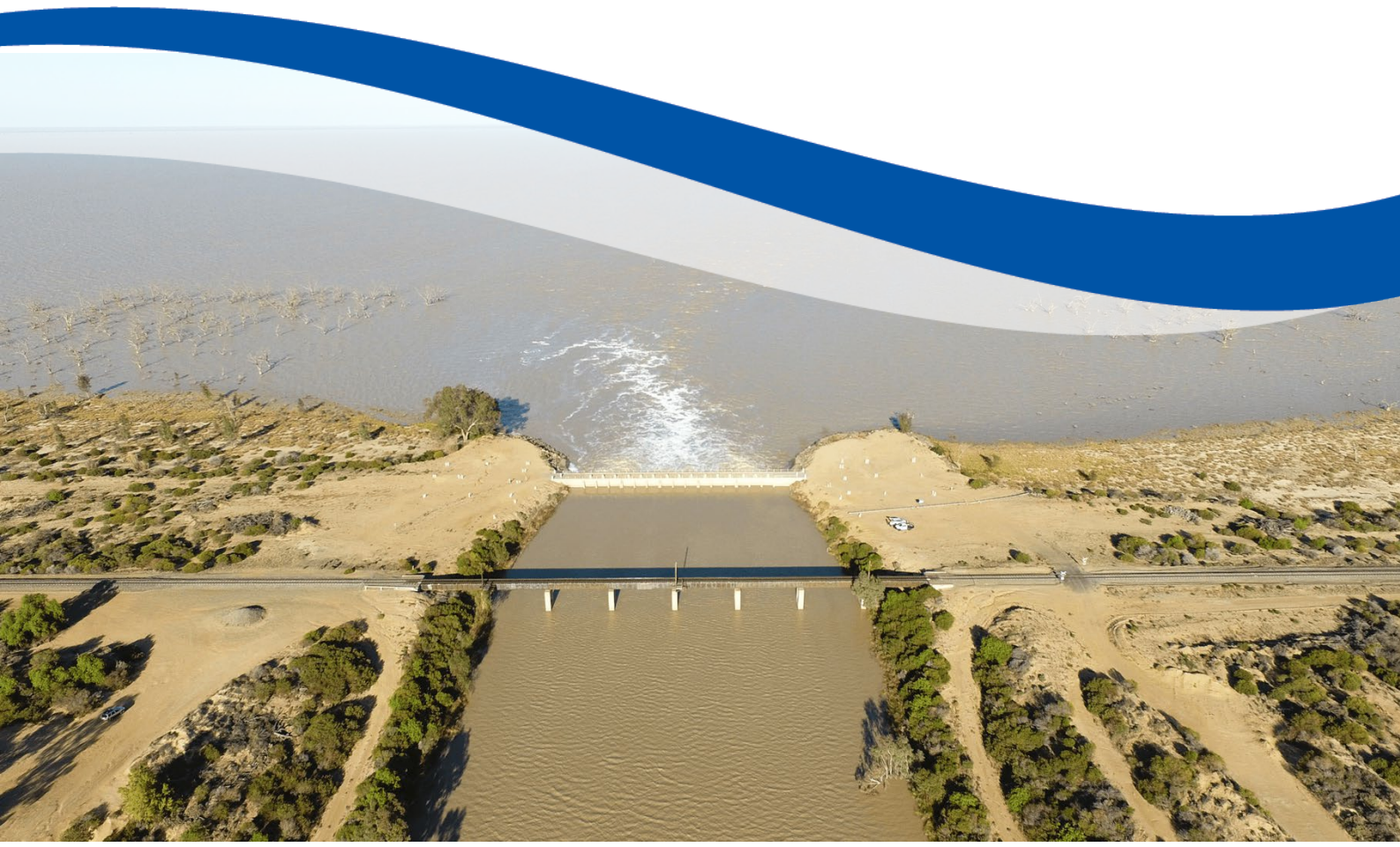




Half Yearly Report

2022-23



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Acknowledgement of country

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

Cover image: Lake Pamamaroo



Executive summary

WaterNSW is pleased to present this half yearly report on how we performed our functions and delivered on our Corporate Strategic Priorities to better meet the needs of our customers, stakeholders and communities.

The first half of 2022-23 continued to be dominated by significant wet weather and managing flood operations. All of WaterNSW's major dams have filled and spilled, and many storages have received inflows that have turned over their entire capacities. For example, Burrinjuck Dam received five times its storage capacity in flows in the past year, and Warragamba Dam received more than twice its capacity in the past 18 months.

The scale of flooding was unprecedented and the impacts on people and businesses across NSW has been immense. Communities have suffered the loss of property and valuable crops and sadly, the loss of loved ones. Our staff, who live and work in these communities, have also felt these impacts and we extend our deepest sympathies to all affected.

Dealing with weather and natural disaster events on this scale is a monumental task for WaterNSW. Despite the conditions we have expertly managed our regional dams and storages, reducing flood impacts in multiple regions by capturing excessive inflows to keep communities safe while maintaining the integrity of our assets under enormous strain. In Greater Sydney, the successive flood events caused a significant deterioration in raw water quality. By having an agile operational response and working closely with Sydney Water and NSW Health, WaterNSW was able to target the optimal raw water quality within the dam's water column by using sophisticated monitoring technology, and maintained the supply to Sydney Water.

Our responsibility is to not only mitigate floods, but to also maximise water security for the future economic and environmental prosperity of communities and ecosystems. With full dams across the State we are now turning our minds to supporting our customers, including local businesses and the environmental water holders, by maximising the significant increase in available water resources through careful water management in order to deliver the best economic and environmental outcomes for these water holders and the community.

Keeping our customers, communities and external stakeholders informed during flood events has been a key focus, including in the Lower Darling, Menindee, Namoi, Gwydir, Murrumbidgee, Lachlan and Macquarie valleys. This engagement ensures that local feedback informs our operational responses and strengthened our relationships, reflected in the positive feedback and praise received from key stakeholders and community leaders.

Throughout these conditions WaterNSW maintained a strong focus on safety: during the reporting period, we did not record a single severe safety incident. A taskforce has been set up to address public safety risks on WaterNSW assets and waterways to ensure that recreation activities can be enjoyed safely. We launched a public safety campaign urging the public to think about safe behaviours and potential changes in the environment, particularly in the aftermath of widespread flooding across the state. The public safety taskforce is also working with stakeholders to undertake risk assessments and improvement works.

WaterNSW has made significant progress in delivering our Corporate Strategic Plan:

- The new Operating Model is a key element of the Plan which re-aligns accountabilities and provides us with a strong platform for achieving outcomes. Most of the structures and roles now finalised, we expect the process to be complete early next financial year.
- Our first Reconciliation Action Plan (a Reflect RAP) has been completed, heralding a new direction for how WaterNSW incorporates Indigenous engagement and participation into our core business.
- We have implemented many of the initiatives outlined in our first Inclusion and Diversity Strategy. Launched in 2022, the Strategy aims to improve employee wellbeing and engagement, enhance creativity and innovation, and enable a better connection with our customers and the communities we live and work in.
- Our comprehensive technological transformation program, known as WAVE, continues to build the platform for a series of benefits for water users, stakeholders, and the broader community.

Our Corporate Strategic Plan also includes for the first time the development of an Environment, Social and Governance (ESG) Strategy. It will consolidate new with existing initiatives including a Climate Adaptation Strategy, Renewable Energy and Storage Program, Inclusion and Diversity Strategy and Reconciliation Action Plan. The ESG Strategy will align to the 17 United Nations Sustainable Development Goals in line with global businesses, Water Services Association of Australia and other water utilities.

WaterNSW is supporting the NSW Government's Renewable Energy Strategy through our Renewable Energy and Storage Program. We invited the private sector to propose projects that use WaterNSW land and/or assets to generate renewable energy, developing on-demand, dispatchable energy generation and energy storage. WaterNSW has signed one development agreement for a large-scale pumped hydro project in the central west of NSW and is on track to sign further development agreements for similar projects in 2023.

Progress on the proposed Warragamba Dam Wall Raising Project for flood mitigation continues, with WaterNSW providing two supplementary reports for the Environmental Impact Statement (EIS) to the NSW Department of Planning and Environment. The reports were

placed on public exhibition in November 2022 as the next stage in the assessment of the EIS. WaterNSW will report back to DPE on our response to the second round of public comments in early 2023.

In November 2022 IPART released its final report on the new framework for how it will regulate water businesses in the future. The framework seeks to allow businesses to run with a focus on customers, costs and credibility and a reduced focus on responding to the regulator. This is a positive step in autonomy for WaterNSW but represents a step change in areas such as customer engagement.

WaterNSW's earnings before interest, tax, depreciation and amortisation (EBITDA) for the half year to 31 December 2022 was \$70.3 million, \$14.0 million unfavourable to budget. This is mainly driven by:

- the increased availability of water reducing water sales (Rural Valleys)
- lower Water Administration Ministerial Corporate (WAMC) revenue with lower bore applications to access water under basic landholder rights in accordance with the *Water Management Act 2000*
- operation of the Sydney Desalination Plant across the reporting period.

The recent significant weather events have impacted delivery of our programs and diverted resources from planned activities. Capital expenditure for the reporting period of \$44.7 million was \$41.6 million below budget expectations. Delivery of projects was significantly impacted by resource constraints with staff diverted to replacing and or repairing assets damaged by the floods and the inability to access several sites due to the floods. The capital program is currently being reassessed with a number of planned capital works being replaced with flood damage repair and replacement projects. There have also been supply chain constraints affecting the delivery of our fleet renewal program.

We are also still assessing the impacts of flood events on our assets as several assets, particularly our weirs, are still affected by flooding. The estimated cost of these events (and the bushfires of late 2019/early 2020) is about \$37 million to repair or replace assets, which have been incurred or provided for over the period since these events occurred. As flood waters reside, further assessment of the impacts will be conducted and it is likely that there will be additional assets required to be written off, repair works identified, and resources reallocated from the capital program to restore the damaged assets. WaterNSW expects to recover most of the asset repair and replacement costs from our insurer (icare), who is assessing several claims. In accordance with NSW Treasury guidance, WaterNSW recognises insurance proceeds in relation to capital works only upon receipt of insurance proceeds. To date, WaterNSW has reported insurance recoveries of \$10 million in relation to these events.

We would like to acknowledge the incredible work of our people across NSW over the past six months, particularly in the response to flood events and their commitment to the delivery of our new Corporate Strategic Plan to ensure we can continue to meet the needs of our customers and local communities.



Peter Duncan AM
Chair



Andrew George
Chief Executive Officer

About WaterNSW

Our purpose

Water, delivered when and where it matters

Our vision

To support the resilience of NSW communities
through our leadership in delivering water services,
for generations to come



Who we are

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

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

What we do

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



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



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



System operator - Efficient management of the state's surface and groundwater resources to maximise reliability for users through the operation of the state's river systems and bulk water supply systems, in collaboration with the Murray-Darling Basin Authority which directs operations of the River Murray system.



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



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

What guides our business

WaterNSW's activities are guided and regulated by:

- **principal legislation**, including the *Water NSW Act 2014*
- an **operating licence** granted by IPART, which enables WaterNSW to exercise its functions under the *Water NSW Act 2014*
- **water sharing plans** developed under the *Water Management Act 2000* that articulate the rules by which water is distributed to various users
- **Memoranda of Understanding** with various stakeholders to establish cooperative and consultative relationships and allow for the exchange of data and information
- **water supply agreements** that document how water is provided to some customers, including Sydney Water.
- **pricing determinations** made by IPART that specify the prices WaterNSW can charge for its bulk water services. WaterNSW is subject to four determinations: Greater Sydney; Rural Valleys; Murray River to Broken Hill Pipeline; and the Water Administration Ministerial Corporation (WAMC) for which WaterNSW shares responsibility with the Department of Planning and Environment (DPE) and the Natural Resources Access Regulator (NRAR).
- the **Roles and Responsibilities Agreement** between WaterNSW, DPE - Water and NRAR that sets out how the three agencies collaborate and work together to deliver key water management functions.
- the **NSW State Flood Plan** outlines the NSW Government's multi-agency arrangements for responding to floods. The State Emergency Service (SES) is the lead combat agency for responding to floods, and the Bureau of Meteorology (the Bureau) is responsible for issuing flood warnings and forecasts. WaterNSW's role is to, where possible, actively work with the SES and the Bureau to reduce the impacts of flooding on communities through management of water releases within identified safe parameters and within statutory licencing provisions under the *Water Management Act 2000* and *Water NSW Act 2014*, as well as to provide the agencies with information and data about actual and prospective water releases, river heights and dam levels.

Our values

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

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

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

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

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

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

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



Corporate strategy

Our Corporate Strategic Plan was launched in July 2021 to build a stronger WaterNSW and ensure we remain a successful, trusted and respected member of the NSW water sector. Our corporate strategy is underpinned by four key themes:

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

To be able to deliver on our purpose and realise our vision, we have five strategic priorities that, if we focus on, will see us achieving our purpose and vision for the future and meeting the needs of those we are here to serve.





Building a sustainable future

This priority acknowledges that we must consider the environmental impacts of all that we do. It also captures our dedication to building a sustainable future through social aspects such as inclusion and diversity, gender equality and investing in communities through jobs and education.

This program focusses WaterNSW on meeting sustainable environmental, social and governance objectives. The key pillars are net zero emissions, climate change adaptation, land and water management, waste and a circular economy, sustainable procurement, Indigenous reconciliation, inclusion and diversity, and employee wellbeing.

Significant progress has been made on reconciliation, inclusion and diversity and employee wellbeing. Action plans for the other pillars are being developed and assessed against our strategic vision, with execution expected to start later in 2022-23.



Developing our people and capabilities

The value of WaterNSW lies in the value of our people and this priority is our commitment to empowering our people to be the best they can be, develop in areas they want to develop and operate in a culture where the focus is on meeting the needs of the communities and customers we serve.

Several inclusion and diversity initiatives are in progress:

- First Nation Pathways and Partnerships aims to improve employment outcomes for Aboriginal and Torres Strait Islander people at WaterNSW and increase supplier diversity.
- Gender Balance includes gender pay equity, leadership opportunities and our approach to attract and retain women.
- Disability Inclusion aims to improve accessibility and employment outcomes.

Our People Strategy will set the direction, priorities and steps required to achieve a strong performance culture that is reliable, responsive and strives for excellence.



Respected by the customers and communities we serve

We are an organisation that puts our customers and communities at the heart of all that we do. By focussing on their prosperity and acting with transparency and integrity, we will build trust in our decisions now and into the future.

Reconciliation Action Plan

This initiative acknowledges the cultural connection of Aboriginal communities to lands and waters.

WaterNSW's 'Reflect' Reconciliation Action Plan (RAP) was launched in March 2022 after being endorsed by Reconciliation Australia. The 'Reflect' RAP set out steps to prepare WaterNSW for reconciliation initiatives in future RAPS. Achievements include increased staff awareness, our Acknowledgement of Country protocol, increased Aboriginal employment, First Nations access agreements for WaterNSW lands, and engagement with First Nations on our projects. We have also started to develop our Aboriginal Cultural Heritage Management System, Aboriginal Employment and Training Strategy, Aboriginal Engagement Strategy and a co-design principles framework.

Our 'Innovate' RAP is in progress and is due for submission to Reconciliation Australia in April 2023. The 'Innovate' RAP will outline WaterNSW's actions for achieving our vision for reconciliation.

Customer and Community Engagement Program

This program will drive strategic improvement in the way we engage our customers, communities and stakeholders. Implementation of the program is overseen by our Corporate Affairs Council, which is sponsored by Clair Cameron (Executive Manager Corporate Affairs) with membership made up of key executive managers and senior leaders. The success of the program is demonstrated through the delivery of initiatives and improved customer and stakeholder engagement measures.

Regulatory strategy

We are implementing our regulatory strategy through preparations for our upcoming price reviews. These will be undertaken under IPART's new framework for regulating water businesses. The new framework provides the flexibility for WaterNSW to deliver those services valued by customers within a longer-term business planning timeframe. This presents us with some challenging but exciting targets over the coming months and allows us to deliver an approach to engagement that builds customer and stakeholder preferences into our proposals.



Working together in partnership

This priority recognises the need to be a true partner, not only to our customers and communities, but with all agencies working within the water sector, along with our suppliers, contractors and employees.

Water sector strategy and performance

WaterNSW is working with the Department of Planning and Environment - Water and some local water utilities improve dam safety management, water resilience and water quality. We have completed three pilot studies, identifying opportunities to support local water utilities in the areas of dam safety, catchment and water quality, and integrated systems operation. The outcomes of the pilot studies are being used to develop an implementation plan for stakeholders to consider in the second half of 2022-23.

Statement of expectations

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

Our Corporate Strategy is strongly aligned to the SoE through our strategic priorities and delivery of our strategic initiatives.



Delivering operational excellence

This priority recognises the need for all of us to continue to strive for best practice, improve our safety performance and look for innovative new approaches, whilst also acknowledging that we must deliver efficiency and effectiveness, in alignment with customer and stakeholder expectations, across all aspects of our business.

Business transformation program

This initiative focuses on delivery of a new operating model and cost transformation program.

- The new operating model design is being implemented following restructure of the executive and leadership teams. Implementation will continue through 2022-23.
- The cost transformation stream has identified significant cost savings to ensure WaterNSW can deliver its objectives sustainably into the future.

Water Added Value Environment (WAVE)

WAVE is WaterNSW's digital transformation program that is transforming the operation of the organisation through updated, digitally integrated systems. The program consists of three streams of work:

- The water data stream component is complete, delivering remote water monitoring and modernised data acquisition capability.
- The water delivery visualisation stream will soon be complete, delivering tools and systems to optimise management of water resources and access to information.
- The customer, stakeholder and water markets stream will continue into 2023-24 to deliver an improved customer interface and transaction capability.

Water Infrastructure NSW interface

This initiative will support a strong working relationship between WaterNSW and Water Infrastructure NSW to achieve optimum outcomes for our customers and stakeholders.

Key performance indicators

Financial

Measure	YTD target	YTD actual	2022-23 target	2022-23 forecast	Performance
Returns to shareholders ¹	\$16.1m	\$13.1m	\$72.5m	\$66.2m	Lower income tax expense is mainly due to unfavourable revenue (see EBITDA commentary below). Dividend forecast of \$40 million is in line with target.
Regulated operating expenditure ²	\$111.1m	\$115.4m	\$219.6m	\$226.5m	Unfavourable information technology costs, flood/storm management and recovery works, higher temporary labour and lower capitalised overheads were partly offset by favourable salary & wages due to lower FTE.
Regulated capital expenditure ²	\$82.5m	\$47.7m	\$155.7m	\$133.3m	The capital program has been delayed due to poor weather conditions, supply chain impacts (particularly for fleet), and the reallocation of key staff to flood recovery works.
Net debt to regulated asset base	54.7%	53.8%	54.7%	52.8%	Result is slightly lower than target due to lower borrowings as a result of the higher than budgeted cash balance at 30 June 2022 and lower than anticipated capital expenditure in FY23.
EBITDA ³	\$84.3m	\$67.3m	\$171.1m	\$142.0m	Unfavourable revenue due to operation of the SDP in Greater Sydney, and high water levels resulting in lower water sales volumes (Rural Valleys) and lower bore applications to access water under basic landholder rights (WAMC). In addition, regulated operating costs are higher than anticipated for the reasons outlined above.

- Returns to shareholders is comprised of dividends, current income tax, government guarantee fee (GGF) and returns of capital and is calculated on accrued balances at the reporting date. The GGF is a fee paid to NSW Treasury, in accordance with competitive neutrality principles, based on the differential between the market rate of borrowings for a private sector business of similar risk and WaterNSW's cost of debt obtained from TCorp, which borrows using the State's credit rating.
- Regulated expenditure is incurred in relation to IPART regulated services.
- Earnings before interest, tax, depreciation and amortisation

Non-financial

Measure	2022-23 target	Actual as at 31 Dec 2022	Performance drivers
Incident severity rate	Zero class 4 or 5 incidents and no more than one class 3 incident	Zero class 3, 4 or 5 incidents	Performance for the half year was positive with no moderate or severe incidents.
Overall customer satisfaction	47.3% of our customers rank our service delivery as greater than 7 out of 10 (5% improvement on 2021-22 result)	No reported results	Performance for this KPI is measured through a customer survey conducted towards the end of the financial year.
Water quality	97.5% of water available for supply meets agreed standards	96.2%	Quality of water available for supply is steadily improving since being severely impacted by inflow events in July 2022, when 89.2% of water available for supply met agreed standards. WaterNSW continues to work closely with Sydney Water and NSW Health to maintain the supply of high quality water.
Water supply	Operational losses as a percentage of total sales volumes are no more than 3%	2.6%	The positive result at 31 December 2022 is partly due to the increased availability of water reducing water orders.
Employee engagement	62% (5% improvement on 2021-22 result)	No reported results	Performance for this KPI is measured through an employee survey conducted towards the end of the financial year.
Delivery of the corporate strategy	100% of strategic initiatives meet expectations	No reported results	Performance of this KPI is assessed by the Board at the end of the financial year.

Financial performance summary

Summary profit and loss

	Half year Actual \$m	Half year Budget \$m	Half year Variance \$m	2022-23 Forecast \$m	2022-23 Budget \$m	2022-23 Variance \$m
Regulated	177.0	193.2	(16.2)	361.6	385.1	(23.5)
Non-regulated	26.7 ¹	26.3	0.4	55.6	49.2	6.4
Total revenue	203.7	219.5	(15.8)	417.2	434.3	(17.1)
Regulated	(115.4)	(111.1)	(4.3)	(226.5)	(219.6)	(6.9)
Non-regulated	(18.0)	(24.1)	6.1	(48.7)	(43.6)	(5.1)
Total operating expenditure	(133.4)	(135.2)	1.8	(275.2)	(263.2)	(12.0)
EBITDA	70.3	84.3	(14.0)	142.0	171.1	(29.1)
Depreciation & amortisation	(46.7)	(45.6)	(1.1)	(93.7)	(91.3)	(2.4)
Net financing costs	(30.1)	(31.2)	1.1	(61.2)	(64.5)	3.3
Net profit before tax	(6.5)	7.5	(14.0)	(12.9)	15.2	(28.1)
Income tax	1.6	(2.7)	4.3	3.5	(5.5)	9.0
Net profit after tax	(5.0)	4.8	(9.8)	(9.4)	9.7	(19.1)

1. Includes insurance proceeds of \$1.6 million.

Financial performance - Half year to 31 December 2022

WaterNSW's financial performance for the reporting period was lower than expectations.

Unfavourable regulated revenue (\$16.2 million) was due to the increased availability of water following significant flood events reducing water sales under the Rural Valleys determination (\$8.2 million) and fewer bore applications to access water under basic landholder rights under the WAMC determination (\$5.2 million). Revenue was also impacted in Greater Sydney, with operation of the Sydney Desalination Plant reducing the volume of water sold (\$2.4 million).

Unfavourable regulated operating expenditure (\$4.3 million) was mainly due to lower spend on contractors and consultants (\$2.7 million), with lower spend on meter maintenance, the non-urban metering program and flood related delays in other programs partly offset by higher contractor expenses in response to floods (\$3.9 million). Favourable salary and wages (\$7.1 million) due to lower than budgeted employee numbers were partly offset by an increase in temporary staff (\$1.7 million).

Favourable non-regulated operating expenditure (\$6.1 million) related to lower expenses incurred on planning for Warragamba Dam Raising and on behalf of the Murray-Darling Basin Authority (MDBA) to maintain and operate bulk water infrastructure. Lower non-regulated expenditure is offset by lower non-regulated revenue.

Unfavourable depreciation and amortisation was mainly due to depreciation on the increase in fair value of property, plant and equipment at 30 June 2022 not being known at the time of setting the SCI target.

Favourable net financing costs driven by lower borrowing requirements due to a higher than expected cash balance at 30 June 2022 and lower capital expenditure in 2022-23.

Forecast 2022-23

WaterNSW's half year performance is forecast to impact the full year result:

- **regulated revenue (\$23.5 million)** - although weather conditions are assumed to moderate in the second half of the year, the increased availability of water and the lasting impacts of weather events are forecast to result in regulated revenue being \$23.5 million lower than budget, with Rural Valley revenue forecast to be \$15.8 million and Greater Sydney \$4.3 million below target respectively.
- **regulated operating expenditure (\$6.9 million)** is forecast to increase in the second half of 2022-23 as WaterNSW addresses the impacts of weather events and can once again access sites to repair and maintain our assets and deliver programs.
- **non-regulated operating expenditure (\$5.1 million)** is also forecast to increase in the second half of the year due to increased expenses for the Warragamba Dam Raising project, project support for Water Infrastructure NSW and higher expenditure on MDBA works.

Capital expenditure

	Half year Actual \$m	Half year Budget \$m	Half year Variance \$m	2022-23 Forecast \$m	2022-23 Budget \$m	2022-23 Variance \$m
Regulated	(47.7)	(82.5)	34.8	(127.5)	(155.7)	28.2
Non-regulated	(2.0)	(4.9)	2.9	(5.9)	(8.8)	2.9
Total capital expenditure	(49.7)	(87.5)	37.8	(133.3)	(164.5)	31.2

Half year to 31 December 2022

Capital expenditure was lower than budget for the reporting period. This is mainly due to:

- delays in project delivery due to flooding and high water levels preventing safe access to sites and assets. The lower expenditure on the planned capital program was partly offset by the reallocation of key resources to repair and or replace asset's damaged by the floods
- Supply chain impacts, including delays in the delivery of fleet assets

Forecast 2022-23

The capital expenditure forecast is influenced by the half year result. However, an easing of weather conditions in the second half of the year is expected to increase expenditure for dam safety, flood recovery works, asset renewals and replacement.

Consolidated financial statements

Notes to the financial statements

Corporate information

The information contained in this half yearly report presents the consolidated financial performance, financial position and cash flows of WaterNSW.

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

Water NSW is a statutory State Owned Corporation constituted under the *Water NSW Act 2014*. WaterNSW Infrastructure Pty Ltd is a wholly owned subsidiary of Water NSW established in November 2018 under the *Corporations Act 2001*.

Reporting period

The financial statements cover the financial performance and cash flows of the Consolidated entity for the reporting period 1 July 2022 to 31 December 2022, and its financial position as at 31 December 2022.

Presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest tenth of a million dollars.

Unaudited financial statements

The financial statements in this Half Yearly Report have not been audited.

Income tax

The Parent and Controlled entity are subject to the National Tax Equivalent Regime which is based on the *Income Tax Assessment Act 1936 and 1997 (as amended)*. Income tax on profit or loss comprises current and deferred tax respectively. Income tax is measured using tax rates enacted at the reporting date applied to taxable income.

Statement of profit or loss

	Half year to 31 December 2022			2022-23		
	Actual \$m	Budget \$m	Variance \$m	Forecast \$m	Budget \$m	Variance \$m
Regulated - Greater Sydney	102.4	104.8	(2.4)	205.3	209.6	(4.3)
Regulated - Rural Valleys	47.2	55.4	(8.2)	93.6	109.4	(15.8)
Regulated - WAMC	14.5	22.2	(7.7)	39.3	44.3	(5.0)
Regulated - Broken Hill	12.9	10.8	2.1	23.4	21.7	1.7
Non-regulated	26.7	26.3	(0.4)	55.6	49.2	6.4
Total revenue	203.7	219.5	(15.8)	417.2	434.3	(17.1)
Salary and wages	(71.4)	(73.8)	2.4	(137.2)	(143.8)	6.6
Other employee related	(5.3)	(2.5)	(2.8)	(7.9)	(4.7)	(3.2)
Contractors and consultants	(35.2)	(37.9)	2.7	(88.1)	(73.2)	(14.9)
Administration	(14.1)	(14.6)	0.5	(27.7)	(29.0)	1.3
Materials, plant and equipment	(13.4)	(13.3)	(0.1)	(27.9)	(26.4)	(1.5)
Gain/(loss) on disposal of assets	0.0	0.0	0.0	0.0	0.0	0.0
Capitalised overhead	6.0	6.8	(0.8)	13.6	13.8	(0.2)
Total operating expenditure	(133.4)	(135.2)	1.8	(275.2)	(263.2)	(12.0)
Earnings before interest, tax, depreciation & amortisation	70.3	84.3	(14.0)	142.0	171.1	(29.1)
Depreciation and amortisation	(46.7)	(45.6)	(1.1)	(93.7)	(91.3)	(2.4)
Net financing cost	(30.1)	(31.2)	1.1	(61.2)	(64.5)	3.3
Net profit before tax	(6.5)	7.5	(14.0)	(12.9)	15.2	(28.1)
Income tax	1.6	(2.7)	4.3	3.5	(5.5)	9.0
Net profit after tax	(5.0)	4.8	(9.8)	(9.4)	9.7	(19.1)

Statement of financial position

	As at 31 December 2022			2022-23		
	Actual \$m	Budget \$m	Variance \$m	Forecast \$m	Budget \$m	Variance \$m
Cash and cash equivalents	22.4	5.0	17.4	6.1	5.0	1.1
Trade and other receivables	131.5	103.4	28.1	94.4	107.2	(12.8)
Income tax refund due	9.5	2.1	7.4	12.8	2.1	10.7
Total current assets	163.4	110.4	53.0	113.3	114.3	(1.0)
Property, plant and equipment	3,281.0	3,372.4	(91.4)	3,501.7	3,587.6	(85.9)
Intangible assets	19.0	18.7	0.3	18.9	19.1	(0.2)
Right-of-use assets	16.8	8.4	8.4	11.6	5.1	6.5
Total non-current assets	3,316.8	3,399.5	(82.7)	3,532.2	3,611.9	(79.7)
Total assets	3,480.2	3,509.9	(29.7)	3,645.5	3,726.2	(80.7)
Trade and other payables	66.5	34.6	31.9	59.6	51.0	8.6
Contract liabilities	1.4	1.1	0.3	1.3	1.1	0.2
Borrowings	265.9	247.0	18.9	272.4	272.4	0.0
Provisions	106.7	82.0	24.7	96.2	82.6	13.6
Dividend payable	0.0	0.0	0.0	40.0	40.0	0.0
Other current liabilities	16.9	53.4	(36.5)	62.2	53.4	8.8
Total current liabilities	457.4	418.1	39.3	531.7	500.5	31.2
Borrowings	1,665.0	1,719.4	(54.4)	1,611.9	1,703.1	(91.2)
Deferred tax	269.7	257.9	11.8	321.1	312.1	9.0
Provisions	55.5	87.0	(31.5)	55.5	87.0	(31.5)
Other non-current liabilities	102.8	77.5	25.3	117.1	79.1	38.0
Total non-current liabilities	2,093.0	2,142.0	(49.0)	2,105.6	2,181.4	(75.8)
Total liabilities	2,550.4	2,560.0	(9.6)	2,637.3	2,681.9	(44.6)
Net assets	930.0	949.9	(19.9)	1,008.2	1,044.2	(36.0)
Contributed equity	363.1	388.1	(25.0)	363.1	388.1	(25.0)
Asset revaluation reserve	405.1	395.9	9.2	528.4	521.0	7.4
Retained earnings	161.7	165.8	(4.1)	116.7	135.1	(18.4)
Total equity	930.0	949.9	(19.9)	1,008.2	1,044.2	(36.0)

Statement of cash flows

	Half year to 31 December 2022			2022-23		
	Actual \$m	Budget \$m	Variance \$m	Forecast \$m	Budget \$m	Variance \$m
Receipts from customers & other	163.2	227.9	(64.7)	440.4	450.1	(9.7)
Payments to suppliers & employees	(158.1)	(144.9)	(13.1)	(301.7)	(282.8)	(18.9)
Interest received	0.3	0.1	0.2	0.4	0.2	0.2
Interest paid	(37.6)	(36.7)	(0.9)	(50.1)	(50.2)	0.1
Income tax refund received/(paid)	0.0	(4.0)	4.0	(3.3)	(6.3)	3.0
Net cash from operating activities	(32.2)	42.3	(74.5)	85.7	111.0	(25.3)
Payments for property plant & equip	(45.0)	(86.3)	41.3	(133.4)	(164.5)	31.1
Proceeds from sale of property plant & equipment	0.3	0.0	0.3	0.3	0.0	0.3
Net cash used in investing activities	(44.7)	(86.3)	41.6	(133.1)	(164.5)	31.4
Proceeds from borrowings	34.7	59.0	(24.3)	34.7	68.5	(33.8)
Repayment of borrowings	(7.0)	0.0	(7.0)	(52.8)	0.0	(52.8)
Repayment of principal - leases	(1.2)	0.0	(1.2)	(1.2)	0.0	(1.2)
Dividends	(15.0)	(15.0)	0.0	(15.0)	(15.0)	0.0
Net cash used in financing activities	11.5	44.0	(32.5)	(34.3)	53.5	(87.8)
Net increase/(decrease) in cash	(65.4)	(0.0)	(65.4)	(81.7)	0.0	(81.7)
Cash at beginning of period	87.8	5.0	82.8	87.8	5.0	82.8
Cash at end of period	22.4	5.0	17.4	6.1	5.0	1.1