



Annual Report 2015-16

The Hon Gladys Berejiklian MP
Treasurer and Minister for Industrial Relations
GPO Box 5341
Sydney NSW 2001

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

Dear Shareholders

WaterNSW Annual Report 2015-16

We are pleased to submit the WaterNSW Annual Report 2015-16 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 black 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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Report from Chair and Chief Executive Officer



Anne McDonald
Chair

2015-16 was a very productive and successful year for WaterNSW. We commenced realising the benefits of the Stage 1 Bulk Water Reform in parallel with the delivery of our core business. We delivered an integrated WaterNSW organisation structure and are working with staff to develop the WaterNSW values and culture.

Throughout 2015-16 WaterNSW worked with DPI Water and the NSW Government to progress implementation of the Stage 2 Bulk Water Reform which aims to deliver a new approach to water management for NSW. These Stage 2 reforms transferred a number of functions from DPI Water to WaterNSW to clearly establish WaterNSW as the “one stop shop” for all NSW rural water customers and single Rural system operator across both surface and ground water operations, and DPI Water as the resource regulator. On 1 July 2016 WaterNSW welcomed 207 new staff transferring from DPI Water to effect these reforms.



David Harris
Chief Executive Officer

The year has also seen a significant shift within WaterNSW, beginning a regulatory reform journey to lead our business through a focus on products and services valued by customers and customer choice. During 2015-16 WaterNSW undertook a Voice of the Customer Survey, conducting in depth interviews with major customers and online surveys with smaller customers.

WaterNSW is proud of our cost savings achievements, which are a direct result of our focus on driving operational efficiencies. This has resulted in lower customer bills across both the Greater Sydney and Rural regions.

In Greater Sydney, the cost efficiencies proposed by WaterNSW and accepted by the regulator resulted in WaterNSW being responsible for delivering approximately \$10 of the \$100 reduction in a typical bill for Sydney Water customers (June 2016 IPART Final Determination of WaterNSW prices for the period 1 July 2016 to 30 June 2020).

For our Rural customers, the cost efficiencies proposed by WaterNSW decreased the overall WaterNSW revenue requirement to be paid for by Rural customers by 11%.

During 2015-16 we delivered a number of important capital projects including the Chaffey Dam augmentation and safety upgrade – helping to secure long term water supplies for the growing city of Tamworth and improve the security of water entitlements for downstream users.

On behalf of the Board and our many stakeholders, we thank our staff for their commitment and dedication in delivering a valued service to all of our customers across NSW.



Anne McDonald
Chair



David Harris
Chief Executive Officer

About WaterNSW

WaterNSW is Australia's largest water supplier and NSW's major supplier of raw water. We deliver water from our 42 large dams, pipelines, canals and the State's rivers. We ensure that the water supplied is reliable and, where that water is to be used by end use customers for drinking, it meets relevant water quality standards.

WaterNSW plans infrastructure solutions for water supply security and reliability and then develops, operates and maintains that infrastructure. We also promote improvements in achievable water quality standards and contribute to the protection of public health and the environment through enhanced catchment protection practices in declared catchments.

Purpose

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

Mission

To provide service to our customers and the people of NSW by:

- managing, promoting and developing raw water infrastructure;
- promoting improvements in achievable water quality standards and supplying raw water to those standards;
- contributing to the protection of public health and the environment through enhanced catchment protection practices in declared catchments;
- developing the capability of our people; and
- at all times acting safely, operating efficiently and exercising sound commercial judgement.

Objectives

The *WaterNSW Act 2014* defines the principal objectives of WaterNSW.

Infrastructure solutions	Provide for the planning, design, modelling and construction of bulk water infrastructure.
Water Quality	Supply water in compliance with appropriate standards of quality.
Catchment Protection	Protect public health, safety and the environment and provide for the management of declared catchment areas.
Act Commercially	Maintain and operate the works of WaterNSW efficiently in accordance with sound commercial principles.
Efficiency	Capture, store and release water in an efficient, effective and safe manner.

Area of operations

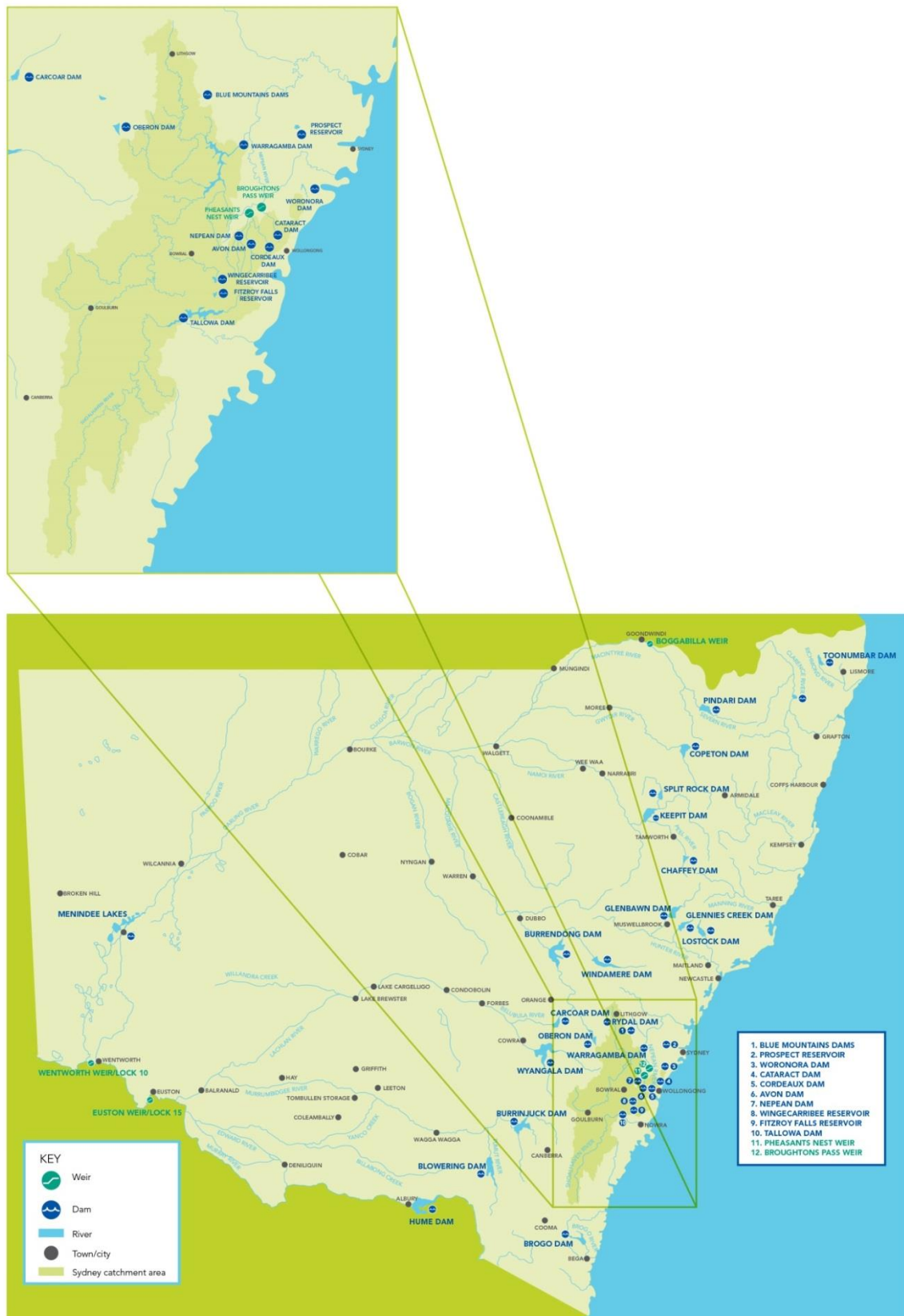
Greater Sydney

WaterNSW captures, stores and supplies quality raw water to Sydney Water Corporation and Shoalhaven, Goulburn-Mulwaree and Wingecarribee councils. There are also approximately 60 small bulk water raw and unfiltered water customers. WaterNSW manages and protects the drinking water catchment areas and maintains a network of 21 dams and other water supply infrastructure for Greater Sydney.

Rural

WaterNSW maintains, manages and operates major infrastructure to deliver bulk water to approximately 6,300 licensed water users in 14 regulated river systems. We manage and operate 21 dams and more than 280 weirs and regulators to deliver water for town water supplies, industry, irrigation stock and domestic use, riparian and environmental flows. WaterNSW works closely with water users and Customer Service Committees to set asset management priorities and distribute water efficiently in regulated river valleys.

Area of Operations Map



Key statistics



Highlights

Business transformation

Throughout 2015-16 WaterNSW worked with DPI Water and the NSW Government to progress implementation of the Stage 2 Bulk Water Reform Program which aims to deliver a new approach to water management for NSW. As part of the Stage 2 reforms a number of functions were identified to be transferred from DPI Water to WaterNSW to allow the two organisations to better focus on their respective core deliverables.

A number of significant milestones were achieved through 2015-16 to progress the transfer of functions including Cabinet approval, legislation, transfer orders and changes to operating licences.

These outcomes, along with extensive preparation work by WaterNSW to receive the functions, culminated in the successful transfer of functions and associated staff and assets on 1 July 2016.

Over the course of 2016-17 WaterNSW will work to integrate the transferred functions, staff and assets to realise the objectives of the Government's water reform agenda and deliver benefits for customers, staff and the State of NSW.

Focus on safety

Safety is our highest priority. During 2015-16 new, integrated and fit-for-purpose Work Health and Safety Procedures were implemented across all work sites, with training provided to all staff.

Improving customer value

In June 2016 the Independent Pricing and Regulatory Tribunal (IPART) released its determination of WaterNSW's prices for the Greater Sydney region from 1 July 2016 to 30 June 2020.

In 2016-17 Sydney Water's costs of bulk water from WaterNSW are expected to decrease by \$9.16 per customer, which is equivalent to 0.9% of a typical customer's bill. Once the effects of inflation are taken into account, Sydney Water is expected to pay \$0.31 less in WaterNSW bulk water costs per customer in 2019-20 compared to current bills. Prices for smaller customers will be the same in real terms, only increasing by the rate of inflation.

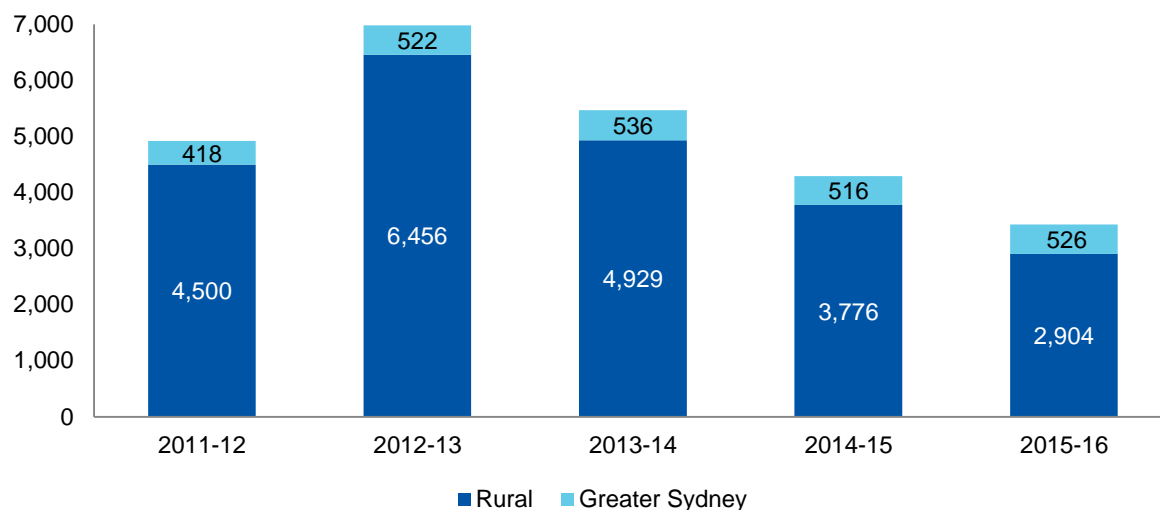
In June 2016 WaterNSW submitted our proposal for prices for rural customers for the period 1 July 2017 to 1 July 2021 to IPART. The proposal will see a decrease in the overall revenue requirement to be paid for by customers of 11%, driven by a 20% decrease in forecast operating expenditure requirements. This proposal was formed in close consultation with our customers. We will continue to engage with our customers and IPART throughout 2016-17 in the lead up to IPART's decision on prices for the new determination period.

Reliable water	Over 99% of water deliveries were made in the quantities and time required by customers.
	Operational losses for the rural system of 3% were lower than the target of 5%.
	Met the water quality standard in the Raw Water Supply Agreement with Sydney Water over 99% of the time.
	100% compliance with health guidelines for water supplied for treatment.
	100% compliance with environmental flow requirements.

Capital investment	<p>In 2015-16, \$67 million was invested in assets. Significant works completed include:</p> <ul style="list-style-type: none"> • Chaffey Dam augmentation and safety upgrade - increased dam capacity from 62GL to 100GL and upgraded safety parameters; • Keepit Dam fish passage - completed works at Gunidgera instream weir to allow fish migration along the Namoi River; • Murray Darling metering project - installation of 710 telemetered non-urban water meters in the Murray and Murrumbidgee Rivers; • Broken Hill / Menindee - construction of Lake Menindee and Talyawalka shallow bore fields to secure short term water supply for Broken Hill if required; and • Menindee / Lake Wetherell dam safety upgrade - construction of a Fuse Plug designed to maintain storage integrity under extreme inflow conditions.

Water sales and storage levels

Water sales volumes (GL)



Rural systems

Water sales for rural NSW were 2,904 GL for 2015-16. This was 872 GL below sales in 2014-15 and due primarily to reduced water availability.

Greater Sydney system

Water sales for Greater Sydney were 526 GL for 2015-16. This was 16 GL below sales in 2014-15 and due primarily to weather related reduced demand.

Water storage levels

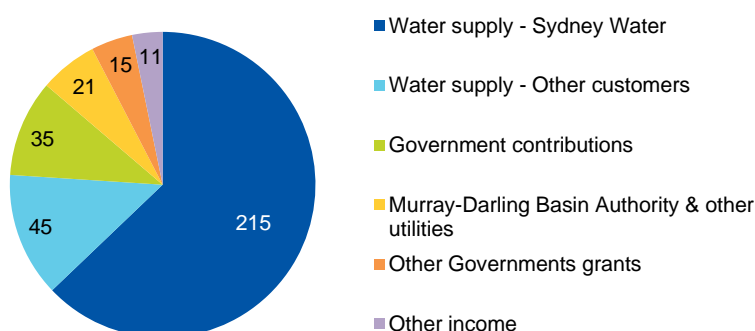
System / Valley	Storage volume 30 June 2016		Change in storage volume from 30 June 2015	
	GL	%	GL	%
Warragamba	2,008	99	+ 120	+ 6
Other Greater Sydney	529	95	+ 29	+ 5
Total Greater Sydney	2,537	98	+ 149	+ 5
Northern Valleys	524	19	+ 42	+ 2
Central Valleys	1,009	39	+ 307	+ 11
Southern Valleys	3,357	40	- 200	- 2
Coastal Valleys	879	84	- 12	- 1
Total Rural	7,031	40	+ 136	+ 1

Financial outcomes

Financial highlights

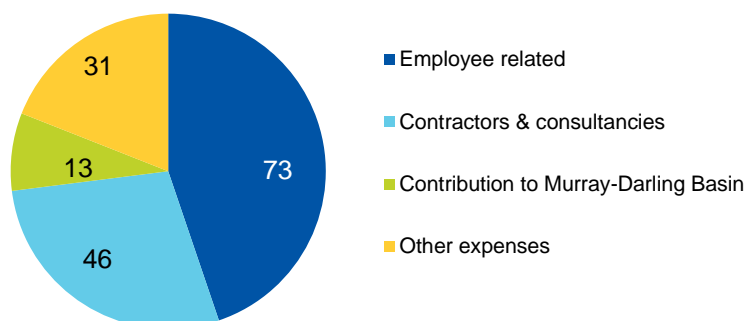
The financial highlights presented for 2015-16 below is consistent with the audited financial statements for WaterNSW. Comparative information for revenue and operating expenses refers to the combined financial performance for the former State Water Corporation and the former Sydney Catchment Authority.

Revenue 2015-16 (\$M)



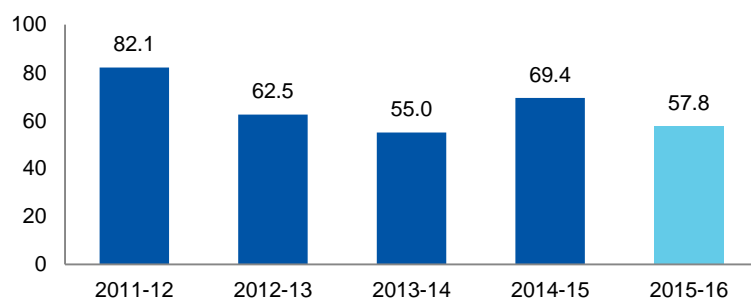
Total revenue of \$342 million includes \$215 million in water sales to Sydney Water and \$45 million in water sales to other customers. This is slightly higher than previous year revenue of \$336 million.

Operating expenses 2015-16 (\$M)



Total operating expenses of \$163 million are \$3 million lower than the previous year.

Capital investment 2015-16 (\$M)



Capital investment for 2015-16 was primarily for dam safety compliance (\$23 million) and renewal & replacement of existing assets (\$14 million).

Summary financial performance

	2011-12 State Water \$'000	2012-13 State Water \$'000	2013-14 State Water \$'000	2014-15 ¹ WaterNSW \$'000	2014-15 ² WaterNSW \$'000	2015-16 WaterNSW \$'000
Revenue	165,131	179,677	170,827	237,471	336,103	341,542
Operating expenses	112,672	102,052	101,420	132,766	168,881	162,886
Finance costs	8,271	8,986	9,671	16,939	31,564	29,937
Depreciation, amortisation, impairments and loss on sale of assets	11,384	18,534	15,458	59,367	53,678	53,194
Devaluation of property, plant and equipment	10	22,857	-15,058	73,168	73,168	41,841
Total expenses	132,337	152,429	111,491	282,240	422,597	287,858
Profit before income tax	32,794	27,248	59,336	-44,769	-86,494	53,684
Income tax expense	9,339	7,575	17,299	-70,233	-79,340	58
Profit / (loss)	23,455	19,673	42,037	25,464	-7,154	53,626

Explanatory notes

1. On 1 January 2015 all assets, liabilities and rights of the former Sydney Catchment Authority were transferred to State Water Corporation and the entity renamed WaterNSW. The 2014-15 financial outcomes in the table above therefore reflect 12 months of the former State Water results from 1 July 2014 to 30 June 2015 and six months of the former Sydney Catchment Authority results from 1 January 2015 to 30 June 2016.
2. The combined financial performance of the former Sydney Catchment Authority and the former State Water Corporation for 2014-15 financial year is presented to permit comparison with 2015-16 performance.

Audited financial statements



WATER NSW
STATEMENT BY MEMBERS OF THE BOARD
30 JUNE 2016

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 2016 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 the Corporation will be able to pay its debts as and when they become due and payable.

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



Anne McDonald
Chair



David Harris
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT

Water NSW

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Water NSW (the Corporation), which comprise the statement of financial position as at 30 June 2016, 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 2016, 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 those standards are further 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 auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further 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, but precluding the provision of 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 preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act, 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 of financial statements that give a true and fair view and 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 unless they intend to liquidate the Corporation or cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and 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, and
- 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 further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

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.



David Nolan
Director, Financial Audit Services

22 September 2016
SYDNEY

Water NSW
Statement of comprehensive income
For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Revenue			
Revenue from water supply and delivery	4	261,564	150,853
Grants and subsidies	4	51,488	57,795
Other revenue	4	28,490	29,900
Revenue		341,542	238,548
Expenses			
Employee related expenses	5	(72,667)	(65,144)
Depreciation and amortisation	6	(53,165)	(35,645)
Other operating expenses	6	(90,248)	(91,344)
Finance costs	7	(29,937)	(18,016)
Revaluation of property, plant and equipment	13	(41,841)	(73,168)
Expenses		(287,858)	(283,317)
Profit before income tax		53,684	(44,769)
Income tax equivalent expense	8	(58)	70,233
Profit/(loss)		53,626	25,464
Other comprehensive income			
Items will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	13	145,760	(15,909)
Remeasurement of defined benefit superannuation net liability	17	(38,738)	4,785
Income tax on other comprehensive income	8	(32,107)	3,374
Other comprehensive income		74,915	(7,750)
Comprehensive income		128,541	17,714
Attributable to equity holders of Water NSW		128,541	17,714

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

Water NSW
Statement of financial position
As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	194,698	81,327
Trade and other receivables	10	39,925	47,188
Other non-financial assets	11	2,676	6,653
Current assets		237,299	135,168
Non-current assets			
Other non-financial assets	11	458	-
Intangible assets	12	13,970	16,134
Property, plant and equipment	13	2,258,425	2,149,773
Non-current assets		2,272,853	2,165,907
ASSETS		2,510,152	2,301,075
LIABILITIES			
Current liabilities			
Trade and other payables	14	60,937	47,319
Other liabilities	15	45,896	39,747
Borrowings	16	36,380	277,248
Current tax liabilities	8	-	2,145
Provisions	17	89,730	40,601
Current liabilities		232,943	407,059
Non-current liabilities			
Borrowings	16	621,896	384,426
Other liabilities	15	105,788	102,000
Provisions	17	140,001	98,495
Deferred tax liabilities	8	148,256	115,768
Non-current liabilities		1,015,941	700,689
LIABILITIES		1,248,884	1,107,748
NET ASSETS		1,261,268	1,193,327
EQUITY			
Contributed equity		1,063,516	1,063,516
Retained earnings (accumulated losses)		19,508	54,998
Asset revaluation reserve		178,244	74,813
EQUITY		1,261,268	1,193,327

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 2016

	Note	Contributed Equity		Retained Earnings		Asset Revaluation Reserve		Total Equity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of the period		1,063,516	300,510	54,998	24,749	74,813	87,348	1,193,327	412,607
Comprehensive income									
Profit for the period		-	-	53,626	25,464	-	-	53,626	25,464
Revaluation of property, plant and equipment	13	-	-	-	-	145,760	(15,909)	145,760	(15,909)
Remeasurement of defined benefit superannuation liability	17	-	-	(38,738)	4,785	-	-	(38,738)	4,785
Income tax on other comprehensive income	8	-	-	11,621	-	(43,728)	3,374	(32,107)	3,374
Adjustments				(1,399)		1,399			
Comprehensive income for the year		-	-	25,110	30,249	103,431	(12,535)	128,541	17,714
Transactions with owners in their capacity as owners									
Increase (decrease) in net assets from equity transfers - Sydney Catchment Authority	19	-	762,556	-	-	-	-	-	762,556
Increase (decrease) in net assets from equity transfers - Green State Power	19	-	450	-	-	-	-	-	450
Dividend paid or provided for	17	-	-	(60,600)	-	-	-	(60,600)	-
Transactions with owners in their capacity as owners		-	763,006	(60,600)	-	-	-	(60,600)	763,006
Balance at the end of the period		1,063,516	1,063,516	19,508	54,998	178,244	74,813	1,261,268	1,193,327

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

Water NSW
Statement of cash flows
For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers and other		330,734	201,083
Interest received		2,553	1,077
Payments to suppliers and employees		(154,778)	(104,082)
Interest and other costs of finance paid		(35,389)	(9,841)
Receipt of grants and subsidies from NSW Government		25,665	48,165
Income tax (paid)/refunds received		(1,818)	(1,002)
Net cash from operating activities	9	166,967	135,400
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,022	1,802
Payments for property, plant and equipment		(55,618)	(64,748)
Net cash used in investing activities		(53,596)	(62,946)
Cash flows from financing activities			
Proceeds from borrowings		-	2,258
Dividends paid		-	(20,300)
Net cash used in financing activities		-	(18,042)
Net increase/(decrease) in cash and cash equivalents		113,371	54,412
Cash and cash equivalents at beginning of the year	9	81,327	26,915
Cash and cash equivalents at end of the year	9	194,698	81,327

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 2016

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 Water NSW entity is a continuation of the State Water Corporation (SWC) entity. 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;
- 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 2016 were authorised for issue in accordance with a resolution of the board of directors on 21 September 2016.

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 Australian Accounting Standards (which include Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB), International Financial Reporting Standards, mandates issued by NSW Treasury adopted in The Corporations's Statement of Corporate Intent, 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.

The financial statements cover the financial performance and cash flows of Water NSW for the reporting period 1 July 2015 to 30 June 2016, and its financial position as at 30 June 2016.

Notes to the financial statements

For the year ended 30 June 2016

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

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

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

The accounting policies set out below have been consistently applied by 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 made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates in the next year are included in the following notes:

- Note 8 – Deferred tax assets and deferred tax liabilities;
- Note 13 – Fair value of property, plant and equipment;
- Note 17 – Employee benefits and other provisions, including defined benefit superannuation obligations;
- Note 19 – Equity transfer following merger 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.

The financial statements of Water NSW for the year ended 30 June 2016 incorporate the following balances for the 2015 comparatives:

- Ex-State Water Corporation income and expenses from 1 July 2014 to 30 June 2015;
- Ex-Sydney Catchment Authority income and expenses from 1 January 2015 to 30 June 2015.

Notes to the financial statements

For the year ended 30 June 2016

(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. Post 30 June 2014 prices for water delivery are subject to price regulation by either IPART or the ACCC, depending upon location of the relevant regulated valley.

- **Government grants and subsidies revenue**

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

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.

Notes to the financial statements

For the year ended 30 June 2016

- **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.

Net losses on disposal are reclassified as expenses and all revenue is stated net of the amount of goods and services tax.

(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.

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 Corporation's borrowings, are expensed as incurred within finance costs in profit or loss unless they relate to qualifying assets, in which case they are capitalised as part of the cost of those assets.

Notes to the financial statements

For the year ended 30 June 2016

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.

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.

Notes to the financial statements

For the year ended 30 June 2016

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 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.

Assets acquired at no cost, or for nominal consideration, are initially recognised at fair value at the date of acquisition. Where payment for an asset is deferred beyond normal credit terms its cost is the cash price equivalent.

Following thresholds are applied for capitalisation:

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

Notes to the financial statements

For the year ended 30 June 2016

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.

- ***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.

In respect of major inspections undertaken, 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 cost of dismantling, decommissioning and removing an asset and restoring the site on which it is located is capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision.

- ***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. Adopting the fair value model for property, plant and equipment assets, rather than the cost model, is a requirement of NSW Treasury's mandates in respect of options to be adopted by NSW public sector entities under Australian Accounting Standards and Australian Accounting Interpretations.

Notes to the financial statements

For the year ended 30 June 2016

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 the Corporation's 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*':

- **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 (ie 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 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.

Notes to the financial statements

For the year ended 30 June 2016

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 the Corporation's **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.

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 13). 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. This is considered to be more relevant to a market participant than the estimated depreciated current replacement cost of the assets.

Land and Buildings

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, 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*'.

Notes to the financial statements

For the year ended 30 June 2016

(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 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.

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.

• **Property, plant and equipment**

For 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. Water NSW considers disposal costs to be negligible and as such revalued assets assessed under the income approach have not had their recoverable amount estimated.

Notes to the financial statements

For the year ended 30 June 2016

- **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.

(k) 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.

(l) 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 23 c)). Water NSW also pays a Government Guarantee Fee to NSW Treasury to have its loans guaranteed by the State.

(m) 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.

Notes to the financial statements

For the year ended 30 June 2016

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 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 before 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*.

Notes to the financial statements

For the year ended 30 June 2016

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.

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.

Notes to the financial statements

For the year ended 30 June 2016

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 Corporation, this refers specifically to benefits provided to employees and former employees through superannuation schemes. Superannuation schemes are classified as either defined contribution or defined benefit.

Defined contribution superannuation schemes

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.

Defined benefit superannuation plans

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.

Remeasurements 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 Other 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.

Notes to the financial statements

For the year ended 30 June 2016

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 17(a).

(n) 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.

(o) 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 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.

(p) 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.

(q) Administered activities

The entity administers, but does not control, certain activities on behalf of the Department of Industry, Skills and Regional Development. It 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.

(r) 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 2015-16 financial year has been calculated based on a fixed dollar amount agreed with shareholders.

(s) 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.

As a result of the *Water NSW Act 2014*, the Sydney Catchment Authority has transferred all of its assets, rights and liabilities to Water NSW, which was formerly known as State Water Corporation.

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 summarises the fair value adjustments arising directly from the transfer:

	Non-financial assets	Borrowing
Prior to 31 December 2014	284	454,129
TPP 09-3 FV adjust	(284)	47,757
Values at 1 January 2015	-	501,886

Notes to the financial statements

For the year ended 30 June 2016

Note 19 provides additional information on the equity transfers that have occurred during the reporting period.

3 New standards and interpretations not yet adopted

The 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 The Corporation. Water NSW has decided against early adoption of these Standards. The Corporation's assessment of the impact of those relevant new standards and interpretations is set out below.

- **AASB 9 and AASB 2014-7 regarding financial instruments**

AASB 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces a number of additional changes relating to financial liabilities. The new requirements improve and simplify the approach for financial instruments compared with the requirements of the existing AASB 139. The main changes from AASB 139 are as follows:

- There are only two categories of financial assets instead of four, being amortised cost and fair value through profit or loss (or through other comprehensive income for equity instruments). This eliminates tainting and most of the impairment issues associated with the four categories in AASB 139.
- Financial assets can be reclassified when there is a relevant change in the entity's business model changes, compared to the restrictions on reclassifications under AASB 139.
- Identifying and separating embedded derivatives is not required under AASB 9. Instead, the entire instrument is classified and measured according to one of the two categories.
- Investments in contractually linked instruments that create concentrations of credit risk (tranches) are now required to be classified and measured using a 'look through' approach. Such an approach looks to the underlying assets generating cash flows and assesses the cash flows against the classification criteria to determine whether the investment is measured at fair value or amortised cost.

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 of the organisation. The initial application date of this standard as per Part E of Australian Accounting Standard AASB 2014-1 *'Amendments to Australian Accounting Standards'* issued in June 2014 has extended the mandatory application date of AASB 9 to annual reporting periods beginning in 2018.

- **AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]' (issued August 2014)**

This standard amends Australian Accounting Standards AASB 116 *'Property, Plant and Equipment'* and AASB 138 *'Intangible Assets'* to:

- establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;

Notes to the financial statements

For the year ended 30 June 2016

- clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and
- clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The initial application of this standard will have no impact on the financial results of the organisation. The standard is applicable to annual reporting periods beginning on or after 1 January 2016.

- **AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers**

AASB 15 *Revenue from contracts with customers* (issued in January 2016) is the new comprehensive standard for revenue recognition, replacing AASB 111 *Construction contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. It is applicable for annual reporting periods beginning on or after 1 January 2017.

The new standard establishes principles, 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*.

IFRS 15 addressed an issue in relation to when an entity recognises revenue under some long term contracts (e.g. some construction contracts) and contracts that bundle together goods and services. It is expected that the entities that will be most impacted are those that operate in the software and telecommunications services industries.

AASB 15 also includes a cohesive set of disclosure requirements that provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

At this stage Water NSW has assessed that the standard is not likely to have a major impact on the financial statements.

- **AASB 2015-1 Annual Improvements to Australian Accounting Standards 2012-2014 Cycle**

This Standard make amendments to AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 and AASB 140. This standard applies to financials reporting periods beginning on or after 1 January 2016.

AASB 2016-1 '*Amendments to Australian Accounting Standards*' – Annual Improvements to Australian Accounting Standards 2012-2014 – implements the five changes to four standards that arose from the IASB's Annual Improvements to IFRSs 2012–2014 Cycle, released in September 2014, as well as making other necessary editorial corrections to the AASB's own standards. AASB 2016-1 applies to annual reporting periods beginning on or after 1 January 2016. Consistent with previous improvements projects the amendments are, by their nature, minor and specialised and are deemed unlikely to have a significant impact on most financial statement preparers.

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 the Corporation.

Notes to the financial statements

For the year ended 30 June 2016

- **AASB 2015-2 Disclosure Initiative – Amendments to AASB 101**

AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' makes amendments to AASB 101 'Presentation of Financial Statements' that form part of the IASB's Disclosure Initiative project. The changes clarify that entities should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide investors and other users with the clearest story of an entity's financial performance and financial position. It is operative for financial reporting periods ending on or after 1 January 2016 with early adoption permitted.

This standard requires notes to the financial statement to include details on significant accounting policies and other explanatory information.

Water NSW has assessed that this standard will not have a major impact on the financial statements.

- **AASB 2015-6 Amendments to AAS – extending Related Party Disclosures to NFP Public Sector Entities (AASB 10, AASB 124 and AASB 1049)**

AASB 2016-6 makes amendments to AASB 124 'Related Party Disclosures' to extend the scope of that Standard to include not-for-profit public sector entities. This Standard also makes related amendments to AASB 10 and AASB 1049, and an editorial correction to AASB 124. AASB 124 does not presently apply to general purpose financial statements of not-for-profit public sector entities. Not-for-profit public sector entities at all levels of government will now be required to provide related party disclosures in the same way as their for profit counterparts.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

- **AASB 2015-7 Amendments to AAS – Fair Value Disclosures of Non-for-Profit Public Sector Entities.**

AASB 2015-7, applicable for reporting periods beginning on or after 1 July 2016, relieves not-for-profit public sector entities from making certain disclosures for Level 3 property, plant and equipment that are held primarily for their current service potential rather than to generate future net cash inflows.

No impact on Water NSW as a for profit entity.

- **AASB 16 Accounting for Leases**

The new accounting Standard AASB 16 replaces AASB 117 'Leases' and some lease-related Interpretations. 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.

A lessor, therefore continues to classify its leases as 'operating' or 'finance', and accounts for them differently. Peppercorn leases (below-market leases), will be considered as a consequential amendment rather than additional guidance in AASB 16 'Leases' and AASB 1004 'Contributions'.

Notes to the financial statements

For the year ended 30 June 2016

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.

Water NSW is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

- **AASB 2016-1 Annual Improvements to Australian Accounting Standards**

This Standard make amendments to AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 and AASB 140. This standard applies to financials reporting periods beginning on or after 1 January 2016.

AASB 2016-1 '*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014*' – implements the five changes to four standards that arose from the IASB's Annual Improvements to IFRSs 2012–2014 Cycle, released in September 2014, as well as making other necessary editorial corrections to the AASB's own standards. Consistent with previous improvements projects the amendments are, by their nature, minor and specialised and are deemed unlikely to have a significant impact on most financial statement preparers.

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 the organisation.

- **AASB 2016-2 Disclosure Initiative – Amendments to AASB 101**

AASB 2016-2 '*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*' makes amendments to AASB 101 '*Presentation of Financial Statements*' that form part of the IASB's Disclosure Initiative project. The changes clarify that entities should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide investors and other users with the clearest story of an entity's financial performance and financial position. It is operative for financial reporting periods ending on or after 1 January 2016 with early adoption permitted.

This standard requires notes to the financial statement to include details on significant accounting policies and other explanatory information.

The Corporation has at this stage assessed that this standard will not have a major impact on the financial statements of the Corporation.

Notes to the financial statements

For the year ended 30 June 2016

4. Revenue	2016 \$'000	2015 \$'000
Revenue from water supply		
Regulated - Sydney Water	214,894	102,555
Regulated - Other customers	45,091	47,619
Other	1,579	679
Revenue from water sales	261,564	150,853
Grants and subsidies		
NSW Government contributions to operations ¹	34,777	32,510
NSW Government transitional operating subsidy ²	1,306	1,093
NSW Government community service subsidy ³	123	500
Other Government grants	15,282	23,692
Grants and subsidies	51,488	57,795
Other revenue		
Murray-Darling Basin Authority and other utilities	20,632	24,580
Consultancies	-	350
Rent and conference centre hire	2,974	2,486
Interest revenue	2,553	1,077
Ancillary services	1,316	1,251
Other	1,015	156
Other revenue	28,490	29,900
Revenue	341,542	238,548

¹The 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).

²The 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.

³The NSW Government provides an additional subsidy for maintenance of unregulated weirs in rivers systems.

Notes to the financial statements

For the year ended 30 June 2016

5. Employee related expenses	2016 \$'000	2015 \$'000
Employee related costs¹		
Employee related expenses (excluding post employee benefits)	70,589	61,925
Post employee benefits	8,916	7,513
	79,505	69,438
Capitalisation of employee related expenses	(6,838)	(4,294)
Employee related expense	72,667	65,144
Post employment expenses		
Defined benefit plans ²	4,674	4,851
Defined contribution plans	4,242	2,662
	8,916	7,513
Capitalisation of employee related expenses	(593)	(55)
Post employment expenses	8,323	7,458

¹For the comparative balances the personnel services arrangement between the former SCA and DTIRIS ceased on 1 January 2015 and all SCA staff and employee entitlements were transferred to Water NSW on that date.

²For further details refer to Note 17.

Notes to the financial statements

For the year ended 30 June 2016

6. Operating expenses	2016 \$'000	2015 \$'000
Operating expenses		
Contractors and consultancies	46,217	33,655
Contribution to MDBA expenses ¹	13,400	13,147
Capital work in progress written off	135	240
Electricity and other energy expenses	1,624	1,403
Operating lease expenses	4,225	1,448
Grants	222	959
Data Management expenses	2,802	2,450
Licence Fees	3,310	1,436
Materials, plant and equipment	2,994	2,426
Property	5,337	2,965
Transport and travel	3,620	3,246
Other expenses from ordinary activities	6,333	4,245
Loss on disposal of property, plant and equipment	29	23,722
Impairment - Receivables	-	2
Operating expenses	90,248	91,344
Depreciation and amortisation		
Depreciation	50,207	33,143
Amortisation	2,958	2,502
Depreciation and amortisation	53,165	35,645
Operating expenses	143,413	126,989
Reconciliation of total maintenance expenses		
Employee-related maintenance expenses	8,788	6,758
Contracted labour and other (non-employee related) expenses	19,864	12,178
Total maintenance expenses	28,652	18,936

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.

NSW Treasury Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment (TPP 06-6) requires the total maintenance expense to be dissected into employee related maintenance and other maintenance.

Notes to the financial statements

For the year ended 30 June 2016

7. Finance costs	2016 \$'000	2015 \$'000
Finance costs		
Interest expense on loans	25,385	17,360
Government guarantee fee	10,067	6,359
Other borrowing costs	(3,247)	(1,518)
Unwinding of discounts on provisions	31	11
	32,236	22,212
Borrowing costs capitalised ¹	(2,299)	(4,196)
Finance costs	29,937	18,016

¹The capitalisation rate applied for the year ended 30 June 2016 was 6.1% (2015:7.5%).

Notes to the financial statements

For the year ended 30 June 2016

8. Income tax

Note: on formation of Water NSW on 1 January 2015, \$129.74 million of carried forward tax losses relating to the accelerated depreciation of regional irrigation assets of State Water Corporation continued to exist. These unutilised tax losses were not recognised in State Water Corporation's 2013-14 Financial Statements due to the absence of probable future taxable profit. Further tax losses from accelerated depreciation of Rural assets are expected to continue to accrue to Water NSW for the next 2 years.

	2016 \$'000	2015 \$'000
<i>Income tax expense recognised in the statement of comprehensive income</i>		
Current tax expense		
Current tax expense relating to current financial year	-	12,799
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	384	(83,032)
Income tax equivalent (benefit) expense	58	(70,233)

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

Profit (loss) before tax	53,684	(44,769)
Income tax expense using statutory rate of 30 percent	16,105	(13,431)
Effect of:		
Non-deductible expenses	125	100
Other temporary differences	(15,846)	115
Government grant tax ruling ¹	-	(20,463)
Under / (over) provided in prior years	(326)	1,125
Effect of tax exempt income	-	(7)
Utilisation of previously unbooked tax losses	-	(37,672)
Income tax equivalent (benefit) expense	58	(70,233)

¹ In 2015 year, 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.

8. Income tax

	2016 \$'000	2015 \$'000
<i>Income tax recognised in other comprehensive income</i>		
Income tax recognised directly to equity		
Asset revaluation reserve	(43,728)	4,728
Defined benefit super actuarial gain/(loss) recognised in retained earnings	11,621	(1,354)
Income tax recognised directly to equity	(32,107)	3,374
Current tax liabilities		
Current tax liabilities	-	2,145
Current tax liabilities	-	2,145

Deferred tax balances

30 June 2016

Temporary differences

	Opening balance \$'000	Recognised in income \$'000	Recognised in equity \$'000	Closing balance \$'000
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)

8. Income tax

Deferred tax balances	Opening balance \$'000	Recognised in income \$'000	Recognised in equity \$'000	Closing balance \$'000
30 June 2015				
Temporary differences				
Property, plant and equipment	(85,836)	21,704	4,728	(59,404)
Investments	-	4,925	-	4,925
Other creditors	348	(14,089)	-	(13,741)
Employee benefits	4,062	101	-	4,163
Leased premises	166	407	-	573
Defined benefit super	12,059	729	(1,354)	11,434
Allowance for impairment of receivables	108	-	-	108
Deferred government grants	1,012	30,693	-	31,705
Prior year SD40F	(6,359)	-	-	(6,359)
Other - Transfer from former SCA ¹	-	-	(120,090)	(120,090)
Other - Provisions and accruals	-	3,670	-	3,670
	(74,440)	48,141	(116,716)	(143,015)
Unused tax losses and credits				
Tax losses	5,158	22,089	-	27,247
Deferred tax balance	(69,282)	70,230	(116,716)	(115,768)

¹TPP 09-3 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 19 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:

	2016 \$'000	2015 \$'000
Deferred tax liabilities	(148,256)	(115,768)
Deferred tax liabilities	(148,256)	(115,768)

Notes to the financial statements

For the year ended 30 June 2016

9. Cash and cash equivalents	2016 \$'000	2015 \$'000
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Cash and cash equivalents

Cash at bank and on hand	66,941	40,239
NSW Treasury Corporation Hour Glass (Cash) Facility	127,757	41,088
Cash and cash equivalents	194,698	81,327

Refer to Note 23 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	194,698	81,327
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Reconciliation of profit after tax to net cash from operating activities in the statement of cash flows

Profit (loss) after tax	53,626	25,464
Depreciation, amortisation and fair value adjustment through profit and loss	95,006	108,813
Loss on disposal of property, plant and equipment	29	23,722
Superannuation movements direct to equity	(38,738)	4,785
Income tax movements direct to equity	(32,107)	-
Capitalised borrowing costs disclosed as operating cash flow	(2,299)	(4,195)
Capital work in progress written off	135	240
Trade and other receivables	7,263	7,916
Other assets	3,519	-
Trade and other payables	13,116	17,286
Other costs of finance	(3,247)	-
Other liabilities	10,286	-
Provisions	30,035	-
Income tax assets and liabilities	30,343	(48,631)
Net cash from operating activities	166,967	135,400

Notes to the financial statements

For the year ended 30 June 2016

10. Trade and other receivables	Note	2016 \$'000	2015 \$'000
Trade and other receivables			
Trade receivables		38,242	45,937
Allowance for impairment		(359)	(370)
Trade receivables		37,883	45,567
Other receivables		2,042	1,621
Trade and other receivables		39,925	47,188

Movements in the allowance for impaired receivables

Allowance for impairment in trade receivables

Carrying amount at the beginning of the year		370	360
Allowance for impairment recognised on equity transfer	19	-	9
Amount used		(11)	(2)
Additional provisions		-	3
Carrying amount at the end of the year		359	370

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 23.

Notes to the financial statements

For the year ended 30 June 2016

11. Other non-financial assets	2016 \$'000	2015 \$'000
Other current non-financial assets		
Lease incentives	220	1,275
Prepaid expenses	2,443	5,373
Other assets	13	5
Other current non-financial assets	2,676	6,653
Other non-current non-financial assets		
Lease incentives	458	-
Other non-current non-financial assets	458	-

Notes to the financial statements

For the year ended 30 June 2016

12. Intangible assets	Note	2016 \$'000	2015 \$'000
Cost (gross carrying amount)		29,940	29,146
Accumulated amortisation and impairment		(15,970)	(13,012)
Net carrying amount		13,970	16,134
Software			
Net carrying amount at the beginning of the year		11,859	5,292
Software recognised on equity transfer	19	-	3,723
Additions		735	5,313
Amortisation		(2,788)	(2,469)
Net carrying amount at the end of the year		9,806	11,859
Easements, Development costs and Other rights of access			
Net carrying amount at the beginning of the year		4,275	4,308
Additions		59	-
Amortisation		(170)	(33)
Net carrying amount at the end of the year		4,164	4,275

Notes to the financial statements

For the year ended 30 June 2016

13. Property, plant and equipment

30 June 2016

	SYSTEM ASSETS									
	Work in Progress	Infrastructure	Water meters	Buildings	Land	Plant & Equipment	Motor Vehicles	Furniture & Fitouts	Information Systems	Total
	\$'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 beginning of the period	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 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 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 gain 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

Notes to the financial statements

For the year ended 30 June 2016

13. Property, plant and equipment

	SYSTEM ASSETS									
	Work in Progress	Infrastructure	Water meters	Buildings	Land	Plant & Equipment	Motor Vehicles	Furniture & Fitouts	Information Systems	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2015										
At 1 July 2014 - Fair value										
Gross carrying amount	76,471	560,429	17,889	2,892	123,626	3,581	6,012	850	2,281	794,031
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-	-
Carrying value at the end of the year	76,471	560,429	17,889	2,892	123,626	3,581	6,012	850	2,281	794,031
At 30 June 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 2015										
Carrying value at the beginning of the year	76,471	560,429	17,889	2,892	123,626	3,581	6,012	850	2,281	794,031
Assets recognised on equity transfer	19,308	1,296,337	-	38,126	60,345	17,369	2,903	2,727	2,244	1,439,359
Additions	69,370	70,000	-	-	125	1,099	3,183	470	335	144,582
Disposals	-	(23,452)	-	-	-	(33)	(2,051)	-	-	(25,536)
Depreciation	-	(25,675)	(1,950)	(1,003)	-	(1,500)	(1,136)	(644)	(1,235)	(33,143)
Revaluation loss recognised in other comprehensive income	-	(15,909)	-	-	-	-	-	-	-	(15,909)
Revaluation loss in profit or loss	-	(73,168)	-	-	-	-	-	-	-	(73,168)
WIP written off	(240)	-	-	-	-	-	-	-	-	(240)
Transfers and reclassifications	(80,203)	(990)	1,020	(30)	-	-	-	-	-	(80,203)
Carrying value at the end of the period	84,706	1,787,572	16,959	39,985	184,096	20,516	8,911	3,403	3,625	2,149,773

Notes to the financial statements

For the year ended 30 June 2016

13. 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 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
At 30 June 2015				
Land	-	184,096	-	184,096
Infrastructure systems	-	-	1,844,516	1,844,516
Other property, plant and equipment (including intangibles)	-	-	137,295	137,295
Total assets	-	184,096	1,981,811	2,165,907

The following table presents the changes in Level 2 and 3 items for the year ending 30 June 2016 for recurring fair value measurements:

	Infrastructure systems \$'000	Land \$'000	Other PP&E \$'000	Total \$'000
Opening balance at 1 July 2015	1,844,516	184,096	137,295	2,165,907
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	184,096	172,521	2,272,395

13. Property, plant and equipment

	Infrastructure systems \$'000	Land \$'000	Other PP&E \$'000	Total \$'000
Opening balance at 1 July 2014	581,210	123,626	98,795	803,631
Recognised on equity transfer	1,334,463	60,345	48,274	1,443,082
Additions	70,000	125	79,770	149,895
Disposals	(23,452)	-	(2,084)	(25,536)
Depreciation/Amortisation	(28,628)	-	(7,017)	(35,645)
Gains (losses) recognised in comprehensive income	(15,909)	-	-	(15,909)
Gains (losses) recognised in profit and loss	(73,168)	-	-	(73,168)
WIP written off	-	-	(240)	(240)
Other reclassifications and transfers	-	-	(80,203)	(80,203)
Closing balance at 30 June 2015	1,844,516	184,096	137,295	2,165,907

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 (former Sydney Catchment Authority) and Water NSW Rural (former State Water Corporation) business segments.

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 WACC consistent with the formula and parameters as most recently published by the economic regulator(s).

13. Property, plant and equipment

* 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	51,700	35,100	70,500	81,900	102,400
Rural CGU	26,300	11,800	13,700	19,300	22,100

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.

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)	8.04%	9.04%	7.04%
Fair value	1,558,400	1,499,400	1,620,500
Rural CGU			
Weighted Average Cost of Capital (WACC)	8.04%	9.04%	7.04%
Fair value	713,900	686,500	742,800

13. Property, plant and equipment

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	1,558,400	1,572,100	1,544,700
Rural CGU			
Fair value	713,900	717,800	710,000

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. 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 1 July 2014 for land assets of the former State Water Corporation (now Water NSW), and 1 January 2015 for land assets transferred from Sydney Catchment Authority. As the fair value of the land has not differed materially from the carrying value at reporting date (this was confirmed in the review performed by the independent valuer), no revaluation adjustment has been recognised in the financial statements. Land has been valued by the valuer on the basis that it is not contaminated. Refer to Note 20 Contingent Liabilities.

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

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. For non-specialised assets, TPP 14-1 allows for recognition at depreciated historical cost as an acceptable surrogate for fair value. Depreciated historical cost is considered an appropriate surrogate because any difference between fair value and depreciated historical cost is unlikely to be material. Further, the benefit of ascertaining a more accurate estimate of fair value does not justify the additional costs of obtaining it.

In revaluing other property, plant and equipment, the 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.

13. Property, plant and equipment

b) Asset values measured at historical cost

	2016		2015	
	Historical Cost \$'000	Fair Value \$'000	Historical Cost \$'000	Fair Value \$'000
Work in progress	123,351	123,351	84,706	84,706
Infrastructure systems	1,304,943	1,854,762	1,434,965	1,787,572
Water meters	30,647	18,330	28,095	16,959
Buildings	26,957	42,686	23,088	39,985
Land	117,572	184,096	117,574	184,096
Plant and equipment	21,255	21,255	20,516	20,516
Motor vehicles	8,105	8,105	8,911	8,911
Furniture and fit outs	2,867	2,867	3,403	3,403
Information systems	2,973	2,973	3,625	3,625
Carrying value at historical cost	1,638,670	2,258,425	1,724,883	2,149,773

Notes to the financial statements

For the year ended 30 June 2016

14. Trade and other payables	2016 \$'000	2015 \$'000
Current		
Trade payables	2,544	2,174
Non-Trade payables and accrued expenses	20,429	668
Non-Trade payables and accrued expenses - Other ¹	21,808	28,535
Accrued interest on loans	16,156	15,942
Trade and other payables	60,937	47,319

¹ Financial risk management policies in relation credit risk, liquidity risk and market risk are disclosed in Note 23.

Notes to the financial statements

For the year ended 30 June 2016

15. Other liabilities

	2016 \$'000	2015 \$'000
Current		
Deferred Government grants	45,120	38,145
Lease inducement release	396	381
Income received in advance	380	1,220
Current other liabilities	45,896	39,747
Non-Current		
Deferred Government grants	104,126	100,685
Lease inducement release	795	1,185
Income received in advance	834	97
Other	33	33
Non-current other liabilities	105,788	102,000
Details of deferred Government grants		
Lake Brewster Water Efficiency Project	9,021	9,225
Rivers Environmental Restoration Program	4,956	5,107
Murrumbidgee Water Efficiency Projects	55,531	59,648
Booligal Weir Fishway	141	144
Hydrologic Monitoring Systems	688	818
NSW Metering Pilot Scheme	7,138	8,396
LMD Catchment Management Authority	1,914	1,927
Stevens Weir Fishway	4,217	4,277
Yanga Regulator	100	100
Chaffey Dam Augmentation	31,742	24,743
Metering Project	17,776	5,041
Belubulla Investigation	295	389
Basin Plan Implementation	-	498
Menindee Water Supply	796	961
Broken Hill Emergency Water	4,548	5,456
Broken Hill Supply Investigation	10,383	12,100
Total	149,246	138,830

Notes to the financial statements

For the year ended 30 June 2016

16. Borrowings	2016 \$'000	2015 \$'000
Current borrowings		
NSW Treasury Corporation	36,380	277,248
Current borrowings	36,380	277,248
Non-current borrowings		
NSW Treasury Corporation	621,896	384,426
Non-current borrowings	621,896	384,426

TPP 09-3 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 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 \$36 million (2015: \$277 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.

Financial risk management policies in relation credit risk, liquidity risk and market risk as well as approved financing facilities are disclosed in Note 23.

Notes to the financial statements

For the year ended 30 June 2016

17. Provisions

	2016 \$'000	2015 \$'000
Current provisions		
Employee benefits	27,852	30,836
Fringe benefit tax	140	154
Restructuring/Redundancy	763	9,611
Dividend ¹	60,600	-
Restoration ²	375	-
Current provisions	89,730	40,601
Non-current provisions		
Employee benefits	1,134	1,045
Restoration ²	908	1,110
Defined benefit superannuation scheme deficit	137,959	96,340
Non-current provisions	140,001	98,495

¹Under the National Taxation Equivalent Regime, the entity is not required to operate a dividend franking account. Dividend payable for financial year 2015/16 is \$60.6 million (2015: zero).

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

	Fringe benefit tax provision \$'000	Restructuring/ redundancy provision \$'000	Restoration provision \$'000	Dividend provision \$'000
At 30 June 2016				
Carrying amount at the beginning of the year	154	9,611	1,110	-
Additional provisions recognised	402	679	142	60,600
Amounts used	(415)	(9,527)	-	-
Unwinding of discount rate	-	-	31	-
Carrying amount at the end of the year	140	763	1,283	60,600

17. Provisions

	Fringe benefit tax provision \$'000	Restructuring/ redundancy provision \$'000	Restoration provision \$'000	Dividend provision \$'000
At 30 June 2015				
Carrying amount at the beginning of the year	128	24	285	20,300
Recognised on equity transfer	54	-	535	-
Additional provisions recognised	510	9,611	263	-
Amounts used	(538)	(24)	-	(20,300)
Unwinding of discount rate	-	-	27	-
Carrying amount at the end of the year	154	9,611	1,110	-

(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.

17. 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
- * Salary growth risk: The risk that wages or salaries (on which future benefit amounts for active members 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 2016				
Net defined benefit liability/(asset) at beginning of the year	10,185	2,185	83,970	96,340
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

17. Provisions

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
At 30 June 2015				
Net defined benefit liability/(asset) at beginning of the year	3,745	894	35,557	40,196
Recognised upon equity transfer	6,571	1,803	49,855	58,228
Current service cost	707	237	1,021	1,966
Net interest on net defined benefit liability/(asset)	226	53	1,967	2,247
Actual return on fund assets less interest income	(1,599)	(299)	(4,503)	(6,401)
Actuarial (gain)/loss from changes in demographic assumptions	423	46	(1,188)	(719)
Actuarial (gain)/loss from change in financial assumptions	447	6	5,078	5,531
Actuarial (gain)/loss arising from liability experience	392	(353)	(3,235)	(3,196)
Employer contributions	(727)	(203)	(582)	(1,512)
Net defined benefit liability at end of the year	10,185	2,185	83,970	96,340

Reconciliation of the fair value of fund assets

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

At 30 June 2015

Fair value of fund assets at beginning of the year	17,042	2,677	43,590	63,309
Recognised upon equity transfer	12,657	2,581	35,101	50,339
Interest income	780	137	2,109	3,026
Actual return on fund assets less interest income	1,599	299	4,503	6,401
Employer contributions	727	203	582	1,512
Contributions by participants	343	-	431	774
Benefits paid	(946)	(354)	(3,243)	(4,542)
Taxes, premiums and expenses paid	182	93	272	547
Fair value of fund assets at end of the year	32,384	5,635	83,346	121,365

17. Provisions

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Reconciliation of the defined benefit obligation				
At 30 June 2016				
Present value of obligation at beginning of the year	42,569	7,821	167,315	217,704
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
At 30 June 2015				
Present value of obligation at beginning of the year	20,787	3,571	79,146	103,504
Recognised upon equity transfer	19,228	4,384	84,956	108,567
Current service cost	707	237	1,021	1,966
Interest cost	1,007	190	4,076	5,273
Contributions by participants	343	-	431	774
Actuarial (gain)/loss from changes in demographic assumptions	423	46	(1,188)	(719)
Actuarial (gain)/loss from change in financial assumptions	447	6	5,078	5,531
Actuarial (gain)/loss arising from liability experience	392	(353)	(3,235)	(3,196)
Benefits paid	(946)	(354)	(3,243)	(4,542)
Taxes, premiums and expenses paid	182	93	272	547
Present value of obligation at end of the year	42,569	7,821	167,315	217,704

17. 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.

Assets category	Quoted prices in market for identical assets \$'000	Significant observable inputs \$'000	Unobservable inputs \$'000	Total \$'000
	Level 1	Level 2	Level 3	
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
As at 30 June 2015				
Short term securities	95,603	2,545,913	-	2,641,516
Australian fixed interest	958	2,638,759	16,881	2,656,598
International fixed interest	(110)	1,003,959	-	1,003,849
Australian equities	9,898,541	503,999	4,400	10,406,940
International equities	9,963,287	2,585,150	563,044	13,111,481
Property	948,421	718,406	1,785,782	3,452,609
Alternatives	622,102	3,020,225	3,527,860	7,170,187
Total as at 30 June 2015	21,528,802	13,016,411	5,897,967	40,443,180

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

	2016	2015
Short term securities	5.4%	6.5%
Australian fixed interest	7.1%	6.6%
International fixed interest	2.2%	2.5%
Australian equities	25.5%	25.7%
International equities	31.6%	32.4%
Property	9.6%	8.6%
Alternatives	18.6%	17.7%
Total	100%	100%

17. Provisions

Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/(payables) estimated to be around \$2.83 billion. This gives total estimated assets of \$41.01 billion.

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 2016 \$189.6 million (2015: \$209.2 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 \$222 million (30 June 2015: \$159 million).

* Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$243 million (30 June 2015: \$204 million).

Significant actuarial assumptions at the reporting date	2016	2015
Discount rate	1.99% p.a.	3.03% p.a.
Salary increase rate (excluding promotional increases)		
2015	-	2.27% p.a.
2016/17 to 2018/19	2.50% p.a.	2.50% p.a.
2019/20	3.50% p.a.	3.50% p.a.
2020/21	3.50% p.a.	3.00% p.a.
2021/22 to 2024/25	3.00% p.a.	3.00% p.a.
2025/26	3.00% p.a.	3.50% p.a.
2026/27 onwards	3.50% p.a.	3.50% p.a.
Rate of CPI increase	1.5% 2015/2016; 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa thereafter	2.50% p.a.
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 per 2012 actuarial investigation of the Pooled Fund

17. Provisions

Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2016 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 2016. 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)	250,744	295,247	215,563

	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)	250,744	269,628	233,739

	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)	250,744	247,986	255,698

	Base case	+5% Pensioner mortality rate*	-5% Pensioner mortality rate**
Defined benefit obligation (\$'000)	250,744	247,986	255,698
Defined benefit obligation (\$'000)	250,744	247,986	255,698

17. Provisions

*Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021

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

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

Asset-Liability matching strategies

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

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review 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 financial position of the Fund calculated in accordance with AAS 25 'Financial Reporting by Superannuation Plans':

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
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
As at June 2015				
Accrued benefits - Rural ¹	18,022	2,799	42,169	62,990
Accrued benefits - Greater Sydney ¹	15,423	3,227	38,479	57,129
Net market value of fund assets - Rural	(18,629)	(2,787)	(47,084)	(68,500)
Net market value of fund assets - Greater Sydney	(13,755)	(2,848)	(36,262)	(52,865)
Net (surplus) / deficit	1,061	391	(2,698)	(1,246)

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
	A	B	A
Recommended contribution rate for 2016	1.9	2.5	1.6
Recommended contribution rate for 2015	1.9	2.5	1.6

A = multiple of members contributions

B = percentage of members salary

17. Provisions

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 15.1 years for Rural (2015: 13.8 years) and 16.1 years for Metro (2015: 14.8 years).

Economic assumptions

The economic assumptions adopted for the 30 June 2015 actuarial investigation of the Pooled Fund are:

Weighted average assumptions	Per annum
Expected rate of return on Fund assets backing current pension liabilities	7.8%
Expected rate of return on Fund assets backing other liabilities	6.8%
Expected salary increase rate (excluding promotional salary increases)	3.0% to 30 June 2019 then 3.5% pa thereafter
Expected rate of CPI increase	2.5%

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Expected employer contributions for the financial year ended 30 June 2017				
2016	808	264	883	1,955
2015	849	279	991	2,119

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Impact financial year to 30 June 2016				
Profit or Loss				
Current service cost	881	313	533	1,727
Net interest	296	63	2,534	2,893
Profit or loss component of the defined benefit cost	1,177	376	3,067	4,620
Other comprehensive income				
Actuarial (gains) losses on liabilities	4,817	707	33,294	38,818
Actual return on Fund assets less interest income	74	41	(194)	(80)
Total remeasurement in other comprehensive income	4,891	748	33,100	38,738

Notes to the financial statements

For the year ended 30 June 2016

18. Commitments	2016 \$'000	2015 \$'000
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Capital commitments

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

Property, plant and equipment	28,545	39,750
Capital commitments	28,545	39,750

Amounts disclosed as capital commitments includes GST of \$2.6 million (2015: \$3.3 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	4,854	3,714
Later than one year but not later than five years	15,244	12,596
Later than five years	2,200	7,882
Operating lease commitments	22,298	24,192

Representing non-cancellable operating leases	22,298	24,192
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Amounts disclosed as operating lease commitments includes GST of \$2.0 million (2015: \$2.2 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	2,276	2,391
Later than one year but not later than five years	4,764	6,009
Later than five years	47,858	48,889
Operating lease commitments	54,898	57,289

Representing non-cancellable operating leases	54,898	57,289
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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 (2015 10 years to 75 years) with option periods following, ranging up to 75 years.

Notes to the financial statements

For the year ended 30 June 2016

19. Equity transfer

Water NSW

On 1 January 2015 the *Water NSW Act 2014* commenced. The assets, rights and liabilities of the former Sydney Catchment Authority were transferred to Water NSW, previously known as State Water Corporation. Staff of the Sydney Catchment Authority were employed by the NSW Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) under the Government Sector Employment Act 2013. The *Water NSW Act 2014* facilitated the transfer of such staff to Water NSW effective 1 January 2015.

This was an administrative restructure, which is treated as a contribution by owners and recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. The carrying value of assets and liabilities held by the former body as at 1 January 2015 approximated the fair value transferred to Water NSW.

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

	31 December 2014 \$'000
Net assets transferred	
Cash	23,395
Receivables	21,518
Other non-financial assets	1,974
Property, plant and equipment	1,438,909
Intangibles	3,723
Trade and other payables	(98,484)
Other liabilities	(1,772)
Current tax liabilities	(3,146)
Provisions	(1,585)
Borrowings	(501,886)
Deferred tax liability	(120,090)
Net assets transferred to Water NSW on equity transfer	762,556

Green State Power

On 7 July 2014 certain Green State Power assets were vested to the then State Water Corporation. The assets comprised two parcels of land which were transferred at fair value.

This was a Government policy decision to transfer assets between public sector agencies as part of the electricity generator privatisation process. The transaction is treated as a contribution by owners and recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. The carrying value of assets and liabilities held by Green State Power at vesting date approximated the fair value transferred to Water NSW.

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

	7 July 2014 \$'000
Property, plant and equipment	450
Net assets transferred to State Water Corporation (now Water NSW) on equity transfer	450

Notes to the financial statements

For the year ended 30 June 2016

20. 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 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.

Notes to the financial statements

For the year ended 30 June 2016

21. Related parties	2016 \$'000	2015 \$'000
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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 the entity, directly or indirectly. This comprises all directors, whether executive or non-executive, and senior executives who lead the various divisions of the entity.

Remuneration of key management personnel

Short term employee benefits	4,504	2,651
Long term employee benefits	52	45
Termination benefit	-	33
Post term employee benefits	240	193
Remuneration of key management personnel	4,796	2,922

This comprises compensation relating to:

Directors, excluding Chief Executive Officer	464	454
Senior executives, including Chief Executive Officer	4,332	2,467
Remuneration of key management personnel	4,796	2,922

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. During the current reporting period there were no related party transactions other than key management personnel compensation with key management personnel or related parties.

Notes to the financial statements

For the year ended 30 June 2016

22. Auditors remuneration	2016 \$'000	2015 \$'000
Financial audit of Water NSW	350	350
Auditors remuneration	350	350

Notes to the financial statements

For the year ended 30 June 2016

23. Financial instruments

a) Risk management framework

Water NSW's principal financial instruments are presented 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.

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	Carrying amount
	30 June 2016	30 June 2015
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	Not applicable	194,698
Trade and other receivables ¹	Loans and receivables	81,327
	37,189	44,739
Financial assets	231,887	126,066
Financial liabilities		
Trade and other payables	Amortised cost	57,831
Borrowings	Amortised cost	46,289
	658,276	661,674
Financial liabilities	716,107	707,963

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 the entity, including cash, receivables, and deposits. No collateral is held by the entity and no financial guarantees have been granted.

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

23. Financial instruments

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.

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 charge 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:

	Carrying amount 30 June 2016 \$'000	Carrying amount 30 June 2015 \$'000
Past due but not impaired ^{1,2}		
31 - 60 days overdue	839	1,362
61 - 90 days overdue	699	5,449
> 90 days overdue	1,134	880
Current assets	2,672	7,691

23. Financial instruments

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

	Carrying amount 30 June 2016 \$'000	Carrying amount 30 June 2015 \$'000
Considered impaired ^{1,2}		
Less than 3 months overdue	-	31
Between 3 months and 6 months overdue	-	2
More than 6 months overdue	359	325
Current assets	359	358

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

c) Liquidity risk

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

The entity 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 2016			
Long term borrowing facility	745,000	658,276	86,724
"Come & Go" facility	37,000	-	37,000
Intra-day facility ¹	45,000	-	45,000
Credit card facility ¹	1,500	181	1,319
Cheque cashing authority ¹	202	-	202
Overdraft facility ¹	2,000	-	2,000
Operating leases	30,000	22,298	7,702
Borrowing facility	860,702	680,755	179,947
30 June 2015			
Long term borrowing facility	745,000	661,675	83,325
"Come & Go" facility	37,000	-	37,000
Intra-day facility ¹	45,000	-	45,000
Credit card facility ¹	945	177	768
Cheque cashing authority ¹	202	-	202
Overdraft facility ¹	2,000	-	2,000
Operating leases	30,000	24,192	5,808
Borrowing facility	860,147	686,044	174,103

23. Financial instruments

¹NSW Treasury has advised Water NSW that an approval for financial accommodation in accordance with section 8(2) of the *Public Authorities (Financial Arrangements) Act 1987* is not required.

WaterNSW'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 18.

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			
	Total	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
30 June 2016				
Trade and other payables	57,831	57,831	-	-
Borrowings	658,276	36,380	407,019	214,877
Non-derivative financial liability	716,107	94,211	407,019	214,877
30 June 2015				
Trade and other payables	46,289	46,289	-	-
Borrowings	661,673	277,248	162,688	221,737
Non-derivative financial liability	707,962	323,537	162,688	221,737

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.

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. The entity's exposures to market risk are primarily through interest rate risks related to borrowings and other price risks associated with the movement in the unit price of the 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 reporting date. The analysis assumes that all other variables remain constant.

23. Financial instruments

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 \$658 million (2015: \$662 million).

	2016 \$'000	2015 \$'000
Fixed rate instruments		
Call loans to Authorities	12,000	1,001
Commonwealth guaranteed	24,409	24,322
Loans State guaranteed	600,687	615,495
CPI Indexed YOY loan	4,085	-
Loans to Authorities	17,095	20,857
Fixed rate instruments	658,276	661,674
Variable rate instruments		
Cash and cash equivalents (excluding Hour-Glass Cash Facility)	66,941	40,239
Variable rate instruments	66,941	40,239

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.

	Profit or loss		Equity	
	+100bp	- 100bp	+ 100bp	- 100bp
Variable rate instruments - 30 June 2016				
Cash and cash equivalents	669	(669)	669	(669)
	669	(669)	669	(669)
Variable rate instruments - 30 June 2015				
Cash and cash equivalents	402	(402)	402	(402)
	402	(402)	402	(402)

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:

23. Financial instruments

Facility	Investment sectors	Investment horizon	30 June 2016 \$'000	30 June 2015 \$'000
Cash Facility	Cash, Money market Instruments	Up to 1 1/2 years	127,757	41,088

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 the entity'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 percent 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.

	Impact on profit/loss		
	Change in unit price	30 June 2016 \$'000	30 June 2015 \$'000
T-Corp Hour-Glass Investment	+/- 1%	1,278	411

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):

23. Financial instruments

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
30 June 2016				
T-Corp Hour-Glass Investment (Cash) Facility	-	127,757	-	127,757
	-	127,757	-	127,757
30 June 2015				
T-Corp Hour-Glass Investment (Cash) Facility		41,088	-	41,088
	-	41,088	-	41,088

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.

	30 June 2016		30 June 2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash at bank and on hand	66,941	66,941	40,239	40,239
Trade and other receivables	37,189	37,189	44,739	44,739
Cash - T-Corp Hour-Glass Facility	127,757	127,757	41,088	41,088
Financial liabilities				
Trade and other payables	57,831	57,831	46,289	46,289
Borrowings	658,276	658,276	661,674	691,623

f) Capital management

Consistent with TPP02-7 *NSW Treasury Policy Capital Structure Policy for Government Businesses* which is a component of the NSW Government's Commercial Policy Framework, the entity's objectives are to determine an appropriate capital structure to enable an appropriate return on equity and efficient investment decisions to be made on a commercial basis.

Under the policy, an appropriate capital structure is considered using the following criteria:

- * Provision of an acceptable stream of dividends to the entity's Shareholder;
- * Maintenance of an appropriate investment grade rating;

23. Financial instruments

- * Capacity to finance the approved capital program through internally generated cash flow and debt; and
- * Provision of sufficient flexibility for relevant contingencies.

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.

	2016 \$'000	2015 \$'000
Total borrowings	658,276	661,674
Less cash and cash equivalents	(194,698)	(81,327)
Net debt	463,578	580,347
Total equity	1,261,268	1,193,327
Total capital employed	1,724,846	1,773,674
Gearing ratio¹	24.15%	31.29%

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

Dividend policy

The Board has prepared the Statement of Corporate Intent for the year ending 30 June 2016 on a dividend payout ratio of 100 percent of profit after tax for 2015/16 to 2017/18.

From 2018/19 a dividend of 70% is proposed to assist with borrowing capacity for future capital expenditure requirements including to carry out the SCA's commitments under the Metropolitan Water Plan, and the refurbishment of the Upper Canal.

Notes to the financial statements

For the year ended 30 June 2016

24. Administered items	2016 \$'000	2015 \$'000
Administered revenue, assets and liabilities		
Administered revenues		
NOW - water charges	43,016	45,281
YCATAC - Yanco Columbo system levy	112	142
Total administered revenue	43,128	45,423
Administered assets		
Administered cash	7,060	653
Debtors and accrued charges NOW	4,415	4,088
Total administered assets	11,475	4,741
Administered liabilities		
Creditors and accruals NOW	11,475	4,745
Creditors and accruals YCATAC	-	(4)
Total administered liabilities	11,475	4,741

Water NSW administers, but does not control, certain activities on behalf of the New South Wales Office of Water (NOW) and Yanco Creek and Tributaries Advisory Council (YCATAC). Transactions and balances relating to administered activities are not recognised as Water NSW's income, expenses, assets and liabilities but are disclosed in the above schedules as "Administered Revenues", "Administered Assets" and "Administered Liabilities". The accrual basis of accounting and applicable accounting standards have been adopted.

Under these arrangements Water NSW is responsible for billing water licence holders on behalf of:

* NOW for unregulated river and groundwater charges and regulated river charges which are shared between Water NSW and NOW.

* YCATAC for a levy on irrigators in the Yanco Columbo System.

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.

Notes to the financial statements

For the year ended 30 June 2016

25. Events after balance date

Following the issue of the Water NSW Amendment (Staff Transfers) Bill 2016 dated 7 June 2016 the Minister has transferred certain staff employed in the Department of Industry to Water NSW for the purposes of enabling Water NSW to exercise its functions. The order is effective starting from 1 July 2016 and was signed by the Minister on 15 June 2016.

It is expected that certain functions of the Office of Water NSW as well as related assets and liabilities will be transferred to the Water NSW with the effective date of 1 July 2016.

End of audited financial statements

Appendices



Appendix 1 – Corporate governance

Board members and qualifications at 30 June 2016



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.



Rob Aldis
BE (Civil), FAICD

Rob 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. He is currently the Chairman of NWRG and its subsidiaries, which are the owners and shareholders of the M7 Motorway and NorthConnex Tunnel project in Sydney. Rob is also a member of the Project Advisory Group for the completion of the Pacific Highway in NSW.



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.



Chris Westworth
LLB (Hons)

Chris Westworth currently works as a consultant on a variety of financial reporting, financial structuring, auditing and compliance matters for Westworth Kemp Consultants. Prior to his current employment, he enjoyed a successful tenure with Ernst & Young over a period of 25 years, working in a number of different positions, including Audit Partner and Oceania Professional Practice Director.



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

The Board had five committees at the start of the year:

- Audit, Financial Risk and Compliance;
- Health, Science and Water Quality;
- People and Culture;
- Safety, Operations, Environment and Catchment Protection; and
- Infrastructure Planning and Development.

The Board reviewed the committee structure in April 2016 and at 30 June 2016 WaterNSW Board had four standing committees and their members were:

Audit & Risk - Chris Westworth (Chair) and Nicholas Brunton.

Infrastructure and Operations - Rob Aldis (Chair) and Chris Westworth.

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

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

Board meeting attendance

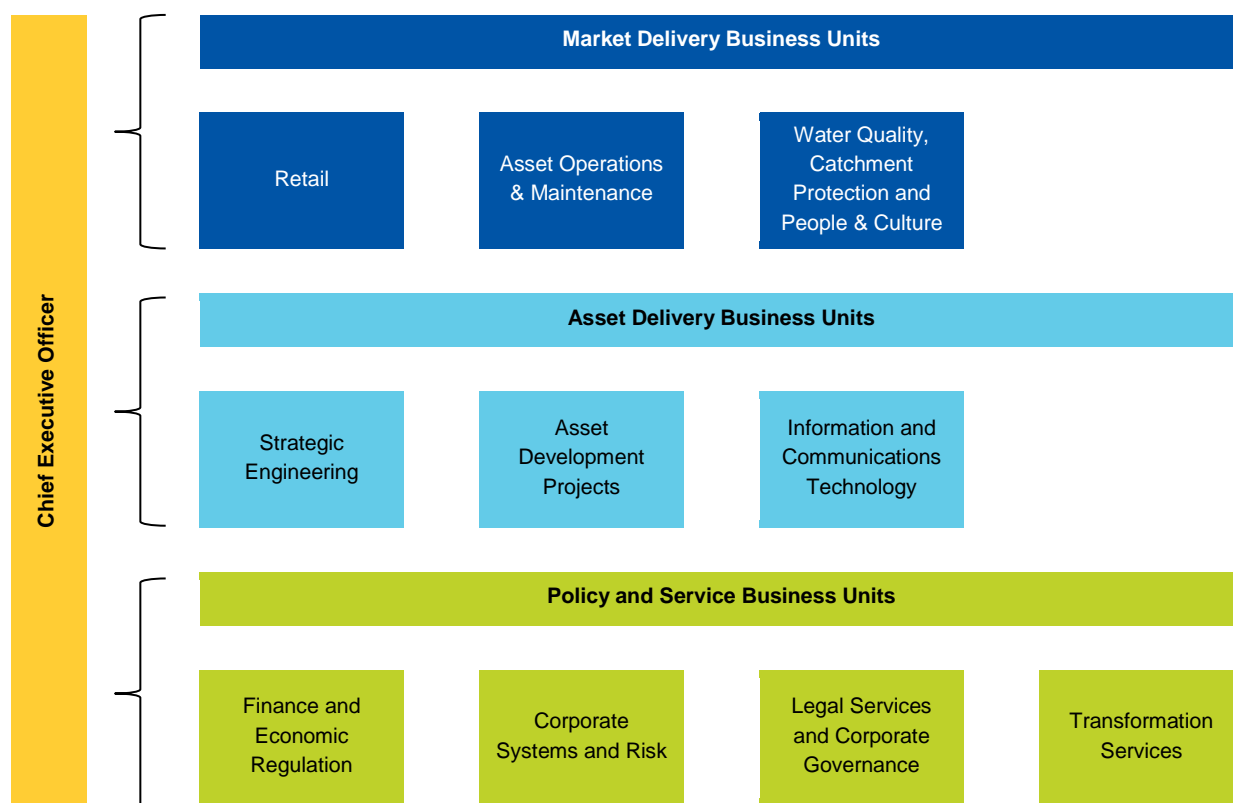
	Board	Safety, Operations, Environment & Catchment Protection	Health, Science & Water Quality	Infrastructure Planning & Development	Audit, Financial Risk & Compliance	People & Culture Committee	Safety, People & Capability	Water Quality, Health & Catchment Protection
	Held (Attend)	Held (Attend)	Held (Attend)	Held (Attend)	Held (Attend)	Held (Attend)	Held (Attend)	Held (Attend)
Terry Charlton ¹	6 (6)	1 (1)	1 (1)	2 (2)	4 (3)	5 (5)	-	-
Nicholas Brunton	10 (10)	1 (1)	2 (2)	2 (0)	4 (4)	-	1 (1)	1 (1)
Carmel Krogh ²	7 (7)	1 (1)	2 (2)	2 (2)	4 (4)	-	-	-
Andrew Wilson	10 (9)	1 (1)	2 (1)	2 (1)	4 (3)	5 (5)	1 (1)	1 (1)
Chris Westworth	10 (7)	1 (0)	2 (1)	2 (2)	4 (4)	5 (4)	-	-
Rob Aldis	10 (8)	1 (0)	2 (1)	2 (1)	4 (2)	5 (4)	1 (1)	-
Anne McDonald ³	4 (4)	-	1 (1)	-	-	-	1 (1)	1 (1)
David Harris	10 (10)	1 (1)	2 (2)	2 (2)	4 (4)	5 (5)	1 (1)	1 (1)

¹ Terry Charlton resigned 22 February 2016.

² Carmel Krogh resigned 31 March 2016.

³ Anne McDonald appointed 31 March 2016.

Executive management team



The Executive management team of WaterNSW, led by the Chief Executive Officer David Harris, manages WaterNSW in accordance with the policies and other decisions determined by the Board. This includes:

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

The WaterNSW Executive management team consisted of the members listed in the table below at 30 June 2016.

Name	Position	Qualifications
David Harris	Chief Executive Officer	BEd, LLB (Hons)
David Stockler	Executive Manager, Retail	Cert. Bus, Fin & Marketing
Adrian Langdon	Executive Manager, Asset Operations and Maintenance	BAppSc, MEnvMan
Fiona Smith	Executive Manager, Water Quality, Catchment Protection and People & Culture	BSc (Resource Mgt), MBA
Andrew George	Executive Manager, Strategic Engineering	BE (Hons), MIEAust
Brett Tucker	Executive Manager, Asset Development Projects	BRurSc (Hons), GradCertAcct
Gordon Dunsford	Executive Manager, Information and Communications Technology	MBA (Computing), FAIM, APMP, MACS(Snr) CP
Elli Baker	Chief Financial Officer	BE, MFin, CFA
Simone Greenaway	Executive Manager, Corporate Systems and Risk	BEd, MEc, EMPA
Susi Curtis	General Counsel	BA LLB, Civil Law course
Daniel Lucas	Executive Manager, Transformation	BBus CA

Executive team numbers and salaries

Salary range	2014-15			2015-16		
	Average salary	Male	Female	Average salary	Male	Female
Band 4 +	\$533,147	1	0	\$533,147	1	0
Band 4	-	0	0	-	0	0
Band 3	\$342,312	1	2	\$339,086	2	1
Band 2	\$251,089	2	1	\$267,420	3	2
Band 1	\$179,645	14	1	\$236,346	1	1

The estimated percentage of total employee related expenditure that relates to senior executives for 2015-16 is 5% compared to 6% in 2014-15.

Appendix 2 – Legislative framework and legal issues

Significant legislation

The *Water NSW Act 2014* (NSW) was amended from 1 July 2016 by the *Water NSW Amendment (Staff Transfers) Act 2016* (NSW) which inserted a new section 28A ('Transfer of Departmental Staff to Water NSW') and a new clause 29 in Part 3 of Schedule 2 ('Provisions consequent on conferral of certain functions on Water NSW'). This amendment resulted in the transfer of DPI Water staff to WaterNSW.

WaterNSW's Operating Licences were substituted on 1 July 2016 to reflect the conferral of Water Administration Ministerial Corporation functions to WaterNSW. A new Schedule A ('Conferral of Functions') was included in the State Water Operating Licence and an identical Schedule 2 ('Conferral of Functions') was included in the SCA Operating Licence. These schedules are comprised of tables of provisions from the *Water Management Act 2000* (NSW), the *Water Act 1912* (NSW), the *Water Management (General) Regulation 2011* (NSW), the *Access Licence Dealing Principles Order 2004* (NSW) and Water Management Plans and are categorised into functional groups:

- Licensing Functions;
- Approval Functions;
- Compliance Functions;
- Metering Functions;
- Border Rivers Functions;
- General Administrative Functions;
- Joint Private Works Functions; and
- Group Licences Functions.

Finally, the Minister for Lands and Water and the Minister administering the affairs of the Water Administration Ministerial Corporation, made a Transfer Order under section 28(1) of the *Water NSW Act 2014* (NSW) to transfer assets, rights and liabilities from DPI Water to WaterNSW effective 1 July 2016.

Current legal matters

Proceedings in respect of allegations that Veolia, through its contractor, entered onto and damaged plants on Metropolitan Special Area land without WaterNSW permission were discontinued due to evidentiary problems. This followed the decision in *WaterNSW v Faulkner* that in its prosecution in respect of alleged dumping of waste in the Metropolitan Special Area on 19 June 2013, WaterNSW failed to prove beyond reasonable doubt that Mr Faulkner had committed the offences with which he was charged.

In the matter of *WaterNSW v Hough*, which was a court elect from the issue of a penalty notice concerning offences in the catchment, the matter was determined in the Port Kembla Local Court with a decision being made in favour of WaterNSW.

Appendix 3 – Access to information

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 2015-16 WaterNSW's program for the proactive release of information included regular reviews of the content and currency of information available on its website; regular consultation with WaterNSW Customer Service staff, management and major project business units to evaluate the type of information the community is seeking access to and whether any of that information can be proactively released; and review of WaterNSW access to information processes.

WaterNSW has proactively released information in the following areas:

- About our dams;
- Individual dam levels;
- Customer news and updates;
- Major projects;
- Early Warning Network System;
- Water quality; and
- Water supply.

WaterNSW aims to make doing business simpler and easier for customers through its online services, customer helpdesk and field based staff. The online system is reviewed regularly and communication with customers is frequent. WaterNSW welcomes any feedback from customers and members of the general public to make accessing our information easier.

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

During the financial year 2015-16 WaterNSW received twelve valid applications under the *Government Information (Public Access) Act 2009*. One application was withdrawn by the applicant. Eleven applications were assessed and the outcome communicated to applicants within the statutory timeframe.

Applications were decided as follows:

- ten applications were granted in full; and
- one application was granted in part. This was because there was a public interest consideration against disclosing part of the information requested (as listed in table, section 14 of this Act).

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	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	1*
Not for profit organisations or community groups	0	1	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	10	0	0	0	0	0	0	1

* One application received in financial year 2014-15 was granted in part. The applicant lodged a request with NCAT to review the determination this financial year. In November 2015 a planning meeting was held and timetable for matter was set. Application was withdrawn by applicant in April 2016.

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)	10	1	0	0	0	0	0	2
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	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0
Total	1

Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	11
Decided after 35 days (by agreement with the applicant)	0
Not decided within time (deemed refusal)	0
Total	11

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
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	0	0

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

Public interest disclosure

The purpose of the Public Interests Disclosures Act 1994 (PID Act) is to ensure that public officials, which includes the employees of WaterNSW, who make disclosures about wrongdoing receive protection from reprisals and that the matters raised are properly investigated and dealt with.

WaterNSW is committed to encouraging and facilitating the disclosure of wrongdoing related to WaterNSW through the implementation of a procedure which complies with the provisions of the PID Act. WaterNSW's Public Interest Disclosures Procedure is published on our Intranet and confirms that WaterNSW will not tolerate any reprisal against an employee who makes a report of wrongdoing or is believed to have reported wrongdoing.

The procedure establishes an internal reporting system for the purposes of the PID Act involving corrupt conduct; maladministration; serious and substantial waste of public money or government information contravention by WaterNSW or its employees to designated persons nominated in the procedure.

WaterNSW has appointed disclosures officers in urban and rural areas and a disclosures coordinator who can receive and assess reports and is the contact point for the reporter.

The procedure is designed to complement normal communications channels between a manager and their staff. Employees are encouraged to raise matters of concern at any time with their immediate manager, but also have the option of making a formal PID report.

Public interest disclosures 2015-16	
Number of public officials who made public interest disclosures	NIL
Number of public interest disclosures received	NIL
Primarily about corrupt conduct	NIL
Primarily about maladministration	NIL

Appendix 4 – Workforce statistics

Overseas visits by staff

There were no overseas visits by staff in 2015-16.

Compensable injuries

WaterNSW has placed a strong focus on developing a comprehensive Work Health and Safety (WHS) Management System for its workers. This involved extensive consultation across all parts of the organisation, while taking into consideration recognised best practices and the practical implementation of mitigation strategies. A detailed implementation strategy including objectives and targets has been developed.

There were no prosecutions.

	2012-13 State Water	2013-14 State Water	2014-15 WaterNSW	2015-16 WaterNSW
Total compensable injuries	4	4	9	4
Total lost time days*	125	37	383	438
Average lost time days per compensable injury	5.5	2.4	19.3	62.5

* Lost time injury days per year include days lost due to prior year injuries: 2012-13 (103 days), 2013-14 (27 days), 2014-15 (221 days) and 2015-16 (89 days).

Workforce numbers

	2012-13 State Water	2013-14 State Water	2014-15 WaterNSW	2015-16 WaterNSW
Total employees	310	319	650	532

WaterNSW adjusted salaries and allowances by 2.5% for those employees under the State Water Corporation Enterprise agreement 2012 and by 2.5% for those employees under the Sydney Catchment Authority Consolidated Award 2015-16 for the reporting period in line with NSW Government Wages Policy.

Workforce diversity

Percentage of total staff distribution¹

	Benchmark or target (%)	2011-12 State Water (%)	2012-13 State Water (%)	2013-14 State Water (%)	2014-15 WaterNSW (%)	2015-16 WaterNSW (%)
Women	50	25.2	24.8	24.1	29.7	28.0
Aboriginal people and Torres Strait Islanders	2.6 ²	1.9	1.9	2.2	1.7	1.6
People whose first language spoken was not English	19.0	8.7	3.5	4.1	12.5	7.5
People with a disability	N/A	1.2	1.3	1.3	2.3	1.7
People with a disability requiring work-related adjustment	1.5 ³	0.3	0.3	0.3	0.6	0.4

1 Staff numbers as at 30 June 2016 excluding casual staff.

2 Minimum target by 2015.

3 Minimum annual incremental target set from December 2010 (2011 = 1, 2012 = 1.3, 2013 = 1.5).

Distribution index^{1,2}

	Benchmark or target (%)	2011-12 State Water (%)	2012-13 State Water (%)	2013-14 State Water (%)	2014-15 WaterNSW (%)	2015-16 WaterNSW (%)
Women	100	87	89	84	91	93
Aboriginal people and Torres Strait Islanders	100	N/A ³	N/A ³	N/A ³	N/A ³	N/A
People whose first language was not English	100	119	N/A ³	N/A ³	105	112
People with a disability	100	N/A ³	N/A ³	N/A ³	N/A ³	N/A
People with a disability requiring work-related adjustment	100	N/A ³	N/A ³	N/A ³	N/A ³	N/A

1 Staff numbers as 30 June 2016 excluding casual staff.

2 A distribution index of 100 indicates that the centre of distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. An index more than 100 indicates that the EEO group is less concentrated at the lower salary levels.

3 The distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.

Workforce diversity statement

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

WaterNSW's commitment to equity and diversity continues to be communicated to workers through new employee inductions and staff newsletters to coordinate and promote activities and events to support diversity and inclusion in our workplace.

The Diversity strategy will be reviewed and further developed over the next 12 months.

Personnel and industrial relations policies and procedures

Learning and development

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

Performance management

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

Recruitment selection

- Job Evaluation Procedure
- Job Vacancies Procedure

Staff welfare

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

Employment conditions and award

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

Appendix 5 – Complaints received

Complaints made to WaterNSW

Over the reporting period, 119 customer complaints in total were received.

Complaints by category

Category	Number of complaints
Asset Management	12
Communications	4
Customer Service Charter	1
Employee Performance	11
iWAS	4
Metering Project MID Murray	3
Metering Project Murray	10
Metering Project Murrumbidgee	5
Trade	3
Water Account Balances	7
Water Delivery	23
Water Metering - General	2
WaterNSW Billing	26
Total	111

WaterNSW resolved 108 of these complaints within the reporting period.

An additional eight complaints were related to other agencies and were accordingly passed on to them for resolution.

Complaints made to other bodies

WaterNSW received three Referrals to Higher Level (RHL's) from the Energy and Water Ombudsman NSW (EWON) regarding customer complaints during the year. One RHL regarding metering issues was closed. Both remaining RHL's were raised to Level 1 investigations.

EWON conducted two Level 1 investigations. Issues relating to disputed charges and asset management were examined by WaterNSW and customers were contacted. All investigations were closed with the customers satisfied.

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

Appendix 6 – Financial performance

The Statement of Corporate Intent establishes the financial forecasts for WaterNSW on an annual basis. The SCI is agreed between the WaterNSW Board and its voting shareholders.

Performance in relation to budget

	Actual \$'000	Budget \$'000	Variance \$'000	Comments
Revenue	341,542	354,279	(12,737)	Lower revenue was driven by several externally funded fee-for-service projects being deferred.
Operating expenditure	162,915	184,362	(21,447)	Lower operating expenditure was driven by lower expenditure on fee-for service projects, expected pumping costs not materialising and management initiatives to drive a more financially responsible culture.
Profit before interest, tax, depreciation and amortisation	178,627	169,917	8,710	Lower revenue was offset by significantly lower operating expenditure.
Depreciation	53,165	57,442	(4,277)	Lower depreciation was driven by lower than expected capital expenditure.
Net interest expense	29,937	36,556	(6,619)	Lower net interest expense was driven by lower than expected interest rates.
Non-recurring items	41,841	-	(41,841)	An assessment of the fair value of assets resulted in an impairment charge.
Profit after tax	53,684	70,239	(16,555)	Lower profit after tax was driven by the non-recurring items.
Capital expenditure	57,708	124,413	(66,705)	Lower capital expenditure was driven by the strategic deferral or delays in a number of projects.

Budget outline 2016-17

	2016-17 \$'000
Revenue	310,377
Operating expenditure	150,007
Earnings before interest, tax, depreciation and amortisation	160,419
Depreciation and amortisation	58,967
Earnings before interest and tax	101,451
Net interest expense	31,121
Profit before tax	70,330
Tax	13,597
Net profit after tax	56,733
Capital expenditure	128,077

Economic factors affecting performance

WaterNSW's operating expenditure budget contains a component for energy costs that may be incurred if it is required to pump from the Shoalhaven system. These costs were significantly lower than forecast due to no pumping transfers taking place as the total dam storage levels remained above the 75% trigger for transfers from the Shoalhaven.

The current low interest rate environment has resulted in lower interest expenses.

Investment performance

WaterNSW invests surplus cash with TCorp's Hour-glass cash facilities. At the end of June 2016, \$127.757 million is held in the Hour-glass facility.

Annualised return on investment facilities as at 30 June 2016

Term of underlying liability	T-Corp facility	1 year	3 year	5 year	7 year
0-2 years	Hour-glass cash facility trusts	2.48	2.71	3.34	3.79
2-4 years	Hour-glass strategic cash facility trust	2.57	2.89	3.57	4.00
4-7 years	Hour-glass medium term growth facility trust	2.22	5.72	6.41	6.84
7+ years	Hour-glass long term growth facility trust	0.57	8.75	9.01	9.26

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

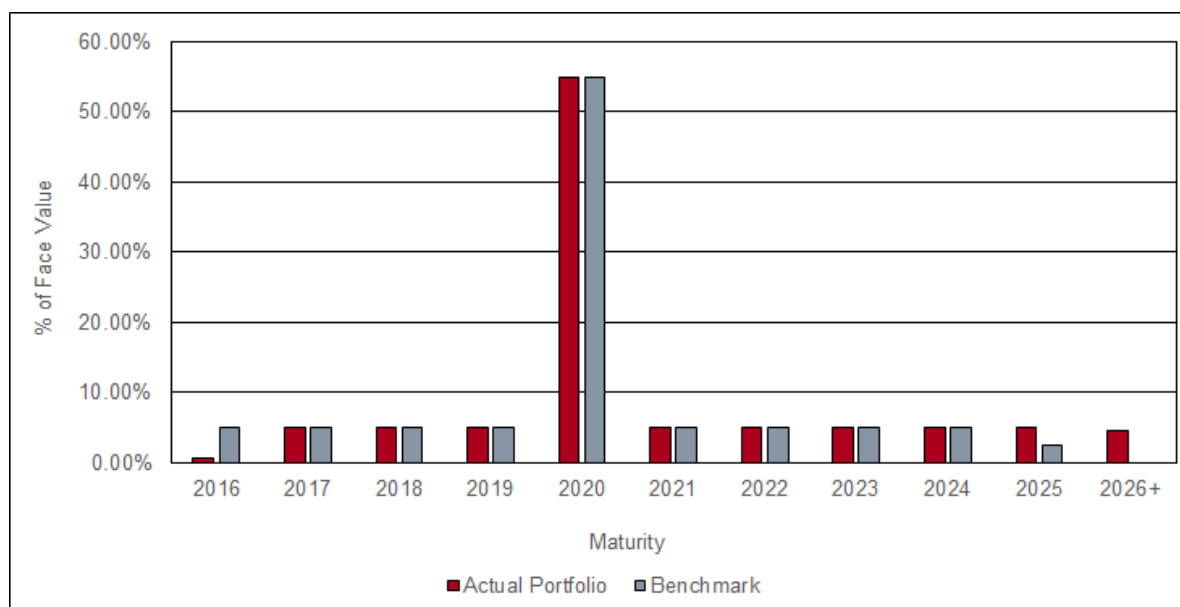
	1 year	3 year	5 year	7 year
Actual performance	2.48	2.71	3.34	3.79
Benchmark performance	2.24	2.51	3.10	3.48
Variance	0.24	0.20	0.24	0.31

Liability management

WaterNSW has in place a Treasury Risk Management Policy (TRMP) to monitor and control its liability exposure. WaterNSW's debt portfolio is structured in two sub-portfolios to reflect the different methodology used by IPART and the ACCC. The key risks monitored by the TRMP are interest rate repricing risk, debt mix risk and liquidity limits.

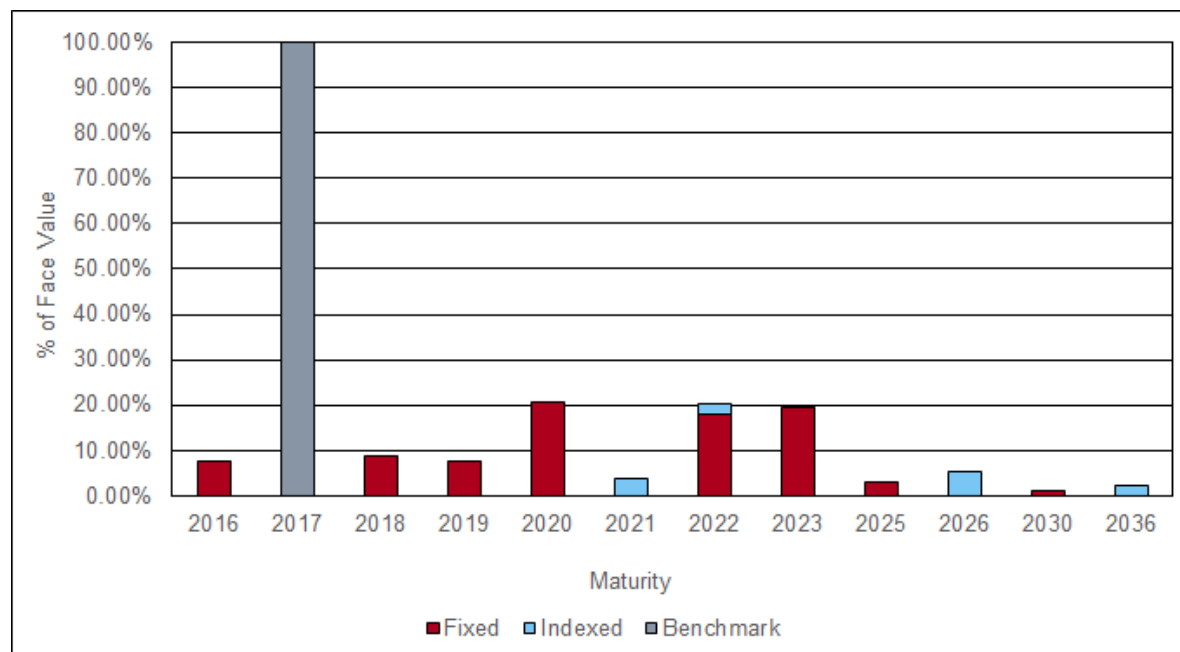
IPART portfolio

The chart below shows the maturity (or physical debt refinancing) profile of the portfolio against the IPART benchmark.



ACCC portfolio

The chart below shows the maturity (or physical debt refinancing) profile of the portfolio against its regulatory benchmark.



Consultancies

Over \$50,000	Organisational review	
	Name	Third Horizon Consulting Pty Ltd
	Consultancy	DPI Water transfer operating model design and transition planning
	Cost	\$582,524
	Information Technology	
	Name	Enterprise Architects Pty Ltd
	Consultancy	Development of Enterprise Architecture Roadmap plan
	Cost	\$288,860
	Engineering	
	Name	E3 Advisory Pty Ltd
	Consultancy	Delivery advice on raising Warragamba Dam wall
	Cost	\$105,503
	Legal	
	Name	Warwick Nosworthy
	Consultancy	Legal advice on the transfer of DPI Water to WaterNSW
	Cost	\$103,290
	Name	Norton Rose Fulbright Australia
	Consultancy	Review and advice on WaterNSW safety procedures
	Cost	\$87,386
	Finance and accounting	
	Name	Infosys Portland
	Consultancy	Review and analysis of procurement function
	Cost	\$83,253
	Work Health and Safety	
	Name	Finite Group Apac Pty Ltd
	Consultancy	Provide technical advice, develop implementation strategies & training material for Safety First program
	Cost	\$80,719
Total consultancies equal to more than \$50,000: \$1,331,535		
Less than \$50,000	During the year, 13 other consultancies were engaged in the following areas:	
	Engineering: \$59,429	
	Information Technology: \$53,714	
	Legal: \$30,884	
	Management Services: \$10,293	
	Total consultancies equal to less than \$50,000: \$154,320	

Land disposals

There were no disposals of land by WaterNSW in 2015-16.

Funds granted to non-government community organisations

Organisation	Purpose of funds	Amount
Australian Water Association	Sponsorship of Valuing Catchments as an Asset conference	\$5,500

Credit card certification

WaterNSW operates MasterCard Commercial Card facilities with Westpac. All expenditure on purchase cards is certified by cardholders and independently verified by the cardholder's supervisor. There is also continuous review of usage characteristics and authorisations to promote correct usage. Card usage is closely monitored by WaterNSW and Westpac.

As required by Treasurer's Direction 205.01, the Chief Executive Officer of WaterNSW certifies that credit card usage was in accordance with relevant government policy, Premier's Memoranda and Treasurer's Directions.

Cost of Annual Report

There were no external costs incurred in the production of the Annual Report.

Payment of accounts

Aged analysis at the end of each quarter 2015-16

	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	> 90 days overdue	Retention value ¹ \$'000
September	208,035	66,987	0	62,887	80,622
December	1,633,124	429,730	19,235	87,439	78,682
March	623,186	326,652	3,444	84,834	87,097
June	2,365,456	21,355	3,150	153,625	60,947

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 2015-16

Measure	Sep	Dec	Mar	Jun	Total
Accounts due for payment (number)	2,145	2,156	1,701	2,058	8,060
Accounts paid on time (number)	1,649	1,460	906	1,328	5,343
Accounts paid on time (percentage of number)	77%	68%	53%	65%	66%
Accounts due for payment (\$)	42,049,484	44,530,470	34,079,949	34,384,337	155,044,240
Accounts paid on time (\$)	26,093,527	34,349,269	21,737,606	27,848,022	110,028,424
Accounts paid on time (percentage of \$)	62%	77%	64%	81%	71%
Accounts with interest overdue (number)	0	0	0	0	0
Interest paid on overdue accounts (\$)	0	0	0	0	0

During the December quarter WaterNSW integrated the financial systems of the former Sydney Catchment Authority and the former State Water Corporation and moved to one platform for financial processing. The former Sydney Catchment Authority accounts payable function in Penrith ceased processing invoices and payments, with all invoices now sent to sites, processed and posted to Accounts Payable in Dubbo.

Purchase orders must be actioned by the site in order for Accounts Payable to enter the invoice and process payments to creditors. WaterNSW sites are remote and may only be visited once a week to collect and attend to mail.

Invoices less than \$3,000 are paid by purchase card where possible to allow processing of low value invoices promptly.

Appendix 7 – Compliance activities

Compliance with the Water Management Act 2000

WaterNSW treats compliance issues seriously in order to ensure business revenue protection, equitable access to water for customers and the maintenance of the market value of water as a business asset.

WaterNSW is required to provide notification of alleged instances or breaches where water was being taken without a water order to DPI Water, the NSW Water regulator. WaterNSW reported 13 alleged breaches to DPI Water in 2015-16. Reported breaches included:

- Illegally taking water on a zero share licence without first purchasing allocation;
- Taking water without a meter;
- Taking water without a working meter; and
- Taking of water in breach of water order conditions.

In the WaterNSW Water Accounting System, there were 119 instances of where users had extracted more water than ordered, i.e., had a negative balance on their water account at 30th June 2016. WaterNSW liaises with such customers to ensure they rectify the negative balances in their water accounts as soon as possible.

WaterNSW works closely with customers to ensure invoices are paid and payment plans are available to customers who are experiencing hardship. However, non-payment of invoices resulted in 16 licence suspensions under Section 78 of the Water Management Act 2000. Suspensions were lifted on a total of 23 licences during the year. As at 30 June 2016 there were 21 suspended licences in total.

Under Section 91i (S91i) of the Water Management Act 2000 it is an offence to take water from a water source when metering equipment is not operating properly. A total of 94 S91i applications were received in this year from customers.

Illegal water extraction has been reduced further through the introduction of telemetered meters in the Southern valleys. These meters have improved monitoring and reporting of time-stamped customer usage. Education of customers through verbal and written communications by WaterNSW field officers regarding water account negative balances plus regular communication with DPI Water has also helped reduce instances of illegal extraction.

Development applications assessed

	2012-13	2013-14	2014-15	2015-16
Number of development applications assessed	176	191	188	155
Proportion (of total received) of development proposals assessed within statutory timeframes (%)	99	98	100	100
Proportion (of total received) of development proposals where concurrence withheld (%)	0	0	0	0

Compliance with WaterNSW Act 2014

Water NSW is the appointed Regulatory Authority for the purposes of section 61 of the *Water NSW Act 2014* pursuant to the Water NSW - Appointment of Regulatory Authority Order 2014. In accordance with section 20L of the *State Owned Corporations Act 1989* and the Instrument of Conferral of Powers and Authority, the Board of Water NSW has conferred and authorised the Chief Executive Officer to exercise the powers conferred under any legislation.

The Chief Executive Officer appointed authorised officers to exercise regulatory functions of the *Water NSW Act 2014* and the Water NSW Regulation 2013. Certain employees were also appointed as authorised officers and enforcement officers to carry out the functions conferred or imposed on Water NSW under Part 2 of the Water NSW Regulation 2013, under the *Protection of the Environment Operations Act 1997* (POEO Act) and the Protection of the Environment Operations (General) Regulation 2009 (POEO Regulation).

The following information is required to be reported to the Minister under section 61 of the Water NSW Act 2014.

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	0	
	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	0	
	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	15 ³	13 PINs uncontested and two PINs were withdrawn after representation received.
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	1	On 22 January 2016 WaterNSW commenced prosecutions against Veolia Water Australia Pty Ltd in the Local Court for three alleged offences under the Water NSW Regulation 2013. On the advice of Counsel the proceedings were withdrawn with no order as to costs.

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.

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	3	Two notices were complied with in the specified timeframe. One notice was not responded to in the specified timeframe and contact could not be made with the recipient. As a result this matter was closed with no further action.
Section 74	The power to require an owner of a motor vehicle and others to give information	1	The notice was complied with in the specified timeframe.
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	

Other information requested by the Minister with respect to the exercise of regulatory functions

The Minister has not requested any other information.

Compliance with the Protection of the Environment Operations Act 1997

	2015-16
Clean-up notices (section 91)	1
Prevention (section 96)	0
Compliance cost notices (section 104)	0
Requirements to provide information and records notices (sections 192 and 193)	3
Prosecutions commenced	0
Penalty infringement notices issued	0
Warning letters issued	0

Risk management and insurance

Risk management

WaterNSW continued to implement its revised 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 employees, contractors, visitors and the community 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	Reputation	Water NSW fails to meet the expectations of customers, shareholder, regulator or community.
5	Capability/Service Delivery	Inadequate planning to meet long term water demand.
6	Capability/Service Delivery	Business systems fail to meet WaterNSW needs adversely impacting business performance.
7	Environment	WaterNSW causes significant environmental damage.
8	Compliance	Material Regulatory and/or Statutory breach.
9	Financial	Failure to capture the full cost of regulated services for the pricing submission.

Particular focus has been given to the Workplace Health and Safety (WHS) risk as part of the 'Safety First' initiative delivered across the organisation as a whole during the 2015/16 financial year. The WHS Management System was also communicated across the business through a series of training modules highlighting the core requirements of the procedures contained within the system.

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.

Implementation of pricing determinations

As a monopoly supplier of raw bulk water to customers in rural NSW and Greater Sydney, WaterNSW is subject to price regulation under:

- the *Water Act 2007* (Cth)
- the *Water Charge (Infrastructure) Rules 2010* (WCIR) made under the section 92 of the *Water Act 2007*
- 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
- the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) (IPART Act).

As such, WaterNSW is subject to price determinations made by the ACCC and IPART which set the maximum prices WaterNSW can charge its customers as well as the methodology to be applied for annual price changes. WaterNSW has implemented the outcomes of pricing determinations by charging customers the maximum prices as set out in the determinations.

WaterNSW notes that the IPART determined revenue for Greater Sydney from 1 July 2012 to 1 July 2016 included a carbon tax allowance. Following the repeal of the carbon tax with effect from 1 July 2014, WaterNSW has rebated customers the carbon tax allowance in each of 2014-2015 and 2015-2016 under an approval from the Treasurer dated 18 December 2014 to charge below the maximum price determined by IPART, under section 18(2) of the IPART Act.

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

Response to Audit Office Client Service Report significant matters

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

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 6
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 6
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 	Page 10
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 2
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 mgt. 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 6 - 14
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

Requirement	Legislative Reference	Reporting Requirement for Statutory Bodies	Annual Report Reference
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 4
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 4
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 4
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 4
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
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

Requirement	Legislative Reference	Reporting Requirement for Statutory Bodies	Annual Report Reference
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 4
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 4
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) -(ia)	<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 	Page 15
Identification of audited financial statements	ARSBR c5	<ul style="list-style-type: none"> At start and finish 	Page 15 Page 88
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). 	Appendix 7 Appendix 6
Investment performance	ARSBR c10; TC 14/31	<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 14/31	<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
Numbers and remuneration of senior executives	ARSBR c12 PSC Circular 2014-09	<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 7
Credit card certification	TD 205.01	<ul style="list-style-type: none"> Credit card certification to be attached 	Appendix 6

Requirement	Legislative Reference	Reporting Requirement for Statutory Bodies	Annual Report Reference
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 3
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 3

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Contact information

General enquiries

Telephone	1300 662 077
Customer service	Customer.Helpdesk@waternsw.com.au
WaterNSW website	www.waternsw.com.au

Principal offices

7 Commercial Avenue
Dubbo NSW 2830
PO Box 1018, Dubbo NSW 2831

Level 4, 2-6 Station Street
Penrith NSW 2750
PO Box 323, Penrith NSW 2751

ABN

21 147 934 787