

# Half Yearly Report

2020-21



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## Executive summary

Water NSW is pleased to present this mid-year report and provide an important update on how WaterNSW is continuing to deliver on our strategic priorities and meeting the needs of our customers, stakeholders and communities who we are here to serve.

With our previous 12 months categorised by an extraordinary period of drought across NSW, bushfires in most catchments, and the one-in-twenty-year rain event in metropolitan catchments, the last six months have seen significant improvement in weather conditions and subsequent increase in inflows to our storages across the state.

With this improvement and regional storage levels increasing, we have been able to deliver much needed water to our customers and communities as allocations have increased in many valleys. However, despite record rainfall in some parts of the Murray-Darling basin, areas in the northern basin are still being heavily impacted by drought and will require significantly more rainfall before the risk of drought conditions is ameliorated and confidence in those northern basin communities is fully restored. Improved weather and rainfall patterns in the southern basin has restored water allocations for all water users and underpinned an increase in agricultural productivity and community confidence. Most importantly, those towns who were at some risk of cease to flow impacts are now benefitting from replenished systems and storages, giving confidence of a continuity of supply to those communities.

We have successfully managed the challenges of water quality in our metropolitan catchments through winter and spring, mitigating the impacts of the 2019-20 bushfire and major inflow events in the catchment during that time. With major improvement in rainfall as a result of the La Nina weather pattern, over the last 6 months our regional storages too have had an impressive increase in storage volumes, rising from a combined total of 35.0 percent to over 51.2 percent.

This time last year, Greater Sydney dam levels had dipped as low as 42.7 percent at Warragamba, prompting investigations into the possibility of a second desalination plant. Now we have a full storage at Warragamba. Whilst the drought is breaking, strategies for improving water security over the long term are now being pragmatically considered via the Greater Sydney Water Strategy. WaterNSW teams are actively participating in this important work with DPIE and Sydney Water, in the planning, assessments and community engagement plans with this work expected to be completed mid-2020.

We have been proactively supporting the NSW Government's Water Sector Reform agenda which has included the establishment of Water Infrastructure NSW (WINSW) who will become the lead agency in the delivery of the three Critical State Significant Infrastructure (CSSI) Regional Priority Dams, in a close partnership with WaterNSW. While the governance arrangements are being worked through with the NSW Government, it has been very pleasing to see our Major Infrastructure

Delivery team and individual project teams continue to deliver the planning, design work and community engagement needed to maintain progress work on these important projects.

It was also reassuring that an independent community survey undertaken in late 2020 showed 80 percent of the community see these projects as being positive for their regions and strong support for the projects. Our engagement with communities and stakeholders has allowed us to both provide information and incorporate diverse views that will inform preparation of the business case and environmental planning processes later this year.

During the reporting period, we also operationalised a number of initiatives under the NSW Government's Water Reform Implementation Program (WRIP), participated in and contributed to several review processes, and participated in the inter-agency working group to respond to the report of the Independent Expert Panel for Mining in the Catchment.

WaterNSW is continuing to work collaboratively with the NSW Government in the development of the State Water Strategy, and a number of Regional Water Strategies.

The NSW Government's Water Reform Implementation Program is committed to providing greater transparency of water resource usage and management. Our Water Added Value Environment (WAVE) technology program will move WaterNSW to a modern and flexible system that can adapt to the reforms initiated by Government and provide seamless integration of services across all government departments.

Following the lodgement of our pricing proposals for new rural bulk water services and Water Administration Ministerial Corporation (WAMC) prices from 1 July 2021, WaterNSW has actively participated in the consultation process and worked closely with regulators, stakeholders and customers in the lead-up to release of the final determinations in June 2021. WaterNSW has also commenced preparation of our pricing proposal for the Wentworth to Broken Hill Pipeline for new charges from 1 July 2022.

As we move into the final months of our existing Strategic Corporate Plan, we are now developing our new Strategic Corporate Plan for the next three to five years. This work will be focused on setting the direction for WaterNSW in the context of the NSW Water Sector Reforms and, as a priority, further developing our government, community, customer and stakeholder confidence in all aspects of WaterNSW's operations. We will focus on what is required to maintain our social licence to operate and this will be a key objective of the new plan.

Then, of course, there has been the operational impact of COVID-19. The response by WaterNSW to these significant challenges over the last 6 months is a tribute to our highly skilled and dedicated employees right across NSW. As the COVID restrictions eased in late 2020, we made significant progress on making our workplaces COVID-Safe to enable our team to connect in more

collaborative ways again whilst balancing the many cultural, systems and productivity improvements across the business that have come from more flexible working arrangements.

We have continued to focus on the engagement of our people and building a high-performance culture within the organisation, allowing the team to successfully respond to the challenges of COVID, new working arrangements, and focus on meeting the needs of our customers and communities. The flexibility and adaptability of our employees has once again been very impressive during this reporting period.

WaterNSW's focus is to truly live our commitment to zero harm by protecting the wellbeing of our employees and we have delivered a range of initiatives to promote the physical and mental health of our employees over the reporting period.

We thank our dedicated employees, valued customers and our shareholders for their ongoing support.

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

Anne McDonald

Chair

A handwritten signature in blue ink, appearing to read "Andrew George".

Andrew George

Acting Chief Executive Officer

## About WaterNSW

### 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).

### What we do

**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.

### Our purpose

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

### Our vision

We are recognised and valued by our customers for excellence in efficiently delivering their water needs to help make our communities healthy and prosperous.

## Our strategic plan



## Our strategic priorities

<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Be Safe4Life</b></p>  </div> <div> <p>Achieve our safety-first commitment to zero harm (employees, contractors and the public) through decisions, behaviours and leadership actions that embed and continually improve our safety performance.</p> </div> </div>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Be a Customer Centric Organisation</b></p>  </div> <div> <p>Focus on activities that prioritise our customers in our decisions and actions so that we improve the value customers receive along with the quality of their experience. Ensure by 2021 more than 70% of our customers rank our service delivery as seven or greater out of 10.</p> </div> </div>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Deliver Reliable Performance in a Changing Environment</b></p>  </div> <div> <p>Achieve reliable and consistently improving performance and operational strength across all of our key functional areas by continuing to build our capability, flexibility and resilience.</p> </div> </div>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Develop Our People and the Effectiveness of Our Team</b></p>  </div> <div> <p>Create the high-performance business we want to be by investing in and developing the competencies and leadership capabilities of our people, and by uniting them into one engaged and effective team that takes personal accountability for outcomes.</p> </div> </div>
<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Improve Organisational Performance</b></p>  </div> <div> <p>Improve organisational performance by embedding a mindset of 'real-world' continuous improvement in all that we do, by embracing new ideas from national and global benchmarking research and by creating effective internal customer delivery chains that are commercial and meet evolving customer needs and shareholder requirements.</p> </div> </div>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Support Performance Through Innovation and Adoption of New Technology and Scientific Advances</b></p>  </div> <div> <p>Through innovation and adoption of new technology and scientific advances ensure we do things safer, automate routine activity, reduce waste and costs, provide value adding information products to our customers and improve our performance.</p> </div> </div>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Provide Strategic Solutions</b></p>  </div> <div> <p>Proactively collaborate and demonstrate thought leadership so that we anticipate, influence and strategically respond to our changing external environment and paradigms, including the water market and the implementation of the Murray-Darling Basin Plan, and develop innovative solutions that go beyond traditional thinking and span asset, operational, rule change and funding solutions.</p> </div> </div>	<div style="display: flex; justify-content: space-between; align-items: center;"> <div> <p><b>Leverage our Water Quality and Water Information Expertise</b></p>  </div> <div> <p>Use our specialised knowledge, leverage our water quality and water information expertise to provide enhanced services for water quality causes and effects consistent with the aspiration of our communities to ensure water quality outcomes across the state; and water information applications and modelling to enable us to convert data into value added information applications for our customers and improve our performance in operating water supply systems.</p> </div> </div>

## Progress against our strategic priorities

WaterNSW is currently in the third year of our Corporate Strategic Plan. As in previous years, we have reviewed external and internal factors to identify where we need to focus our efforts for 2020-21. Work has commenced on the development of our next Strategic Corporate Plan, which will be implemented in 2021-22.

### Develop our people and live our commitment to zero harm

#### Employee engagement

WaterNSW understands that a highly engaged and motivated workforce is good for everyone – stakeholders, customers, our communities and most importantly our people. We conducted our first externally benchmarked Engagement Survey in October 2019 with a result that 50% of our employees were fully engaged. Since completing the survey, we have focused on understanding the issues and developing actions that could help improve employee experience and connection with the business.

During the first half of 2020-21 we have:

- completed employee focus groups to diagnose key issues;
- developed action plans at an organisation and business unit level to address the issues;
- implemented actions and made changes as outlined in the action plans;
- provided updates to employees on progress; and
- developed a 'Pulse Check-In Survey' to be launched late January 2021 to monitor progress.

#### Employee wellbeing

WaterNSW's focus is to truly live our commitment to zero harm by protecting the wellbeing of our employees through safety programs that have a heightened focus on mental health. In the first half of 2020-21 a range of initiatives were introduced, including:

- partnering with the Black Dog Institute to deliver virtual workshops for all employees to improve mental health literacy, reduce the stigma associated with mental ill health and develop skills to act when team members are struggling; and
- partnering with Sonic Health Plus to offer employees a confidential health assessment and using the de-identified data to build a health profile for WaterNSW. This health profile was then used to develop a health and wellbeing calendar of events targeting identified health risks including a virtual fitness program, webinars on nutrition and diabetes, ergonomic training to assist employees working from home, and dedicated COVID-19 resources to ensure the physical and mental wellbeing of our employees.



## Consistently deliver and continuously improve core performance

WaterNSW commenced its implementation of the IPART 2020 Greater Sydney determination with new bulk water prices taking effect on 1 July 2020.

Following the 30 June 2020 lodgement of our pricing proposals for new rural bulk water services and Water Administration Ministerial Corporation (WAMC) prices from 1 July 2021, WaterNSW has been actively participating in the Independent Pricing and Regulatory Tribunal (IPART) consultation processes. Our involvement included responding to over 330 requests for information by IPART's technical consultants, participating in IPART's public forum in November 2020 and providing proposed prices to recover WaterNSW's costs of implementing the NSW Government's non-urban metering reform program. We continue to work closely with IPART, the Department of Planning, Industry and Environment-Water (DPIE-W) and customers in the lead-up to IPART's draft determinations for rural bulk water and WAMC charges in March 2021 and the final determinations in June 2021.

WaterNSW has also commenced preparation of our pricing proposal for the maximum prices that we can charge for water transportation services provided by the 270 kilometre Wentworth to Broken Hill Pipeline for customers in the Broken Hill region. Our pricing proposal is required to be lodged with IPART on 30 June 2021 for new charges from 1 July 2022.

## Evolve our business to be responsive, resilient and enduring

WaterNSW is progressing planning for the NSW Government's commitments to deliver three CSSI Regional Priority projects: an augmentation of Wyangala Dam, construction of a new Dungowan Dam, and a Final Business Case for the proposed dam on the Mole River.

Concept designs for the three CSSI projects have been completed. Extensive investigations into the potential impacts of these projects are also well progressed; including flora and fauna surveys, biodiversity and ecological surveys, noise surveys, hydrology and aquatic surveys, contaminated land assessments, geological surveys, land use and property surveys, cultural heritage surveys, geotechnical investigations, social impact assessment and traffic and transport surveys.

Despite the impact of COVID-19, we have continued to engage extensively with communities and stakeholders to provide information on the impacts and expected benefits and understand their diverse views to inform both the business case and environmental planning processes. Our research shows that 88 percent of local people support the new Dungowan Dam and pipeline and 84 percent of local people support the Wyangala Wall Raising project.

Early works on the Dungowan and Wyangala Dam projects are expected to start in 2021, following planning and environmental approvals. A competitive process is also being undertaken to select contractors to design and build a new pipeline to replace the aging, existing pipeline from Dungowan Dam to Calala water treatment plant, and to build a new water treatment plant at Wyangala.

## Connect and collaborate with our customers, communities and stakeholders

WAVE is a WaterNSW strategic priority because it transforms the way we interact with customers both in handling transactions and queries related to water licensing, ordering, trading and billing but also the way in which we provide information to customers and the broader community about how we are managing the delivery of water through every valley in NSW.

WAVE is being undertaken in the context of water reform initiatives following the Matthews enquiry leading to a commitment by the NSW Government to provide greater transparency of water resource usage and management. WaterNSW is meeting the commitment through investments in technology that support the new Water Insights Portal, broad rollout of customer owned metering, flood plain harvesting and active management in unregulated rivers. WAVE will move WaterNSW to a modern and flexible system that can adapt to the reforms initiated by government and provide seamless integration of services across all government departments including the DPIE-Water, Natural Resources Access Regulator, Bureau of Meteorology and Murray-Darling Basin Authority.

During the reporting period, the WaterNSW Board approved the program implementation and award of a contract to Wipro for the software development and process redesign for key operational and customer-oriented processes. This followed over 18 months of analysis on the current state and business benefits of undertaking this very large program.

The first program increment (an agile software development project of three months duration) was successfully completed in December 2020, progressing three separate programs of work:

- customer transactions – a new process for Basic Landholder Rights access licences for groundwater bore work applications and Zero Share Water Access Licenses, including substantial automation of previously manual steps and identification of requirements for the customer interface increment to follow;
- operations decision support – a new dashboard view of the Warragamba offtake levels to automate decision making for the optimal level of water release from the dam in balancing water quality parameters using a business rule-based analysis; and
- water monitoring – a gauging report showing the statistical variation of telemetered gauge readings from a calibrated baseline to identify the need for site visits and recalibration of gauges as natural variation of stream conditions occurs.

## Demonstrate thought leadership in providing holistic solutions to the state's water supply and water market challenges

WaterNSW continues to work with the NSW Government to help shape and deliver the broad portfolio of water sector reforms. During the reporting period, WaterNSW invested significant effort and resources to operationalise a number of initiatives under the NSW Government's Water Reform Implementation Program, including the Data Acquisition System to support the non-urban metering framework and Active Management, an operational tool that allows WaterNSW to manage extractions based on stream flows without the need to rely on temporary access restrictions or embargoes.

WaterNSW participated and contributed to several review processes including the five-year statutory review of the *WaterNSW Act 2014* and the Independent Panel Assessment of the Management of the 2020 Northern Basin First Flush Event. WaterNSW also participated on the inter-agency working group developing the NSW Government's action plan to respond to the report of the Independent Expert Panel for Mining in the Catchment.

Over the reporting period, WaterNSW continued to work collaboratively with the NSW Government on the establishment of Water Infrastructure NSW and the development of the State Water Strategy, Greater Sydney Water Strategy and a number of Regional Water Strategies providing input on potential bulk water supply infrastructure, operational and policy options.

# Financial performance summary

## Summary profit and loss (NPAT)

	Year to date			2020-21 financial year		
	Actual \$ million	Budget \$ million	Variance \$ million	Forecast \$ million	Budget \$ million	Variance \$ million
Revenue	188.9	228.6	(39.7)	447.4	464.7	(17.3)
Operating expenditure	106.6	148.3	41.7	278.2	292.2	14.0
EBITDA	82.3	80.3	2.0	169.2	172.5	(3.3)
Depreciation & amortisation	(44.7)	(46.1)	1.4	(91.2)	(92.1)	0.9
Net financing costs	(30.8)	(34.6)	3.8	(71.5)	(73.0)	1.5
Net profit before tax	6.8	(0.4)	7.2	6.5	7.4	(0.9)
Income tax	(2.0)	(0.1)	(1.9)	(2.8)	(2.5)	(0.3)
Net profit after tax	4.8	(0.5)	5.3	3.8	5.0	(1.1)

### Actual performance

WaterNSW reported a net profit after tax for the six months to 31 December 2020 of \$4.8 million. This performance was \$5.3 million higher than budget expectations and was primarily driven by favourable financing costs, and depreciation and amortisation.

The large variances in revenue and operating costs are due to lower than budgeted project works for which operating expenses are recovered through Government grants, and therefore have a minimal impact on EBITDA performance.

### Forecast performance

Net profit after tax forecast of \$3.8 million is \$1.2 million lower than the 2020-21 budget, as operating and financing costs are expected to increase in the remaining six months of the year in line with the respective capital and operating program timelines. The lower revenue and operating cost forecasts are due to lower than expected Government grant project works.

## Capital expenditure

	Actual \$ million	Budget \$ million	Variance \$ million	Forecast \$ million	Budget \$ million	Variance \$ million
Total	112.7	176.8	64.1	313.1	352.4	39.3

### Actual performance

The year to date capital expenditure was lower than budget primarily due to the change in scheduling of pre-construction activities and the preparation of the strategic business cases for the Critical State Significant Infrastructure (CSSI) Regional Priority Dams, and a delay in the timing of the South West Corridor facility construction.

### Forecast performance

The capital expenditure forecast of \$313.3 million is \$39.3 million lower than the 2020-21 budget, primarily due to lower than budgeted expenditure on the CSSI program.

## 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).

#### Reporting period

The financial statements cover the financial performance and cash flows of the Consolidated entity for the reporting period 1 July 2020 to 31 December 2020, and its financial position as at 31 December 2020.

#### 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.

## Statement of profit or loss

	YTD Actual \$m	YTD SCI \$m	YTD Variance \$m	FY21 Forecast \$m	FY21 SCI \$m	FY21 Variance \$m
<b>Revenue</b>						
Greater Sydney	99.0	99.9	(0.9)	199.9	199.9	0.0
Rural Valleys	24.1	18.9	5.2	50.1	45.2	4.9
WAMC	15.5	18.2	(2.7)	28.3	36.5	(8.2)
Broken Hill	12.8	12.6	0.2	25.3	25.3	0.0
Government contribution	15.8	17.9	(2.1)	35.1	35.8	(0.7)
Operating subsidy	0.8	0.8	(0.0)	1.5	1.5	0.0
Government grants	11.5	48.3	(36.8)	82.8	96.5	(13.7)
Other revenue	9.5	12.0	(2.5)	24.4	24.0	0.4
	<b>188.9</b>	<b>228.6</b>	<b>(39.7)</b>	<b>447.4</b>	<b>464.7</b>	<b>(17.3)</b>
<b>Operating expenditure</b>						
Administration	(10.6)	(12.6)	2.0	(25.4)	(25.4)	0.0
Salary and wages	(66.7)	(62.9)	(3.8)	(122.3)	(123.0)	0.7
Other employee related	(2.3)	(3.2)	0.9	(6.4)	(6.4)	0.0
Contractors	(26.4)	(69.2)	42.8	(122.0)	(135.3)	13.3
Consultancies	(1.0)	(3.4)	2.4	(6.7)	(6.7)	0.0
Materials, plant and equipment	(11.9)	(10.2)	(1.7)	(21.4)	(21.4)	0.0
Gain/(loss) on disposal of assets	0.2	0.0	0.2	0.0	0.0	0.0
Capitalised overhead	12.0	13.2	(1.2)	26.0	26.0	0.0
	<b>(106.6)</b>	<b>(148.3)</b>	<b>41.7</b>	<b>(278.2)</b>	<b>(292.2)</b>	<b>14.0</b>
<b>EBITDA</b>	<b>82.3</b>	<b>80.3</b>	<b>2.0</b>	<b>169.2</b>	<b>172.5</b>	<b>(3.3)</b>
Depreciation and amortisation	(44.7)	(46.1)	1.4	(91.2)	(92.1)	0.9
Net financing cost	(30.8)	(34.6)	3.8	(71.5)	(73.0)	1.5
	<b>(75.5)</b>	<b>(80.7)</b>	<b>5.2</b>	<b>(162.7)</b>	<b>(165.1)</b>	<b>2.4</b>
<b>NPBT</b>	<b>6.8</b>	<b>(0.4)</b>	<b>7.2</b>	<b>6.5</b>	<b>7.4</b>	<b>(0.9)</b>
Income tax <sup>1</sup>	(2.0)	(0.1)	(1.9)	(2.8)	(2.5)	(0.3)
<b>NPAT</b>	<b>4.8</b>	<b>(0.5)</b>	<b>5.3</b>	<b>3.8</b>	<b>5.0</b>	<b>(1.1)</b>

- 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 financial position

	Dec 2020 Actual \$m	Dec 2020 SCI \$m	Dec 2020 Variance \$m	FY21 Forecast \$m	FY21 SCI \$m	Variance FY21 SCI \$m
Cash and cash equivalents	37.2	5.0	27.7	5.0	5.0	0.0
Trade and other receivables	82.1	121.7	(25.8)	122.2	128.1	(5.9)
Other non-financial assets	0.0	0.0	(0.0)	0.0	0.0	0.0
<b>Total current assets</b>	<b>119.3</b>	<b>126.7</b>	<b>2.0</b>	<b>127.2</b>	<b>133.1</b>	<b>(5.9)</b>
Property, plant & equipment	3,104.8	3,143.8	(44.9)	3,296.6	3,332.8	(36.2)
Intangible assets	35.6	34.3	(0.1)	37.4	40.0	(2.6)
Right-of-use assets	21.6	24.3	(2.4)	22.0	22.0	0.0
Other non-financial assets	0.0	0.9	(0.9)	0.9	0.9	0.0
<b>Total non-current assets</b>	<b>3,162.0</b>	<b>3,203.3</b>	<b>(48.4)</b>	<b>3,356.9</b>	<b>3,395.7</b>	<b>(38.8)</b>
<b>Total assets</b>	<b>3,281.2</b>	<b>3,330.0</b>	<b>(46.4)</b>	<b>3,484.1</b>	<b>3,528.8</b>	<b>(44.7)</b>
Trade and other payables	66.2	89.8	(12.8)	105.6	108.0	(2.4)
Contract liabilities	1.5	0.8	3.4	0.8	0.8	0.0
Borrowings	648.0	622.8	24.5	221.8	221.8	0.0
Income tax	(6.0)	(10.7)	(3.2)	(17.8)	(18.5)	0.7
Provisions	80.7	71.5	9.7	93.7	92.1	1.6
Other current liabilities	42.9	43.6	(1.8)	9.1	46.9	(37.8)
<b>Total current liabilities</b>	<b>833.2</b>	<b>817.8</b>	<b>19.7</b>	<b>413.2</b>	<b>451.1</b>	<b>(37.9)</b>
Borrowings	1,265.2	1,331.1	(66.8)	1,810.1	1,854.0	(43.9)
Contract liabilities	0.0	0.4	(0.4)	0.4	0.4	0.0
Deferred tax	193.4	192.9	0.5	204.6	204.6	0.0
Provisions	99.3	102.0	(2.7)	102.1	102.1	0.0
Other non-current liabilities	76.8	78.4	(1.1)	133.0	94.6	38.4
<b>Total non-current liabilities</b>	<b>1,634.7</b>	<b>1,704.8</b>	<b>(70.5)</b>	<b>2,250.2</b>	<b>2,255.7</b>	<b>(5.5)</b>
<b>Total liabilities</b>	<b>2,467.9</b>	<b>2,522.6</b>	<b>(50.8)</b>	<b>2,663.4</b>	<b>2,706.8</b>	<b>(43.4)</b>
<b>Net assets</b>	<b>813.3</b>	<b>807.4</b>	<b>4.4</b>	<b>820.7</b>	<b>822.0</b>	<b>(1.3)</b>
Retained earnings	155.8	150.1	4.2	134.9	136.0	(1.1)
Contributed equity	388.1	388.1	0.0	388.1	388.1	0.0
Asset revaluation reserve	269.3	269.2	0.1	297.7	297.9	(0.2)
<b>Total equity</b>	<b>813.3</b>	<b>807.4</b>	<b>4.4</b>	<b>820.7</b>	<b>822.0</b>	<b>(1.3)</b>

## Statement of cash flows

	Dec 2020 Actual \$m	Dec 2020 SCI \$m	Dec 2020 Variance \$m	FY21 Forecast \$m	FY21 SCI \$m	FY21 Variance \$m
<b>Cash flows from operating activities</b>						
Receipts from customers and other	228.7	220.5	8.2	449.7	457.9	(8.2)
Payments to suppliers and employees	(118.1)	(153.8)	35.7	(295.3)	(306.0)	10.7
Interest received	0.0	0.1	(0.1)	0.2	0.2	0.0
Interest paid	(36.7)	(36.2)	(0.5)	(46.8)	(47.2)	0.4
Income tax paid	(0.1)	(13.7)	13.6	(21.6)	(22.0)	0.4
<b>Net cash from operating activities</b>	<b>73.8</b>	<b>16.9</b>	<b>56.9</b>	<b>86.2</b>	<b>82.9</b>	<b>3.3</b>
<b>Cash flows from investing activities</b>						
Payments for property, plant and equipment	(134.3)	(176.8)	42.5	(312.9)	(352.4)	39.5
Proceeds from sale of property, plant and equipment	0.7	0.0	0.7	0.0	0.0	0.0
<b>Net cash used in investing activities</b>	<b>(133.6)</b>	<b>(176.8)</b>	<b>43.2</b>	<b>(312.9)</b>	<b>(352.4)</b>	<b>39.5</b>
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(178.2)	(16.4)	(161.8)	(628.7)	(628.7)	0.0
Proceeds from borrowings	265.6	170.2	95.4	849.2	893.0	(43.8)
Repayment of principal – leases	(1.5)	0.0	(1.5)	0.0	(1.0)	1.0
Dividends	(20.0)	(20.0)	0.0	(20.0)	(20.0)	0.0
<b>Net cash used in financing activities</b>	<b>65.9</b>	<b>133.8</b>	<b>(67.9)</b>	<b>200.5</b>	<b>243.3</b>	<b>(42.8)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6.1</b>	<b>(26.1)</b>	<b>32.2</b>	<b>(26.2)</b>	<b>(26.2)</b>	<b>0.0</b>
Cash at beginning of period	31.1	31.1	0.0	31.1	31.1	0.0
<b>Cash at end of period</b>	<b>37.2</b>	<b>5.0</b>	<b>32.2</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>



## Statement of capital expenditure

	YTD Actual \$m	YTD SCI \$m	YTD Variance \$m	FY21 Forecast \$m	FY21 SCI \$m	FY21 Variance \$m
Augmenting	(13.6)	(27.9)	14.3	(57.4)	(56.1)	(1.3)
Maintaining	(57.9)	(75.0)	17.1	(144.6)	(149.1)	4.5
New	(35.2)	(62.0)	26.8	(95.4)	(123.9)	28.5
Regulatory	(6.0)	(11.9)	5.9	(15.7)	(23.3)	7.6
<b>Total capex by capability</b>	<b>(112.7)</b>	<b>(176.8)</b>	<b>64.1</b>	<b>(313.1)</b>	<b>(352.4)</b>	<b>39.3</b>

## Key performance indicators

### Financial

Measure	2020-21 target	31 Dec 20 target	31 Dec 20 actual	Commentary on performance
Returns to shareholders	\$52.4m	\$13.8m	\$14.6m	Favourable return to shareholders is driven by higher current income tax, with unfavourable revenues being more than offset by favourable operating and financing expenses.
Core opex	\$181.0m	\$91.2m	\$88.8m	Favourable core opex is driven by lower contractor spend across a number of operating areas and programs.
Core capex	\$351.9m	\$176.8m	\$112.7m	Lower capex is primarily driven by the CSSI Regional Priority Dams, ICT portfolio, South West Corridor Facility, Warragamba Pipeline Corridor restoration and bushfire asset reinstatement.
Target credit rating Net debt to RAB <sup>1</sup>	Baa2 60%	Baa2 60%	Baa2 60%	Credit rating was last assessed in January 2019. The next assessment will be undertaken pursuant to onboarding of Fitch following completion of the tender process for credit rating services by NSW Treasury. Net debt to RAB is in line with target.
EBITDA	\$172.6m	\$80.3m	\$82.3m	Favourable EBITDA driven by unfavourable revenues being more than offset by favourable operating expenses.

1. RAB - Regulated Asset Base

## Non-financial

Measure	2020-21 target	YTD actual	Comments
Lost time injuries	Zero harm	One LTI	One LTI was reported in July 2020.
Incident severity rate	Four or less Class 4 and 5 severity incidents	Zero	Class 4 and 5 incidents relate to severe hurt or fatality. The severity-index identifies the actual and potential harm of safety incidents.
Skyline (Customer Satisfaction and Value)	49.3%	47.7%	A Pulse Check survey was undertaken in the second quarter of 2020-21. The result indicates we are on track to meet the end of year target.
Quality of water supplied	Meets standards under the Raw Water Supply Agreement, Australian Drinking Water Guidelines or other agreed criteria more than 95% of the time	Standards met 99.2% of the time	Quality of water supplied has exceeded target.
Minimise operational water losses	River system operational water losses will not exceed the long-term average losses by more than 5%	38% lower than the long-term average	Losses in the Northern valleys are well below long-term average as these systems were dry for the first four months, and the small deliveries scheduled in Dec have been deferred by rain and tributary flows. Losses in the Murrumbidgee, Lachlan and Macquarie valleys are also below long-term average as wetter conditions have reduced evaporation and increased ungauged stream flows have partially offset observed losses.
Improve business performance and resilience by closing identified improvement actions	No more than 10 actions not addressed within agreed timeframes	Five actions not addressed within agreed timeframes	Significant actions not addressed within agreed timeframes were comprised of: <ul style="list-style-type: none"> <li>• four audit actions; and</li> <li>• one ICAM (safety) recommendation.</li> </ul>
Employee engagement	At least 55% of employees are fully engaged	Not available	Performance for this KPI is measured once a year, with a pulse survey launched in January 2021.
Overall measure of delivery	230 points 65.6 points as at 31 December 2020	51.7 points	Several projects have been delayed, deferred or required additional works.