



Annual Report 2016-17

The Hon. Dominic Perrottet MP
Treasurer and Minister for Industrial Relations
GPO Box 5341
Sydney NSW 2001

The Hon. Victor Dominello MP
Minister for Finance, Services and Property
GPO Box 5341
Sydney NSW 2001

Dear Shareholders

WaterNSW Annual Report 2016-17

We are pleased to submit the WaterNSW Annual Report 2016-17 for presentation to the Parliament of New South Wales.

The report has been prepared in accordance with the *Annual Report (Statutory Bodies) Act 1984*, the *State Owned Corporations Act 1989*, the *Government Sector Employment Act 2013*, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.

Yours sincerely

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

Anne McDonald
Chair

A handwritten signature in blue ink, appearing to read "David Harris".

David Harris
Chief Executive Officer

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A message from our Chair and Chief Executive



Anne McDonald
Chair



David Harris
Chief Executive

In 2016-17 WaterNSW continued our transformative journey to place customers at the heart of our business. On 1 July we welcomed 207 staff and all customer facing functions for surface and groundwater from DPI Water, marking Stage 2 of the NSW Government's Bulk Water Reform Program. This established WaterNSW as a 'one stop shop' for all NSW rural water customers across both surface and ground water operations.

We are proud of the operational efficiencies delivered under the Bulk Water Reform Program. These efficiencies have resulted in lower bills for our customers: from 1 July 2016, WaterNSW contributed \$10 of a \$100 bill reduction of typical Sydney Water customers; and from 1 July 2017, our rural customers have benefited from bill reductions of more than 10%.

In 2016-17, WaterNSW invested \$63 million to improve the availability of water resources that are essential for the people of NSW. Our expertise in delivering infrastructure solutions has been recognised by the NSW Government, who have selected WaterNSW to deliver key infrastructure projects including the Broken Hill Pipeline, and the technical investigations to inform Government's final business case for raising Warragamba Dam to address flood risk in the Hawkesbury-Nepean valley.

WaterNSW is in a strong financial position, reporting a net profit after tax of \$100 million. This result was achieved in an environment of falling prices and operating efficiencies, and will see \$38.2 million returned to our shareholders in dividends.

On behalf of the Board, we would like to thank our employees for their dedication and commitment to delivering our essential services to all of our customers and stakeholders across NSW.

About WaterNSW

Who we are

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

- ◆ We are NSW's bulk water supplier, river operator and one stop shop for licensing, water trades and water information.
- ◆ We supply two thirds of water used in NSW from our 42 dams, rivers and pipelines to regional towns, irrigators, Sydney Water Corporation and local water utilities.
- ◆ We own and operate the largest surface and groundwater monitoring network in the southern hemisphere and build, maintain and operate essential infrastructure.

What we do

Our purpose is to improve the availability of water that is essential for our customers and the communities of NSW.

We achieve our purpose through four key activities:

- ◆ being the State's bulk water supplier and river operator;
- ◆ providing water entitlement and allocation holders and the community as a whole with "one stop shop" licensing, water trade services, information on surface and groundwater quantity and water quality;
- ◆ protection of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water for treatment and distribution to its customers; and
- ◆ planning, developing, owning and operating infrastructure to increase the reliability and security of water supplies.

Working in partnership

NSW Health regulates WaterNSW actions and activities related to the supply of bulk water to Sydney Water and our other customers within the Greater Sydney drinking water catchment. This ensures we protect the health of declared drinking water catchments that supply among the highest quality water in the world.

WaterNSW works closely and collaboratively with the **Department of Primary Industries** (DPI) Water, a NSW Government department that is the State's water resource regulator. DPI Water is responsible for the long term regulation of the State's water resources.

Our unique expertise

In addition to expertise that supports and enables us to efficiently and effectively carry out our four key activities, WaterNSW has developed unique and specialist in-house expertise in two areas:

- ◆ through scientific research, understanding the causes of water quality events and being able to predict those events in advance to enable appropriate operational responses; and
- ◆ developing water system operational tools and bespoke customer information applications using data from our surface and groundwater monitoring network.

Our values



Think Customer

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

Drive Change

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

Deliver Excellence

We take pride in individual and corporate excellence

Value Our People

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

Own It

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

Achieve Together

We support each other and work together as one team

Area of Operations

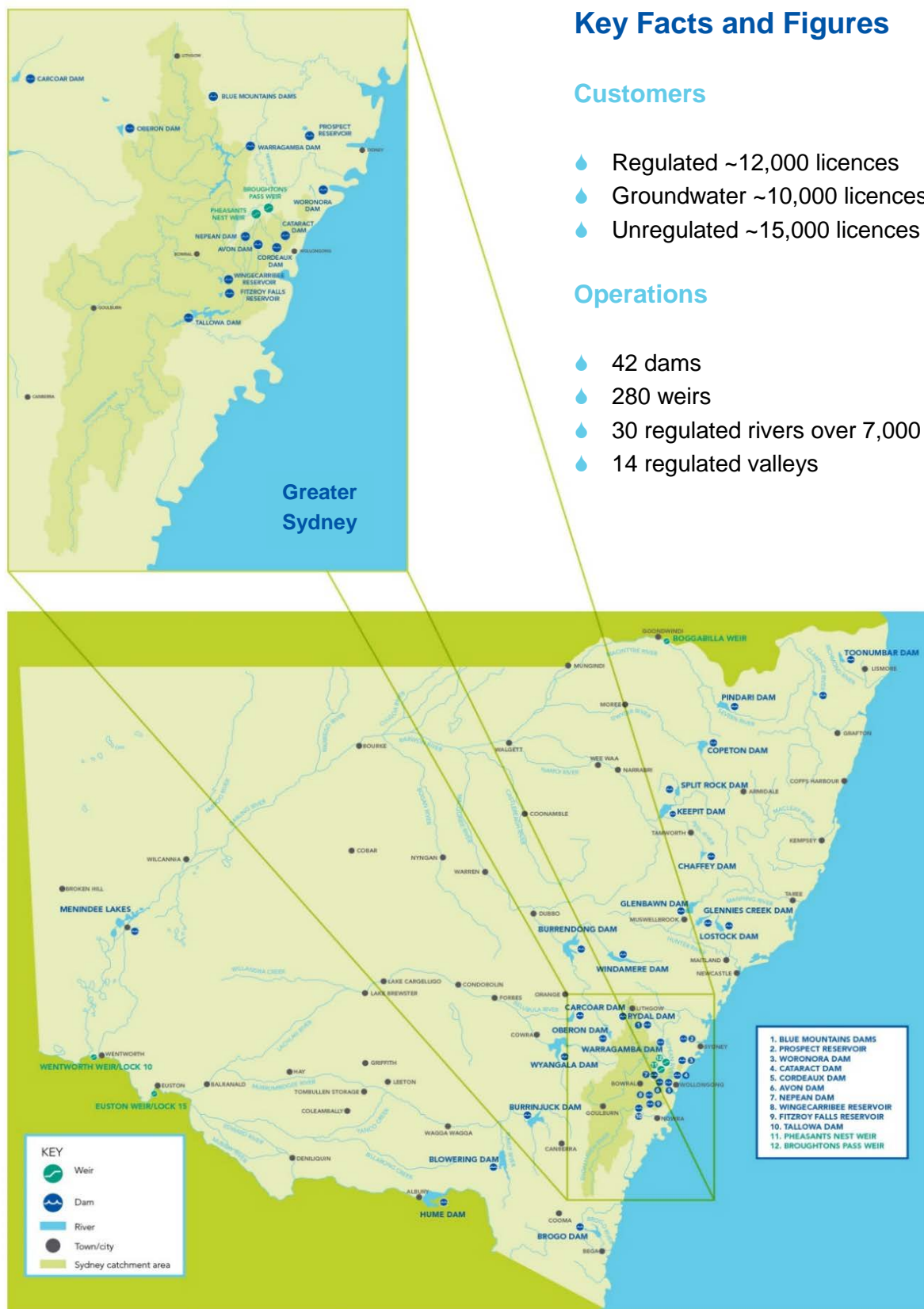
Key Facts and Figures

Customers

- Regulated ~12,000 licences
- Groundwater ~10,000 licences
- Unregulated ~15,000 licences

Operations

- 42 dams
- 280 weirs
- 30 regulated rivers over 7,000 km
- 14 regulated valleys



Highlights

For our customers

Lower Prices

The Independent Pricing and Regulatory Tribunal (IPART) determination for Rural Valley customers from July 2017 to June 2021 will result in lower prices. Usage charges will fall in all 13 Rural Valleys, with fixed charges falling in eight valleys. IPART confirmed that this lower cost based is a result of WaterNSW's streamlined operations combined with innovation and rigorous scrutiny of all spending.

This positive outcome builds on the savings delivered to Greater Sydney customers from 1 July 2016, when price reductions contributed \$10 of a \$100 bill reduction of typical Sydney Water customers.

Improved Service

We launched Project Skyline, our flagship corporate program to ensure customers and communities are at the heart of all our business decisions. We challenge our employees to realign their daily actions with our Corporate Values, including 'Think Customer'.

Greater Choice

WaterNSW introduced a number of new information services to allow customers to choose how they receive important information, data and insights. We continue to increase customer choice and 'opt in' subscriptions for water market / system notifications and publications that already include IVT Trade Notifications, Algae Alerts and Weekly Water Availability Reports.

Protecting the Sydney Drinking Water Catchment

WaterNSW committed \$4.8 million to a new long-term program to reduce risks to water quality from grazing and erosion impacts in the Greater Sydney Drinking Water Catchment. With our project delivery partners and individual landholders also contributing, the on-ground improvements will help tackle one of the greatest risks to water quality in the catchment.

For our customers

Minimising Impacts of Flood

During September and October some of our customers and their communities across multiple valleys experienced some of the worst floods in the last 100 years. WaterNSW worked closely with the Bureau of Meteorology, NSW State Emergency Service, local councils and other stakeholders in accordance with established rules and protocols throughout the rainfall events to minimise the impact of flooding on our customers and communities.

An independent review of flood impacts in the Lachlan Valley found that the well-trained flood operations teams had operated Wyangala Dam to deliver significant mitigation outcomes.

Investment in Assets

In 2016-17, \$63 million was invested in assets by WaterNSW including delivery of a number of projects:

- completion of major renewal works at Berembend Weir ahead of schedule to improve the safety and reliability of its operation;
- substantial completion of the dam safety upgrade works at Wyangala Dam; and
- substantial completion of a project to refurbish the Prospect Dam Outlet works.

Additionally progress was made against a number of multi-year projects:

- the contract to upgrade the reliability of electrical infrastructure of the Metropolitan Dams has been awarded;
- a project to upgrade the reliability and efficiency of the Burrawang Pump Station is 50% complete;
- the contract for the post tensioning works at Keepit Dam has been awarded; and
- the second stage of major renewal and refurbishment works on the Upper Canal progressed to the concept design stage.

Reliable Water

We continue to deliver our core product – water – to the highest standards:

- ◆ 100% of water deliveries were made in the quantities and time required;
- ◆ 100% of water delivered to Sydney Water met the quality standards specified in the Raw Water Supply Agreement;
- ◆ 100% of water supplied for treatment complied with health guidelines;
- ◆ operational losses in Rural Valleys of 3.5% were lower than the target of 5%; and
- ◆ 99.9% of environmental flow requirements were delivered.

Planning for the Future

Our assets are long-lived assets, and WaterNSW takes a long term view to demonstrate that our capital and operational investment decisions are prudent and efficient. In 2016-17 we updated our 20 Year Infrastructure Strategy, identifying infrastructure solutions based on multi-criteria assessment to address identified opportunities to improve Levels of Service in each valley.

WaterNSW is also undertaking a number of feasibility studies on behalf of the NSW Government, including:

- ◆ water security options in the Lachlan Valley to address water security issues identified in the NSW State Infrastructure Strategy update, 2014;
- ◆ A new or augmented Dungowan Dam, exploring options to secure long term water security and flood management benefits for the regional city of Tamworth;
- ◆ Mole River Valley, exploring options to improve long term water security and availability to water users in the Border Rivers catchment; and
- ◆ Preliminary hydrological modelling and engineering investigations to develop projects that efficiently deliver increased and sustainable water security improvements for the Upper Hunter, Gwydir and Macquarie Valleys; with financial support from the NSW State Infrastructure Strategy Priority Catchments Program.

For our shareholder

Water Reform

On 1 July 2016 all customer facing functions, operational functions, and the management of surface and groundwater transferred from DPI Water to WaterNSW. This successful execution of the NSW Government's *Bulk Water Reform Program* positions WaterNSW as the single point of contact for customers to manage their business, while delivering operating efficiencies for our shareholders.

Water Security

WaterNSW has been directed by the NSW Government to secure Broken Hill's drinking water security through the construction, ownership and operation of a 270km pipeline from the River Murray at Wentworth to Essential Water's water treatment plant in Broken Hill. Project completion is anticipated in December 2018.

Financial Performance

Higher regulated water sales combined with lower operating expenditure have resulted in a net profit after tax of \$100 million, \$43 million higher than budget.

For our organisation

Safety First

Safety remains our highest priority. During 2016-17, we continued to embed contemporary Work Health and Safety (WHS) procedures across all worksites, along with the rollout of behavioural safety and leadership training.

Single Operating Licence

From 1 July 2017 a new, single *WaterNSW Operating Licence 2017-22* will replace the State Water and Sydney Catchment Authority operating licences. The single operating licence delivers greater clarity and transparency for customers and the community on our functions and performance and the opportunity to reduce costs through operational and administrative efficiencies.

Quality Systems

- ◆ Our asset management, environmental management, information security management and work health and safety systems have been certified to global standards.
- ◆ We commenced a project to consolidate our information management systems into a single, contemporary system which will be completed in 2017-18.

Sydney Office Consolidation

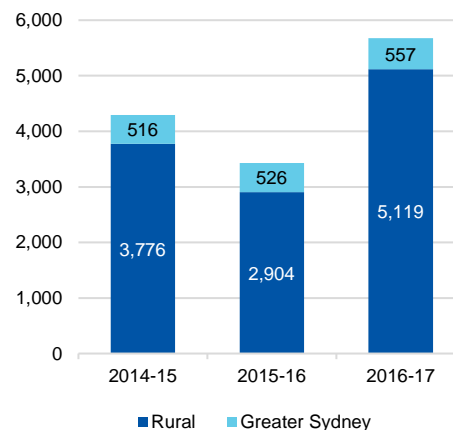
We consolidated our three Sydney offices into a single location at 169 Macquarie Street Parramatta (1PSQ), bringing together around 300 employees and situating us next to our biggest customer, Sydney Water.

Water Sales and Storage Levels

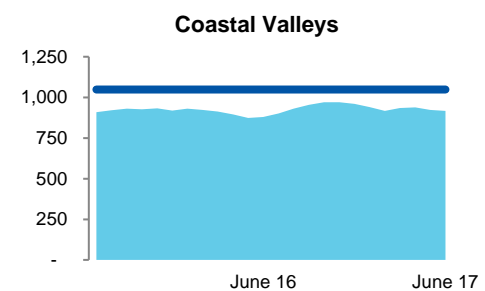
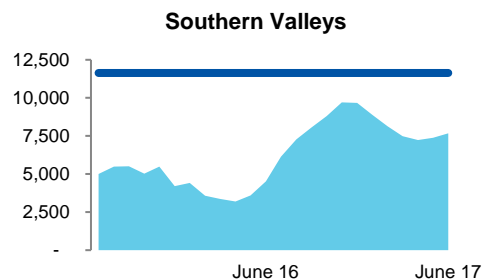
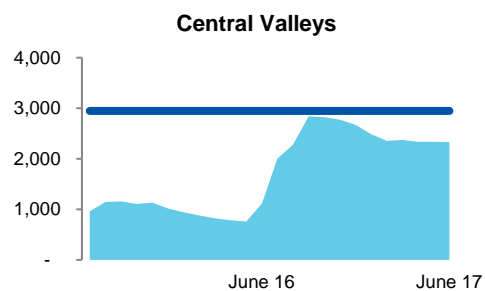
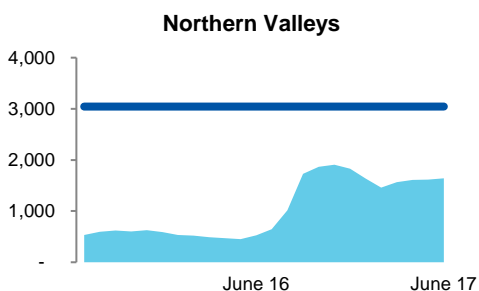
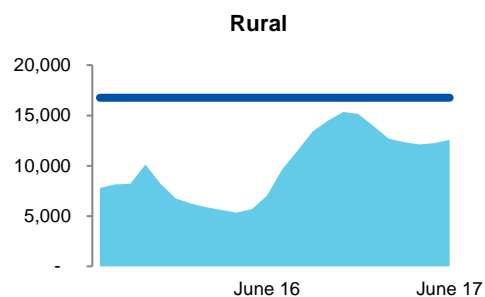
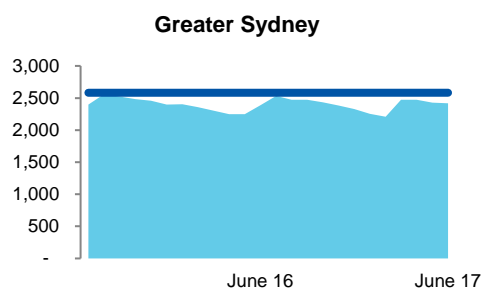
Water sales (GL)

Water sales have been strong this year.

- ◆ In Greater Sydney increased demand from a hot and dry summer saw strong sales flow through to autumn months.
- ◆ In Rural Valleys, a significantly wet start to the year increased water availability. Combined with dry weather from January 2017, this resulted in higher water sales than previous years.



Water storage levels (GL)

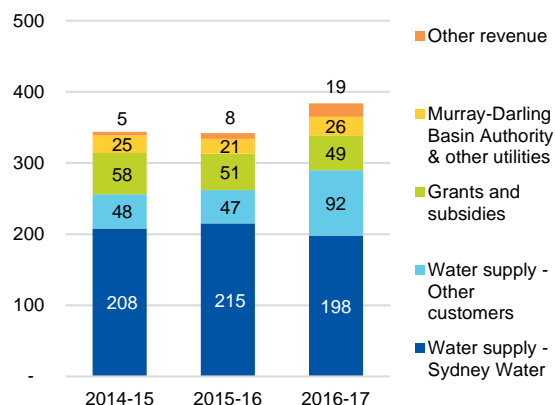


Financial Performance

Income

Water was supplied by WaterNSW to customers under the WAMC determination for the first time in 2016-17.

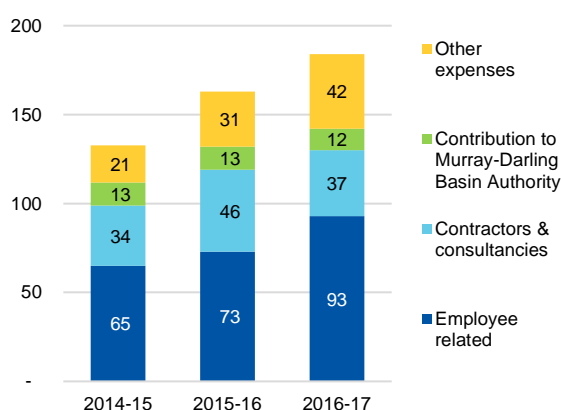
Water supplied to customers was also higher than previous years as a result of higher demand over a hotter and drier than anticipated summer.



Operating expenses

Operating expenses were incurred by WaterNSW for water supplied to customers under the WAMC determination for the first time in 2016-17.

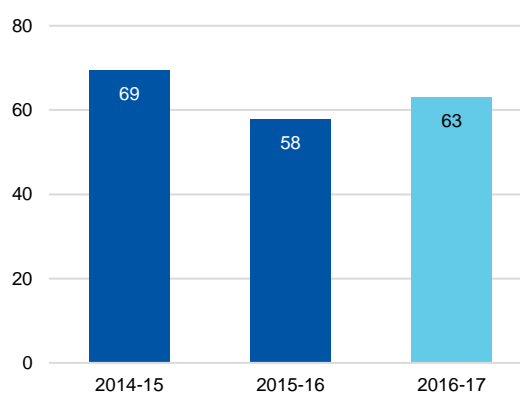
Contractors and consultancies were lower than the previous year due to operational efficiencies realised from the NSW Government's Bulk Water Reform Program.



Capital investment

Capital expenditure in 2016-17 focussed primarily on maintaining our capability (\$39.9 million).

Major capital works in 2016-17 include renewal works at Berembled Weir, Dam Safety upgrades at Wyangala Dam, and refurbishment of Prospect Dam outlet works.



Audited Financial Statements

Water NSW
Statement of comprehensive income
For the year ended 30 June 2017

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| | Note | 2017 \$'000 | 2016 \$'000 |
|---|------|------------------|------------------|
| Revenue | | | |
| Revenue from water supply and delivery | 4 | 290,273 | 261,564 |
| Grants and subsidies | 4 | 49,229 | 51,488 |
| Other revenue | 4 | 44,814 | 28,490 |
| Revaluation of property, plant and equipment | 14 | 34,305 | - |
| Revenue | | 418,621 | 341,542 |
| Expenses | | | |
| Employee related expenses | 5 | (93,024) | (72,667) |
| Depreciation and amortisation | 6 | (58,537) | (53,165) |
| Other operating expenses | 6 | (91,106) | (90,085) |
| Finance costs | 7 | (32,871) | (29,937) |
| Revaluation of property, plant and equipment | 14 | - | (41,841) |
| Expenses | | (275,538) | (287,695) |
| Gains/(losses) on disposal | 8 | (108) | (163) |
| Profit before income tax | | 142,975 | 53,684 |
| Income tax equivalent expense | 9 | (42,913) | (58) |
| Profit/(loss) | | 100,062 | 53,626 |
| Other comprehensive income | | | |
| Items will not be reclassified to profit or loss | | | |
| Revaluation of property, plant and equipment | 14 | (28,583) | 145,760 |
| Remeasurement of defined benefit superannuation net liability | 18 | 41,898 | (38,738) |
| Income tax on other comprehensive income | 9 | 8,167 | (32,107) |
| Other comprehensive income | | 21,482 | 74,915 |
| Comprehensive income | | 121,544 | 128,541 |
| Attributable to equity holders of Water NSW | | 121,544 | 128,541 |

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

Water NSW
Statement of financial position
As at 30 June 2017

17

| | Note | 2017 \$'000 | 2016 \$'000 |
|--------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 189,218 | 194,698 |
| Trade and other receivables | 11 | 83,439 | 39,925 |
| Other non-financial assets | 12 | 9,005 | 2,676 |
| Current assets | | 281,662 | 237,299 |
| Non-current assets | | | |
| Other non-financial assets | 12 | 238 | 458 |
| Intangible assets | 13 | 12,280 | 13,970 |
| Property, plant and equipment | 14 | 2,268,519 | 2,258,425 |
| Non-current assets | | 2,281,037 | 2,272,853 |
| ASSETS | | 2,562,699 | 2,510,152 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 51,531 | 60,937 |
| Other liabilities | 16 | 34,073 | 45,896 |
| Borrowings | 17 | 51,422 | 36,380 |
| Current tax liabilities | 9 | 12,697 | - |
| Provisions | 18 | 82,091 | 89,730 |
| Current liabilities | | 231,814 | 232,943 |
| Non-current liabilities | | | |
| Borrowings | 17 | 614,384 | 621,896 |
| Other liabilities | 16 | 99,375 | 105,788 |
| Provisions | 18 | 129,595 | 140,001 |
| Deferred tax liabilities | 9 | 163,552 | 148,256 |
| Non-current liabilities | | 1,006,906 | 1,015,941 |
| LIABILITIES | | 1,238,720 | 1,248,884 |
| NET ASSETS | | 1,323,979 | 1,261,268 |
| EQUITY | | | |
| Contributed equity | | 1,042,883 | 1,063,516 |
| Retained earnings | | 122,861 | 19,508 |
| Asset revaluation reserve | | 158,235 | 178,244 |
| EQUITY | | 1,323,979 | 1,261,268 |

The statement of financial position should be read in conjunction with the accompanying notes.

Water NSW

Statement of changes in equity

For the year ended 30 June 2017

| | | Contributed equity | | Retained earnings | Asset revaluation reserve | | Total equity | | | |
|--|----------------|--------------------|----------------|-------------------|---------------------------|----------------|----------------|----------------|-----------|----------|
| Note | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2016 \$'000 | | |
| Balance at beginning of the period | | 1,063,516 | 1,063,516 | 19,508 | 54,998 | 178,244 | 74,813 | 1,261,268 | 1,193,327 | |
| Comprehensive income | | | | | | | | | | |
| Profit for the period | | - | - | 100,062 | 53,626 | - | - | 100,062 | 53,626 | |
| Revaluation of property, plant and equipment | | 14 | - | - | - | (28,583) | 145,760 | (28,583) | 145,760 | |
| Remeasurement of defined benefit superannuation liability | | 18 | - | 41,898 | (38,738) | - | - | 41,898 | (38,738) | |
| Income tax on other comprehensive income | | 9 | - | (407) | 11,621 | 8,574 | (43,728) | 8,167 | (32,107) | |
| Adjustments | | | | | (1,399) | | 1,399 | - | - | |
| Comprehensive income for the year | | - | - | 141,553 | 25,110 | (20,009) | 103,431 | 121,544 | 128,541 | |
| Transactions with owners in their capacity as owners | | | | | | | | | | |
| Increase (decrease) in net assets from equity transfers - NSW Department of Industry | | 20 | (20,633) | - | - | - | - | (20,633) | - | |
| Dividend paid or provided for | | 18 | - | (38,200) | (60,600) | - | - | (38,200) | (60,600) | |
| Transactions with owners in their capacity as owners | | | (20,633) | - | (38,200) | (60,600) | - | - | (58,833) | (60,600) |
| Balance at the end of the period | | 1,042,883 | 1,063,516 | 122,861 | 19,508 | 158,235 | 178,244 | 1,323,979 | 1,261,268 | |

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

Statement of cash flows

For the year ended 30 June 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|---|-------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers and other | | 342,132 | 330,734 |
| Interest received | | 2,789 | 2,553 |
| Payments to suppliers and employees | | (203,686) | (154,778) |
| Interest and other costs of finance paid | | (28,587) | (35,389) |
| Receipt of grants and subsidies from NSW Government | | 7,041 | 25,665 |
| Income tax (paid)/refunds received | | (6,753) | (1,818) |
| Net cash from operating activities | 10 | 112,936 | 166,967 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 256 | 2,022 |
| Payments for property, plant and equipment | | (58,072) | (55,618) |
| Net cash used in investing activities | | (57,816) | (53,596) |
| Cash flows from financing activities | | | |
| Dividends paid | | (60,600) | - |
| Net cash used in financing activities | | (60,600) | - |
| Net increase/(decrease) in cash and cash equivalents | | (5,480) | 113,371 |
| Cash and cash equivalents at beginning of the year | 10 | 194,698 | 81,327 |
| Cash and cash equivalents at end of the year | 10 | 189,218 | 194,698 |

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

Water NSW

Notes to the financial statements

For the year ended 30 June 2017

1 Corporate information

Water NSW is a statutory State Owned Corporation domiciled in Australia and constituted under the *Water NSW Act 2014* (the Act). The Act facilitated the transfer of assets, rights and liabilities of the Sydney Catchment Authority (SCA) to Water NSW effective 1 January 2015.

Water NSW's ultimate parent is the NSW Government. The financial results, financial position and cash flows are consolidated as part of the NSW Total State Sector Accounts.

The principal objectives of Water NSW as defined in the Act are:

- to capture, store and release water in an efficient, safe and financially responsible manner;
- to supply water in compliance with appropriate standards of quality;
- to ensure that declared catchment areas and water management works in such areas are managed and protected so as to promote water quality, the protection of public health and public safety, and the protection of the environment;
- to provide for the planning, design, modelling and construction of water storages and other water management works; and
- to maintain and operate the works of Water NSW efficiently and economically and in accordance with sound commercial principles.

Water NSW operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that Water NSW is a for-profit entity for financial reporting purposes.

Water NSW financial statements for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the board of directors on 27 September 2017.

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

2 Summary of significant accounting policies

(a) Basis of preparation

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

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

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.

Notes to the financial statements

For the year ended 30 June 2017

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at 'fair value through profit or loss' and available for sale are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

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 Water NSW 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.

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

- Note 9 – Deferred tax assets and deferred tax liabilities;
- Note 14 – Fair value of property, plant and equipment;
- Note 18 – Employee benefits and other provisions, including defined benefit superannuation obligations; and
- Note 20 – Equity transfer following administrative restructure at fair value.

(b) Comparative information

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

(c) Revenue

Water NSW recognises revenue from the rendering of water delivery services when it is probable that economic benefits will flow to Water NSW and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

• ***Water supply revenue***

Water NSW provides water services to its customers under the conditions of their licences. Revenue from rendering of these services comprises both fixed and variable charges. The fixed component is charged according to each licence entitlement, whereas the variable component is charged according to actual consumption and use by the licence holder. The variable usage charges are recognised when the services are provided.

• ***Government grants and subsidies revenue***

Water NSW receives Government funding for agreed activities and for past and future capital investment.

tes to the financial statements

For the year ended 30 June 2017

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

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

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

- **Interest revenue**

Interest revenue is recognised using the effective interest method as set out in AASB 139 '*Financial Instruments: Recognition and Measurement*'.

- **Rental income**

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

- **Rendering of other services**

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

- **Disposal of property, plant and equipment**

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

(d) Expenses

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

- **Depreciation of property, plant and equipment**

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity.

tes to the financial statements

For the year ended 30 June 2017

All material identifiable components of assets are separately depreciated over their shorter useful lives. The useful lives of assets by class are set out in the following table:

| Asset class | Useful life |
|--------------------------|----------------|
| Infrastructure systems | 5 to 150 years |
| Buildings | 1 to 100 years |
| Plant and equipment | 2 to 32 years |
| Vehicles | 5 to 15 years |
| Furniture and fittings | 3 to 15 years |
| Information systems | 2 to 10 years |
| Water meters | 20 years |
| Intangible assets | |
| Computer software | 3 to 25 years |

- **Borrowing costs**

Interest and other borrowing costs, such as government guarantee fees payable in respect of the Water NSW 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 12 months or more to be ready for their intended use. Capitalisation of borrowing costs is undertaken where a direct relationship can be established between the borrowings and the projects giving rise to the qualifying assets.

- **Operating lease expenses**

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

(e) Taxation

- **Income tax**

Water NSW is subject to the National Tax Equivalent Regime (NTER) which is based on the *Income Tax Assessment Act 1936 and 1997 (as amended)*. Tax equivalents are payable to the Office of State Revenue. Income tax on profit or loss comprises 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 or other comprehensive income.

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

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

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

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

- **Goods and services tax**

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

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

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

Where applicable, commitments are disclosed inclusive of GST.

(f) Cash and cash equivalents

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

(g) Trade and other receivables

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

Trade and other receivables due within 12 months of the reporting date 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

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be either doubtful or uncollectible. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

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.

(h) Property, plant and equipment

• *Acquisition of property, plant and equipment*

All items of property, plant and equipment are initially recognised at the cost of acquisition. Cost is the amount of cash and cash equivalents paid or the fair value or other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards (AAS).

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Assets acquired at no cost, or for nominal consideration, are initially recognised at fair value at the date of acquisition (see also assets transferred as a result of an equity transfer - Note 20). Where payment for an asset is deferred beyond normal credit terms its cost is the cash price equivalent.

• *Capitalisation thresholds*

Following thresholds are applied for capitalisation:

- Information systems - \$1,000;
- Other plant and equipment - \$5,000; and
- Infrastructure - \$10,000.

In the case of system asset categories that work together to form an entire network all expenditures are capitalised regardless of cost. In respect of system assets constructed by Water NSW 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; and
- an appropriate proportion of overheads.

Borrowing costs are also capitalised to the cost of constructed system assets where applicable. Construction costs are capitalised initially as work in progress. The costs are subsequently reclassified as completed assets when construction has ended and the asset becomes operational and available for use in the manner intended by management.

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- ***Subsequent expenditure on property, plant and equipment***

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

- ***Major inspection costs***

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

- ***Restoration costs***

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

- ***Maintenance***

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

- ***Asset valuations***

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

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

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

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

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

The relevant valuation technique adopted by Water NSW as the most appropriate for each class of asset is described below.

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.

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

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. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

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

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

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

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System assets

System assets are those infrastructure assets that deliver water distribution services to customers and end users. Due to the specialised nature of this class of assets where there is generally no active market, the fair value is determined using the income approach by discounting the future cash flows expected to be generated from the use of these assets under the price-regulated environment in which Water NSW operates as a for-profit entity (Note 14). The future cash flows generated from the use of the assets under this price-regulated environment are considered to be the primary factor that a market participant would consider when pricing these assets. Water NSW aligns its approach to determining the future cash flows with the pricing methodology applied by its regulator, the Independent Pricing and Regulatory Tribunal (IPART). In addition to the cash flows for regulated assets under this approach, Water NSW's fair value calculations also include estimated cash flows from non-regulated assets, which are not included in IPART's methodology.

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

As IPART's methodology assesses the total fair value of all the Water NSW regulated assets, the asset values of non-regulated assets are added in order to determine the total fair value of all assets. The fair value of system assets is then derived by deducting the fair value of other classes of assets (that are shown separately) from the total fair value of all assets.

Market land and buildings

Market land and buildings are valued by independent registered valuers on a three yearly cycle, unless market conditions necessitate an earlier valuation to be undertaken, using the market approach to determine fair value under Australian Accounting Standard AASB 13 '*Fair Value Measurement*'. Land is stated in the statement of financial position at market value and buildings are stated at market value less accumulated depreciation. Leasehold properties are stated at market value less accumulated amortisation.

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

Other asset classes forming property, plant and equipment

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

(i) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are only recognised if it is probable that future economic benefits will flow to the entity and the cost of the asset can be reliably measured. Intangible assets are capitalised initially at cost. Costs

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incurred on incomplete intangible assets that are being progressively acquired, such as software, are recognised as acquisitions in progress at the reporting date. These assets are reclassified as completed intangible assets when the assets are fully acquired and are operational or available for use.

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

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

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

(j) Impairment of assets

At the end of each reporting period Water NSW assesses impairment by evaluation of conditions and events that may be indicative of impairment triggers. The assessment will include considering external sources of information and internal sources of information.

If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount.

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

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

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

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(k) Financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

Previous impairment losses are reversed through profit or loss during the year if there is objective evidence supporting the reversal.

(l) Trade and other payables

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

(m) Borrowings

Interest-bearing borrowings obtained by Water NSW 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.

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

Gains or losses are recognised in profit or loss when liabilities are derecognised, such as through a debt restructuring or early repayment of debt, as well as through the amortisation process.

Where there is an unconditional right to defer settlement of the borrowings for at least 12 months after the reporting date and management intends to defer the settlement, the borrowings are recognised as a non-current liability. All other borrowings are recognised as a current liability.

Under the Debt Management Facility, Water NSW is able to rollover its maturing debt to any term offered by its lender (T-Corp), provided the total capital value of the debt remains within limits approved under the *Public Authorities (Financial Arrangements) Act 1987* (Refer Note 24 c). Water NSW also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State.

(n) Provisions

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

If the obligation is to be settled greater than 12 months after the reporting date and the effect is material, the estimate of the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. If the obligation is due

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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 Water NSW does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

- **Employee benefits**

Short term employee benefits

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

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

Liabilities for wages and salaries are included within trade and other payables.

Long term employee benefits

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

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

Recreation leave

The liability for annual leave benefits is actuarially calculated to determine the present value of the future benefit that employees have earned in return for their service up to the reporting date.

Recreation leave, which is not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service is required to be measured at present value in accordance with AASB 119 '*Employee Benefits*'. The discount rate used is the yield at the reporting date on Government bonds that have maturity dates approximating to the terms of the annual leave obligations.

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

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Long service leave

The present value of the future benefit related to long service leave is calculated using an actuarial valuation method called the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Consideration is given to expected wages and salary levels, experience of employee departures and periods of service. The discount rate 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.

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.

Liabilities for annual leave are classified as current liabilities in the statement of financial position regardless of when they are expected to be settled as these liabilities have fallen due for settlement at the reporting date.

Termination benefits

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

Other provisions

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

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. In the case of the Water NSW, 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

Water NSW 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. Contributions to defined contribution superannuation schemes are recognised as an expense in the periods during which services are rendered by employees.

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Defined benefit superannuation schemes

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

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

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

Remeasurement of the net defined benefit liability, which comprise actuarial gains or losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in the statement of the comprehensive income. The net interest expense (income) on the net defined benefit liability (asset) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The gains and losses on the settlement of a defined benefit plan are recognised when the settlement occurs. AASB 119 *'Employee Benefits'* does not specify whether the current and non-current portions of the liability be disclosed because at times the distinction can be arbitrary. Management has determined that the liability be disclosed as non-current as this best reflects when the liability will most likely be settled.

Assumptions underlying defined benefit superannuation expenses and liabilities are disclosed in Note 18(a).

(o) Restorations

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

Provisions are recognised at the inception of a lease when such restoration is a condition of the lease. Unwinding of the discount is recognised as a finance cost in profit or loss. The restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fitouts.

(p) Deferred Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised

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as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight line basis. That portion of deferred government grants received in relation to capital expenditure that relates to useful life in excess of 12 months is treated as a non-current liability.

(q) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and benefits.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are subsequently allocated between the principal component and the interest expense.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Financial guarantees

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

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

Water NSW has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2017 and as at 30 June 2016. However, refer to Note 21 regarding disclosures on contingent liabilities

(s) Administered activities

Water NSW administers, but does not control, certain activities on behalf of the Department of Industry, Skills and Regional Development. Water NSW is accountable for the transactions relating to those administered activities but does not have the discretion to deploy the resources for the achievement of the entity's own objectives. Transactions and balances relating to the administered activities are not recognised as the entity's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'. The accrual basis of accounting and applicable accounting standards have been adopted.

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(t) Dividend

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

The provision for dividend is calculated in accordance with requirements of TPP 14-04 *Financial Distribution Policy for Government Businesses*. The dividend payable in relation to the 2016-17 financial year has been calculated based on a fixed dollar amount agreed with shareholders.

(u) Equity transfers

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

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

Under transfer order signed 22 June 2016 by the shareholding ministers certain functions of the Office of Water NSW as well as related assets and liabilities were transferred to Water NSW with the effective date of 1 July 2016. To enable delivery of the transferred functions Water NSW Amendment (Staff Transfers) Bill 2016 dated 7 June 2016 was issued to support the transfer of certain staff employed in the Department of Industry to Water NSW

In accordance with the requirements of TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities', all assets and liabilities have been transferred at fair value. The following table summarises the change in net assets arising directly from the transfer:

| | Net assets, \$'000 |
|-----------------------|--------------------|
| Prior to 30 June 2016 | 1,261,268 |
| Equity transfer | (20,633) |
| Values at 1 July 2016 | 1,240,635 |

Note 20 provides additional information on the equity transfers that have occurred during the reporting period.

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3 New standards and interpretations not yet adopted

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

| Standard/ Interpretation | Summary | Applicable annual reporting periods beginning on or after | Impact on Water NSW financial report |
|---|---|--|---|
| AASB 9 and AASB 2014-7 regarding financial instruments | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedge accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to current approach that recognises impairment only when incurred. | 1 January 2018 | 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 significant impact on the financial results Water NSW. |
| AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding revenue from contracts with customers | The core principles of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer and includes disclosure requirements, for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, based on the international financial reporting standard IFRS 15 Revenue from Contracts with Customers. | 1 January 2018 | At this stage Water NSW has assessed that the standard is not likely to have a major impact on the financial statements. |
| AASB 16 Accounting for Leases | The key changes introduced by AASB 16 include the recognition of most operating leases on balance sheet. It requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting and largely retains the existing lessor accounting requirements in AASB 117. | 1 January 2019 | This new accounting treatment for leases means that operating lease payments that are currently expensed in profit or loss will be replaced by depreciation of the recognised right-of-use asset and the interest expense incurred on the lease liability. Assessing impact on current operating leases existing at the reporting date, assets and liabilities of approximately \$20 |

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| | | | |
|---|---|----------------|---|
| | | | <p>million would be recognised in the statement of financial position for the first time when the standard becomes operative.</p> <p>The standard also requires new and different disclosures about leases for the lessees. A lessee shall disclose information about its leases in a single note or separate section in its financial statements</p> |
| AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] | This Standard amends AASB 112 'Income Taxes' (July 2004) and AASB 112 'Income Taxes' (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. | 1 January 2017 | As the changes are minor and specialised it has been assessed at this stage that they will not have a major impact on the financial statements of Water NSW. |
| AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 | This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. | 1 January 2017 | Water NSW has at this stage assessed that this standard will not have a major impact on the financial statements of the entity. |
| AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions | <p>This standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> ➤ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ➤ Share-based payment transactions with a net settlement feature for withholding tax obligations <p>A modification to the terms and conditions of a share-based payment that changes the classification of the</p> | 1 January 2018 | Water NSW at this stage has assessed that this standard will not have a major impact on the financial statements of the entity. |

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For the year ended 30 June 2017

| | | | |
|---|--|----------------|---|
| | transaction from cash-settled to equity-settled | | |
| AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 with AASB 4 Insurance Contracts | <p>This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to:</p> <ul style="list-style-type: none"> ➤ choose to apply the ‘overlay approach’ that involves applying AASB 9 ‘Financial Instruments’ and also applying AASB 139 ‘Financial Instruments: Recognition and Measurement’ to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or <p>choose to be temporarily exempt from AASB 9 when those issuers’ activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.</p> | 1 January 2018 | Water NSW has at this stage assessed that this standard will not have a major impact on the financial statements of the entity. |
| AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments | <p>This Standard amends:</p> <ol style="list-style-type: none"> a. AASB 1 to delete some short-term exemptions for first-time adopters that were available only for reporting periods that have passed and to add exemptions arising from AASB Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’; b. AASB 128 to clarify that: a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture; and an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. This choice is available separately for each investment entity associate or joint venture; and | 1 January 2018 | Changes are minor and will not have material effect on the financial statements of Water NSW. |

tes to the financial statements

For the year ended 30 June 2017

| | | | |
|---|---|----------------|---|
| | c. AASB 140 to reflect the principle that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property supported by evidence that a change in use has occurred. | | |
| AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle | This Standard amends AASB 12 ‘Disclosure of Interests in Other Entities’ (August 2015) as a consequence of the issuance of International Financial Reporting Standard Annual Improvements to IFRS Standards 2014–2016 Cycle by the International Accounting Standards Board in December 2016. | 1 January 2017 | Changes are minor and will not have material effect on the financial statements of Water NSW. |
| Interpretation 22 Foreign Currency Transactions and Advance Consideration | IFRIC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency | 1 January 2018 | Water NSW has at this stage assessed that this standard will not have a major impact on the financial statements of the entity. |
| IFRIC 23 (Australian equivalent not yet issued) Uncertainty over Income Tax Treatments | The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) Whether an entity considers uncertain tax treatments separately b) The assumptions an entity makes about the examination of tax treatments by taxation authorities c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates d) How an entity considers changes in facts and circumstances. | 1 January 2019 | Water NSW is yet to assess whether this standard will have a major impact on the financial statements of the entity |
| IFRS 17 Insurance Contracts | IFRS 17 replaces IFRS 4 Insurance Contracts and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. | 1 January 2021 | Water NSW is yet to assess whether this standard will have a major impact on the financial statements of the entity |

| 4. Revenue | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|------------------------|
| Revenue from water supply | | |
| Regulated - Sydney Water | 198,188 | 214,894 |
| Regulated - Other customers | 57,232 | 45,091 |
| Regulated and Unregulated - WAMC ¹ | 33,277 | - |
| Other | 1,576 | 1,579 |
| Revenue from water sales | 290,273 | 261,564 |
| Grants and subsidies | | |
| NSW Government contributions to operations ² | 36,078 | 34,777 |
| NSW Government transitional operating subsidy ³ | 1,200 | 1,306 |
| NSW Government community service subsidy ⁴ | 118 | 123 |
| Other Government grants | 11,833 | 15,282 |
| Grants and subsidies | 49,229 | 51,488 |
| Other revenue | | |
| Murray-Darling Basin Authority and other utilities | 25,805 | 20,632 |
| Rent | 2,711 | 2,974 |
| Interest | 3,378 | 2,553 |
| Ancillary services | 1,654 | 1,316 |
| Contributed assets ⁵ | 7,247 | - |
| Other | 4,019 | 1,015 |
| Other revenue | 44,814 | 28,490 |
| Revenue | 384,316 | 341,542 |

¹WAMC refers to Water Administration Ministerial Corporation

²The NSW Government contributions to operations are provided to meet the costs of certain activities that satisfy community expectations, public benefit or government requirements (e.g. flood operations, environmental flows, stock and domestic supply) and finance on a commercial basis the agreed share of past capital investment along with any further capital investment necessary to address pre-1997 dam safety non-compliance conditions and other mandated capital improvements (e.g. for environmental compliance or to provide fishways at regulatory structures).

³The NSW Government transitional operating subsidy is provided to explicitly recognise the extent to which there is a shortfall between the agreed revenue requirements of Water NSW's operations and the revenues generated in an average water supply year from supplying customers and from the agreed government contribution to operations.

⁴The NSW Government provides an additional subsidy for maintenance of unregulated weirs in river systems.

⁵Water NSW retained certain unregulated and groundwater meters on the completion of the funding agreement with NSW Department of Industry because the management of these meters was transferred to Water NSW on 1 July 2016 as a result of the administrative restructure.

Notes to the financial statements

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For the year ended 30 June 2017

| 5. Employee related expenses | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|------------------------|
| Employee related costs | | |
| Employee related expenses (excluding post employee benefits) | 89,424 | 70,589 |
| Post employee benefits | 12,177 | 8,916 |
| | 101,601 | 79,505 |
| Capitalisation of employee related expenses | (8,577) | (6,838) |
| Employee related expenses | 93,024 | 72,667 |
| Post employment expenses | | |
| Defined benefit plans ¹ | 6,049 | 4,674 |
| Defined contribution plans | 6,128 | 4,242 |
| | 12,177 | 8,916 |
| Capitalisation of employee related expenses | (744) | (593) |
| Post employment expenses | 11,433 | 8,323 |

¹For further details refer to Note 18.

For the year ended 30 June 2017

| 6. Operating expenses | 2017 | 2016 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Operating expenses | | |
| Contractors and consultancies | 37,107 | 46,217 |
| Contribution to MDBA expenses ¹ | 12,100 | 13,400 |
| Electricity and other energy expenses | 1,708 | 1,624 |
| Operating lease expenses | 6,084 | 4,225 |
| Data management expenses | 3,223 | 2,802 |
| Licence fees | 3,366 | 3,310 |
| Materials, plant and equipment | 4,730 | 2,994 |
| Property | 3,305 | 5,337 |
| Transport and travel | 5,767 | 3,620 |
| Insurance | 4,297 | 3,995 |
| Other expenses from ordinary activities | 9,403 | 2,560 |
| Impairment - Receivables | 16 | - |
| Operating expenses | 91,106 | 90,085 |
| Depreciation and amortisation | | |
| Depreciation | 55,782 | 50,207 |
| Amortisation | 2,755 | 2,958 |
| Depreciation and amortisation | 58,537 | 53,165 |
| Operating expenses | 149,643 | 143,250 |

¹Contribution to MDBA expenses refers to a proportion of revenue from water charges to bulk water customers located within the area of operations of the MDBA, which is passed on to NSW Treasury to help meet the NSW Government's obligations under the Murray-Darling Basin Agreement to directly fund a proportion of the operating costs and States' share of capital costs of the MDBA.

Reconciliation of total maintenance expenses

| | | |
|---|---------------|---------------|
| Employee-related maintenance expenses | 8,408 | 8,788 |
| Contracted labour and other (non-employee related) expenses | 18,581 | 19,864 |
| Total maintenance expenses | 26,989 | 28,652 |

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

Notes to the financial statements

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For the year ended 30 June 2017

| 7. Finance costs | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|------------------------|
| Finance costs | | |
| Interest expense on loans | 18,366 | 25,385 |
| Government guarantee fee | 13,282 | 10,067 |
| Other borrowing costs | 2,949 | (3,247) |
| Unwinding of discounts on provisions | 40 | 31 |
| | 34,637 | 32,236 |
| Borrowing costs capitalised ¹ | (1,766) | (2,299) |
| Finance costs | 32,871 | 29,937 |

¹The capitalisation rate applied for the year ended 30 June 2017 was 5.9% (2016: 6.1%).

Notes to the financial statements

For the year ended 30 June 2017

| 8. Gains/ (losses) on disposal | 2017 \$'000 | 2016 \$'000 |
|---|------------------------|------------------------|
| Gains/ (losses) on disposal of capital works | | |
| Proceeds from disposal | 14,967 | - |
| Written down value of assets disposed | (14,967) | (135) |
| Gains/ (losses) on disposal of property, plant and equipment | | |
| Proceeds from sale of assets | 256 | 2,022 |
| Loss on disposal of property, plant and equipment | (364) | (2,050) |
| Net gain/ (loss) on disposal | (108) | (163) |

9. Income tax

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| <i>Income tax expense recognised in the statement of comprehensive income</i> | | |
| Current tax expense | | |
| Current tax expense relating to current financial year | 19,450 | - |
| Adjustment for prior year in relation to accrual deductions | - | (326) |
| Tax effect of under / overs in prior year | - | - |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 23,463 | 384 |
| Income tax equivalent (benefit) expense | 42,913 | 58 |

Prima facie income tax equivalent expense on pre-tax profit reconciles to tax expense in the financial statements as follows:

| | | |
|--|----------------|---------------|
| Profit (loss) before tax | 142,975 | 53,684 |
| Income tax expense using statutory rate of 30% | 42,893 | 16,105 |
| Effect of: | | |
| Non-deductible expenses | 20 | 125 |
| Other temporary differences | - | (15,846) |
| Government grant tax ruling ¹ | - | - |
| Under / (over) provided in prior years | - | (326) |
| Effect of tax exempt income | - | - |
| Utilisation of previously unbooked tax losses | - | - |
| Income tax equivalent (benefit) expense | 42,913 | 58 |

¹ In 2015 Water NSW obtained a tax ruling from the Australian Tax Office in relation to when Government grants were assessable for income tax. Grants are now assessed when the expenditure to acquire or construct the asset to which the grant relates is incurred rather than when received. Consequently an income tax benefit and deferred tax asset have been recorded this year as part of the remeasurement of the deferred tax base of government grants.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|-----------------|
| <i>Income tax recognised in other comprehensive income</i> | | |
| Income tax recognised directly to equity | | |
| Asset revaluation reserve | 8,574 | (43,728) |
| Defined benefit super actuarial gain/(loss) recognised in retained earnings | (12,569) | - |
| Income tax recognised on equity transfer: | | |
| Superannuation | 7,668 | - |
| Employee entitlements | 4,494 | 11,621 |
| Income tax recognised directly to equity | 8,167 | (32,107) |

9. Income tax

| | 2017 | 2016 |
|--------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current tax liabilities | | |
| Current tax liabilities | 12,697 | - |
| Current tax liabilities | 12,697 | - |

| Deferred tax balances | Opening balance | Recognised in income | Recognised in equity | Closing balance |
|---|------------------------|-----------------------------|-----------------------------|------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 June 2017 | | | | |
| Temporary differences | | | | |
| Property, plant and equipment | (218,410) | (13,636) | 8,574 | (223,472) |
| Other creditors | (4,815) | 6,346 | - | 1,531 |
| Employee benefits | 7,159 | 549 | 4,494 | 12,202 |
| Leased premises | 357 | 36 | - | 393 |
| Defined benefit super | 28,042 | (3,503) | (4,901) | 19,638 |
| Allowance for impairment of receivables | 108 | 5 | - | 113 |
| Deferred government grants | 35,927 | (4,971) | - | 30,956 |
| Prior year SD40F | (6,359) | - | - | (6,359) |
| Other - Provisions and accruals | 2,611 | (1,165) | - | 1,446 |
| | (155,380) | (16,339) | 8,167 | (163,552) |
| Unused tax losses and credits | | | | |
| Tax losses | 7,124 | (7,124) | - | - |
| Deferred tax balance | (148,256) | (23,463) | 8,167 | (163,552) |

9. Income tax

| Deferred tax balances | Opening balance \$'000 | Recognised in income \$'000 | Recognised in equity \$'000 | Closing balance \$'000 |
|---|---------------------------------------|--|--|---------------------------------------|
| 30 June 2016 | | | | |
| Temporary differences | | | | |
| Property, plant and equipment | (59,404) | (115,278) | (43,728) | (218,410) |
| Investments | 4,925 | (4,925) | - | - |
| Other creditors | (13,741) | 8,926 | - | (4,815) |
| Employee benefits | 4,163 | 2,996 | - | 7,159 |
| Leased premises | 573 | (216) | - | 357 |
| Defined benefit super | 11,434 | 4,987 | 11,621 | 28,042 |
| Allowance for impairment of receivables | 108 | - | - | 108 |
| Deferred government grants | 31,705 | 4,222 | - | 35,927 |
| Prior year SD40F | (6,359) | - | - | (6,359) |
| Other - Transfer from former SCA ¹ | (120,090) | 120,090 | - | - |
| Other - Provisions and accruals | 3,670 | (1,059) | - | 2,611 |
| | (143,015) | 19,743 | (32,107) | (155,380) |
| Unused tax losses and credits | | | | |
| Tax losses | 27,247 | (20,123) | - | 7,124 |
| Deferred tax balance | (115,768) | (380) | (32,107) | (148,256) |

¹TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities' requires that assets and liabilities transferred between public sector entities through equity be reflected in the books of both the transferee and transferor at their fair value to the transferee, i.e. Water NSW. Final accounts of dissolved entity (SCA) have recognised deferred tax assets and liabilities reflecting the fair value of these assets and liabilities to Water NSW. This is based on the fact that the SCA's tax bases have been transferred in their entirety to Water NSW, and that it will benefit from, and be liable for, the reversal of these timing differences in the future. Refer note 20 for further details of the equity transfer.

There were no deferred tax assets that were unrecognised during the current reporting period.

Deferred tax liabilities are recognised in the statement of financial position as follows:

| | 2017 \$'000 | 2016 \$'000 |
|---------------------------------|------------------------|------------------------|
| Deferred tax liabilities | (163,552) | (148,256) |
| Deferred tax liabilities | (163,552) | (148,256) |

| 10. Cash and cash equivalents | 2017 | 2016 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Cash and cash equivalents | | |
| Cash at bank and on hand | 47,209 | 66,941 |
| Short-term deposits | 115,000 | - |
| NSW Treasury Corporation Hour Glass (Cash) Facility | 27,009 | 127,757 |
| Cash and cash equivalents | 189,218 | 194,698 |

Refer to Note 24 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Cash and cash equivalents recognised within the statement of financial position is reconciled to cash in the statement of cash flows as follows:

| | | |
|---|----------------|----------------|
| Closing cash per statement of cash flows | 189,218 | 194,698 |
|---|----------------|----------------|

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

| | | |
|--|----------------|----------------|
| Profit (loss) after tax | 100,062 | 53,626 |
| Depreciation, amortisation and fair value adjustment through profit and loss | 24,232 | 95,006 |
| Contributed assets | (7,247) | - |
| Loss on disposal of property, plant and equipment | 108 | 29 |
| Superannuation movements direct to equity | 41,898 | (38,738) |
| Income tax movements direct to equity | 8,167 | (32,107) |
| Capitalised borrowing costs disclosed as operating cash flow | (1,766) | (2,299) |
| Capital work in progress written off | - | 135 |
| Trade and other receivables | (28,536) | 7,263 |
| Other assets | (6,110) | 3,519 |
| Trade and other payables | 5,755 | 13,116 |
| Other costs of finance | 2,799 | (3,247) |
| Other liabilities | (18,236) | 10,286 |
| Provisions | (36,183) | 30,035 |
| Income tax assets and liabilities | 27,993 | 30,343 |
| Net cash from operating activities | 112,936 | 166,967 |

| 11. Trade and other receivables | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|------------------------|
| Trade and other receivables | | |
| Trade receivables | 49,161 | 23,627 |
| Allowance for impairment | (375) | (359) |
| Trade receivables | 48,786 | 23,268 |
| Accrued revenue | 31,533 | 14,614 |
| Other receivables | 3,120 | 2,042 |
| Trade and other receivables | 83,439 | 39,925 |
| Movements in the allowance for impaired receivables | | |
| Allowance for impairment in trade receivables | | |
| Carrying amount at the beginning of the year | 359 | 370 |
| Allowance for impairment recognised during the year | 16 | - |
| Amount used | - | (11) |
| Carrying amount at the end of the year | 375 | 359 |

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired are disclosed in Note 24.

Notes to the financial statements

For the year ended 30 June 2017

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| 12. Other non-financial assets | 2017 \$'000 | 2016 \$'000 |
|---|------------------------|------------------------|
| Other current non-financial assets | | |
| Lease incentives | 1,435 | 220 |
| Prepaid expenses | 7,570 | 2,443 |
| Other assets | - | 13 |
| Other current non-financial assets | 9,005 | 2,676 |
| Other non-current non-financial assets | | |
| Lease incentives | 238 | 458 |
| Other non-current non-financial assets | 238 | 458 |

Notes to the financial statements

For the year ended 30 June 2017

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| 13. Intangible assets | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|------------------------|
| Cost (gross carrying amount) | 31,005 | 29,940 |
| Accumulated amortisation and impairment | (18,725) | (15,970) |
| Net carrying amount | 12,280 | 13,970 |
| Software | | |
| Net carrying amount at the beginning of the year | 9,806 | 11,859 |
| Additions | 1,065 | 735 |
| Transfers | (38) | - |
| Amortisation | (2,599) | (2,788) |
| Net carrying amount at the end of the year | 8,234 | 9,806 |
| Easements, development costs and other rights of access | | |
| Net carrying amount at the beginning of the year | 4,164 | 4,275 |
| Additions | - | 59 |
| Transfers | 38 | - |
| Amortisation | (156) | (170) |
| Net carrying amount at the end of the year | 4,046 | 4,164 |

Notes to the financial statements

For the year ended 30 June 2017

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14. Property, plant and equipment

30 June 2017

At 1 July 2016 - Fair value

| | Work in progress | Infrastructure | Water meters | Buildings | System land | Market land | Plant & equipment | Motor vehicles | Furniture & fitouts | Information systems | Total |
|--|------------------|------------------|---------------|---------------|-------------|----------------|-------------------|----------------|---------------------|---------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross carrying amount | 123,351 | 1,854,762 | 18,330 | 42,686 | - | 184,096 | 36,917 | 11,665 | 4,871 | 11,344 | 2,288,022 |
| Accumulated depreciation and impairment | - | - | - | - | - | - | (15,662) | (3,560) | (2,004) | (8,371) | (29,597) |
| Carrying value at the beginning of the period | 123,351 | 1,854,762 | 18,330 | 42,686 | - | 184,096 | 21,255 | 8,105 | 2,867 | 2,973 | 2,258,425 |

At 30 June 2017 - Fair value

| | | | | | | | | | | | |
|--|----------------|------------------|---------------|---------------|----------------|---------------|---------------|--------------|--------------|--------------|------------------|
| Gross carrying amount | 103,005 | 1,867,674 | 36,218 | 39,829 | 157,406 | 31,361 | 37,753 | 11,930 | 6,007 | 12,873 | 2,304,056 |
| Accumulated depreciation and impairment | - | - | - | - | - | - | (18,582) | (4,707) | (2,545) | (9,703) | (35,537) |
| Carrying value at the end of the period | 103,005 | 1,867,674 | 36,218 | 39,829 | 157,406 | 31,361 | 19,171 | 7,223 | 3,462 | 3,170 | 2,268,519 |

At 30 June 2017

| | | | | | | | | | | | |
|--|----------------|------------------|---------------|---------------|----------------|---------------|---------------|--------------|--------------|--------------|------------------|
| Carrying value at the beginning of the year | 123,351 | 1,854,762 | 18,330 | 42,686 | - | 184,096 | 21,255 | 8,105 | 2,867 | 2,973 | 2,258,425 |
| Assets recognised on equity transfer | - | 3,453 | 1,258 | - | - | - | 199 | 17 | - | - | 4,927 |
| Additions | 63,252 | 54,247 | 16,501 | 179 | 812 | - | 684 | 686 | 1,124 | 1,705 | 139,190 |
| Disposals | - | (92) | - | - | - | - | (4) | (264) | - | (5) | (365) |
| Depreciation | - | (44,681) | (2,898) | (1,887) | - | - | (2,963) | (1,321) | (529) | (1,503) | (55,782) |
| Revaluation gain/loss recognised in other comprehensive income | - | (45,445) | 568 | (1,307) | 6,793 | 10,808 | - | - | - | - | (28,583) |
| Revaluation gain/loss in profit or loss | - | 45,430 | 2,459 | 158 | (5,013) | (8,729) | - | - | - | - | 34,305 |
| WIP written off | (14,967) | - | - | - | - | - | - | - | - | - | (14,967) |
| Transfers and reclassifications | (68,631) | - | - | - | 154,814 | (154,814) | - | - | - | - | (68,631) |
| Carrying value at the end of the period | 103,005 | 1,867,674 | 36,218 | 39,829 | 157,406 | 31,361 | 19,171 | 7,223 | 3,462 | 3,170 | 2,268,519 |

14. Property, plant and equipment

| | SYSTEM ASSETS | | | | | | | | | | |
|---|------------------|----------------|--------------|-----------|-------------|-------------|-------------------|----------------|---------------------|---------------------|-----------|
| 30 June 2016 | Work in progress | Infrastructure | Water meters | Buildings | System land | Market land | Plant & equipment | Motor vehicles | Furniture & fitouts | Information systems | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2015 - Fair value | | | | | | | | | | | |
| Gross carrying amount | 84,706 | 1,912,839 | 21,433 | 42,117 | - | 184,096 | 27,289 | 9,924 | 3,373 | 5,718 | 2,291,495 |
| Accumulated depreciation and impairment | - | (125,267) | (4,474) | (2,132) | - | - | (6,773) | (1,013) | 30 | (2,093) | (141,722) |
| Carrying value at the end of the year | 84,706 | 1,787,572 | 16,959 | 39,985 | - | 184,096 | 20,516 | 8,911 | 3,403 | 3,625 | 2,149,773 |
| At 30 June 2016 - Fair value | | | | | | | | | | | |
| Gross carrying amount | 123,351 | 1,854,762 | 18,330 | 42,686 | - | 184,096 | 36,917 | 11,665 | 4,871 | 11,344 | 2,288,022 |
| Accumulated depreciation and impairment | - | - | - | - | - | - | (15,662) | (3,560) | (2,004) | (8,371) | (29,597) |
| Carrying value at the end of the year | 123,351 | 1,854,762 | 18,330 | 42,686 | - | 184,096 | 21,255 | 8,105 | 2,867 | 2,973 | 2,258,425 |
| At 30 June 2016 | | | | | | | | | | | |
| Carrying value at the beginning of the year | 84,706 | 1,787,572 | 16,959 | 39,985 | - | 184,096 | 20,516 | 8,911 | 3,403 | 3,625 | 2,149,773 |
| Assets recognised on equity transfer | - | - | - | - | - | - | - | - | - | - | - |
| Additions | 57,923 | 5,985 | 4,890 | 496 | - | - | 3,652 | 2,662 | (5) | 663 | 76,266 |
| Disposals | - | (11) | - | - | - | - | (1) | (2,034) | - | (2) | (2,048) |
| Depreciation | - | (40,374) | (1,910) | (1,733) | - | - | (2,912) | (1,434) | (531) | (1,313) | (50,207) |
| Revaluation loss recognised in other comprehensive income | - | 141,643 | - | 4,117 | - | - | - | - | - | - | 145,760 |
| Revaluation loss in profit or loss | - | (40,053) | (1,609) | (179) | - | - | - | - | - | - | (41,841) |
| WIP written off | (135) | - | - | - | - | - | - | - | - | - | (135) |
| Transfers and reclassifications | (19,143) | - | - | - | - | - | - | - | - | - | (19,143) |
| Carrying value at the end of the period | 123,351 | 1,854,762 | 18,330 | 42,686 | - | 184,096 | 21,255 | 8,105 | 2,867 | 2,973 | 2,258,425 |

14. Property, plant and equipment

a) Fair value measurement of non-financial assets

Fair value hierarchy

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

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|------------------|
| At 30 June 2017 | | | | |
| Land | | 31,361 | 157,406 | 188,767 |
| Infrastructure systems | - | - | 1,943,722 | 1,943,722 |
| Other property, plant and equipment (including intangibles) | - | - | 148,309 | 148,309 |
| Total assets | - | 31,361 | 2,249,437 | 2,280,798 |
| At 30 June 2016 | | | | |
| Land | - | 184,096 | - | 184,096 |
| Infrastructure systems | - | - | 1,915,778 | 1,915,778 |
| Other property, plant and equipment (including intangibles) | - | - | 172,521 | 172,521 |
| Total assets | - | 184,096 | 2,088,299 | 2,272,395 |

The following table presents the changes in Level 3 items for the year ending 30 June 2017 for recurring fair value measurements:

| | Infrastructure systems \$'000 | Land \$'000 | Other PP&E \$'000 | Total \$'000 |
|--|-------------------------------------|----------------|-------------------------|------------------|
| Level 3 measurement | | | | |
| Opening balance at 1 July 2016 | 1,915,778 | - | 172,521 | 2,088,299 |
| Recognised on equity transfer | 4,711 | - | 216 | 4,927 |
| Additions | 70,927 | 812 | 68,516 | 140,255 |
| Disposals | (92) | - | (273) | (365) |
| Depreciation/Amortisation | (49,466) | - | (9,071) | (58,537) |
| Gains (losses) recognised in comprehensive income | (46,184) | 6,793 | - | (39,391) |
| Gains (losses) recognised in profit and loss | 48,047 | (5,013) | - | 43,034 |
| WIP written off | - | - | (14,967) | (14,967) |
| Other reclassifications and transfers | - | 154,814 | (68,631) | 86,183 |
| Closing balance at 30 June 2017 | 1,943,721 | 157,406 | 148,311 | 2,249,438 |

14. Property, plant and equipment

| Level 3 measurement | Infrastructure systems \$'000 | Land \$'000 | Other PP&E \$'000 | Total \$'000 |
|---|----------------------------------|----------------|-------------------------|------------------|
| Opening balance at 1 July 2015 | 1,844,516 | - | 137,295 | 1,981,811 |
| Recognised on equity transfer | - | - | - | - |
| Additions | 11,371 | - | 65,689 | 77,060 |
| Disposals | (11) | - | (2,037) | (2,048) |
| Depreciation/Amortisation | (44,017) | - | (9,148) | (53,165) |
| Gains (losses) recognised in comprehensive income | 145,760 | - | - | 145,760 |
| Gains (losses) recognised in profit and loss | (41,841) | - | - | (41,841) |
| WIP written off | - | - | (135) | (135) |
| Other reclassifications and transfers | - | - | (19,143) | (19,143) |
| Closing balance at 30 June 2016 | 1,915,778 | - | 172,521 | 2,088,299 |

Valuation techniques and inputs used to determine the fair value of infrastructure systems and buildings

Buildings and water meters are considered an integral part of system assets and are revalued using the income approach.

The fair value measurement of system assets has been categorised as Level 3 in the fair value hierarchy based on the unobservable inputs to the measurement calculation. Determining fair value is highly dependent on the inputs or assumptions used to estimate the future net cash flows that are able to be derived from the relevant assets. The forecast which is approved by the Board is developed by management through a comprehensive annual business planning and budgeting process. The approved budget takes into consideration limits set in Water NSW's Price Determinations.

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

Cash Generating Units (CGUs)

Water NSW considers it has two CGUs, reflecting the segmented asset bases, customers and pricing determinations (revenue streams) of the Water NSW - Greater Sydney and Rural business segments.

14. Property, plant and equipment

Income Approach

Water NSW uses the income approach methodology. The model uses a discounted cash flow methodology over a five year period with a terminal value of the regulated asset base (RAB) for year five. The following key methods and assumptions have been used to arrive at fair value:

- Application of two separate CGUs. Each CGU used the same income approach model with differing inputs based on their respective regulator.
- Discount rate – nominal pre-tax weighted average cost of capital (WACC) consistent with the formula and parameters as most recently published by the economic regulator(s).
- Future cash flows:
 - determined on a nominal basis (including indexation);
 - estimated over 5 years based on SCI operating and capital expenditure budgets;
 - based upon maintaining specialised assets in their current condition, consequently new capital expenditure increasing service potential were excluded; and
 - future revenue estimates were based on SCI operating expenditure budgets and water supply volumes, with prices adjusted to reflect adjusted capital expenditure program (per above), and the consequential forecast roll-forward regulatory asset base (RAB) and new regulated revenue requirements.
- Terminal value - at the end of the 5th year being the RAB (based on adjusted capital expenditure per above).
- Expectations about possible variations in the amount and timing of future cash flows which reflect the most likely outcome as determined by management.

In determining the future cash flows to include in the valuation model, management also deducts expenditure that increases the service potential of assets existing at reporting date.

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

| | Year 1 \$'000 | Year 2 \$'000 | Year 3 \$'000 | Year 4 \$'000 | Year 5 \$'000 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Undiscounted cash flows | | | | | |
| Greater Sydney CGU | 30,500 | 44,300 | 90,100 | 86,500 | 102,300 |
| Rural CGU | (600) | (400) | 14,200 | 21,400 | 18,300 |

Changes to the cash flow estimates in the revaluation model will result in a higher or lower fair value measurement. Where the change is an increase (decrease) in estimated cash flows, the fair value of assets will increase (decrease). As the cash flow estimates are discounted by the WACC, the significance of the change in cash flows is largest in Year 1 when the effect of the discounting is smallest. The significance of the change reduces each year and is smallest in Year 5 when the effect of discounting is largest.

14. Property, plant and equipment

A change in the WACC will also change the measurement of fair value for a given set of estimated future cash flows. The following table presents the impact of a change to the WACC on the cash flows disclosed above.

| | Actual revaluation \$'000 | Scenario A: + 1% \$'000 | Scenario B: - 1% \$'000 |
|---|---------------------------------|-------------------------------|-------------------------------|
| Greater Sydney CGU | | | |
| Weighted average cost of capital (WACC) | 8.89% | 9.89% | 7.89% |
| Fair value | 1,536,900 | 1,478,900 | 1,597,900 |
| Rural CGU | | | |
| Weighted average cost of capital (WACC) | 8.89% | 9.89% | 7.89% |
| Fair value | 743,900 | 714,300 | 775,100 |

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

| | Actual revaluation \$'000 | Scenario A: + 5% \$'000 | Scenario B: - 5% \$'000 |
|---------------------------|---------------------------------|-------------------------------|-------------------------------|
| Greater Sydney CGU | | | |
| Fair value | 1,536,900 | 1,550,700 | 1,523,200 |
| Rural CGU | | | |
| Fair value | 743,900 | 745,900 | 742,000 |

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

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

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

The most recent revaluation of land was undertaken at 30 June 2017. Land has been valued by the valuer on the basis that it is not contaminated. Refer to note 21 Contingent liabilities.

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

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

14. Property, plant and equipment

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

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

| | Scenario B: \$'000 | Scenario C: \$'000 | Scenario D: \$'000 | Scenario E: \$'000 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| % change | 1% | -1% | 5% | -5% |
| Increase(decrease in fair value) | 158,980 | 155,832 | 165,276 | 149,536 |
| % of Total fair value of property, plant and equipment | 7% | 7% | 7% | 7% |

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

Valuation techniques and inputs used to determine other property, plant and equipment

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

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

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

14. Property, plant and equipment

b) Asset values measured at historical cost

| | 2017 | | 2016 | |
|--|------------------------------|-------------------------|------------------------------|-------------------------|
| | Historical Cost \$'000 | Fair Value \$'000 | Historical Cost \$'000 | Fair Value \$'000 |
| Work in progress | 103,005 | 103,005 | 123,351 | 123,351 |
| Infrastructure systems | 1,346,698 | 1,867,674 | 1,304,943 | 1,854,762 |
| Water meters | 55,425 | 36,218 | 30,647 | 18,330 |
| Buildings | 26,457 | 39,829 | 26,957 | 42,686 |
| Land | 118,384 | 188,767 | 117,572 | 184,096 |
| Plant and equipment | 19,171 | 19,171 | 21,255 | 21,255 |
| Motor vehicles | 7,223 | 7,223 | 8,105 | 8,105 |
| Furniture and fit outs | 3,462 | 3,462 | 2,867 | 2,867 |
| Information systems | 3,170 | 3,170 | 2,973 | 2,973 |
| Carrying value at historical cost | 1,682,995 | 2,268,519 | 1,638,670 | 2,258,425 |

Notes to the financial statements

For the year ended 30 June 2017

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| 15. Trade and other payables | 2017 \$'000 | 2016 \$'000 |
|--|------------------------|------------------------|
| Current | | |
| Trade payables | 6,341 | 2,544 |
| Non-Trade payables and accrued expenses | 1,310 | 20,429 |
| Non-Trade payables and accrued expenses - Other ¹ | 29,326 | 21,808 |
| Accrued interest on loans | 14,554 | 16,156 |
| Trade and other payables | 51,531 | 60,937 |

¹Financial risk management policies in relation credit risk, liquidity risk and market risk are disclosed in Note 24.

Notes to the financial statements

For the year ended 30 June 2017

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| 16. Other liabilities | 2017 | 2016 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Current | | |
| Deferred Government grants | 33,121 | 45,120 |
| Lease inducement release | 604 | 396 |
| Income received in advance | 348 | 380 |
| Current other liabilities | 34,073 | 45,896 |
| Non-current | | |
| Deferred Government grants | 96,398 | 104,126 |
| Lease inducement release | 2,142 | 795 |
| Income received in advance | 802 | 834 |
| Other | 33 | 33 |
| Non-current other liabilities | 99,375 | 105,788 |
| Details of deferred Government grants | | |
| Lake Brewster Water Efficiency Project | 8,817 | 9,021 |
| Rivers Environmental Restoration Program | 4,806 | 4,956 |
| Murrumbidgee Water Efficiency Projects | 51,881 | 55,531 |
| Booligal Weir Fishway | 138 | 141 |
| Hydrologic Monitoring Systems | 557 | 688 |
| NSW Metering Pilot Scheme | 5,881 | 7,138 |
| LMD Catchment Management Authority | 1,900 | 1,914 |
| Stevens Weir Fishway | 4,156 | 4,217 |
| Yanga Regulator | 100 | 100 |
| Chaffey Dam Augmentation | 16,607 | 31,742 |
| Metering Project | 15,348 | 17,776 |
| Belubulla Investigation | 1,658 | 295 |
| Basin Plan Implementation | 113 | - |
| Menindee Water Supply | 192 | 796 |
| Broken Hill Emergency Water | 4,325 | 4,548 |
| Broken Hill Supply Investigation | 10,607 | 10,383 |
| Warragamba Dam Wall Raising | 1,321 | - |
| National Water Infrastructure Development | 394 | - |
| State Infrastructure Strategy | 718 | - |
| Total | 129,519 | 149,246 |

| 17. Borrowings | 2017 \$'000 | 2016 \$'000 |
|-------------------------------|------------------------|------------------------|
| Current borrowings | | |
| NSW Treasury Corporation | 51,422 | 36,380 |
| Current borrowings | 51,422 | 36,380 |
| Non-current borrowings | | |
| NSW Treasury Corporation | 614,384 | 621,896 |
| Non-current borrowings | 614,384 | 621,896 |

TPP 09-3 'Contributions by owners made to wholly-owned Public Sector Entities' requires that assets and liabilities transferred between public sector entities through equity be reflected in the books of both the transferee and transferor at their fair value to the transferee, i.e. Water NSW. Borrowings have been recognised in the former SCA's financial statements, reflecting the fair value of the liability to Water NSW. In accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, the borrowings were initially recognised at fair value by Water NSW and subsequently at its rebased amortised cost.

Water NSW has loans with NSW Treasury Corporation totalling \$51 million (2016: \$36 million) that fall due within 12 months of the reporting period. Water NSW will continue to roll these loans at its discretion under an existing loan facility. The loans are classified as current or non-current based on their maturity dates. The debt portfolio face value was \$730 million (2016: \$644 million).

Financial risk management policies in relation credit risk, liquidity risk and market risk as well as approved financing facilities are disclosed in Note 24.

18. Provisions

| | 2017 | 2016 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Current provisions | | |
| Employee benefits | 39,042 | 27,852 |
| Fringe benefit tax | 207 | 140 |
| Land tax | 2,666 | - |
| Remediation | 570 | - |
| Restructuring/redundancy | 446 | 763 |
| Dividend ¹ | 38,200 | 60,600 |
| Restoration ² | 960 | 375 |
| Current provisions | 82,091 | 89,730 |
| Non-current provisions | | |
| Employee benefits | 1,983 | 1,134 |
| Restoration ² | 1,624 | 908 |
| Defined benefit superannuation scheme deficit | 125,988 | 137,959 |
| Non-current provisions | 129,595 | 140,001 |

¹Under the National Taxation Equivalent Regime, the entity is not required to operate a dividend franking account. Dividend payable for financial year 2016/17 is \$38.2 million (2016: \$60.6 million).

²The provision for restoration is based on long term estimates to restore leased premises discounted to their present value. There is some uncertainty in relation to whether the actual restoration costs will ultimately be incurred and whether there will be a material change to the discount rate applied to estimate the liability. The restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fit outs. Where Water NSW has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Movement in provisions other than defined benefit superannuation scheme and employee benefits

| | Carrying amount 1/7/2016 | Amount used | Additional provision | Unwinding of discount | Carrying amount 30/6/2017 |
|--------------------------|--------------------------------|----------------|-------------------------|--------------------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 30 June 2017 | | | | | |
| Fringe benefit tax | 140 | (411) | 478 | - | 207 |
| Restructuring/redundancy | 763 | (763) | 446 | - | 446 |
| Land Tax | - | - | 2,666 | - | 2,666 |
| Restoration | 1,283 | - | 1,260 | 40 | 2,583 |
| Remediation | - | (17) | 587 | - | 570 |
| Dividend | 60,600 | (60,600) | 38,200 | - | 38,200 |

18. Provisions

(a) Defined benefit superannuation schemes**Nature of the benefits provided by the fund**

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

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

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

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

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

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

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

18. Provisions

Description of risks

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

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

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

Description of significant events

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

Reconciliation of the net defined benefit liability/(asset)

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | Total \$'000 |
|--|----------------|-----------------|----------------|-----------------|
| At 30 June 2017 | | | | |
| Net defined benefit liability/(asset) at beginning of the year | 15,429 | 3,074 | 119,457 | 137,960 |
| Current service cost | 1,046 | 332 | 1,494 | 2,872 |
| Net interest on net defined benefit liability/(asset) | 364 | 72 | 2,800 | 3,236 |
| Actual return on fund assets less interest income | (2,684) | (330) | (5,777) | (8,791) |
| Actuarial (gain)/loss from changes in demographic assumptions | (13) | (10) | (54) | (77) |
| Actuarial (gain)/loss from change in financial assumptions | (2,723) | (282) | (23,729) | (26,734) |
| Actuarial (gain)/loss arising from liability experience | 1,176 | (775) | (6,697) | (6,296) |
| Employer contributions | (996) | (255) | (491) | (1,742) |
| Effects of transfers in/out due to business combinations and disposals | 3,354 | 687 | 21,519 | 25,560 |
| Net defined benefit liability at end of the year | 14,953 | 2,513 | 108,522 | 125,988 |

18. Provisions

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | Total \$'000 |
|--|-----------------------|------------------------|----------------------|------------------------|
| At 30 June 2016 | | | | |
| Net defined benefit liability/(asset) at beginning of the year | 10,185 | 2,185 | 83,970 | 96,340 |
| Recognised upon equity transfer | - | - | - | - |
| Current service cost | 881 | 313 | 533 | 1,727 |
| Net interest on net defined benefit liability/(asset) | 296 | 63 | 2,534 | 2,893 |
| Actual return on fund assets less interest income | 74 | 41 | (194) | (79) |
| Actuarial (gain)/loss from changes in demographic assumptions | 1,053 | (106) | 5,224 | 6,171 |
| Actuarial (gain)/loss from change in financial assumptions | 3,221 | 358 | 29,448 | 33,027 |
| Actuarial (gain)/loss arising from liability experience | 543 | 454 | (1,378) | (381) |
| Employer contributions | (824) | (234) | (680) | (1,738) |
| Net defined benefit liability at end of the year | 15,429 | 3,074 | 119,457 | 137,960 |

Reconciliation of the fair value of fund assets
At 30 June 2017

| | | | | |
|---|---------------|--------------|---------------|----------------|
| Fair value of fund assets at beginning of the year | 25,682 | 3,649 | 83,453 | 112,786 |
| Interest income | 714 | 110 | 1,869 | 2,693 |
| Actual return on fund assets less interest income | 2,684 | 330 | 5,777 | 8,791 |
| Employer contributions | 996 | 255 | 491 | 1,742 |
| Contributions by participants | 510 | - | 515 | 1,025 |
| Benefits paid | (4,052) | (1,622) | (7,295) | (12,969) |
| Taxes, premiums and expenses paid | (101) | 25 | 541 | 465 |
| Transfers in/out due to business combinations and disposals | 12,111 | 2,639 | 12,829 | 27,579 |
| Fair value of fund assets at end of the year | 38,544 | 5,386 | 98,180 | 142,112 |

At 30 June 2016

| | | | | |
|---|---------------|--------------|---------------|----------------|
| Fair value of fund assets at beginning of the year | 32,384 | 5,635 | 83,346 | 121,365 |
| Interest income | 930 | 162 | 2,472 | 3,564 |
| Actual return on fund assets less interest income | (74) | (41) | 194 | 80 |
| Employer contributions | 824 | 234 | 680 | 1,738 |
| Contributions by participants | 425 | - | 552 | 977 |
| Benefits paid | (8,591) | (2,278) | (3,879) | (14,748) |
| Taxes, premiums and expenses paid | (216) | (63) | 88 | (190) |
| Fair value of fund assets at end of the year | 25,682 | 3,649 | 83,453 | 112,786 |

18. Provisions
Reconciliation of the defined benefit obligation
At 30 June 2017

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | Total \$'000 |
|---|-----------------------|------------------------|----------------------|------------------------|
| Present value of obligation at beginning of the year | 41,112 | 6,725 | 202,908 | 250,745 |
| Current service cost | 1,046 | 332 | 1,494 | 2,872 |
| Interest cost | 1,077 | 182 | 4,669 | 5,928 |
| Contributions by participants | 510 | - | 515 | 1,025 |
| Actuarial (gain)/loss from changes in demographic assumptions | (13) | (10) | (54) | (77) |
| Actuarial (gain)/loss from change in financial assumptions | (2,723) | (282) | (23,729) | (26,734) |
| Actuarial (gain)/loss arising from liability experience | 1,176 | (775) | (6,697) | (6,296) |
| Benefits paid | (4,052) | (1,622) | (7,295) | (12,969) |
| Taxes, premiums and expenses paid | (101) | 25 | 541 | 465 |
| Transfers in/out due to business combinations and disposals | 15,465 | 3,325 | 34,348 | 53,138 |
| Present value of obligation at end of the year | 53,497 | 7,900 | 206,700 | 268,097 |

At 30 June 2016

| | | | | |
|---|---------------|--------------|----------------|----------------|
| Present value of obligation at beginning of the year | 42,569 | 7,821 | 167,315 | 217,704 |
| Recognised upon equity transfer | | | | - |
| Current service cost | 881 | 313 | 533 | 1,727 |
| Interest cost | 1,226 | 225 | 5,006 | 6,457 |
| Contributions by participants | 425 | - | 552 | 977 |
| Actuarial (gain)/loss from changes in demographic assumptions | 1,053 | (106) | 5,224 | 6,171 |
| Actuarial (gain)/loss from change in financial assumptions | 3,221 | 358 | 29,448 | 33,027 |
| Actuarial (gain)/loss arising from liability experience | 543 | 454 | (1,378) | (380) |
| Benefits paid | (8,591) | (2,278) | (3,879) | (14,748) |
| Taxes, premiums and expenses paid | (216) | (63) | 88 | (190) |
| Present value of obligation at end of the year | 41,112 | 6,725 | 202,908 | 250,744 |

18. Provisions
Fair value of fund assets

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

| | Quoted prices in market for identical assets \$'000 | Significant observable inputs \$'000 | Unobservable inputs \$'000 | Total \$'000 |
|---------------------------------|--|---|----------------------------------|-------------------|
| Assets category | Level 1 | Level 2 | Level 3 | |
| As at 30 June 2017 | | | | |
| Cash | 3,077,362 | 9,945 | - | 3,087,307 |
| Australian fixed interest | 997 | 2,499,728 | - | 2,500,725 |
| International fixed interest | - | 480,991 | - | 480,991 |
| Australian equities | 8,947,483 | 498,572 | 24 | 9,446,079 |
| International equities | 9,033,497 | 1,869,112 | 1,150,894 | 12,053,503 |
| Property | 926,105 | 533,191 | 1,993,812 | 3,453,108 |
| Alternatives | 390,899 | 5,068,137 | 3,607,020 | 9,066,056 |
| Total as at 30 June 2017 | 22,376,343 | 10,959,676 | 6,751,750 | 40,087,769 |

As at 30 June 2016

| | | | | |
|---------------------------------|-------------------|------------------|------------------|-------------------|
| Short term securities | 2,044,454 | 5,960 | - | 2,050,414 |
| Australian fixed interest | 2,724 | 2,717,866 | - | 2,720,590 |
| International fixed interest | (1,358) | 835,732 | - | 834,374 |
| Australian equities | 9,171,767 | 549,086 | 24 | 9,720,877 |
| International equities | 9,026,207 | 2,078,766 | 988,694 | 12,093,667 |
| Property | 1,113,253 | 618,946 | 1,918,068 | 3,650,267 |
| Alternatives | 470,130 | 3,122,185 | 3,523,634 | 7,115,949 |
| Total as at 30 June 2016 | 21,827,177 | 9,928,541 | 6,430,420 | 38,186,138 |

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

| | 2017 | 2016 |
|------------------------------|-------------|-------------|
| Cash | 7.7% | - |
| Short term securities | - | 5.4% |
| Australian fixed interest | 6.2% | 7.1% |
| International fixed interest | 1.2% | 2.2% |
| Australian equities | 23.6% | 25.5% |
| International equities | 30.1% | 31.6% |
| Property | 8.6% | 9.6% |
| Alternatives | 22.6% | 18.6% |
| Total | 100% | 100% |

18. Provisions

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

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

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

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

Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund. The fair value of the Pooled Fund assets include as at 30 June 2017 \$354.0 million (2016: \$189.6 million) in NSW Government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$250 million (30 June 2016: \$222 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$261 million (30 June 2015: \$243 million).

18. Provisions

| Significant actuarial assumptions at the reporting date | | 2017 | 2016 |
|---|--|------------|--|
| Discount rate | | 2.62% p.a. | 1.99% p.a. |
| Salary increase rate (excluding promotional increases) | | | |
| 2016/17 to 2018/19 | | 2.50% p.a. | 2.50% p.a. |
| 2019/20 to 2020/21 | | 3.50% p.a. | 3.50% p.a. |
| 2021/22 to 2025/26 | | 3.00% p.a. | 3.00% p.a. |
| 2026/27 onwards | | 3.50% p.a. | 3.50% p.a. |
| Rate of CPI increase | 2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter | | 1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter |
| Pensioner mortality | The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age. | | As for 2017 |

Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017. Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

| | Base case | Scenario A -1% discount rate | Scenario B +1% discount rate |
|--|---------------------------|------------------------------------|------------------------------------|
| Discount rate | 1.99% | 0.99% | 2.99% |
| Rate of CPI increase | Per actuarial assumptions | Per actuarial assumptions | Per actuarial assumptions |
| Salary inflation rate | Per actuarial assumptions | Per actuarial assumptions | Per actuarial assumptions |
| Defined benefit obligation (\$'000) | 268,097 | 311,584 | 233,314 |

18. Provisions

| | Base case | Scenario C +0.5% CPI rate change | Scenario D -0.5% CPI rate change |
|--|---------------------------|--|--|
| Discount rate | Per actuarial assumptions | Per actuarial assumptions | Per actuarial assumptions |
| Rate of CPI increase | Per actuarial assumptions | Per above rates plus 0.5% pa | Per above rates less 0.5% pa |
| Salary inflation rate | Per actuarial assumptions | Per actuarial assumptions | Per actuarial assumptions |
| Defined benefit obligation (\$'000) | 268,097 | 286,732 | 251,255 |

| | Base case | Scenario E +0.5% Salary rate increase | Scenario F -0.5% Salary rate increase |
|--|---------------------------|---|---|
| Discount rate | Per actuarial assumptions | Per actuarial assumptions | Per actuarial assumptions |
| Rate of CPI increase | Per actuarial assumptions | Per actuarial assumptions | Per actuarial assumptions |
| Salary inflation rate | Per actuarial assumptions | Per actuarial assumptions plus 0.5%pa | Per actuarial assumptions less 0.5%pa |
| Defined benefit obligation (\$'000) | 268,097 | 269,882 | 266,375 |

| | Base case | Scenario G pensioner mortality rate Pensioner lower mortality rate* | Scenario H pensioner mortality rate Pensioner higher mortality rate** |
|--|----------------|--|--|
| Defined benefit obligation (\$'000) | 268,097 | 273,140 | 265,340 |
| Defined benefit obligation (\$'000) | 268,097 | 273,140 | 265,340 |

* Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021

** Assumes the long term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021

18. Provisions

Asset-Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

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

Surplus/deficit

The following is a summary of the 30 June 2017 financial position of the Fund calculated in accordance with AASB 1056 Accounting Standard "Superannuation Entities":

(2016: in accordance with AAS 25 'Financial Reporting by Superannuation Plans'):

| | SASS \$'000 | SANCS \$'000 | SSS \$'000 | Total \$'000 |
|--|----------------|-----------------|---------------|-----------------|
| As at June 2017 | | | | |
| Accrued benefits ¹ | 40,616 | 6,328 | 101,442 | 148,386 |
| Net market value of fund assets | (38,545) | (5,385) | (98,179) | (142,109) |
| Net (surplus) / deficit | 2,071 | 943 | 3,263 | 6,277 |
| As at June 2016 | | | | |
| Accrued benefits - Rural ¹ | 16,051 | 2,668 | 46,249 | 64,968 |
| Accrued benefits - Greater Sydney ¹ | 13,031 | 2,555 | 42,680 | 58,267 |
| Net market value of fund assets - Rural | (15,327) | (2,131) | (46,974) | (64,431) |
| Net market value of fund assets - Greater Sydney | (10,356) | (1,520) | (36,478) | (48,354) |
| Net (surplus) / deficit | 3,399 | 1,572 | 5,477 | 10,450 |

¹There is no allowance for a contribution tax provision within the accrued benefit figure for AAS 25. Allowance for contribution tax is made when setting the contribution rates.

Contribution recommendations

| | SASS | SANCS | SSS |
|--|------|-------|-----|
| Recommended contribution rate for 2017 | 1.9 | 2.5 | 1.6 |
| Recommended contribution rate for 2016 | 1.9 | 2.5 | 1.6 |

Economic assumptions

The economic assumptions adopted for the 30 June 2017 AASB 1056 Accounting Standard "Superannuation Entities":

18. Provisions
Weighted average assumptions
Per annum

| | |
|--|--|
| Expected rate of return on Fund assets backing current pension liabilities | 7.4% p.a |
| Expected rate of return on Fund assets backing other liabilities | 6.4% p.a |
| Expected salary increase rate (excluding promotional salary increases) | 2.7% to 30 June 2019 then 3.2% pa thereafter |
| Expected rate of CPI increase | 2.2% p.a |

Expected employer contributions for the financial year ended 30 June 2018

| SASS \$'000 | SANCS \$'000 | SSS \$'000 | Total \$'000 |
|----------------|-----------------|---------------|-----------------|
| 673 | 191 | 526 | 1,390 |

2017

Profit or Loss

Current service cost

Net interest

Profit or loss component of the defined benefit cost

| SASS \$'000 | SANCS \$'000 | SSS \$'000 | Total \$'000 |
|----------------|-----------------|---------------|-----------------|
| 1,046 | 332 | 1,494 | 2,872 |
| 364 | 72 | 2,801 | 3,237 |
| 1,410 | 404 | 4,295 | 6,109 |

Other comprehensive income

Actuarial (gains) losses on liabilities

Actual return on Fund assets less interest income

Total remeasurement in other comprehensive income

| | | | |
|----------------|----------------|-----------------|-----------------|
| (1,561) | (1,066) | (30,480) | (33,107) |
| (2,684) | (330) | (5,777) | (8,791) |
| (4,245) | (1,396) | (36,257) | (41,898) |

| 19. Commitments | 2017 \$'000 | 2016 \$'000 |
|-----------------|----------------|----------------|
|-----------------|----------------|----------------|

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability:

| | | |
|-------------------------------|---------------|---------------|
| Property, plant and equipment | 49,500 | 28,545 |
| Capital commitments | 49,500 | 28,545 |

Amounts disclosed as capital commitments includes GST of \$4.5 million (2016: \$2.6 million) recoverable from the Australian Taxation Office.

Payable as lessee

Operating lease commitments contracted for at the reporting date but not recognised as a liability are expected to be payable as follows:

| | | |
|--|---------------|---------------|
| Within one year | 6,860 | 4,854 |
| Later than one year but not later than five years | 16,610 | 15,244 |
| Later than five years | 18,545 | 2,200 |
| Operating lease commitments | 42,015 | 22,298 |
| Representing non-cancellable operating leases | 42,015 | 22,298 |

Amounts disclosed as operating lease commitments includes GST of \$3.9 million (2016: \$2.0 million) recoverable from the Australian Taxation Office.

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

Receivable as lessor

| | | |
|--|---------------|---------------|
| Within one year | 1,643 | 2,276 |
| Later than one year but not later than five years | 4,093 | 4,764 |
| Later than five years | 46,886 | 47,858 |
| Operating lease commitments | 52,622 | 54,898 |
| Representing non-cancellable operating leases | 52,622 | 54,898 |

Water NSW leases to other parties positions to locate hydro-electric equipment and structures under non-cancellable operating leases. These leases also convey certain rights to access water discharges over the term of the agreement. These leases are for terms ranging from 10 years to 75 years (2016: 10 years to 75 years) with option periods following, ranging up to 75 years.

20. Equity transfer

Water NSW

On 1 July 2016 certain functions of DPI Water (NSW Department of Industry) as well as the relevant staff, assets and liabilities were transferred to WaterNSW.

This was an administrative restructure, which is treated as a contribution by owners.

The values of assets and liabilities transferred to Water NSW as a result of this restructure are as follows:

| Net assets/liabilities transferred | 1 July 2016 \$'000 |
|---|--|
| | NSW Department of Industry* |
| Receivables | 14,978 |
| Property, plant and equipment | 4,927 |
| Employee entitlements | (14,978) |
| Superannuation liabilities | (25,560) |
| Net assets/liabilities transferred to Water NSW on equity transfer | (20,633) |

* - consolidated entity

Comparative figures for the previous financial year for the transferred function are based on the pro-rata estimates of WAMC (Water Administration Ministerial Corporation) financial statements (this entity is consolidated into NSW Department of Industry) and presented in the table below:

| | 30 June 2016 \$'000 |
|---|------------------------|
| Expenses excluding losses | |
| Personnel services expenses | (440) |
| Other operating expenses | (31,787) |
| Depreciation and amortisation | (1,015) |
| Total expenses excluding losses | (33,242) |
| Revenue | |
| Rendering of services | 20,248 |
| Investment revenue | 17 |
| Grants and contributions | 12,222 |
| Total Revenue | 32,487 |
| Gains/losses on disposal of property, plant and equipment | (21) |
| Impairment of property, plant and equipment | 4 |
| Net Result | (772) |
| Other comprehensive income | |
| Net increase in property, plant and equipment asset revaluation reserve | 948 |
| Total other comprehensive income | 948 |
| TOTAL COMPREHENSIVE INCOME | 176 |

21. Contingent liabilities and contingent assets

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

Operational activities

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

Green State Power

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

Origin Energy

Under the Operations and Maintenance Agreement for the operation of the Kangaroo-Fitzroy Project with Origin Energy Water NSW has an exposure to pay Origin Energy liquidated damages if its assets are not available for use to transfer water to enable the generation of hydro-electricity. Liquidated damages are calculated on a sliding scale if asset availability falls below 94% in a calendar month. The maximum monthly exposure to liquidated damages is \$250,000 if asset availability for the whole of the month is zero. Water NSW's maximum exposure to liquidated damages is \$600,000 in any calendar year or about \$32.5 million for the 54 year remaining period of the 60 year agreement.

Site contamination

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

22. Related parties

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

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Water NSW, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various divisions of Water NSW.

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Remuneration of key management personnel | | |
| Short term employee benefits* | 4,013 | 4,504 |
| Long term employee benefits | 51 | 52 |
| Termination benefits | 219 | - |
| Post term employee benefits | 229 | 240 |
| Remuneration of key management personnel | 4,511 | 4,796 |
| This comprises compensation relating to: | | |
| Directors, excluding Chief Executive Officer* | 352 | 464 |
| Senior executives, including Chief Executive Officer | 4,160 | 4,332 |
| Remuneration of key management personnel | 4,511 | 4,796 |

* - includes R.Aldis remuneration of \$29,737 (excluding GST) for the work as the Chair of the Project Board - Warragamba Dam Wall Raising and Broken Hill Pipeline.

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

(b) Other transactions with key management personnel

Any transactions undertaken with key management personnel or entities related to them are conducted on an arm's length basis on commercial terms and conditions. In accordance with the requirements of TC 16-12 "Related Party Disclosures" Water NSW collects arm's length transactions only in excess of \$100,000. Such transactions are disclosed if it is concluded that they are either quantitatively or qualitatively material to the Water NSW's financial statements. During the current reporting period Water NSW paid membership fees and participated in the conferences and workshops conducted by Water Services Association of Australia (WSAA) (transactions totalling \$177,045 (incl GST - \$16,095). CEO of Water NSW is a board member of WSAA. There were no other related party transactions to disclose.

22. Related parties

(c) Government-related entities

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

| Related Party | Nature of transaction | Transaction value \$'000 | Balance 30/6/2017 receivable/ (payable) \$'000 |
|---|--|-----------------------------|---|
| Sydney Water Corporation | Sale of water | 198,188 | 16,231 |
| NSW Department of Industry ¹ | NSW Government contributions to operations | 36,078 | 9,020 |
| NSW Treasury Corporation | Loans, interest repayment | 17,431 | (665,806) |
| NSW Treasury | Dividend for 30/06/2017 | 38,200 | (38,200) |
| NSW Treasury | Government guarantee fee for 30/06/2017 | 13,297 | (13,297) |
| Office of State Revenue | Taxes | 19,450 | (12,697) |

¹Excluding equity transfer, administered assets and minor grants. For the equity transfer details refer to the note 20. For the administered assets refer to the note 25.

Notes to the financial statements

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For the year ended 30 June 2017

| 23. Auditors remuneration | 2017 \$'000 | 2016 \$'000 |
|----------------------------------|------------------------|------------------------|
| Financial audit of Water NSW | 295 | 350 |
| Auditors remuneration | 295 | 350 |

24. Financial instruments

a) Risk management framework

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

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

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| Category | Carrying amount | |
|--|------------------------|------------------------|
| | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| Financial assets | | |
| Cash and cash equivalents | Not applicable | 189,218 |
| Trade and other receivables ¹ | Loans and receivables | 82,569 |
| Financial assets | 271,787 | 231,887 |
| Financial liabilities | | |
| Trade and other payables | Amortised cost | 47,575 |
| Borrowings | Amortised cost | 665,806 |
| Financial liabilities | 713,381 | 716,107 |

¹Excludes statutory receivables payables as well as prepayments and deferred income and which fall outside the scope of AASB 7 'Financial Instruments: Disclosures'.

b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the entity. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment) in the statement of financial position.

Credit risk arises from the financial assets of Water NSW, including cash, receivables, and deposits. No collateral is held by Water NSW and no financial guarantees have been granted.

24. Financial instruments

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

Cash and cash equivalents

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

Trade and other receivables

All trade receivables are recognised at amounts receivable at reporting date. Water NSW monitors collectability of trade debtors on an ongoing basis and has policies in place to recover or write-off amounts outstanding. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Debts which are known to be uncollectible are written off. No interest is earned on trade debtors.

All credit and recovery risks associated with trade debtors have been provided for in the statement of financial position.

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

Water NSW also has trade receivables for non water related charges. The majority of such debt relate to government related bodies and are considered low risk.

The ageing of trade receivables past due but not impaired as well as trade receivables considered impaired is detailed below:

Past due but not impaired ^{1,2}

31 - 60 days overdue

61 - 90 days overdue

> 90 days overdue

Current assets

| Carrying amount | |
|-----------------|--------------|
| 30 June 2017 | 30 June 2016 |
| \$'000 | \$'000 |
| 759 | 839 |
| 18 | 699 |
| 3,717 | 1,134 |
| 4,494 | 2,672 |

24. Financial instruments

The ageing of trade receivables individually considered impaired is detailed below:

| | Carrying amount | |
|---|-----------------|--------------|
| | 30 June 2017 | 30 June 2016 |
| | \$'000 | \$'000 |
| Considered impaired ^{1,2} | | |
| Less than 3 months overdue | - | - |
| Between 3 months and 6 months overdue | - | - |
| More than 6 months overdue | 375 | 359 |
| Current assets | 375 | 359 |

¹Figures disclosed report 'gross receivables'.

²The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired.

Term Deposits

Water NSW has placed funds on deposit through TCorp. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed term deposits, the interest rate payable by respective banks is negotiated initially and is fixed for the term of the deposit, while the interest rate payable on at call deposits can vary. The deposits at reporting date were earning an average interest rate of 2.38% (2016 – 1.94%) for at call and 2.42% (2016 – N/A) for fixed term. Over the year, the weighted average interest rate was 2.37% (2016 – 2.47%) on a weighted average balance during the year of \$70.5m (2016 – \$76.2m) for at call deposits and 2.58% (2016 – N/A) on a weighted average balance from 25 October 2016 to balance date of \$82.7m (2016 – \$Nil) for fixed term. None of these assets are considered past due or impaired.

c) Liquidity risk

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

Water NSW has obtained approval under the *Public Authorities (Financial Arrangement) Act 1987* for the following borrowing limits:

| | Approved facility \$'000 | Balance used \$'000 | Balance available \$'000 |
|------------------------------|-----------------------------|------------------------|-----------------------------|
| 30 June 2017 | | | |
| Long term borrowing facility | 2,000,000 | 665,806 | 1,334,194 |
| "Come & Go" facility | 50,000 | - | 50,000 |
| Intra-day facility | 45,000 | - | 45,000 |
| Credit card facility | 1,500 | 278 | 1,222 |
| Cheque cashing authority | - | - | - |
| Overdraft facility | 15,000 | - | 15,000 |
| Operating leases | 50,000 | 42,015 | 7,985 |
| Borrowing facility | 2,161,500 | 708,099 | 1,453,401 |

24. Financial instruments

| | Approved facility \$'000 | Balance used \$'000 | Balance available \$'000 |
|------------------------------|--------------------------------|---------------------------|--------------------------------|
| 30 June 2016 | | | |
| Long term borrowing facility | 745,000 | 658,276 | 86,724 |
| "Come & Go" facility | 37,000 | - | 37,000 |
| Intra-day facility | 45,000 | - | 45,000 |
| Credit card facility | 1,500 | 181 | 1,319 |
| Cheque cashing authority | 202 | - | 202 |
| Overdraft facility | 2,000 | - | 2,000 |
| Operating leases | 30,000 | 22,298 | 7,702 |
| Borrowing facility | 860,702 | 680,755 | 179,947 |

Water NSW has access to the Transaction Negotiation Authority (TNA) facility of \$11.5 Million.

Water NSW's Treasury Risk Management Policy establishes prudential limits on the percentage of debt which can mature in any one 12 month financial year. Planned future capital expenditure will be funded in part through T-Corp borrowings. Future committed expenditure is disclosed in Note 19.

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

| | Maturity dates | | | |
|---|-------------------------------|---------------------|--------------------------------|-----------------|
| | Less than 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 | Total \$'000 |
| 30 June 2017 | | | | |
| Trade and other payables | 47,575 | - | - | 47,575 |
| Borrowings | 51,422 | 435,205 | 179,179 | 665,806 |
| Non-derivative financial liability | 98,997 | 435,205 | 179,179 | 713,381 |
| 30 June 2016 | | | | |
| Trade and other payables | 57,831 | - | - | 57,831 |
| Borrowings | 36,380 | 407,019 | 214,877 | 658,276 |
| Non-derivative financial liability | 94,211 | 407,019 | 214,877 | 716,107 |

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

24. Financial instruments

d) 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. Water NSW's exposures to market risk are primarily through interest rate risks related to borrowings and other price risks associated with the movement in the unit price of the Hour-Glass (Cash) Facility. The entity has negligible exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Water NSW operates and the time frame for the assessment (i.e. until the end of the next annual reporting year). The sensitivity analysis is based on risk exposures in existence at the statement of financial position reporting date. The analysis is performed on the same basis as for 2016. The analysis assumes that all other variables remain constant.

Interest rate risk

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

T-Corp manages interest rate risk exposures applicable to specific borrowings of Water NSW in accordance with a debt portfolio mandate agreed between the two parties. T-Corp receives a fee for this service. At reporting date the carrying value of borrowings managed by T-Corp stood at \$666 million (2016: \$658 million).

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Fixed rate instruments | | |
| Call loans to Authorities | 12,000 | 12,000 |
| Commonwealth guaranteed | 25,351 | 24,409 |
| Loans State guaranteed | 606,942 | 600,687 |
| CPI Indexed Year on year (YOY) loan | 4,085 | 4,085 |
| Loans to Authorities | 17,428 | 17,095 |
| Fixed rate instruments | 665,806 | 658,276 |
| Variable rate instruments | | |
| Cash and cash equivalents (excluding Hour-Glass Cash Facility) | 162,209 | 66,941 |
| Variable rate instruments | 162,209 | 66,941 |

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

24. Financial instruments

| | Profit or loss | | Equity | |
|--|----------------|---------|---------|---------|
| | +100bp | – 100bp | + 100bp | – 100bp |

Variable rate instruments - 30 June 2017

| | | | | |
|---------------------------|--------------|----------------|--------------|----------------|
| Cash and cash equivalents | 1,622 | (1,622) | 1,622 | (1,622) |
| | 1,622 | (1,622) | 1,622 | (1,622) |

Variable rate instruments - 30 June 2016

| | | | | |
|---------------------------|------------|--------------|------------|--------------|
| Cash and cash equivalents | 669 | (669) | 669 | (669) |
| | 669 | (669) | 669 | (669) |

Other price risk - T-Corp Hour-Glass Investment Facility

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

| Facility | Investment sectors | Investment horizon | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
|---------------|--------------------------------|--------------------|------------------------|------------------------|
| Cash Facility | Cash, Money market Instruments | Up to 1 1/2 years | 27,009 | 127,757 |

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

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

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

24. Financial instruments

| | Impact on profit/loss | | |
|------------------------------|-----------------------|------------------------|------------------------|
| | Change in unit price | 30 June 2017 \$'000 | 30 June 2016 \$'000 |
| T-Corp Hour-Glass Investment | +/- 1% | 270 | 1,278 |

Currency risk

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. Water NSW's exposure to foreign currency risk is immaterial. Water NSW limits currency risk by fully hedging foreign currency transactions in excess of \$1,000,000 within five days of the exposure arising. The aggregate of all small exposures or an individual exposure to a single currency over \$1,000,000 must be similarly hedged. At the reporting date, there are no foreign currency exposures attached to any financial assets or financial liabilities.

e) Fair value measurement**Fair value recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and as set out in Note 2(h):

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| 30 June 2017 | | | | |
| T-Corp Hour-Glass Investment (Cash) Facility | - | 27,009 | - | 27,009 |
| | - | 27,009 | - | 27,009 |
| 30 June 2016 | | | | |
| T-Corp Hour-Glass Investment (Cash) Facility | - | 127,757 | - | 127,757 |
| | - | 127,757 | - | 127,757 |

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

Fair value compared to carrying amount

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

24. Financial instruments

| | 30 June 2017 | | 30 June 2016 | |
|-----------------------------------|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | |
| Cash at bank and on hand | 162,209 | 162,209 | 66,941 | 66,941 |
| Trade and other receivables | 82,569 | 82,569 | 37,189 | 37,189 |
| Cash - T-Corp Hour-Glass Facility | 27,009 | 27,009 | 127,757 | 127,757 |
| | 271,787 | 271,787 | 231,887 | 231,887 |
| Financial liabilities | | | | |
| Trade and other payables | 47,575 | 47,575 | 57,831 | 57,831 |
| Borrowings | 665,806 | 665,806 | 658,276 | 658,276 |
| | 713,381 | 713,381 | 716,107 | 716,107 |

f) Capital management

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

Gearing levels

Water NSW monitors its gearing levels. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

| | 2017 | 2016 |
|----------------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| Total borrowings | 665,806 | 658,276 |
| Less cash and cash equivalents | (189,218) | (194,698) |
| Net debt | 476,588 | 463,578 |
| Total equity | 1,323,979 | 1,261,268 |
| Total capital employed | 1,800,567 | 1,724,846 |
| Gearing ratio¹ | 23.95% | 24.15% |

¹Calculated as: (Interest bearing debt - cash & cash equivalents) / (interest bearing debt + equity).

Dividend policy

The dividend of \$38.2 million (2016:\$60.6 million) is in line with the guidance provided by the NSW Treasury Secretary in 2015, that financial distributions (dividends and current tax) align with the pre-merger tax-and-dividend forecasts for the former SCA and State Water entities. This guidance will cease from 2017-18 as the new capital structure and dividend policies take effect.

| 25. Administered items | 2017 \$'000 | 2016 \$'000 |
|---|------------------------|------------------------|
| Administered revenue, assets and liabilities | | |
| Administered revenues | | |
| NOW ¹ - water charges | 31,460 | 43,016 |
| YCATAC ² - Yanco Columbo system levy | 112 | 112 |
| Total administered revenue | 31,572 | 43,128 |
| Administered assets | | |
| Administered cash | 1,310 | 7,060 |
| Debtors and accrued charges NOW ¹ | 8,082 | 4,415 |
| Total administered assets | 9,392 | 11,475 |
| Administered liabilities | | |
| Creditors and accruals NOW ¹ | 9,392 | 11,475 |
| Total administered liabilities | 9,392 | 11,475 |

¹NOW New South Wales Office of Water

²YCATAC - Yanco Creek and Tributaries Advisory Council

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

Water NSW held bank guarantees from various suppliers for the amount of \$11.6 Million as at 30 June 2017.

26. Events after balance date

No events after the balance date

End of audited financial statements

WATER NSW

Directors Declaration

30 JUNE 2017

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

- a) give a true and fair view of the financial position of Water NSW as at 30 June 2017 and its financial performance for the year then ended.
- b) have been prepared in accordance with;
 - applicable Australian Accounting Standards (including Australian Accounting Interpretations);
 - the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*; and
 - the *State Owned Corporations Act 1989*
- c) also comply with International Financial Reporting Standards

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

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

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



Anne McDonald
Director



David Harris
Chief Executive



INDEPENDENT AUDITOR'S REPORT

Water NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Water NSW (the Corporation), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2017, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015
- comply with International Financial Reporting Standards

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

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

I am independent of the Corporation in accordance with the requirements of the:

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

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

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

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

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

Directors' Responsibility for the Financial Statements

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

In preparing the financial statements, the directors must assess the Corporation's ability to continue as a going concern except where they intend to liquidate the Corporation or cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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



David Nolan
Director, Financial Audit Services

27 September 2017
SYDNEY

Appendices

Appendix 1 – Corporate Governance

Board Members

Directors are appointed by the voting shareholders as set out in the *WaterNSW Act 2014* and hold their office for a period not exceeding five years.



Anne McDonald – Chair

BEC, FCA, FAICD

Anne McDonald was a former Director of Sydney Water and has strong experience in the water industry and price regulated businesses. She is currently on the board of three ASX listed companies (Link Group, Spark Infrastructure and Speciality Fashion Group). Anne has broad based business and financial experience gained through working with a wide cross section of international and domestic companies.



Dr Nicholas Brunton

BA, LLB, PhD, FAPI

Dr Nicholas Brunton is a partner in the Environmental and Planning Law Group, Henry Davis York Lawyers, Sydney. He is a Member of the Advisory Board for the Australian Centre for Climate Change and Environmental Law at the University of Sydney and a Fellow of the Australian Property Institute. Nicholas has expertise in catchment management and environmental risk management for large organisations as well as pollution management.



Professor Andrew Wilson

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

Professor Wilson is Director of the University of Sydney node of the Menzies Centre for Health Policy and Professor of Public Health in the School of Public Health. He has also served as Chief Health Officer for NSW. He has specialist qualifications in clinical medicine and public health, and a PhD in epidemiology.



Rob Aldis

BE (Civil), FAICD

Rob Aldis is the former Managing Director of engineering services company Evans Peck and has more than 40 years experience in the engineering and construction sector, particularly in relation to water supply infrastructure. Rob is Chairman of the NorthWestern Roads Group and its subsidiaries, owners and shareholders of the M7 Motorway and NorthConnex Tunnel project in Sydney and a member of the Project Advisory Group for completion of the Pacific Highway in NSW.



Emma Stein

BSc (Hons), MBA, FAICD

Emma has worked as a non-executive director for listed ASX 50-200, private and government owned Australian and NZ oil and gas, power, energy and utilities, resources, engineering and industrial services companies.

Her European executive career (1984-2003) spanned building materials, fuel distribution and energy retailing - as Managing Director of British Fuels Gas she ran the first independent domestic gas retailer, as Gaz de France's UK Managing Director she built a major industrial customer focused gas and electricity retailer.



David Harris - Chief Executive Officer

BEd, LLB (Hons)

David Harris is the CEO of WaterNSW. Previously David was for a short time CEO of both State Water Corporation and the Sydney Catchment Authority, the two entities that were merged to form WaterNSW. David has over 20 years' experience in the Australian water industry and has been involved in various key policy and market reforms in the water, energy and utilities industries over that time. From 2002 to 2013 David was a key member of the Executive leadership of Snowy Hydro Limited.

Board Committees

Audit and Risk - Chris Westworth (Chair), Nicholas Brunton, Emma Stein.

Infrastructure and Operations – Rob Aldis (Chair), Chris Westworth, Emma Stein.

Safety, People and Capability – Anne McDonald (Chair), Rob Aldis, Andrew Wilson.

Water Quality, Health and Catchment Protection – Nicholas Brunton (Chair), Andrew Wilson.

Anne McDonald attended all Board Committee meetings.

Board Meeting Attendance

| | Board | Audit and Risk | Infrastructure and Operations | Safety, People and Capability | Water Quality, Health and Catchment Protection |
|-------------------------------|-----------------|-----------------|-------------------------------|-------------------------------|--|
| | Attended (Held) | Attended (Held) | Attended (Held) | Attended (Held) | Attended (Held) |
| Anne McDonald | 13 (13) | 4 (4) | 1 (1) | 4 (4) | 3 (3) |
| Nicholas Brunton ⁴ | 9 (9) | 4 (4) | - | 4 (4) | 2 (2) |
| Andrew Wilson ² | 9 (9) | - | - | 2 (2) | 2 (2) |
| Chris Westworth ¹ | - | - | 1 (1) | - | - |
| Rob Aldis | 13 (13) | - | 4 (4) | - | - |
| Emma Stein ³ | 8 (9) | - | 2 (2) | - | - |
| David Harris | 13 (13) | - | - | - | - |

1 Chris Westworth's term as a Director expired on 22 July 2016.

2 Andrew Wilson's term as a Director expired on 22 July 2016. Andrew was reappointed on 3 November 2016.

3 Emma Stein was appointed as a Director on 3 November 2016.

4 Nicholas Brunton's term as a Director expired on 3 March 2017.

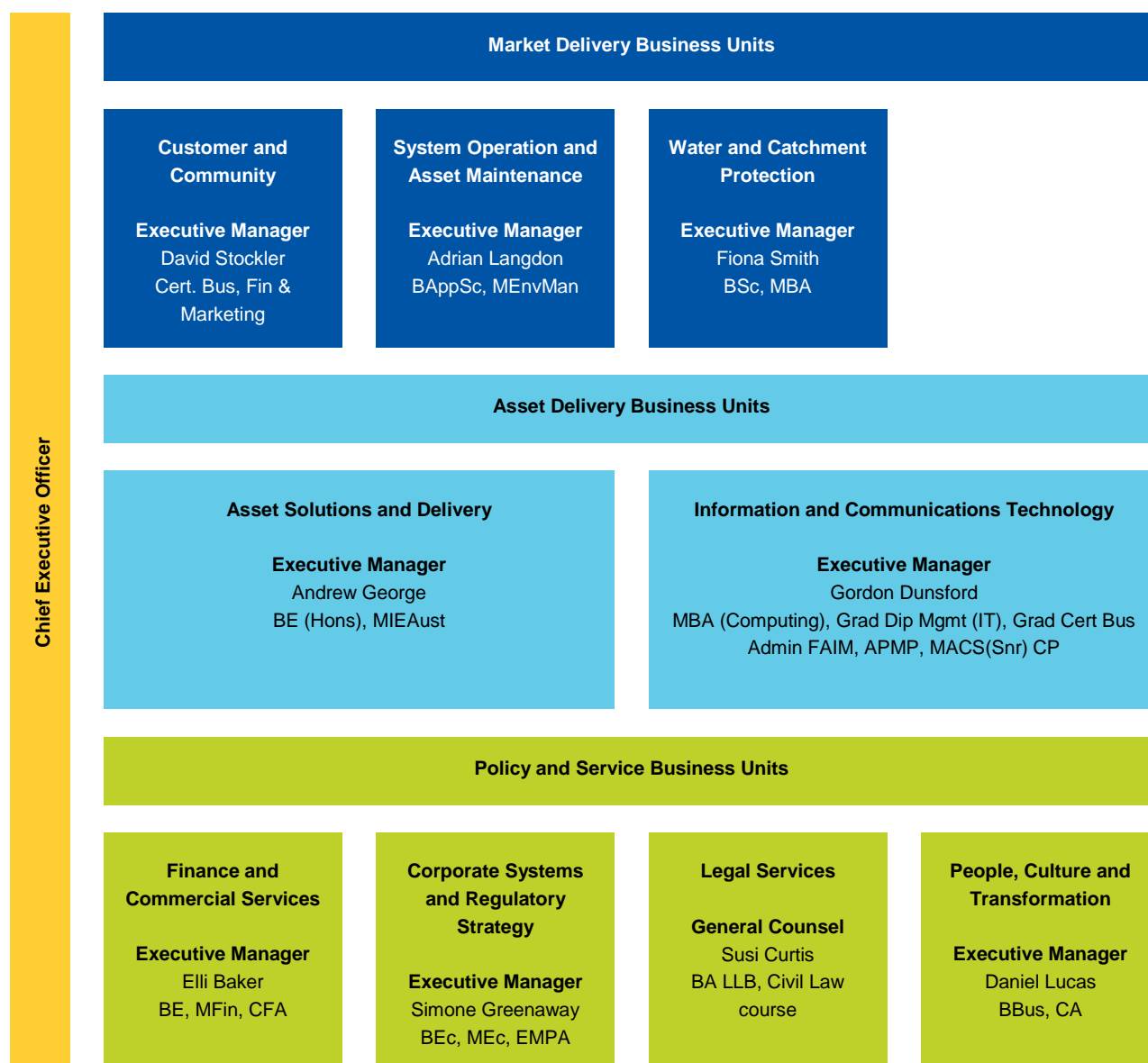
Board Performance Evaluation

The Board commenced an evaluation of its performance during the year, which will be finalised in the first quarter of 2017-18.

Executive Management Team

The Executive management team, led by the Chief Executive Officer, manages WaterNSW in accordance with the policies and determinations of the Board, including:

- preparing plans, policies, strategies, budgets and reports for approval;
- establishing, maintaining and ensuring compliance with internal controls, compliance, management and information systems, and accounting records;
- ensuring WaterNSW meets all workplace health and safety requirements; and
- regular reporting on the efficient and effective management of WaterNSW, its performance and the achievement of objectives.



Executive Team Remuneration

| Salary range | 2015-16 | | | 2016-17 | | |
|--------------|----------------|------|--------|----------------|------|--------|
| | Average salary | Male | Female | Average salary | Male | Female |
| Band 4 + | \$533,147 | 1 | - | \$546,651 | 1 | - |
| Band 4 | - | - | - | - | - | - |
| Band 3 | \$339,086 | 2 | 1 | \$346,700 | 1 | 1 |
| Band 2 | \$267,420 | 3 | 2 | \$282,077 | 3 | 2 |
| Band 1 | \$236,346 | 1 | 1 | \$239,968 | 1 | 1 |

The estimated percentage of total employee related expenditure that relates to Executive Team members for 2016-17 is 4% (5% in 2015-16).

Appendix 2 – People and Culture

Number of Employees

| | 2014-15 WaterNSW | 2015-16 WaterNSW | 2016-17 WaterNSW |
|-----------------|---------------------|---------------------|---------------------|
| Total employees | 650 | 532 | 765 |

Exceptional Movements in Remuneration

Water NSW adjusted salaries and allowances by 2.5% for those employees under the State Water Corporation Enterprise Agreement 2012, the Sydney Catchment Authority Consolidated Award 2015-2016 and the Crown Employees (Public Service – Salaries 2016) Award for the reporting period in line with NSW Government Wages Policy.

Workforce Diversity

WaterNSW is an equal opportunity employer. We value diversity and strive to ensure our employees, our behaviour and our decision making reflects this.

Percentage of total staff distribution

| | Benchmark or target (%) | 2014-15 WaterNSW (%) | 2015-16 WaterNSW (%) | 2016-17 WaterNSW (%) |
|--|-------------------------------|----------------------------|----------------------------|----------------------------|
| Women | 50 | 29.7 | 28.0 | 28.3 |
| Aboriginal people and Torres Straight Islanders | 3.3 | 1.7 | 1.6 | 1.4 |
| People whose first language spoken was not English | 23.2 | 12.5 | 7.5 | 12.8 |
| People with a disability | N/A | 2.3 | 1.7 | 3.7 |
| People with a disability requiring work-related adjustment | N/A | 0.6 | 0.4 | 0.8 |

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

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014 – 17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of the NSW general population born in a country where English is not the predominant language.

Note 4: Work is underway to improve the reporting of disability information in the sector to enable comparisons with population data. For this reason, no benchmark has been provided for People with a Disability or for People with a Disability Requiring Work-Related Adjustment.

Distribution index

| | Benchmark or target (%) | 2014-15 WaterNSW (%) | 2015-16 WaterNSW (%) | 2016-17 WaterNSW (%) |
|--|-------------------------------|----------------------------|----------------------------|----------------------------|
| Women | 100 | 91 | 93 | 95 |
| Aboriginal people and Torres Strait Islanders | 100 | N/A | N/A | N/A |
| People whose first language was not English | 100 | 105 | 112 | 111 |
| People with a disability | 100 | N/A | N/A | 90 |
| People with a disability requiring work-related adjustment | 100 | N/A | N/A | N/A |

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

Work Health and Safety

Safety remains our highest priority. During 2016-17 WaterNSW continued to embed contemporary Work Health and Safety (WHS) procedures across all worksites, along with the rollout of behavioural safety and leadership training. WaterNSW also maintains a certified OHSAS 18001:2007 WHS Management System.

These initiatives, along with the efficient management and investigation of incidents have improved our injury management processes and resulted in a reduction in lost time days.

There were no prosecutions in 2016-17.

| | 2014-15 WaterNSW | 2015-16 WaterNSW | 2016-17 WaterNSW |
|---|---------------------|---------------------|---------------------|
| Total compensable injuries | 9 | 4 | 5 |
| Total lost time days | 383 | 438 | 20 |
| Average lost time days per compensable injury | 19.3 | 62.5 | 4.0 |

Overseas Visits

There were no overseas visits undertaken by WaterNSW employees or officers in 2016-17.

Personnel Policies and Procedures

Learning and development

- Conference Attendance and Presentation
- Induction
- Learning and Development
- Study Assistance
- Education Assistance Agreement

Employment conditions and award

- Code of Conduct
- Excess Employee
- Human Resources
- Public Interest Disclosures - Reporting Unethical or Improper Conduct
- Recreational Leave Management
- Salary Packaging
- Secondary Employment
- Work Experience
- SCA Consolidated Award 2015-16
- State Water Corporation Enterprise Agreement 2015
- Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009

Recruitment selection

- Job Evaluation

Performance management

- Counselling and Disciplinary
- Disciplinary Guideline & Procedure
- Grievance Resolution
- Performance Management

Staff welfare

- Breastfeeding at Work
- Carer's Leave
- FACS Leave
- Flexible Work Arrangement
- Maternity Leave
- Part-Time Work
- First Aid
- Return to Work Program - Occupational Rehabilitation
- Prevention of Bullying and Harassment
- Purchased Leave
- Working Safely from Home

Appendix 3 – Legislative Framework and Compliance

Significant legislation

Water NSW Act 2014

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

Water Management Act 2000 and the Water Act 1912

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

Protection of the Environment Operations Act 1997

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

Environmental Planning and Assessment Act 1979

The EP&A Act is the primary NSW planning legislation. Its focus is on ensuring development meets the needs of people, protects the environment and encourages the proper management, development and conservation of resources (natural and artificial). Relevantly for WaterNSW, it includes a 'special provision relating to development in Sydney water catchment relating to water quality.'

Changes in Acts and subordinate legislation

Water NSW Act 2014

The *WaterNSW Operating Licence 2017-22* commenced on 1 July 2017. This new single operating licence replaces the State Water and Sydney Catchment Authority operating licences and delivers a number of important outcomes for WaterNSW and its customers, namely greater clarity and transparency and the opportunity to reduce costs through operational and administrative efficiencies.

Water Management Act 2000 and the Water Act 1912

On 1 July 2016 WaterNSW was conferred functions previously performed by the Department of Primary Industries – Water (DPI Water). As a result of the conferral, WaterNSW is responsible for various compliance activities under the *Water Management Act 2000* (NSW), *Water Act 1912* (NSW) and associated legislative instruments.

In October 2016 the *Water Management Regulation 2011* was amended to make a number of minor operational changes with respect to those licensing functions that had been conferred upon WaterNSW on 1 July 2016.

Significant Judicial Decisions

There were no significant judicial decisions affecting WaterNSW or the users of our services in 2016-17.

Powers exercised under legislation

Water NSW Act 2014

Section 61(10)(a) Powers exercised by authorised officers¹

| | Function exercised | Number of times exercised | Outcome |
|-------------------------|---|---------------------------|--|
| Section 61 (10)(a)(i) | Number of times authorised officers entered onto land – section 68 | 11 | On 11 occasions WaterNSW Authorised Officers made entry onto private land to conduct enquiries regarding ongoing investigations. However eight times during the 11 occasions Authorised Officers with consent of the occupier entered premises. Section 68(3)(a) |
| | Number of times authorised officers issued search warrants – section 69 | 0 | |
| Section 61 (10)(a)(ii) | Number of times authorised officers exercised the power to require a person to answer questions – section 70 (1) and (5) | 0 | |
| | Number of times authorised officers exercised the power to issue a notice requiring a person to provide information and records – section 71 | 2 | |
| | Number of times authorised officers exercised the power to require a person to state name and address or produce drivers licence – section 73 | 0 ² | |
| Section 61 (10)(a)(iii) | Number of times authorised officers issued penalty notices under section 102 | 38 ³ | 38 PINs issued, all uncontested |
| Section 61 (10)(a)(iv) | Number of times authorised officers exercised functions with respect to the commencement of prosecutions for offences against the Water NSW Act 2014 or regulations and the outcome of prosecutions | 0 | |

¹ Authorised Officers are not delegated to issue notices under sections 71 and 74 or commence prosecutions.

² Authorised Officers are trained to use their powers under Part 6 of Division 3 only in circumstances where it is safe to do so, after first asking the alleged offender to provide the information voluntarily. If the officer believes that it is not safe to use their powers based on the situation they are in, they can disengage and refer the matter to the Investigation and Compliance section for further investigation using investigation powers under Division 3, if appropriate.

³ Issued by an authorised officer appointed to issue penalty notices under section 102 of the Water NSW Act 2014. The persons who can issue penalty notices are a class of authorised officer who have delegation.

Section 61(10)(b) Powers exercised by WaterNSW under delegation

| Function exercised | | Number of times exercised | Outcome |
|--------------------|---|---------------------------|---|
| Section 70(2) | The power to issue a notice requiring a corporation to nominate a person to answer question | 0 | |
| Section 71 | The power to require a person to provide information and records | 2 | One notice was complied with in the specified timeframe. One notice was not responded to in the specified timeframe, contract made with a known co-accused and identity particulars established through this method. |
| Section 74 | The power to require an owner of a motor vehicle and others to give information | 0 | |
| Section 77 | The power to issue a catchment correction notice | 0 | |
| Section 81 | The power to issue a catchment protection notice | 0 | |
| | The power to direct a public authority to take corrective action | 0 | |
| Section 86 | The power to issue compliance cost notice | 0 | |

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

The Minister has not requested any other information.

Water Management Act 2000

| Function exercised | | Number of times exercised |
|--------------------|---|---------------------------|
| Section 327 (2) | Number of times authorised officers exercised the power to issue a Stop work order regarding unlawful construction or use of water management work. | 4 |
| Section 329 (2) | Number of times authorised officers exercised the power to issue a notice for the Removal of unlawful water management works | 16 |
| Section 333 (2) | Number of times authorised officers exercised the power to issue directions to protect water sources. | 2 |
| Section 338A (1) | Number of times authorised officers exercised the power to require information and records on behalf of the Minister. | 1 |
| Section 338A (2) | Number of times authorised officers exercised the power to require information and records. | 4 |
| Section 365 | Number of times authorised officers issued penalty notices. | 6 |
| Section 364 | Number of times authorised officers exercised functions with respect to the commencement of prosecutions for offences against the Water NSW Act 2014 or regulations and the outcome of prosecutions | 0 |
| Various Sections | Warning & advisory letters issued to under various sections of the Act. | 117 |

Protection of the Environment Act 1997

| | 2016-17 |
|--|---------|
| Clean-up notices (section 91) | 4 |
| Prevention (section 96) | 0 |
| Compliance cost notices (section 104) | 0 |
| Requirements to provide information and records notices (sections 192 and 193) | 0 |
| Prosecutions commenced | 0 |
| Penalty infringement notices issued | 0 |
| Warning letters issued | 0 |

Environmental Planning and Assessment Act 1979

| | 2014-15 | 2015-16 | 2016-17 |
|--|---------|---------|---------|
| Number of development applications assessed | 188 | 155 | 170 |
| Proportion (of total received) of development proposals assessed within statutory timeframes (%) | 100 | 100 | 99 |
| Proportion (of total received) of development proposals where concurrence withheld (%) | 0 | 0 | 0 |

Implementation of Pricing Determinations

As a monopoly supplier of raw bulk water to customers, WaterNSW is subject to:

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

For bulk water services, three documents which are relevant to WaterNSW for 2016-17:

- the ACCC's *Final Decision on State Water Pricing application 2014-15 to 2016-2017*, 2 July 2014, updated by the ACCC's *Final Decision – WaterNSW – Annual Review of Regulated Charges 2016-17* dated 19 May 2016;
- IPART's *Review of bulk water charges for State Water Corporation, From 1 July 2010 to 30 June 2014, Determination*, June 2010; and
- IPART's *Maximum prices for water supply services from 1 July 2016 in relation to Sydney Catchment Functions, Determination*, June 2016.

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

On 1 July 2016, WaterNSW acquired some of the delegated functions of the Water Administration Ministerial Corporation (WAMC) which were previously delegated to the Department of Primary Industries Water (DPI Water). The maximum prices for WAMC functions are determined by IPART under the IPART Act and WaterNSW has historically provided a billing function to DPI Water for these charges.

From 1 July 2016, the maximum prices determined by IPART for the WAMC functions are set out in IPART's *Water Administration Ministerial Corporation, Maximum prices for water management services from 1 July 2016, Determination, June 2016*. These maximum prices have been billed by WaterNSW on behalf of DPI Water. WaterNSW and DPI Water have determined the split of the revenue reflecting the split of the functions between them.

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

Appendix 4 – Access to Information

Government Information (Public Access) Act 2009

Proactive release of information

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

During 2016-17 WaterNSW's program for the proactive release of information included reviews of information held by WaterNSW that may be of interest to the public (that is, not already released proactively), GIPA applications (informal and formal) received to see what categories of information are requested, information produced in the last year that may be of interest to the public to release proactively; and the initiatives, developments or projects that WaterNSW would like the public to know about.

WaterNSW focuses on delivery of customer service and aims to make doing business easy for its customers through its online services and customer helpdesk. WaterNSW conducts regular reviews of the content and currency of information available on its website and welcomes any feedback from customers and members of the general public to make accessing our information easier.

WaterNSW has proactively released information about our dams, individual dam levels, customer news and updates, major projects, Early Warning Network, flood information, water supply and water quality.

WaterNSW has effectively incorporated into its business a number of functions related to the delivery of water services in NSW which were transferred from Department of Primary Industries - Water to WaterNSW on 1 July 2016.

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

During the financial year 2016-17 WaterNSW received thirty-four valid applications under the *Government Information (Public Access) Act 2009*. One application was withdrawn by the applicant. One application was transferred to another agency. Twenty-nine applications were assessed and the outcome communicated to applicants within statutory or agreed timeframes. The processing period for three applications will extend into 2017-18.

Applications were decided as follows:

- 17 applications were granted in full;
- 10 applications were granted in part, this was because there were public interest considerations against disclosure (as listed in the table at section 14 of the GIPA Act);
- 2 applications were refused in full.

Number of applications by type of applicant and outcome

| | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm /deny whether information is held | Application withdrawn |
|---|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|---|-----------------------|
| Media | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Members of Parliament | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Private sector business | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Not for profit organisations or community groups | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Members of the public (application by legal representative) | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Members of the public (other) | 13 | 7 | 2 | 0 | 0 | 0 | 0 | 1 |

Number of applications by type of application and outcome

| | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm /deny whether information is held | Application withdrawn |
|--|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|---|-----------------------|
| Personal information applications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Access applications (other than personal information applications) | 17 | 10 | 2 | 0 | 0 | 0 | 0 | 1 |
| Access applications that are partly personal information applications & partly other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Invalid applications

| Reason application is invalid | 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 later become valid applications | 0 |
| Total | 0 |

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

| | Number of times consideration used* |
|---|-------------------------------------|
| Overriding secrecy laws | 0 |
| Cabinet information | 0 |
| Executive Council information | 0 |
| Contempt | 0 |
| Legal professional privilege | 0 |
| 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 |
| Total | 0 |

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

Other public interest considerations against disclosure – matters listed in table to section 14 of the Act

| | Number of occasions when application not successful |
|--|---|
| Responsible and effective government | 7 |
| Law enforcement and security | 6 |
| Individual rights, judicial processes and natural justice | 8 |
| Business interests of agencies and other persons | 2 |
| Environment, culture, economy and general matters | 1 |
| Secrecy provisions | 0 |
| Exempt documents under interstate Freedom of Information legislation | 0 |
| Total | 24 |

Timeliness

| | Number of applications |
|--|------------------------|
| Decided within the statutory timeframe (20 days plus any extensions) | 28 |
| Decided after 35 days (by agreement with the applicant) | 1 |
| Not decided within time (deemed refusal) | 0 |
| Total | 29 |

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

| | Decision varied | Decision upheld | Total |
|--|-----------------|-----------------|----------|
| Internal review | 0 | 2 | 2 |
| Review by Information Commissioner* | 0 | 0 | 0 |
| Internal review following recommendation under section 93 of the Act | 0 | 0 | 0 |
| Review by NCAT | 0 | 0 | 0 |
| Total | 0 | 2 | 2 |

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

Public Interest Disclosures

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

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

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

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

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

On 24 May 2017 the Independent Commission Against Corruption (ICAC) informed the Chief Executive Officer that it had received anonymous allegations of corrupt conduct. The allegations concerned the misuse by a male employee of their corporate credit card on a regular basis and that the policy in relation to attendances at conferences was not being enforced.

The ICAC treated the complaint as a public interest disclosure under the PID Act. The status of the complaint continues to apply irrespective of its referral to WaterNSW.

In addition to the internal audit process an annual Fraud and Corruption Spot Audit Program has been established. An element of the program is focused on expenses and corporate credit card transactions which involves the assessment of transactions against the expense and corporate credit card policy.

| Public interest disclosures 2016-17 | |
|---|---|
| Number of public officials who made public interest disclosures | 0 |
| Number of public interest disclosures received | 1 |
| Primarily about corrupt conduct | 1 |
| Primarily about maladministration | 0 |

Appendix 5 – Customer Response

Complaints Made to WaterNSW

WaterNSW received 151 new customer complaints in 2016-17, with 135 or 89% resolved within the reporting period.

Complaints by category

| Category | Number of complaints |
|-----------------------------------|----------------------|
| WaterNSW Billing | 57 |
| Water Delivery | 19 |
| General | 19 |
| Asset Management | 12 |
| Metering | 12 |
| Licensing | 9 |
| Employee Performance | 7 |
| Environment | 5 |
| Communications | 3 |
| Trade | 3 |
| Recreation Areas – Parks and Dams | 3 |
| iWAS | 1 |
| Water Account Balances | 1 |
| Total | 151 |

Complaints made to other bodies

WaterNSW received 10 Referrals to Higher Level (RHL's) from the Energy and Water Ombudsman NSW (EWON) regarding customer complaints during the reporting period. Eight of these RHLs were resolved internally as complaints.

EWON opened two of the RHLs as Investigations, with one closing as a Level 2 Investigation and one closing as a Level 3 Investigation.

EWON made no determinations for any WaterNSW matters during the reporting period.

Appendix 6 – Financial Performance

Performance In Relation to Budget

| | 2016-17 Budget \$'000 | 2016-17 Actual \$'000 | 2016-17 Variance \$'000 | Comments | 2017-18 Budget \$'000 |
|--|-----------------------------|-----------------------------|-------------------------------|---|-----------------------------|
| Revenue | 328,269 | 415,243 | 86,974 | <ul style="list-style-type: none"> Revaluation for property, plant and equipment was not included in the budget. Revenue earned under the WAMC determination was not included in the budget as the amounts were not certain at the time the budget was prepared. Higher than budgeted water sales as a result of a hotter and drier than anticipated summer. | 369,527 |
| Operating expenditure | (167,818) | (184,238) | (16,420) | <ul style="list-style-type: none"> Expenditure incurred in earning revenue under the WAMC determination was not included in the budget as the amounts were not certain at the time the budget was prepared. Lower than budgeted expenditure on contractors due to operational efficiencies realised from the NSW Government's Bulk Water Reform Program. | (201,303) |
| Earnings before interest, tax, depreciation and amortisation | 160,451 | 231,005 | 70,554 | <ul style="list-style-type: none"> Higher than budgeted revenue partially offset by higher than budgeted operating expenditure. | 168,224 |
| Depreciation and amortisation | (58,967) | (58,537) | 430 | <ul style="list-style-type: none"> Within expectations. | (62,596) |
| Interest revenue | 175 | 3,378 | 3,203 | <ul style="list-style-type: none"> Higher than budgeted cash balance due to lower capital expenditure. | |
| Interest expense | (31,124) | (32,781) | 1,657 | <ul style="list-style-type: none"> Within expectations. | (55,336) |
| Tax | (13,597) | (42,913) | (29,316) | <ul style="list-style-type: none"> Higher than budgeted profit before tax. | (15,088) |
| Net profit after tax | 56,733 | 100,062 | 43,299 | <ul style="list-style-type: none"> Higher than budgeted profit before tax partially offset by higher than budgeted tax. | 35,205 |
| Capital expenditure | (128,077) | (63,265) | 64,812 | <ul style="list-style-type: none"> Underspend was driven primarily by re-phasing of the Keepit Dam Safety Upgrade project and strategic deferrals pending confirmation of the ongoing requirement for some assets given related commonwealth funded basin plan initiatives which may render them obsolete. | (448,994) |

Consultancies

| | | |
|--|--|---|
| Over \$50,000 | Engineering | |
| | Name | E3 Advisory Pty Ltd |
| | Consultancy | Industry expertise and delivery advice – Warragamba Dam Raising |
| | Cost | \$248,460 |
| | Name | Advisian Pty Ltd |
| | Consultancy | Assessment of current and future risks posed by longwall mining |
| | Cost | \$183,414 |
| | Name | GHD Pty Ltd |
| | Consultancy | Mole River Dam and Dungowan Dam feasibility studies |
| | Cost | \$119,782 |
| | Name | Jacobs Group Pty Ltd |
| | Consultancy | Mole River Dam feasibility study |
| | Cost | \$119,782 |
| | Name | eWater Ltd |
| | Consultancy | Mole River Dam and Dungowan Dam feasibility studies |
| | Cost | \$93,507 |
| Management Services | | |
| Name | GQI Consulting Pty Ltd | |
| Consultancy | Development of communications strategy | |
| Cost | \$158,440 | |
| Marketing | | |
| Name | McCauley Consulting LP | |
| Consultancy | Development of customer strategy | |
| Cost | \$82,986 | |
| Total consultancies equal to or greater than \$50,000: \$1,014,191 | | |
| Less than \$50,000 | Engineering | \$240,170 |
| | Information Technology | \$25,532 |
| | Management services | \$63,800 |
| | Total number of engagements: 13 | |
| | Total cost of engagements: \$329,502 | |

Payment of Accounts

Aged analysis at the end of each quarter 2016-17

| | < 30 days overdue \$'000 | 30 to 60 days overdue \$'000 | 61 to 90 days overdue \$'000 | > 90 days overdue \$'000 | Retention value ¹ \$'000 |
|-----------|--------------------------------|------------------------------------|------------------------------------|--------------------------------|---|
| September | 2,219 | 437 | 1 | 61 | 61 |
| December | 1,550 | 269 | 102 | 77 | 62 |
| March | 5,087 | 39 | 676 | 62 | 61 |
| June | 5,810 | 316 | 32 | 250 | 61 |

1. Retention monies are held for major projects / upgrades / maintenance works completed. In the case of failure by the contractor to rectify any defect, WaterNSW may apply the retention monies or any other monies held for the purpose of rectifying such defects. The retention may be held for a number of years. Once the retention (or defects liability) period has expired the monies are released to the creditor.

Accounts due or paid within each quarter 2016-17

| Measure | Sep | Dec | Mar | Jun | Total |
|--|--------|--------|--------|--------|---------|
| Accounts due for payment (number) | 2,288 | 2,282 | 2,320 | 2,667 | 9,557 |
| Accounts paid on time (number) | 1,104 | 1,460 | 1,455 | 1,804 | 5,823 |
| Accounts paid on time (percentage of number) | 48% | 64% | 63% | 68% | 61% |
| Accounts due for payment (\$'000) | 37,337 | 35,598 | 28,791 | 70,060 | 171,786 |
| Accounts paid on time (\$'000) | 18,325 | 23,694 | 22,304 | 60,212 | 124,535 |
| Accounts paid on time (percentage of \$) | 49% | 67% | 77% | 86% | 72% |
| Accounts with interest overdue (number) | 0 | 0 | 0 | 0 | 0 |
| Interest paid on overdue accounts (\$) | 0 | 0 | 0 | 0 | 0 |

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

Credit Card Certification

WaterNSW operates MasterCard Commercial Card facilities with Westpac. Cardholders certify all expenditure on purchase cards and independently verified by the cardholder's supervisor. There is also continuous review of usage characteristics and authorisations to promote correct usage. WaterNSW and Westpac closely monitor card usage. Purchase card expenditure during 2016-17 complied with best practice and NSW Treasury guidelines.

Investment Performance

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

At 30 June 2017 WaterNSW had \$27.0 million invested in as at-call deposits with TCorp's Hour-glass cash facilities. Performance of these investments is detailed below.

Annualised performance of investment facility against benchmark (USB Bank Bill Index)

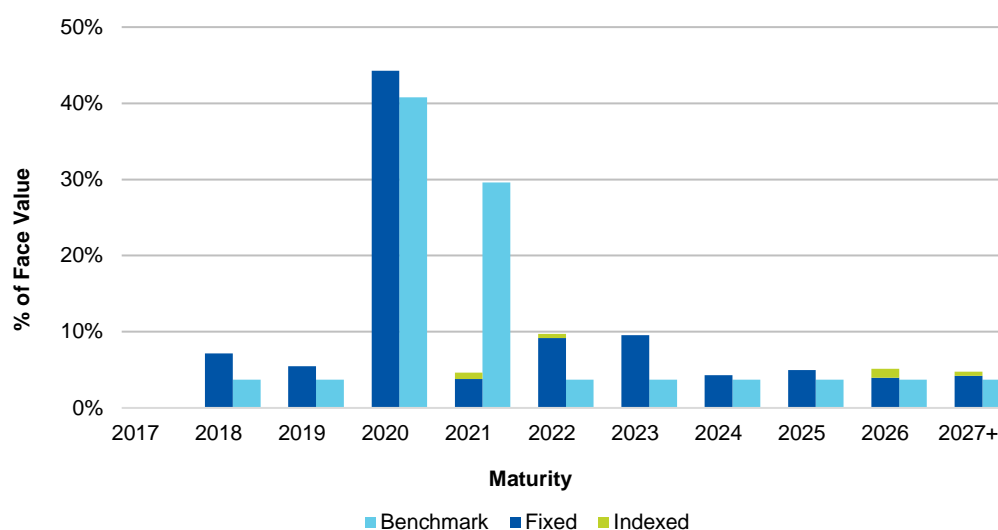
| | 1 year | 3 year | 5 year | 7 year |
|-----------------------|--------|--------|--------|--------|
| Actual performance | 2.37 | 2.53 | 2.84 | 3.49 |
| Benchmark performance | 1.82 | 2.22 | 2.52 | 3.18 |
| Variance | 0.55 | 0.31 | 0.32 | 0.31 |

WaterNSW also had \$115.0 million invested in fixed term deposits at the end of June 2017. The weighted average interest rate earned on these deposits was 2.58% on a weighted average balance of \$82.7 million for 2016-17.

Liability Performance

WaterNSW has a Treasury Risk Management Policy (TRMP) to monitor and control its liability exposure. The key risks monitored by the TRMP are interest rate repricing risk, debt mix risk and liquidity limits.

Performance against Regulatory Benchmark



Economic Factors Affecting Performance

There were no economic factors that affected achievement of WaterNSW's operating objectives.

Land Disposal

WaterNSW did not dispose of any land in 2016-17.

Cost of Producing Annual Report

WaterNSW did not incur any external costs in the production of this Annual Report.

Funds Granted to Non-Government Community Organisations

WaterNSW did not grant any funds to non-government community organisations in 2016-17.

Response to Audit Office Client Service Report significant matters

The Audit Office Client Service Report did not identify any significant matters.

Appendix 7 – Risk Management and Insurance

Risk Management

WaterNSW continued to implement its risk management framework which provides a basis for consistently managing risk in order to support the achievement of the organisations objectives. The framework reflects ISO 31000:2009, the International Risk Management Standard and the NSW Treasury Policy TPP09-05 Internal Audit and Risk Management.

A risk review has identified the following top risks for WaterNSW, which are managed at the Executive level. Risk treatment actions have been identified, and implementation continues, in order to mitigate risk to a target level.

| Risk | Risk category | Risk description |
|------|-----------------------------|---|
| 1 | Workplace Health and Safety | Health and safety systems, processes or management fail to protect WaterNSW from harm. |
| 2 | Capability/Service Delivery | Critical Asset failure or deterioration affects service capability. |
| 3 | Capability/Service Delivery | Deterioration in raw water quality and/or reduction in service being delivered to customers. |
| 4 | Capability/Service Delivery | Failure to provide the skills and resources required to deliver corporate strategies. |
| 5 | Reputation | Water NSW fails to meet the expectations of customers, shareholders, regulators or the community. |
| 6 | Capability/Service Delivery | Inadequate planning to meet long term water demand. |
| 7 | Capability/Service Delivery | Business systems fail to meet WaterNSW needs adversely impacting business performance. |
| 8 | Environment | WaterNSW causes significant environmental damage. |
| 9 | Compliance | Material breach of legislation, licence or a dispute. |
| 10 | Financial | Failure to capture the full cost of regulated services for the pricing submission. |

Insurance

WaterNSW has a comprehensive insurance program as part of its risk management strategy. WaterNSW continues to use the Treasury Managed Fund (TMF) to provide cover for all general insurance including worker's compensation as per current NSW legislation.

Treasury Compliance Checklist

| Requirement | Legislative Reference | Reporting Requirement for Statutory Bodies | Annual Report Reference |
|---|--------------------------------|---|-------------------------|
| Letter of submission | ARSBA s9A | <ul style="list-style-type: none"> • Stating report submitted to Minister for presentation to Parliament • Provisions under which report prepared • If applicable, length of lateness in submitting report and reasons • If no application for extension, reasons for lateness and lack of application • To be signed by two members of statutory body or, if without members, by the CEO | Page 2 |
| Charter | ARSBR Sch.1 | <ul style="list-style-type: none"> • Manner in which and purpose for which agency was established • Principal legislation under which statutory body operates | Page 5 |
| Aims and objectives | ARSBR Sch.1 | <ul style="list-style-type: none"> • What agency sets out to do • Range of services provided • Clientele/community served | Page 5 |
| Access | ARSBR Sch.1 | <ul style="list-style-type: none"> • Address of principal office/s • Telephone number of principal office/s • Business & service hours | Back cover |
| Management and structure | ARSBR Sch.1 | <ul style="list-style-type: none"> • Names of members and their qualifications • Method and term of appointment of board members • Frequency of meetings and members' attendance at meetings • Names, offices and qualifications of senior officers • Organisation chart indicating functional responsibilities | Appendix 1 |
| Summary review of operations | ARSBR Sch.1 | <ul style="list-style-type: none"> • Narrative summary of significant operations • Financial and other quantitative information for programs or operations | Pages 8-14 |
| Funds granted to non-government community organisations | PM 91-34 ARSBR Sch.1 | <ul style="list-style-type: none"> • Name of recipient organisation • Amount of grant • Program area as per Budget paper • Program as per Budget paper • Nature & purpose of the project including aims and target clients | Appendix 6 |
| Legal change | ARSBR Sch.1; ARSBA s9(1)(f) | <ul style="list-style-type: none"> • Changes in Acts and subordinate legislation • Significant judicial decisions affecting agency or users of its services | Appendix 3 |
| Economic or other factors | ARSBR Sch.1 | <ul style="list-style-type: none"> • Affecting achievement of operational objectives | Appendix 6 |
| Management and activities | ARSBR Sch.1 | <ul style="list-style-type: none"> • Describe nature and range of activities • If practicable, qualitative and quantitative performance measures showing efficiency and effectiveness • Nature and extent of internal and external performance reviews conducted and resulting improvements in achievements • Benefits from management and strategy reviews • Management improvement plans and achievements reaching previous targets • Major problems and issues which arose • Major works in progress, cost to date, dates of completion, significant cost overruns or delays / amendments / deferrals / cancellations | Pages 8-14 |

| Requirement | Legislative Reference | Reporting Requirement for Statutory Bodies | Annual Report Reference |
|-----------------------------------|--|---|-------------------------|
| Research and development | ARSBR Sch.1 | <ul style="list-style-type: none"> Completed and continuing research and developmental activities including resources allocated Unless will adversely affect business | Not applicable |
| Human resources | ARSBR Sch.1 | <ul style="list-style-type: none"> Number of officers and employees by category & compare to prior three years Exceptional movements in wages, salaries or allowances Personnel policies & practices Industrial relations policies & practices | Appendix 2 |
| Consultants | PM 2002-07 ARSBR Sch.1 | <ul style="list-style-type: none"> For each engagement costing equal to or greater than \$50,000: <ul style="list-style-type: none"> Name of consultant Title of project (shown in a way that identifies the nature of the work) Actual costs For engagements costing less than \$50,000: <ul style="list-style-type: none"> Total number of engagements Total cost Categorised by the nature of the consultancy, such as: Finance and accounting/tax; Information Technology; Legal; Management Services; Environmental; Engineering; Organisational Review; Training Or a statement that no consultants used | Appendix 6 |
| Workforce diversity | PSC Circular 2014-09 ARSBR Sch.1 | <ul style="list-style-type: none"> Statistics for both the representation and distribution of employees in diversity groups, in the same format as the report provided to each agency by the Public Service Commission. Workforce diversity achievements during the reporting year and the key workforce diversity strategies proposed for the following year. | Appendix 2 |
| Disability Inclusion Action Plans | DIA s12n & 13, ARSBR Sch.1 ARSBR c18 TC 15/18 | <ul style="list-style-type: none"> If the statutory body is required to have a disability inclusion action plan under the Disability Inclusion Act 2014, a statement setting out the progress during the reporting year in implementing that plan. | Appendix 2 |
| Land Disposal | ARSBR Sch.1 | <ul style="list-style-type: none"> If value greater than \$5,000,000 & not sold by public auction or tender <ul style="list-style-type: none"> list of properties for each case, name of person who acquired the property & proceeds Details of family or business association between purchaser & person responsible for approving disposal Reasons for the disposal Purpose/s for which proceeds were used Statement that access to documents relating to the disposal can be obtained under the Government Information (Public Access) Act 2009. | Appendix 6 |
| Promotion | ARSBR Sch.1 | <ul style="list-style-type: none"> Overseas visits by employees and officers with main purposes highlighted | Appendix 2 |
| Consumer Response | ARSBR Sch.1 | <ul style="list-style-type: none"> Extent and main features of complaints Services improved/changed in response to complaints/suggestions | Appendix 5 |
| Payment of Accounts | TC 11/21 ARSBR Sch.1 | <ul style="list-style-type: none"> Details of performance in paying accounts for each quarter: <ul style="list-style-type: none"> 0-30, 30-60, 60-90 and 90+ \$ amounts Target %, actual % and \$ for on time Total dollar amount paid in quarter (Can use proper sampling techniques) Details of action taken to improve performance | Appendix 6 |

| Requirement | Legislative Reference | Reporting Requirement for Statutory Bodies | Annual Report Reference |
|--|--------------------------------------|--|-------------------------|
| Time for Payment of Accounts | ARSBR Sch.1; TC 11/21 | <ul style="list-style-type: none"> Where interest was paid due to late payments, list of instances and reasons for delay which caused late payment. | Appendix 6 |
| Risk management and insurance activities | ARSBR Sch.1 | <ul style="list-style-type: none"> Report on the risk management & insurance arrangements and activities affecting the agency. | Appendix 7 |
| Multicultural Policies and Services Program | ARSBR Sch.1 ARSBR c18 TC 15/18 | <ul style="list-style-type: none"> Statement setting out the key multicultural strategies proposed for the following year Progress in implementing the statutory body's multicultural policies and services plan Information as to the multicultural policies and services plans of any bodies reporting to the agency | Appendix 2 |
| Work Health and Safety (WHS) | ARSBR Sch.1 ARSBR c18 TC 15/18 | <ul style="list-style-type: none"> Statement setting out WHS performance Details of injuries and prosecutions under the Work Health and Safety Act 2011 | Appendix 2 |
| Budgets | ARSBA s7(1)(a)(iii) ARSBR c7(1) | <ul style="list-style-type: none"> Detailed budget for the year reported on, including details of: <ul style="list-style-type: none"> If this is the first budget approved Adjustments to first budget approved Outline budget for following year | Appendix 6 |
| Financial Statements | ARSBA s7(1)(a) (i) -(iia) | <ul style="list-style-type: none"> Inclusion of Financial Statements Controlled Entities' Financial statements Audit Opinion on Financial Statements Response to significant issues raised by Auditor-General | Pages |
| Identification of audited financial statements | ARSBR c5 | <ul style="list-style-type: none"> At start and finish | Page |
| Additional matters for inclusion in annual reports | ARSBR c8 | <ul style="list-style-type: none"> After balance date events having a significant effect in succeeding year on: <ul style="list-style-type: none"> Financial operations Other operations Clientele/community served Total external costs (such as fees for consultants and printing costs) incurred in the production of the report. The website at which the report may be accessed (or the statutory body's website). | Page |
| Investment performance | ARSBR c10; TC 17/02 | <ul style="list-style-type: none"> In the form of a comparison with a choice of "Hour Glass investment Facilities" from Treasury Corporation Choice of comparison based on nature and term of underlying liability Stated in terms of annual compound percentage rate of return | Appendix 6 |
| Liability management performance | ARSBR c11; TC 17/02 | <ul style="list-style-type: none"> Only if debt is greater than \$20m In the form of a comparison, details of agency's liability portfolio performance versus benchmark Benchmark is notional portfolio constructed as risk neutral per Treasurer | Appendix 6 |

| Requirement | Legislative Reference | Reporting Requirement for Statutory Bodies | Annual Report Reference |
|---|--|--|-------------------------|
| Numbers and remuneration of senior executives | ARSBR c12 PSC Circular 2016-05 | <ul style="list-style-type: none"> Number of senior executives employed at the end of the reporting year broken down by band and then gender within each band, compared with the numbers at the end of the previous reporting year Average total remuneration package of senior executives in each band at the end of the reporting year, compared with the average at the end of the previous reporting year The percentage of total employee-related expenditure in the reporting year that relates to senior executives, compared with the percentage at the end of the previous reporting year | Appendix 1 |
| Implementation of Price Determination | IPARTA s18(4) | <p>If agency subject to determination or recommendation of Tribunal then:</p> <ul style="list-style-type: none"> Statement that it was implemented and details of implementation; or Reasons for not being implemented. | Appendix 3 |
| Credit card certification | TD 205.01 | <ul style="list-style-type: none"> Credit card certification to be attached | Appendix 6 |
| Government Information (Public Access) Act 2009 | GIPAA s125(4), (6) GIPAAR c7, Sch 2; c12, Sch 3 | <ul style="list-style-type: none"> Details of the agency's review under s7(3) of the Act during the year and details of any information made publicly available as a result of the review Total number of access applications received during the year (including withdrawn applications but not including invalid applications) Total number of access applications received that agency refused, either wholly or in part, because the application was for disclosure of information for which there is conclusive presumption of overriding public interest against disclosure Statistical information as described in Sch 2 Each agency referred to in Sch 3 of the Regulation (subsidiary agency) is declared to be part of and included in the parent agency specified in Sch 3. | Appendix 4 |
| Public Interest Disclosures (PID) | PIDA s31, PIDR c4, PM2013-13 | <p>Separately report on:</p> <ul style="list-style-type: none"> PIDs made by public officials in performing their day to day functions as public officials PIDs not covered above that are made under a statutory or other legal obligation All other PIDs. <p>For each PID, a public authority should disclose the following information:</p> <ul style="list-style-type: none"> Number of public officials who have made a PID to the public authority Number of PIDs received by the public authority in total and the number of PIDs received by the public authority relating to each of the following: <ul style="list-style-type: none"> corrupt conduct maladministration serious and substantial waste of public or local government money government information contraventions local government pecuniary interest contraventions Number of PIDs finalised Whether the public authority has a PID policy in place Actions taken to ensure staff awareness responsibilities under s6E(1)(b) of the PIDA have been met. | Appendix 4 |

Key to References

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| ARDA | Annual Reports (Departments) Act 1985 |
| ARDR | Annual Reports (Departments) Regulation 2015 |
| ARSBA | Annual Reports (Statutory Bodies) Act 1984 |
| ARSBR | Annual Reports (Statutory Bodies) Regulation 2015 |
| DIA | Disability Inclusion Act 2014 |
| DISP 2.0 | NSW Government Digital Information Security Policy 2.0 April 2015 – Department of Finance, Services and Innovation |
| GIPAA | Government Information (Public Access) Act 2009 |
| GIPAAR | Government Information (Public Access) Regulation 2009 |
| GSEA | Government Sector Employment Act 2013 |
| IPARTA | Independent Pricing and Regulatory Tribunal Act 1992 |
| PIDA | Public Interest Disclosures Act 1994 |
| PIDR | Public Interest Disclosures Regulation 2011 |
| PC | Premier's Circular |
| PM | Premier's Memorandum |
| PSC | Public Service Commission |
| PFAA | Public Finance & Audit Act 1983 |
| PPIPA | Privacy and Personal Information Protection Act 1998 |
| TC | Treasury Circular |
| TD | Treasurer's Direction |
| TPP | Treasury Policy Paper |

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