf courses must implement environmental management plans to ensure their operations protect the ESBS. Protective measures include physical protection, bush regeneration and weed management. We also prepared Property Environmental Management Plans for North Head Wastewater Treatment Plant (WWTP) and Maroubra Reservoir. We manually reduced bushfire hazards at North Head WWTP over several years to protect the ESBS without the use of fire.
Coastal Saltmarsh We have a Management Plan for Eve Street Wetland, Arncliffe. Protective measures include physical protection, bush regeneration, weed management and maintaining the wetland's tidal regime. We have started construction on the Cooks River Naturalisation project, which will create significant new areas of saltmarsh in two sites. We also mapped vegetation around all Sydney Water's tidal stormwater assets.
Endangered population of bandicoots (*Perameles nasuta*) at North Head Our Property Environmental Management Plan for North Head WWTP sets out how we help protect an endangered population of bandicoots (*Perameles nasuta*). We attend population recovery team meetings and contribute to feral animal control and other measures at North Head.

(b) If yes, provide a description of the actions taken to implement those measures.
Acacia pubescens We have Property Environmental Management Plans for Potts Hill Reservoir and the Pipehead to Potts Hill pipeline. Some of the stands of *Acacia pubescens* at Potts Hill are included in areas covered by a Voluntary Conservation Agreement (VCA). We have fenced off and signposted the VCA area to protect the new growth of the species. A VCA contract is now in place to manage the environmental values as required, including monitoring and reporting on the *A. pubescens*. We have prepared a Property Environmental Management Plan for Prospect Reservoir. We are implementing the Plan of Management for Chullora Wetlands, which includes weed management and potential habitat protection.
Green and Golden Bell Frog (*Litoria aurea*) We have prepared Property Environmental Management Plans for Cronulla WWTP, St Marys Water Recycling Plant and Prospect Reservoir.
Grevillea caleyi We have prepared a Property Environmental Management Plan for Site 2 south (Mona Vale Road), Tumbledown Hill, Terrey Hills.
Cumberland Plain Woodland The Recovery Plan for Cumberland Plain Woodland identifies properties we own that contain Cumberland Plain Woodland. We have Property Environmental Management Plans for sites with the most significant areas of woodland.
Tadgell's Bluebell (*Wahlenbergia multicaulis* Benth) Our plants have been identified in a draft Recovery Plan for Tadgell's Bluebell (*Wahlenbergia multicaulis* Benth). We are taking no action, as the only known plants on our property are in an isolated pocket of land that is rarely accessed.

Appendix 11: Waste Reduction and Purchasing Policy (WRAPP) statement

This statement outlines how we implemented the NSW Government's Waste Reduction and Purchasing Policy (WRAPP), in line with *Annual Reports (Statutory Bodies) Regulation 2010*. This statement includes information on measures taken and progress on:

- reducing the generation of waste
- resource recovery
- the use of recycled material.

Reducing the generation of waste (waste avoidance and minimisation)

Reducing construction waste

We continue to reduce the amount of waste we generate by using innovative measures to reduce the need for digging in the ground.

The sewer relining programs reduce waste by using pipe relining methods that require minimal digging and keep the old pipes in place. This avoids moving about 14,900 tonnes of material. The SewerFix program uses trenchless excavation methods and avoids moving over 8,000 tonnes of material.

Minimising office waste

Our office printers are set up with double sided printing as the default setting. Every page on our intranet and website has a printer-friendly option to reduce paper use when information is printed.

Resource recovery (waste reuse and recycling)

Construction and maintenance projects

Sydney Water continues to recycle and reuse materials from construction and maintenance projects in 2012–13. The West Camden Wastewater Treatment Plant biosolids upgrade and the Priority Sewerage Program have both recycled and reused 99% of materials generated.

Recycling office waste

We recycled over 7,000 tonnes of office waste during the period. This includes office paper, computer equipment and co-mingled containers.

The use of recycled material (buying of recycled-content materials)

Procurement

We require suppliers of recycled materials to complete an environmental assessment if our contract with them is worth over $500,000. This encourages suppliers involved in the tender process to deliver environmentally beneficial products.

We recently introduced a Sustainable Procurement Program which requires that suppliers commit to resource recovery and gives preference to products that contain recovered materials. This program is in the early stages of implementation.

Workforce

Appendix 12: Workplace health and safety (WHS)

Sydney Water's safety theme until 2014 is 'Improving Safety Together'. Senior Management has developed this theme as part of the *Safety Strategy 2012–2014*. The strategy aims to improve the overall safety performance of Sydney Water staff and contractors. The strategy enables staff to work in safer conditions, by providing simplified information on systems and processes.

We have based the strategy on the CARE principles of 'Controls, Accountabilities, Risk & Effectiveness'. These principles have changed the ownership model for our workplace by building in safety accountabilities for people working at the front end of the business. This ensures red tape is removed when safety, maintenance and operations require attention.

The safety strategy has identified the need for an improved IT platform and mobility. Sydney Water has assessed a number of vendors who may be able to supply efficient IT solutions.

We have already facilitated and trialled several small IT solutions in-house, with Sydney Water IT. These included a mobile application to improve reporting of hazards and near misses.

We needed a simple, fast, effective and efficient way for staff and contractors to report hazards to Sydney Water. It needed to be timely, with no barriers to computers, mobile coverage, literacy or English as a second language. The mobile app enables people to report a hazard in three simple steps, using pictures to tell the story. Step 1 is to take a photo. Step 2 is to talk into the device and describe the issue or hazard, and Step 3 is to email this to the Safety team with the three attachments – the photo, the audio and a geo tagged Google map location. The Safety team then manages the issue with the responsible manager.

Lost time injury frequency rate for Sydney Water staff and contractors

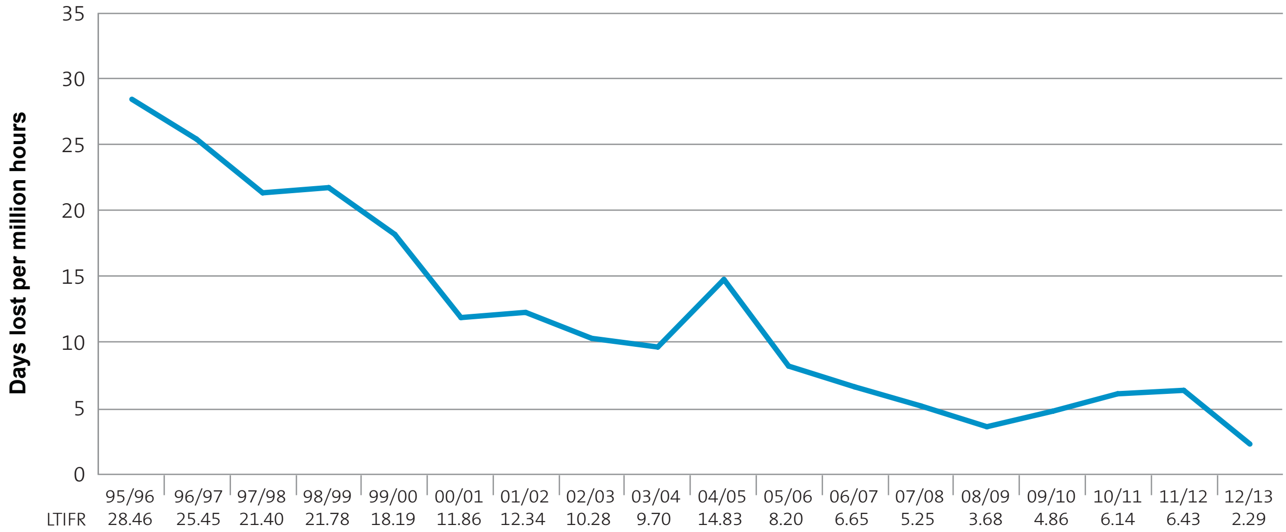
In 2012–13, our lost time injury frequency rate (LTIFR) for staff significantly dropped for the first time since 2008–09 – from 6.28 to 2.29. The LTIFR is the number of lost time injuries for each million hours worked. An injury is a 'lost time injury' if the person was away from work for one day/shift or more.

The total number of lost time injuries (LTI) for staff was 12 – down from 32 the previous year. The LTIFR for contractors decreased from 3.19 in 2011–12 to 1.04 in 2012–13. The number of contractor LTIs in 2012–13 fell from 17 in 2011–12 to five in 2012–13.

A number of factors have contributed to the drop in staff and contractor LTIFRs in 2012–13:

- We've made safety a top priority for staff and contractors through a number of awareness campaigns.
- We introduced a new incident recording system.
- We reduced our capital works program.

Figure 14: Lost time injury frequency rate – 1995–96 to 2012–13



Notes:

1. The frequency rate is the number of lost time injuries for each one million hours worked. The formula used for calculating frequency rates is:
   Frequency rate = (number of LTIs / number of hours worked) x 1,000,000
2. Results reflect the most recent data at time of reporting. Historical data is updated to include any LTI notifications received since previous reporting periods.

Figure 15: Lost time injury frequency rate (LTIFR) and lost time injuries (LTI) 2011–13

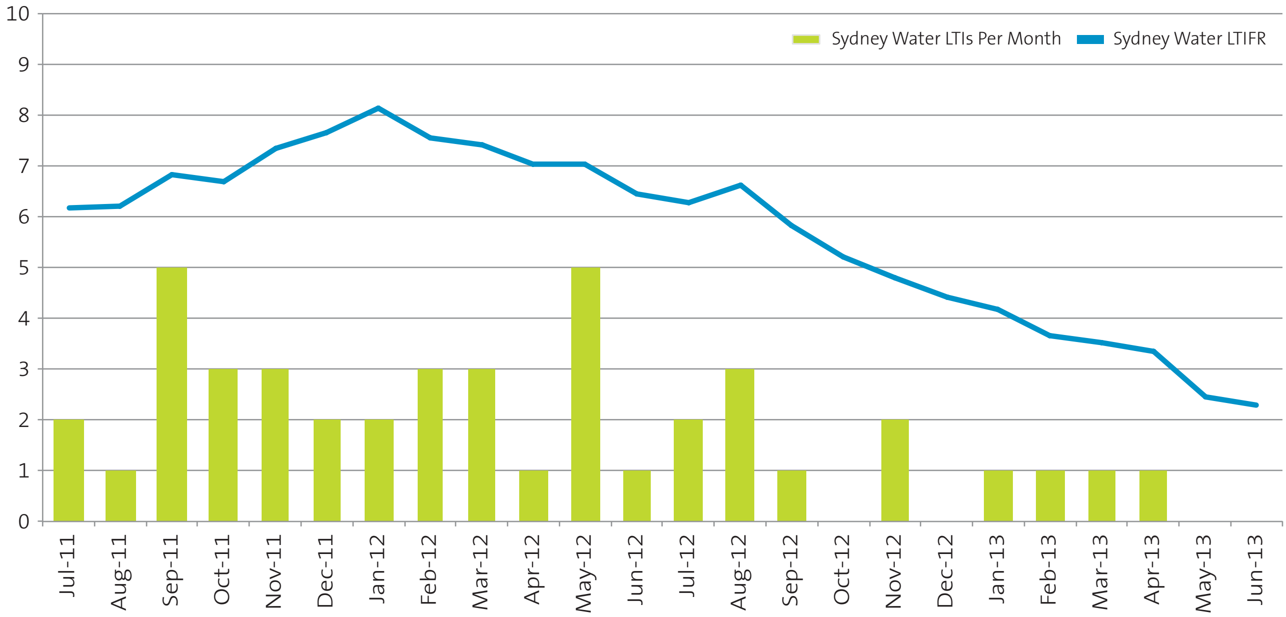
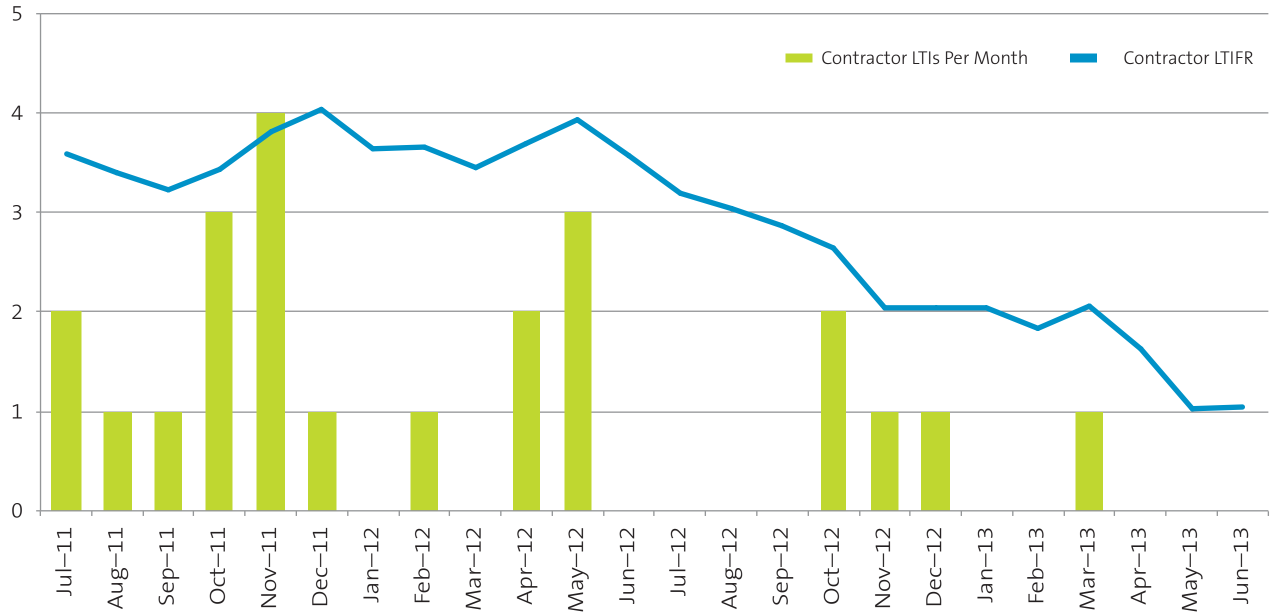


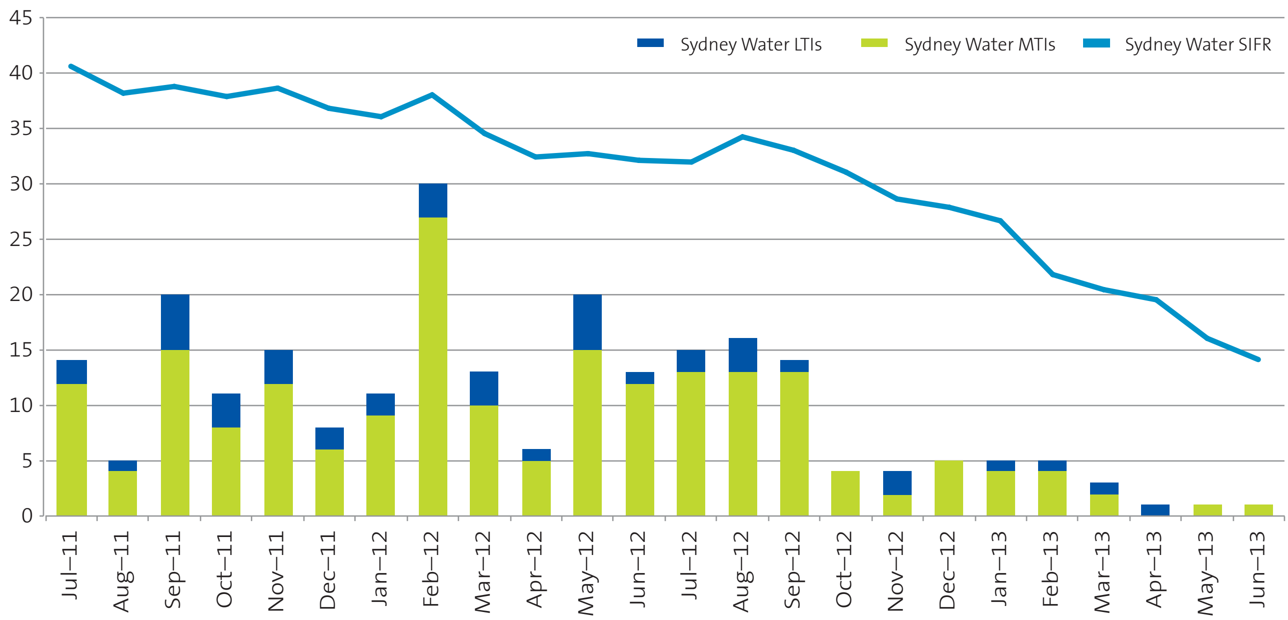
Figure 16: Contractor lost time injury frequency rate (LTIFR) and lost time injuries (LTI) 2011–13



Notes:

1. Results reflect the most recent data at time of reporting. Historical data is updated to include any LTI notifications received after previous reporting periods.
2. Results are based on the number of contractor hours reported to Sydney Water.

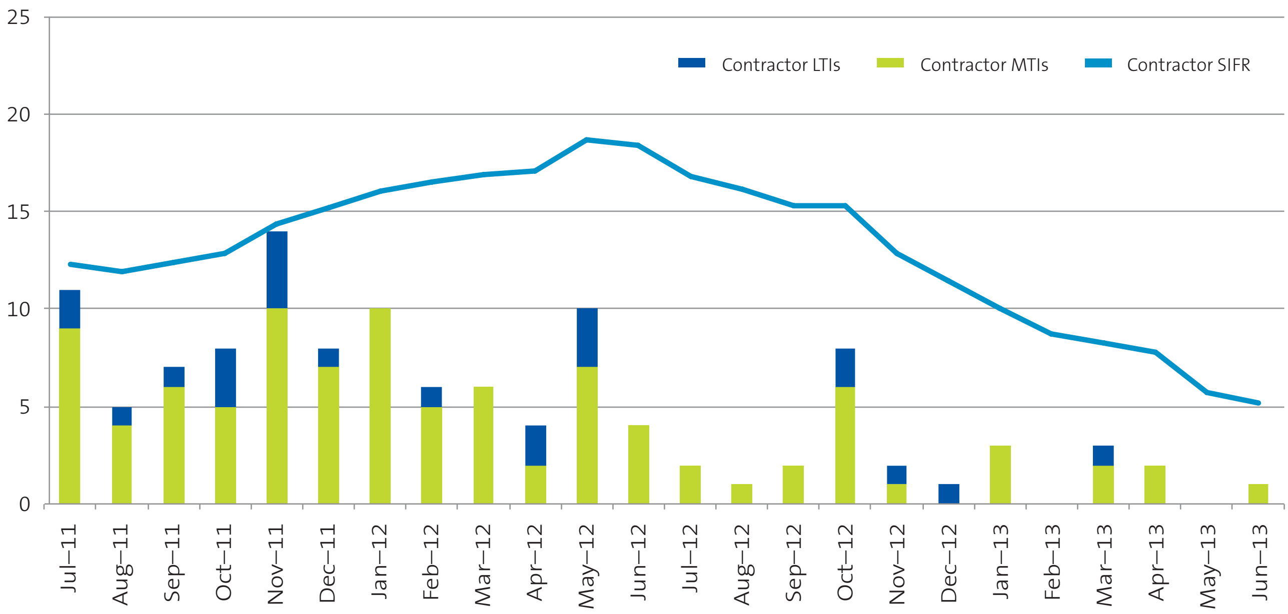
Figure 17: Serious injury frequency rate (SIFR) 2011–13



Notes:

1. The serious injury frequency rate is the number of lost time injuries and medical treatment injuries for each one million hours worked. The formula for calculating this frequency rate is: Frequency rate = (number of LTIs + MTIs/number of hours worked) x 1,000,000
2. A medical treatment injury (MTI) is an injury that requires specific medical treatment (not just first aid).

Figure 18: **Contractor serious injury frequency rate (SIFR) 2011–13**



Notes:

1. Results reflect the most recent data at time of reporting. Historical data is updated to include any LTI/MTI notifications received since previous reporting periods.
2. Results are based on the number of contractor hours reported to Sydney Water.

Sydney Water's goal is to 'Improve Safety Together' to achieve zero injuries for staff, contractors and visitors. Sydney Water is improving workplace health and safety by:

- simplifying procedures for staff and contractors
- implementing the CARE principles
- auditing assets and facilitating external asset audits, to better understand our operating environment and risk profile
- running an asbestos remediation and removal project to ensure staff are safe at all assets where asbestos is present and, where required, completely removing the asbestos
- renewing focus on fitness for work in confined spaces. There is a new medical process to ensure only persons fit to enter confined spaces are permitted to work in the environment
- working with our contractors to develop better communication between contractors and Sydney Water and to ensure lessons are shared and improvements made
- improving Board reporting to enable the executives and directors to exercise due diligence
- restructuring the Safety team to better service business needs and improve outcomes
- starting a program to remove redundant electrical cables in our assets
- developing and releasing a safety reporting application for use on the corporate Windows 8 mobile phones
- starting a Safety Committee on our Board to ensure a committed approach to safety at Sydney Water.

Sydney Water was not prosecuted under the *Work Health and Safety Act 2011* in 2012–13.

Lessons learnt

Throughout 2012–13, Sydney Water reviewed serious safety incidents and potential high risk environments. These reviews have led to the initiatives and improvements we rolled out in the last year. The Safety team has also completed a system review and significant market research in seeking an IT solution for our Safety Management System. We have the plans to begin working on a new system in 2013–14. We continue to consult with staff and contractors to ensure we adjust and align priorities to enable effective and efficient outcomes.

We have started developing new Asset Minimum Standards and Health and Safety procedures based on incident reviews, asset audits, site inspections, stakeholder consultation and market research. This is integral for a safer workplace through simplified procedures. To provide a user-friendly experience, we have also restructured our approach to managing our customer and stakeholder needs by establishing regional coordinators and advisers.

Appendix 13: Executive performance and remuneration

Table 32: Executive performance and remuneration 2012–13

Name	Position and level	Total remuneration package (including superannuation)	Performance pay	Period in position	Results
Kevin Young	Managing Director	$661,925	N/A	Kevin was in this position for the full financial year.	Kevin performed against agreed criteria.
Denise Dawson	General Manager Corporate Services	$380,788 (pro rata until 13 July 2012)	N/A	Denise was in this position until 13 July 2012.	Denise performed against agreed performance criteria of IPART pricing, business improvement structure, customer service, corporate strategy, business reform, delivering major projects, budget, providing services, legal service engagement, staff engagement, people management and safety.

Name	Position and level	Total remuneration package (including superannuation)	Performance pay	Period in position	Results
Paul Freeman	General Manager Liveable Cities Solutions	$360,607	N/A	Paul was in this position for the full financial year.	Paul performed against agreed performance criteria of improving capital efficiency, defining divisional strategy, developing innovative Greenfield servicing solutions, developing the Liveable Cities Program, implementing the energy and greenhouse gas mitigation strategy, improving developer satisfaction and meeting corporate performance targets.
James K Mitchell	Chief Financial Officer	$378,000	N/A	James was in this position for the full financial year.	James performed against agreed performance criteria of business improvement, the debt hedging and tax policy review, capital program delivery, operational efficiency, spend optimisation strategy and WTP extension.
Ian Payne	General Manager Infrastructure Delivery	$344,370	N/A	Ian was in this position from 1 July 2012 until 22 February 2013 and 25 March 2013 to 30 June 2013.	Ian performed against agreed performance criteria of people, finance and operational excellence, customer focus, forward thinking, the revamped capital delivery program and corporate performance.
Angela Tsoukatos	General Manager Customer Services	$342,753	N/A	Angela was in this position for the full financial year.	Angela performed against agreed performance criteria of ACCESS replacement, the customer interaction and channel strategy, health and wellbeing, unregulated commercial products and services, business as usual improvements and structure and process changes.

Name	Position and level	Total remuneration package (including superannuation)	Performance pay	Period in position	Results
Peter Mills	General Manager People, Leadership and Culture	$324,158	N/A	Peter was in this position for the full financial year.	Peter performed against agreed performance criteria of improving leadership and key behaviours, organisation effectiveness, organisation diversity, people management systems, safety performance and staff capability.
Colin Nicholson	General Manager Reform	$357,506 (pro rata until 5 April 2013)	N/A	Colin was in this position until 5 April 2013.	Colin performed against agreed performance criteria of corporate reform.
Eric De Rooy	General Manager Service Delivery	$377,828	N/A	Eric was in this position for the full financial year.	Eric performed against agreed performance criteria of service delivery excellence, safety improvements, operational and capital expenditure programs, operating and environmental protection licence requirements, the customer focus program and corporate outcomes.
Sandra Gamble	General Manager Business Strategy & Resilience	$330,000	N/A	Sandra started in this position on 16 July 2012.	Sandra performed against agreed criteria of the IPART 2016 strategy, the 2013–17 corporate strategic plan, the customer engagement strategy, the state-owned corporation model strategy, transforming the new Business Strategy & Resilience division and outcome-based regulation.

Name	Position and level	Total remuneration package (including superannuation)	Performance pay	Period in position	Results
Stephen Wilson	Chief Information Officer	$330,000	N/A	Stephen was in this position for the full financial year.	Stephen performed against agreed criteria of IT procurement and vendor management, the 2012–16 IT strategy, staff resourcing, retention and development, corporate performance indicators, IT innovation capability, the IT capital program of work, the five to seven year application roadmap, continuous improvement, IT project steering committee governance, proactive customer management and agreed service levels.

Appendix 14: Executive officers commentary

Table 33: Number of executive officers 2012–13

Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 End of previous reporting year	Number of executive officers with remuneration equal to or exceeding equivalent of SES Level 1 End of current reporting year
267	290

Table 34: Number of female senior executive service (SES) equivalent officers 2008–09 to 2012–13

2008–09	2009–10	2010–11	2011–12	2012–13
24	21	24	26	31

Appendix 15: Equal Employment Opportunity

Achievements and activities in the general Equal Employment Opportunity (EEO) Program 2012–13 are below.

Appropriate Workplace Behaviour training

- We redesigned the Appropriate Workplace Behaviour training to be more comprehensive and launched it as an e-learning package to all staff. We rolled out staff and manager editions of the training to reflect different accountabilities. A total of 1,263 people (44%) completed the program by 30 June 2013.

Work/life balance

- We continued to promote the availability of work/life balance tools such as the elder care and child care information kits.

Women EEO group

- We continued the operation of the Women in Leadership Corporate Talent Program and expanded it to feature external coaching. This program drives our key performance indicator to increase the number of women in more complex roles (25.4% as at 30 June 2013, source BI). Of the 35 participants in the program, nine secured new roles, 15 had acting opportunities and 18 have applied for new roles.

Aboriginal and Torres Strait Islander EEO group

- We celebrated National Aboriginal Indigenous Day Observation Committee (NAIDOC) Week at our Parramatta and Potts Hill offices.
- We employed an additional eight Aboriginal and Torres Strait Islander trainees in 2012–13, taking the total number of identified Indigenous staff to 28, which is 1% of our workforce.

First language other than English EEO group

- We continued to use the Community Language Allowance Scheme (CLAS) to support staff who use their expertise in another language to improve customer service.

Disability EEO group

- We continued to support staff with temporary or permanent disabilities by providing flexible work arrangements.

Key equal EEO strategies for 2012–13

- We continued to refine the Indigenous Employment Strategy. We work with Indigenous communities and job networks to increase Aboriginal and Torres Strait Islander employees through traineeships and mainstream employment.
- We continued to increase the amount of female applicants considered on merit for vacancies through the Women in Leadership Talent Program. This will increase the percentage of women employed in more complex roles.

Statistical information on EEO target groups

Table 35: Trends in the representation of EEO groups[1]

	Target/ benchmark	2008–09		2009–10		2010–11		2011–12		2012–13	
		No.	%	No.	%	No.	%	No.	%	No.	%
Women	50%	852	26.2%	817	26.3%	813	26.6%	780	27.1%	749	27.5%
Aboriginal people and Torres Strait Islanders	2.6%[2]	23	0.7%	20	0.6%	20	0.7%	21	0.7%	26	1.0%
People whose first language is not English	19.0%	587	18.0%	562	18.1%	559	18.3%	553	19.2%	490	18.0%
People with a disability	N/A[3]	118	3.6%	102	3.3%	93	3.0%	79	2.7%	76	2.8%
People with a disability requiring a work-related adjustment	1.5%[4]	32	1.0%	28	0.9%	25	0.8%	19	0.7%	20	0.7%
Total staff		**3,253**		**3,106**		**3,053**		**2,874**		**2,722**	

Notes:
1. Staff numbers are as at 30 June.
2. Minimum target by 2015.
3. Per cent employment levels are reported but a benchmark level has not been set.
4. Minimum annual incremental targets: 1.1% (2011), 1.3% (2012), 1.5% (2013).

Table 36: Trends in the distribution of EEO groups[1]

EEO group	Distribution index[2]				
	Benchmark/target	2010	2011	2012	2013
Women	100	100	99	98	99
Aboriginal people and Torres Strait Islanders	100	83	81	79	72
People whose first language is not English	100	100	99	99	98
People with a disability	100	89	89	90	89
People with a disability requiring a work-related adjustment	100	87	88	95	91

Notes:
1. Information included in Table 36 is provided by the NSW Public Service Commission.
2. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20. Calculations exclude casual staff.

Table 37: Workforce numbers 2008–09 to 2012–13

Human resources	2008–09	2009–10	2010–11	2011–12	2012–13
FTE – Permanent	2,848	2,794	2,749	2,604	2,459
FTE – Temporary	203	140	124	111	108
FTE – Part-time	102	120	132	118	112
Total	**3,153**	**3,054**	**3,005**	**2,833**	**2,679**
Other					
Agency staff	150	182	171	108	100
Redundancies	91	80	60	160	149
Appointments	282	128	141	121	140
Average turnover	3.3%	3.5%	3.3%	3.5%	4.6%
Unplanned absences	3.6%	3.8%	4.0%	4.3%	3.1%

Staff numbers are calculated by apportioning the full-time equivalent (FTE) hours worked to the actual headcount numbers.

Calculations:

- Average turnover: Staff initiated terminations rolling 12 months/average staff headcount (same time period).
- Unplanned absences: Total unplanned absence hours/total paid hours rolling 12 months (same time period).

Appendix 16: Staff and industrial relations

We focused on enterprise bargaining during 2012–13. We finalised an agreement covering most staff in December 2012, followed by a Trades and Apprentices Agreement in June 2013. The agreements bring redundancy and annual leave conditions in line with community and labour market standards, and provide for annual pay increases.

We've also taken a big step forward in our relationship with unions, developing a more cooperative approach. We developed a framework for working together in early 2013, and we are all working to ensure its success.

We transferred the Mechanical and Electrical Delivery business to Theiss Services on 30 June 2013. Negotiations with staff and unions were challenging but the transfer was made within the set timeframe, and without industrial action.

Appendix 17: Consultant engagement

Table 38: Payments to consultants in 2012–13

Consultants engaged for more than $50,000			
Vendor name	**Contract number**	**Contract description**	**Amount**
CNF & Associates Pty Ltd	26587	Redundant cables in our assets	97,074.73
Cardno (NSW) Pty Ltd	26478	Advice on structural engineering and vibration control	87,713.25
		Total	**184,787.98**
There were 10 consultants engaged for $50,000 or less totalling			**144,128.50**
		Total payments to consultants in 2012–13	**328,916.48**

Appendix 18: Overseas travel

Table 39: Overseas travel 2012–13

Name	Date of travel	Destination	Comments
Derek Van Rys	19 May–6 July 2012	Washington, USA	Completed a short-term assignment with DC Water USA as part of the BOO fellowship contracts between Sydney Water and TRILITY, our BOO partner.
Kaia Hodge	29 June–8 July 2012	Singapore	Attended International Water Week and World Cities Summit.
Colin Nicholson	30 June–5 July 2012	Singapore	Attended the Water Leadership Summit as part of the Singapore International Water Week. Also attended workshops related to the water industry.
Greg Kane	17–21 September 2012	Busan, South Korea	Attended the 8th International Water Association (IWA) World Water Congress.

Name	Date of travel	Destination	Comments
Paul Freeman	18–21 September 2012	Busan, South Korea	Attended IWA's Asset Management Specialist Network Meeting as Chair of IWA's Leading Edge Strategic Asset Management Conference.
Kevin Young	12–22 January 2013	Nashville, USA	Attended the Water Research Foundation Board Meeting.
Michael Wassell	8–10 January 2013	Singapore	Presented at International SCADA Conference.
Phillip Kennedy	11–13 February 2013	New Zealand	Vendor reference for Meter Reading Project.
Colin Ridley	11–12 February 2013	New Zealand	Visited DataCol – a potential supplier of a Meter Reading Collection (MRC) System.
James Dagger	11–14 February 2013	New Zealand	Visited DataCol – a potential supplier of a Meter Reading Collection (MRC) System.
Darren Noble	11–14 February 2013	New Zealand	Visited DataCol – a potential supplier of a Meter Reading Collection (MRC) System.
David Gough	3–10 March 2013	Washington, USA	Attended Water Reuse Association Board Meeting and workshop.
Kevin Young	3–5 March 2013	Auckland, New Zealand	Visited Watercare Services Limited.
Paul Freeman	9–20 June 2013	Denver, USA	Took part in the Critical Pipes Research Project as Chair of the Project Committee of Management.
Paul Freeman	6–9 June 2013	Denver, USA	Represented Sydney Water's Managing Director at the Water Research Foundation's Board of Trustees meeting.

Name	Date of travel	Destination	Comments
Paul Freeman	28 May–6 June 2013	London, United Kingdom and Paris, France	Took part in the Critical Pipes Research Project UK as Chair of the Project Committee of Management. Discussed Wet Air Oxidisation process for management of biosolids and discussed European Liveable City Programs with Siemens and Veolia.
Dammika Vitanage	31 May–14 June 2013	Denver, USA and London, United Kingdom	Nominated by WSAA and Sydney Water as the Project Advisory Committee (PAC) member of the WaterRF project. Water Industry representative for the Advanced Condition Assessment and Pipe Failure Prediction project visit to UK and USA.

Appendix 19: Global Reporting Initiative

We follow international best practice by mapping our annual report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.1 – an initiative of the United Nations Environment Program.

In our reporting, we have adopted the GRI principles of transparency, inclusiveness, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity, reliability and timeliness. In line with these principles, Net Balance Management Group Pty Ltd independently verified Sydney Water's Operating Licence environmental indicators and sustainability indicators for the Annual Report 2012–13.

Standard Disclosures: Profile			
Ref	**Indicator description**	**Reported**	**Location**
1. Strategy and analysis			
1.1	Statement from the most senior decision maker of the organisation	Fully	Pages 14–17
1.2	Description of key impacts, risks and opportunities	Fully	Pages 14–17, 23–26, 30, 34–36, 40–44, 185–188
2. Organisational profile			
2.1	Name of the reporting organisation	Fully	Page 2
2.2	Primary brands, products and/or services	Fully	Pages 6, 13
2.3	Organisational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Fully	Pages 46–52
2.4	Location of organisation's headquarters	Fully	Page 234
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Fully	Pages 6, 9–12
2.6	Nature of ownership and legal form	Fully	Page 6
2.7	Markets served	Fully	Pages 6, 9–12
2.8	Scale of the reporting organisation	Fully	Pages 6, 13, 18–21, 203
2.9	Significant changes during the reporting period regarding size, structure or ownership	Fully	Pages 14–16
2.10	Awards received in reporting period	Fully	Page 17

Standard Disclosures: Profile			
Ref	**Indicator description**	**Reported**	**Location**
3. Report parameters			
3.1	Reporting period	Fully	Page 2
3.2	Date of most recent previous report	Fully	2011–12 report available at www.sydneywater.com.au
3.3	Reporting cycle	Fully	Page 2
3.4	Contact point for questions regarding the report	Fully	Pages 2, 234
3.5	Process for defining report content	Partially	Pages 2, 23, 185, 207, 217, 227–228
3.6	Boundary of the report	Partially	Pages 2, 23
3.7	State any specific limitations on the scope or boundary of the report	Not reported	Not reported
3.8	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations and other situations that affect comparability from last report	Fully	Pages 15, 18–21
3.9	Data measurement techniques and the bases of calculations, including assumptions	Fully	Throughout report
3.10	Explanations of the nature and effect of any restatements of information provided in earlier reports	Fully	Throughout report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	Throughout report
3.12	GRI Content Index – table identifying the location of standard disclosures in the report	Fully	Pages 207–216
3.13	Policy and current practice with regard to seeking external assurance for the report	Partially	Page 207

Standard Disclosures: Profile			
Ref	**Indicator description**	**Reported**	**Location**
4. Governance, commitments and engagement			
4.1	Governance structure of the organisation	Fully	Pages 7, 46–50
4.2	Indicate if the chair of the highest governance body is also an executive officer	Fully	Page 46
4.3	For organisations that have a unitary board structure, state the numbers of members of the highest governance body that are independent and/or non-executive members	Fully	Pages 7, 46–50
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Partially	Page 49
4.5	Linkage between compensation and the organisation's performance for members of the highest governance body	Partially	Pages 49–52, 197–200
4.6	Process of the highest governance body to ensure conflicts of interest are avoided	Fully	Page 50
4.7	Process for determining required qualifications and expertise of the members of the highest governance body	Fully	Page 49
4.8	Internally developed mission, codes of conduct and value statements	Fully	Pages 6, 14–17, 49
4.9	Process of the highest governing body for overseeing the organisation's identification and management of economic, environmental and social performance	Fully	Pages 49–50
4.10	Process for evaluating the performance of the highest governance body	Fully	Pages 49–50
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Not reported	Not reported
4.12	Externally developed, economic, environmental and social charter, principles or initiatives to which the organisation subscribes and/or endorses	Fully	Pages 6, 16, 23, 28, 49, 53, 185–187
4.13	Significant memberships in associations	Not reported	Not reported
4.14	List of stakeholder groups engaged by the organisation	Fully	Pages 8, 169
4.15	Basis for identification and selection of stakeholders to engage	Fully	Page 8
4.16	Approaches to stakeholder engagement, including frequency of engagement	Fully	Pages 8, 23, 34, 53, 169, 172–184
4.17	Key issues and concerns that have been raised through stakeholder engagement and how the organisation has responded to these	Fully	Pages 14–16, 22, 28–31

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Environmental			
Materials			
EN 1	Materials used by weight or volume	Not reported	Not reported
EN 2	Percentage of materials used that are recycled input materials	Fully	Pages 41–42, 192
Energy			
EN 3	Direct energy consumption by primary energy source	Fully	Page 41
EN 4	Indirect energy consumption by primary source	Fully	Page 43 Also see the Sydney Water *Operating Licence Environment Report 2012–13* for further details
EN 5	Energy saved due to conservation and efficiency improvements	Partially	Pages 40–41 Also see the Sydney Water *Energy Efficiency Opportunities Report* on our website
EN 6	Initiatives to provide energy efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Partially	Pages 17, 40–42 Also see the Sydney Water *Energy Efficiency Opportunities Report* on our website
EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	Not reported	Not reported
Water			
EN 8	Total water withdrawal by source	Fully	Pages 13, 30, 32
EN 9	Water sources significantly affected by withdrawal of water	Not reported	Not reported
EN 10	Percentage and total volume of water recycled and reused	Fully	Page 13

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Biodiversity			
EN 11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not reported	Not reported
EN 12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Fully	Pages 40–44, 190–191
EN 13	Habitats protected or restored	Fully	Pages 41, 42, 190–191
EN 14	Strategies, current actions and future plans for managing impacts on biodiversity	Fully	Pages 190–191
EN 15	Number of International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not reported	Not reported
Emissions, effluents and waste			
EN 16	Total direct and indirect greenhouse gas emissions by weight	Partially	Pages 41, 43
EN 17	Other relevant indirect greenhouse gas emissions by weight	Fully	Page 43
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Fully	Page 40–41
EN 19	Emissions of ozone-depleting substances by weight	Not reported	Not reported
EN 20	Nitrogen oxides and sulphur oxides, and other significant air emissions by type and weight	Not reported	Not reported
EN 21	Total water discharge by quality and destination	Partially	Pages 30–31, 36, 186
EN 22	Total weight of waste by type and disposal method	Fully	Pages 42, 187, 192
EN 23	Total number and volume of significant spills	Fully	Pages 34, 36
EN 24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not reported	Not reported
EN 25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Partially	Page 42, 186–187
Products and services			
EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	Pages 28, 30, 34, 40–41, 166–168, 186–187
EN 27	Percentage of products sold and their packaging materials that are reclaimed by category	Not reported	Not applicable

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Compliance			
EN 28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Fully	Pages 34, 36
Transport			
EN 29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Not reported	Not reported
Overall			
EN 30	Total environmental protection expenditures and investments by type	Partially	Pages 162–165
Human rights			
Investment and procurement practices			
HR 1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported	Not reported
HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not reported	Not reported
HR 3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not reported	Not reported
Non-discrimination			
HR 4	Total number of incidents of discrimination and actions taken	Not reported	Not reported

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Freedom of association and collective bargaining			
HR 5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	Not reported	Not reported
Child labour			
HR 6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Not reported	Not reported
Forced and compulsory labour			
HR 7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	Not reported	Not reported
Security practices			
HR 8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported	Not reported
Indigenous rights			
HR 9	Total number of incidents of violations involving rights of indigenous people and actions taken	Not reported	Not reported
Assessment			
HR 10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Not reported	Not reported
Remediation			
HR 11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	Not reported	Not reported

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Society			
Local community			
SO 1	Percentage of operations with implemented local community engagement, impact assessments and development programs	Not reported	Not reported
SO 9	Operations with significant potential or actual negative impacts on local communities	Not reported	Not reported
SO 10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on the local communities	Not reported	Not reported
Corruption			
SO 2	Percentage and total number of business units analysed for risks related to corruption	Not reported	Not reported
SO 3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Partially	Page 221
SO 4	Actions taken in response to incidents of corruption	Fully	Page 221
Public policy			
SO 5	Public policy positions and participation in public policy development and lobbying	Not reported	Not reported
SO 6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Not reported	Not applicable
Anti-competitive behaviour			
SO 7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Fully	Page 54
Compliance			
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Partially	Page 54

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Product responsibility			
Customer health and safety			
PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	Pages 34, 36, 38, 193–197
PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Fully	Page 196
Products and service labelling			
PR 3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Not reported	Not reported
PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Not reported	Not reported
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Fully	Pages 14–16, 28–29
Marketing communications			
PR 6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not reported	Not reported
PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not reported	Not reported
Customer privacy			
PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Partially	Page 217
Compliance			
PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not reported	Not reported

Standard Disclosures: Performance indicators			
Ref	**Indicator description**	**Reported**	**Location**
Economic			
Economic performance			
EC 1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Fully	Pages 18–21, 63–160
EC 2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Partially	Pages 68, 71, 96–99, 166–168, 217
EC 3	Coverage of the organisation's defined benefit plan obligations	Fully	Pages 86, 101, 131–136
EC 4	Significant financial assistance received from government	Fully	Pages 68, 96–97
Market presence			
EC 5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	Not reported	Not reported
EC 6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Not reported	Not reported
EC 7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Not reported	Not reported
Indirect economic impacts			
EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Fully	Page 162–163
EC 9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Fully	Pages 169–171

Appendix 20: Exemptions from reporting provisions

Table 40: Exemptions from reporting provisions 2012–13

Statutory requirements	Statutory references	Comments
Payment of accounts • performance in paying accounts, including action to improve payment performance	Schedule 1 ARSBR*	Statutory State Owned Corporations are not subject to the payment of accounts provisions in Section 13 of the *Public Finance and Audit Regulation 2010*
Time for payment of accounts • reasons for late payment • interest paid due to late payments	Schedule 1 ARSBR*	As above
Format of financial statements	**S 41B(c) PF&AA#**	

*ARSBR = *Annual Reports (Statutory Bodies) Regulation 2010*. # PF&AA = *Public Finance and Audit Act 1983*.

Appendix 21: *NSW Privacy and Personal Information Protection Act 1998*

We comply with the *NSW Privacy and Personal Information Protection Act 1998* (PPIPA) in how we handle customers' personal information. We ensure that:

- our businesses and staff understand the requirements of PPIPA and the related Information Protection Principles (IPPs)
- our business processes and procedures deal quickly and efficiently with matters of a personal information nature
- we collect personal information that is relevant, not excessive, accurate, complete and up-to-date
- we protect personal information from misuse, loss, unauthorised access, modification and unnecessary disclosure
- we keep personal information no longer than is necessary for legitimate purposes
- we destroy or permanently disable all personal information when no longer used or required
- we regularly review the Sydney Water Privacy Policy and related documents.

Our Privacy Coordinator deals with privacy issues and requests from Sydney Water staff and customers.

The actions taken in 2012–13 include:

- ongoing monitoring of our privacy communications process (email and postal address) for issues
- advising all staff and business units on compliance with PPIPA and the *Health Records Information Protection Act 2002*
- online privacy awareness training for all new staff and refresher courses for staff we have already trained
- consulting Salinger Privacy for specialised privacy advice
- monitoring privacy requests and issues.

We continued to keep track of:

- reviews of NSW and associated State and Federal Privacy Acts
- NSW and Federal privacy issues and precedent cases in the legal system
- opportunities to attend Privacy Practitioners Network meetings
- access to relevant online and hardcopy privacy awareness services and publications.

We received 17 internal requests for support, advice or review. Fourteen have been completed. There are four recent requests that are open (three internal and one external).

No internal reviews were undertaken in the period.

Appendix 22: *NSW Government Information (Public Access) Act 2009*

We received 66 valid Government Information (Public Access) (GIPA) applications during the 2012–13 financial year. Of these, 37 applications were granted in full.

Sydney Water proactively makes information publicly available on its website. A new website was launched in March 2013. The design and structure of the website is based on extensive customer research and aims to meet customer needs and provide up-to-date content that is easy to navigate and search.

In addition to the main website, Sydney Water has a Media Centre which provides interviews with key experts, fact sheets, media releases and information on issues.

A microsite celebrating Sydney Water's 125-year anniversary was launched this year, providing people with access to stories, images and videos that had not before been released to the public.

Sydney Water reviews what information is being repeatedly requested, both through the GIPA process and to staff across the business. In 2012–13, we added information to the Media Centre following interest in certain topics. Sydney Water will continue to monitor and review the proactive release of information.

Table 41: Number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm or deny whether information is held	Application withdrawn
Media	1	1	0	0	0	0	0	0
Members of Parliament	3	2	2	0	0	0	0	0
Private sector business	1	0	0	1	0	0	0	0
Not for profit organisations or community groups	1	0	0	0	0	0	0	0
Members of the public (application by legal representative)	16	6	0	4	0	0	0	0
Members of the public (other)	15	1	1	4	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table 42.

Note: The data in Table 41 only includes applications decided within the statutory timeframe.

Table 42: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm or deny whether information is held	Application withdrawn
Personal information applications*	3	0	0	1	0	0	0	0
Access applications (other than personal information applications)	34	10	3	8	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Note: The data in Table 42 only includes applications decided within the statutory timeframe.

Table 43: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table 44: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table 45.

Table 45: Other public interest considerations against disclosure: matters listed in section 14 of the Act

	Number of occasions when application not successful
Responsible and effective government	2
Law enforcement and security	0
Individual rights, judicial processes and natural justice	9
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table 46: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	59
Decided after 35 days (by agreement with applicant)	4
Not decided within time (deemed refusal)	3
Total	66

Table 47: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	1	0	1
Review by Information Commissioner*	0	1**	1
Internal review following recommendation under section 93 of Act	0	0	0
Review by Administrative Decisions Tribunal	0	0	0
Total	1	1	2

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

** The Information Commissioner has not provided formal advice on this review.

Table 48: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Appendix 23: Public interest disclosures

Table 49: Public interest disclosures 2012–13

Public interest disclosures	Number of applications for review
Number of public officials who made public interest disclosures to Sydney Water	2
Number of public interest disclosures received by Sydney Water	2
Of the public interest disclosures received, how many were primarily about:	
• corrupt conduct	1
• maladministration	0
• serious and substantial waste	1
• government information contravention	0
• local government pecuniary interest contravention?	0
Number of public interest disclosures (received since 1 January 2012) that have been finalised in this reporting period	2

Sydney Water has an established internal reporting policy. During 2012–13, we raised staff awareness through e-learning training and the quarterly Integrity Update.

Appendix 24: External production costs

The external production costs for the annual report are about $20,000, which includes proofreading and typesetting.

Glossary

A

Acacia pubescens
A vulnerable species of shrub, with bright yellow flowers. Also known as Downy Wattle.

AdaptWater™
An online climate change analysis tool developed by Sydney Water, the Water Services Association of Australia and Climate Risk Pty Ltd.

Australian Drinking Water Guidelines (ADWG)
The guidelines summarise the criteria for acceptable drinking water quality.

Australian Water Association (AWA)
Australia's membership association for water professionals and organisations.

Average
The sum of scores divided by the total number of results.

B

Balanced Sustainability Scorecard
An overview of our sustainability performance. The scorecard is based on our goals, which integrate the social, economic and environmental aspects of our performance.

Beneficial use
Use of materials to deliver a net environmental benefit.

Benthic macroinvertebrates
Small animals without a backbone that live on the ocean floor.

BillAssist
A Customer Assistance Program which helps customers with payment difficulties and/or growing debt.

Biosolids
Nutrient-rich, organic waste products that can be used in agriculture, composting and land rehabilitation.

C

Carbon footprint
For Sydney Water, the carbon footprint is the greenhouse gas emissions produced by our operations and in the supply of the materials, energy and services that we need to operate.

Carbon offsets
A carbon offset absorbs and stores carbon to reduce the amount of greenhouse gases in the atmosphere.

Catchment
An area of land surrounding a dam or water storage. Rain falling over the catchment drains to the dam and may contain nutrients, minerals and contaminants collected from the land surfaces.

Centrepay
A regular payment arrangement which allows customers receiving income support from Centrelink to pay bills through regular deductions from their Centrelink payment.

Conservation
Resource use, management and protection to prevent degraded, depleted or wasted resources and ensure sustainable resources for present and future generations.

Critical water mains
Generally large mains that have significant impacts on the local community when they fail. These mains operate under pressure and are generally underground.

Cryptosporidium
Parasitic organisms occurring in warm-blooded animals. These organisms can occasionally find their way into the water supply. Disinfection and treatment processes normally remove them from the water.

Culturally and linguistically diverse (CALD)
Customers with English as a second language.

D

Dam(s)
Artificial walls built to store water – mainly for domestic use or irrigation.

Desalination
The process that removes salt from sea water to produce fresh water.

Drinking water
Water treated to Australian and New Zealand Environment and Conservation Council (ANZECC) standards and intended mainly for drinking but which has other domestic uses.

E

E. coli
A type of bacteria, nearly always present in the gut of humans and other warm-blooded animals. *E. coli* is now generally regarded as the most specific indicator of faecal contamination, and therefore the more important indicator for public health.

Ecological footprint
A measurement for the amount of productive land required to provide the resources Sydney Water uses.

Energy and Greenhouse Gas Mitigation Strategy 2020
A 10-year plan to improve energy management, limit the effect of electricity price rises for customers, and prepare for a low carbon future.

Energy & Water Ombudsman NSW (EWON)
A body that gives an independent way of resolving customer complaints about member water, electricity and gas providers.

Environment Protection Authority (EPA)
An independent body that regulates and responds to activities that can impact on the health of the NSW environment and its people.

Environment Protection Licences (EPL)
The Environment Protection Authority issues EPLs under the *Protection of the Environment Operations Act 1997*. Licence conditions relate to pollution prevention and monitoring, and cleaner production through recycling and reuse and the implementation of best practice.

F

Filtration (water)
A process for removing particles from water by passing it through a porous barrier, such as a screen, membrane, sand or gravel.

Freshwater macroinvertebrates
Small animals without a backbone that live in water for all or part of their lives. These animals generally include insects, crustaceans, molluscs, arachnids and annelids. Their survival is related to water quality.

G

Giardia
Parasitic organisms, which occur in warm-blooded animals. These microorganisms can occasionally find their way into the water supply. Disinfection and treatment processes normally inactivate or remove them from the water.

Greenhouse gas emissions
Gases, such as carbon dioxide, methane and nitrous oxide gases that contribute to the greenhouse effect.

Grevillea caleyi
An endangered species of shrub.

Grit
Hard and heavier solid matter removed from water and wastewater during treatment, generally inorganic.

H

Hydraulic capacity
Amount of liquid, a system (eg. a reservoir, pumping station or a treatment plant) can store/treat at its maximum level.

Hydroelectric
Generating electricity by converting energy from running water.

I

Independent Commission Against Corruption (ICAC)
A body established by the NSW Government in 1989 in response to growing community concern about the integrity of public administration in NSW. ICAC's principal functions are set out in the *Independent Commission Against Corruption Act 1988*.

Independent Pricing and Regulatory Tribunal (IPART)
An independent body that oversees state regulation in the water, gas, electricity and public transport industries.

Irrigation
Controlled application of water for agricultural purposes through manmade systems to supply water needs not satisfied by rainfall.

K

Kilolitre
One thousand litres of water or one tonne of water.

Kilowatt hours (kWh)
A unit of energy equivalent to that transferred or expended in one hour by one kilowatt of power.

L

Litre (L)
A measure of liquid volume.

Lost time injury (LTI)
A work-related injury or illness that results in an individual being unable to work on a subsequent scheduled workday or shift.

Lost time injury frequency rate (LTIFR)
The main measure of safety performance in many companies in Australia. It is the number of lost-time injuries multiplied by one million divided by the number of man-hours worked in the reporting period.

M

Macroinvertebrates
Small animals that do not have a backbone and live in water for all or part of their lives. These animals generally include insects, crustaceans, molluscs, arachnids and annelids. Their survival is related to water quality.

Mass
A measure of weight.

Medical treatment injury (MTI)
A work-related injury or illness that requires specific medical treatment, not first aid.

Megalitre
One million litres of water or one thousand tonnes of water.

Microorganisms
The organisms which are invisible or only barely visible with the unaided eye.

Minimum
The lowest recorded reading.

Mitigation
The act of lessening or moderating the severity of anything distressing, eg carbon mitigation.

Monitoring
An ongoing testing program to assess potential changes in circumstances.

N

Naturalise
We naturalise some of our stormwater assets by adding trees, rocks and other natural features to improve their environmental and social values.

Nutrients
Compounds needed for growth by plants and other organisms. Major plant nutrients are phosphorus and nitrogen.

O

Office of Environment and Heritage (OEH)
Regulates industry, protects and conserves the NSW environment, manages over 850 national parks and reserves and protects the natural, cultural and built heritage in NSW.

Operating Licence
A licence issued under the *Sydney Water Act 1994* that sets many of our performance standards.

P

Pathogens
Disease-causing organisms, such as bacteria, viruses and single-celled parasitic organisms.

PlumbAssist
A service which helps customers in financial hardship make emergency or essential plumbing repairs.

Pressure head
The height a spurt from a water main would shoot into the air.

R

Recycled water
Highly treated wastewater for use in industrial processes, such as irrigation in agriculture, urban parks and landscapes. Also used in households for flushing toilets, car washing and watering gardens. It is not for drinking or personal use.

Recycling
Collecting and processing a resource so that it can be used again.

Regulators
Organisations that set regulations and standards for Sydney Water to meet. For example, the Office of Environment and Heritage and NSW Health.

Rehabilitate
To restore to good condition.

Renew
To make new, to restore or to make effective for an additional period.

Reservoir
Water is transferred from dams and treatment plants by gravity or pumping stations to a human-made water storage area, usually on high land. The water then flows through a system of mains and smaller pipes to homes, shops, factories, schools and public places.

Revegetate
To grow again as plants/to provide with vegetation again.

Riparian land
Land that is next to or surrounds a body of water, and includes natural wetlands and areas around stormwater assets.

Risk assessment
Process of gathering data and making assessments to estimate short and long-term harmful effects on human health or the environment from exposure to hazards associated with a particular product or activity.

S

Serious injury frequency rate (SIFR)
The number of lost time injuries plus medical treatment injuries multiplied by one million and then divided by the number of man-hours worked in the reporting period.

Sewage
See Wastewater.

Sewage overflow
See Wastewater overflow.

Sludge
Solid matter that is removed during wastewater or water treatment. It can be processed into a material that can be beneficially used (biosolids).

Staff engagement
The extent to which staff commit to someone or something in their organisation, and how hard they work, and how long they stay as a result of that commitment.

Stormwater
Rainwater that runs off the land, frequently carrying various forms of pollution such as litter and debris, animal droppings and dissolved chemicals. This untreated water is carried in stormwater channels and discharged directly into creeks, rivers, the harbour and the ocean.

Stormwater system
The system of pipes, canals and other channels used to carry stormwater to bodies of water, such as rivers or oceans. The system does not usually involve any treatment.

Suspended solids
Particles in water that can be removed by sedimentation or filtration.

T

Tadgell's Bluebell (*Wahlenbergia multicaulis* Benth)
An endangered species of herb.

tap™
A program which aims to promote our drinking water as the sustainable choice.

Trade waste
Industrial or commercial wastewater with significant potential contaminants usually set by agreements with trade waste limits.

Trade waste agreements
Agreements between Sydney Water and industrial and commercial customers to restrict the amount of toxic and other potentially harmful substances discharged to the wastewater system.

Treatment (water)
The filtration and disinfection process.

V

Volume
The size, measure, or amount of anything in three dimensions.

W

Waste
Discarded, rejected, unwanted, surplus or abandoned substances. Does not include gas, water, wastewater, beneficially used biosolids and reuse water.

Wastewater
The dirty water that goes down the drains of homes and businesses and into the wastewater system.

Wastewater discharges
Releasing treated wastewater into the environment.

Wastewater overflow
Liquid that escapes from the sewerage system, as well as partially treated sewage that is discharged from a wastewater treatment plant.

Wastewater system
The system of pipes and pump stations for collecting and transporting wastewater from each property to the wastewater treatment plant.

Wastewater treatment plant
Wastewater treatment plants treat wastewater from the wastewater system. Once the waste is treated we then either discharge it to the environment or recycle it.

Water demand
Total water needed for drinking, agriculture, industry, recreation and gardening. Seasonal and highly influenced by the weather.

***Water Industry Competition Act* 2006 (WICA)**
The Act aims to foster competition in the urban water sector.

Water pumping stations
Stations house mechanical pumping equipment used to lift water from lower ground to higher ground through pipes.

Water quality
Physical, chemical and biological measures of water.

Water reuse
The use of water more than once, following treatment of wastewater to an appropriate quality standard and delivery to the point of use.

Water Services Association of Australia (WSAA)
The peak industry body that brings together and supports the Australian urban water industry. Members provide water and wastewater services to over 16 million Australians. They also provide services to many of Australia's largest industries and commercial enterprises.

Water treatment plant
A treatment plant that improves water quality by removing impurities through filtration.

Waterways
All streams, creeks, rivers, estuaries, inlets and harbours.

Wetland
A low-lying area often covered by shallow water, such as marshes, mangroves, swamps, bogs or billabongs. Rich in biodiversity, they store and filter water and replenish underground water supplies.

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