



HUNTER WATER CORPORATION

ANNUAL REPORT

2012-13

Hunter Water Corporation

The Hunter Water Corporation Annual Report 2012-13 has been prepared in accordance with the relevant legislation for the shareholders the Hon Barry O'Farrell, MP, Premier and the Hon Michael Bruce Baird, MP, Treasurer, and for the information of the Hon Andrew Constance, MP, Minister for Finance and Services.

Feedback

We welcome feedback on this Annual Report and you are encouraged to provide comments or suggestions to Hunter Water.

Electronic copies of this Annual Report are available at www.hunterwater.com.au/annualreport

Version: 1.2

Disclaimer

Hunter Water makes every effort to ensure the accuracy of the information provided. However, Hunter Water accepts no responsibility for incorrect information and encourages the public to contact us directly for verification.

Hunter Water Corporation Annual Report 2012-2013

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Contents

Letter of Submission.....	5
Our Business.....	6
Our Vision & Mission.....	7
Our Values.....	8
Balanced Scorecard	9
Chairman & Managing Director's Report	10
Our Board	11
Effective Governance.....	12
Our Organisational Structure.....	13
Performance Highlights	14
Business Drivers.....	16
Financial Statements	19
Directors' Report	20
Statistical Information	68
Hunter Water Australia.....	105
Hunter Water Australia Financial Statements.....	107
Directors' Report (Hunter Water Australia).....	108
Contact Us	143
Index	144

About This Annual Report

This Annual Report outlines the activities and performance of Hunter Water Corporation from 1 July 2012 to 30 June 2013.

It covers highlights from the year, as well as reports from Hunter Water's Board of Directors and Executive Management Team.

Financial reports, further statistical information and performance against regulatory frameworks are provided.

The activities of Hunter Water Corporation's subsidiary company, Hunter Water Australia Pty Limited are also included.

This report is accurate as of 31 October 2013.

Letter of Submission



Hunter Water Corporation
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31 October 2013

The Hon Barry O'Farrell, MP
Premier
Member for Western Sydney
Parliament House
Macquarie Street
SYDNEY NSW 2000

The Hon Michael Bruce Baird, MP
Treasurer
Minister for Industrial Relations
Member for Manly
Parliament House
Macquarie Street
SYDNEY NSW 2000

The Hon Andrew Constance, MP
Minister for Finance and Services
Member for Bega
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Premier, Treasurer and Minister

We take pleasure in submitting the Annual Report for Hunter Water Corporation for the financial year ended 30 June 2013, for presentation to the Parliament of New South Wales in accordance with the *Annual Reports (Departments) Act 1985*.

The 2012-13 Annual Report provides an overview of performance and business highlights as well as the consolidated financial statements for Hunter Water Corporation, and its subsidiary company, Hunter Water Australia Pty Limited.

Hunter Water Corporation will make the 2012-13 Annual Report available electronically at www.hunterwater.com.au following acceptance of its Annual Report in the Parliament of New South Wales.

Yours sincerely

A handwritten signature in black ink, appearing to read "Terry Lawler".

Terry Lawler
Chairman

A handwritten signature in black ink, appearing to read "Kim Wood".

Kim Wood
Managing Director

Our Business

Overview

Hunter Water Corporation (Hunter Water) is a company under the *Hunter Water Act 1991* (NSW) and was the first government-owned enterprise to be proclaimed within New South Wales pursuant to the *State Owned Corporations Act 1989* (NSW) in 1992.

Hunter Water collects, treats and reticulates drinking water to customers and then transports, treats and disposes of the region's wastewater. Hunter Water operates within an area that covers some 5,366km² and serves a population approaching 570,000 people within the local government areas of Lake Macquarie, Newcastle, Maitland, Port Stephens, Cessnock, Dungog and parts of Singleton. In addition Hunter Water owns and operates a limited amount of stormwater infrastructure in the local government areas of Lake Macquarie, Newcastle and Cessnock. Bulk water is also provided to Mid Coast Water for supply to North Karuah and water supplies of up to 35ML per day are able to be provided to the Central Coast when required.

The primary water sources for Hunter Water are: Grahamstown Dam (182,305ML), Chichester Dam (18,356ML), Tomago Sandbeds (60,000ML) and Anna Bay Sandbeds (16,024ML).

Hunter Water has a wholly owned subsidiary, Hunter Water Australia Pty Limited (Hunter Water Australia). Hunter Water Australia provides specialist technical and operational services to its parent - Hunter Water, water agencies, local government and industry in Australia and overseas.

Operations at a Glance

Water connections	232,964
Wastewater connections	221,434
Water supplied	68,622ML pa
Water network	4,820km
Sewer network	4,852km
Total water storage	276,685ML
Water pumping stations	124
Wastewater pumping stations	422
Water treatment plants	6
Wastewater treatment works	19
Calls received by call centre	>150,000 pa
Website visitors	240,332 pa
Budgeted full time equivalent employees	477

Our People

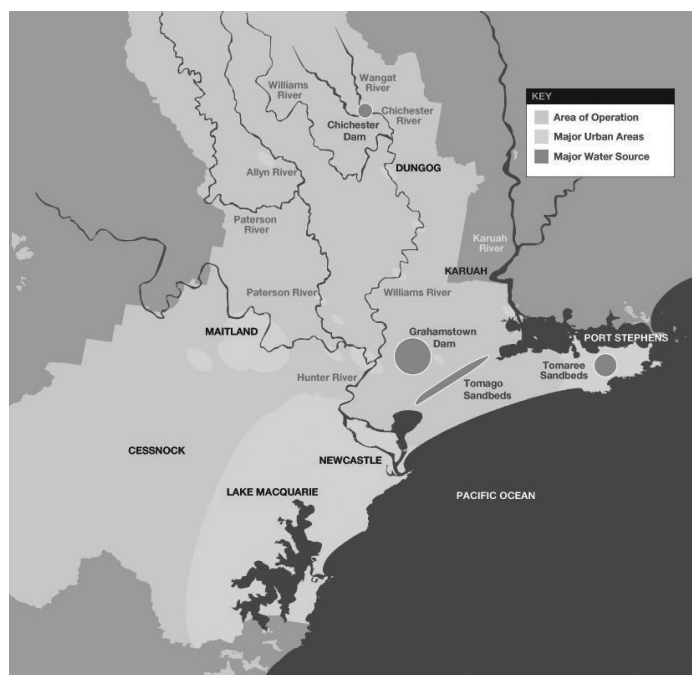
Approximately 480 people worked at Hunter Water during 2012-13 to deliver safe, affordable, reliable and essential water services to the communities of the Lower Hunter. Our employees worked side-by-side with contractors, alliance partners, stakeholders and the community to help ensure a sustainable water future for our region.

Our History

The Hunter Water that exists today has a long and rich history from its humble beginnings in the 1880s when water was first delivered to Newcastle from a temporary pumping station on the Hunter River at Oakhampton.

The constitution of the first Board was approved in 1892 and New South Wales' second water authority was born. Hunter Water is governed under the *State Owned Corporations Act 1989* and in 1992 the Hunter District Water Board was incorporated under the *Hunter Water Act 1991* and began trading as it is known today, Hunter Water Corporation.

Hunter Water is proud of its long history of service to the local community, its environmental stewardship, record of leadership in water industry reform and the individual and collective contribution and achievements of employees and partners.



Our Vision & Mission

Vision

“We aspire to be a Leading Water Business”

We desire to maximise the potential of the business through superior performance. We desire to demonstrate outstanding customer service, financial discipline, unprecedented levels of compliance, exceptional delivery of core services and to be regarded as an employer of choice.

We will provide affordable and reliable services. We will have an unrelenting focus on addressing the needs of all stakeholders. We will build into all we do, a responsible and sustainable approach to the protection of the environment and public health. We will create a culture that empowers our people to achieve and keeps them safe. We will embrace the highest standards of corporate governance and financial management.

Mission

Our Values

Working Safe

Nothing is more important than working safely. In everything we do we will ask “how do we guarantee the safety of all involved?” We will continuously seek better safety outcomes.

Right Solutions

We plan and provide for efficient solutions in order to meet the demand for water and wastewater services in our region. We strive to avoid the twin evils of being too late or “gold plating”. We implement the right solutions at the right time to deliver the best value.

Financially Responsible

We recognise the need for financial discipline so that we can efficiently fund the demand for service in our region, while remaining one of Australia’s most cost-effective water businesses. We optimise affordability for our customers while delivering sustainable water services.

People Matter

We will encourage a working environment that promotes excellence, personal responsibility, decisiveness, urgency and mutual respect. We will identify and reward superior performance and innovation. We will play our part in developing our talent.

Committed to our Community

We have a long tradition of service to our community by providing reliable and safe water and wastewater services. We will maintain an unrelenting focus on understanding the needs of our community. Hunter Water and its employees will proactively engage in aligned community initiatives.

Respect for the Environment

We understand the importance to the community of meeting our environmental obligations. We take responsibility for these obligations and will operate sustainably.

Keeping Promises

We understand the community’s desire for consultation and engagement. We will be frank and honest in our interactions. We will build trust by meeting or exceeding our commitments. We are committed to maintaining the highest levels of honesty and integrity in everything we do.

Continuous Improvement

We know that better ways consistently emerge. We will challenge accepted ways of doing things and address tough issues. We aim to leave our business in a better shape.

Professional Recovery

Sometimes things go wrong. We will identify our risks. We will prepare and rehearse. We will mobilise and recover professionally.

Leadership is a Skill

Leadership is a skill independent of professional capability. Whilst professional performance is a fair catalyst for promotion, we encourage those with the responsibility for others, to understand and actively develop their skills as a leader of people.

Balanced Scorecard

Hunter Water will realise its vision of becoming a leading water business through a continued focus on the following five elements.

Our People

Hunter Water will provide a safe and healthy workplace for our employees and partners. We will ensure that we have the right people in the right jobs with the right skills.

Financially Responsible

Hunter Water will manage its financial position in a sustainable manner in order to ensure that the business remains one of the most affordable service providers whilst also meeting obligations to shareholders.

Right Infrastructure

Hunter Water will pursue excellence in all it does and deliver and maintain the right infrastructure at the right time at the right costs.

Satisfied Community

Hunter Water will work to build stronger stakeholder relationships. We will resolve customer issues quickly and effectively.

Effective Governance

Effective governance will deliver comprehensive strategic control of the business. We will comply with legislative and regulatory requirements. We will ensure we have in place effective risk management protocols and behave ethically at all times.

Chairman & Managing Director's Report

A Message from the Chairman and Managing Director

Hunter Water has delivered a pleasing result across its operating business in the 2012-13 financial year, largely driven by improvements to working capital management and a focus on operating margins. Our company is unique in that we provide the community with an essential service while at the same time running a business that delivers a rate of return to our Shareholders. For the past year, the economic entity that is Hunter Water has delivered growth in gross profit (refer to page 87) of more than 17% and a 26% increase in the Real Rate of Return to 3.42%.

At the same time, Hunter Water has laid the foundations that will ensure the business continues to provide safe, affordable and reliable services over the medium term. Our prices for the next four years have now been determined by the Independent Pricing & Regulatory Tribunal (IPART). This will ensure that residential customers will see no price increase in real terms over this time. Many small business owners will actually see a reduction in their water bill. In particular, we will continue to support housing growth in the region having successfully secured \$21 million from the Housing Acceleration Fund (HAF) over the next three years with major infrastructure upgrades planned for the Farley wastewater network (\$7.9 million); the Lochinvar water network (\$4 million) and the Lochinvar wastewater network (\$9.1 million).

Profit for the year for the economic entity was \$32.0 million, including recognition of a \$29.26 million decrement in land and building valuation. The Board has declared a final dividend of \$15.60 million for the reporting period.

Hunter Water's first priority is health and safety of the public, our people and contractors. Drinking water supplied by us is consistently of a very high standard and well within the requirements of the Australian Drinking Water Guidelines (ADWG). Internally we have commenced work on the accreditation of a new Workplace Health and Safety (WHS) system to further strengthen internal processes, prevent unsafe actions and to reinforce safe behaviours. In June 2013, we achieved a new record of 27 months without a single Lost Time Injury (LTI) for employees. We will continue to focus on strategies and initiatives that will help deliver a zero harm workplace.

Hunter Water has honoured its Operating Licence with outstanding performance against its key service standards. The number of properties experiencing three or more service interruptions lasting more than an hour was reduced by 42% compared to the prior year, the best result ever recorded for this service standard. Similarly, Hunter Water achieved commendable outcomes in important operational areas including reducing the occurrence of wastewater overflows by 7%, reducing the total electricity consumption of water assets by 5%, and maintaining one of the highest standards in the industry for the delivery of safe, reliable, and clear drinking

water. At the same time overall customer complaints in 2012-13 fell to approximately 11 per 1,000 customers which continues the downward trend over several years and overall customer satisfaction remained high at 90%.

In March 2013, the Board engaged a consultant to undertake a review of the performance of the Board. The scope of work included a review of roles and responsibilities, composition and overall performance of the Board, an assessment of the Board's operations and a review of where the Board makes a difference.

The Review found that the Board meets all of the requisite governance standards and compliance obligations expected of a NSW State Owned Corporation. The Review identified a range of examples of good governance practice including the use of Board and Committee Charters; the maintenance of a Board Skills Profile; the monitoring of company performance and the process for reviewing the performance of the Managing Director; and the structure of the Board meeting agenda. An action plan to implement further improvement opportunities identified by the Review has been developed and implemented by the Board Corporate Governance Committee.

Over the past year, Hunter Water has worked closely with the NSW Metropolitan Water Directorate (MWD) to reduce the impact of drought on the region through the development of the Lower Hunter Water Plan (LHWP). On 30 April 2013, the NSW Minister for Finance & Services announced in Parliament those options which have been short-listed for detailed evaluation and public discussion. This work has been coupled with extensive supply-demand balance modelling by Hunter Water. The supply and demand options announced by the Minister will be assessed and released in a public discussion paper in August 2013.

Maintaining a viable and sustainable business has been a key focus for the Board and management team. To this end much attention has been given to preserving an investment-grade credit rating to ensure our ability to access capital for growth. In addition, we have implemented a new credit management and account assistance program to improve our working capital and prevent the accumulation of long-standing customer debt.

Finally, we would like to sincerely thank the people, businesses and government stakeholders associated with Hunter Water Corporation – from our customers and partners, to our employees and to the communities in which we live and work.

As we continue to grow our business and consolidate Hunter Water's position as one of Australia's most affordable water utility, we take pride in sharing this success with all of our stakeholders, now and into the future.



Terry Lawler
Chairman



Kim Wood
Managing Director

Our Board

Board Management

Under the *Hunter Water Act 1991*, our Board of Directors is comprised of up to nine members, including the Managing Director, together with a Chairman and seven independent Directors appointed by the voting Shareholders of the Corporation.

All Non-Executive Directors are skills-based with the Managing Director, the only non-independent Director, appointed in accordance with the Constitution and the *State Owned Corporations Act 1989*, upon the recommendation of the Board.

The Board of Directors is at the centre of the corporate governance process. The Board oversees the policies, management and performance of the business. It sets the strategic direction and ensures the achievement of business and regulatory commitments.

Hunter Water's subsidiary company, Hunter Water Australia, is incorporated under the *Corporations Act 2001* and is governed by its own Board of Directors.

Hunter Water has a strong corporate governance framework that underpins strategic objectives and its commitment to its customers, shareholders and the community. The Board's Corporate Governance, and Audit and Risk Committees play a key role in setting the corporate governance culture.

For details on the Board of Directors refer to the Director's Report.

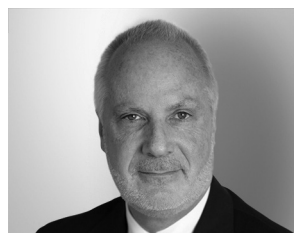
Terry Lawler Chairman

BCom, FCA,
FAICD, FAIM



Kim Wood Managing Director

BEng, DipEng,
MBA, FIEAust, FAIM,
CPEng



Jeff Eather Deputy Chair

BCom (Newcastle),
CPA, FCIM, MAICD



Richard Alan Chappel

BE (Civil), Dip T & RP, Hon
FIE Aust, FTSE
Retired 31 December 2012



Barbara Crossley

BNatRes (Hons),
MEIA, GAICD



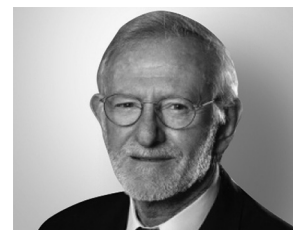
Professor Maree Gleeson

BSc, PhD, FAICD



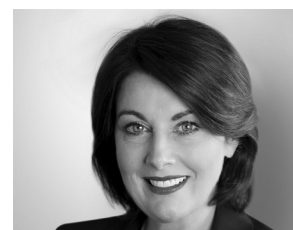
Peter Dalglish

BSc, P.DMktgMgmt



Susan Ivens

BA, DipEd, MBA,
LLB, FAICD



Cristina Cifuentes

BEc (Sydney),
LLB (UTS) (Hons)
Retired 31 May 2013



Effective Governance

Regulatory Framework

Hunter Water is governed by the *State Owned Corporations Act 1989* and the *Hunter Water Act 1991*. The NSW Government regulates the operations through a number of regulatory bodies and instruments.

Operating Licence

Hunter Water's Operating Licence is set by the Independent Pricing and Regulatory Tribunal of NSW (IPART) and is issued by its Portfolio Minister.

Hunter Water has a five year Operating Licence which came into effect on 1 July 2012.

The Operating Licence is the overarching regulatory instrument. The Operating Licence sets out operating responsibilities, system standards, service standards and customer rights. It also establishes systems for water quality, environmental and asset management. The Customer Contract also forms part of the Operating Licence. The current Customer Contract came in to effect on 1 July 2011.

IPART conducts an annual independent audit to assess Hunter Water's compliance against the Operating Licence. The audit assesses our performance in meeting the service standards and other conditions of the Licence. The results of audits and reviews are made publicly available by IPART upon completion.

Pricing

Hunter Water's overall pricing structure is periodically reviewed and determined by IPART. Prices that applied for 2012-13 were set by IPART in 2009 and indexed every year for a four year period. The most recent price determination sets the prices for a further four years and came into effect in July 2013. The applicable pricing during 2012-13 is listed in the statistical information pages of this report.

For further details on pricing refer to the Pricing Structure in the Statistical Information (page 89) and the Hunter Water website. Information about the price determination process can be found on IPART's website.

Wastewater Systems

Since February 2012 the Environment Protection Authority (EPA) has been responsible for the issue of licences under the *Protection of the Environment Operations Act 1997* for the wastewater pipe network, pumping stations and treatment systems. Prior to this the function was undertaken by the Office of Environment and Heritage.

The licences stipulate both quality and quantity conditions for discharge from each wastewater treatment works and are reviewed every three years under the legislation. The licences also specify operational controls and performance reporting for the wastewater pipe network and pumping stations.

Access to Water

Hunter Water extracts water from the Williams, Paterson and Allyn Rivers as well as groundwater sources under conditions set out in licences issued by the NSW Office of Water. These licences are issued under the *Water Management Act 2000*. Further information about water access licensing arrangements can be obtained from the NSW Office of Water website.

Drinking Water Quality

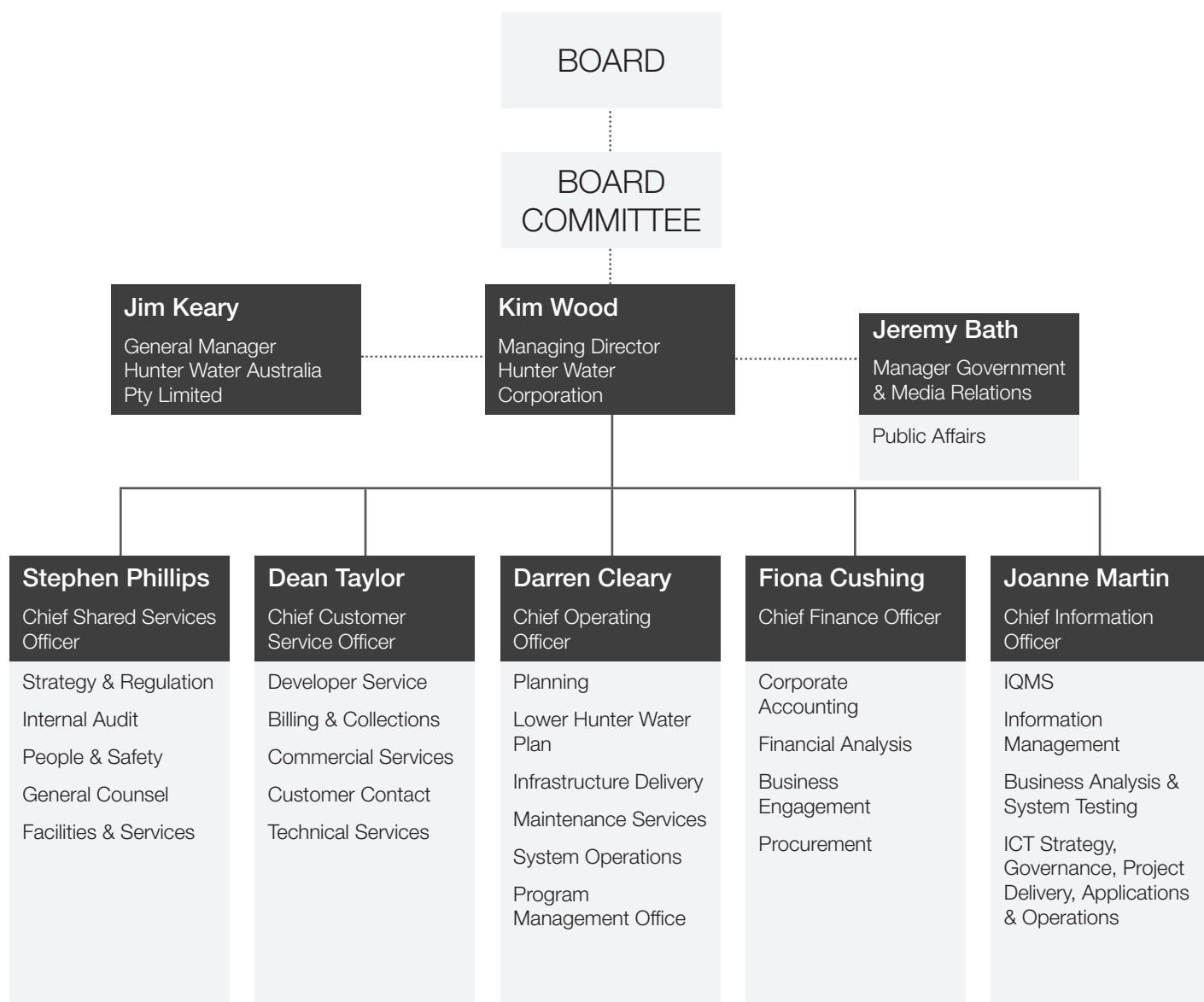
Hunter Water supplies high quality drinking water to customers. The drinking water supplied is regularly tested throughout the water supply system and consistently complies with the National Health and Medical Research Council's Australian Drinking Water Quality Guidelines. The Guidelines set out requirements for microbiological, physical and chemical requirements for drinking water.

Hunter Water's Operating Licence is required to comply with guidelines which provide a solid foundation for assessing drinking water quality.

Hunter Water also works closely with Department of Health to ensure that drinking water quality is managed appropriately.

Regulator Stakeholder	Area of Regulation	Regulatory Instrument/s
Independent Pricing and Regulatory Tribunal of NSW (IPART)	Pricing, operations, service standards, customer protections, drinking water quality	Operating Licence Price Determination Customer Contract
NSW Treasury	Obligation to shareholders	Statement of Corporate Intent
NSW Environment Protection Authority (EPA)	Wastewater licensing	Environment Protection Licences
NSW Office of Water (NOW) - Part of the NSW Department of Primary Industries	Water extraction licensing	Water Management Licences
NSW Department of Planning & Infrastructure	Development assessment	Environmental Planning & Assessment Act 1979
Department of Health	Drinking water quality	Memorandum of Understanding with Department of Health

Our Organisational Structure



Executive Management

As at 30 June 2013, the Executive Management team were:

Kim Wood BEng, DipEng, MBA, FIEAust, FAIM, CPEng
Managing Director

Stephen Phillips ADipEng, GDipMgmt, GDipACG,
MBA, MComLaw, JP, MCLA, FCIS, FCSA, FAICD
Chief Shared Services Officer

Dean Taylor BCom, MEBM, CPA, AMIEAust, GAICD
Chief Customer Service Officer

Darren Cleary BE, ME
Chief Operating Officer

Fiona Cushing BSc, MAcc, CPA
Chief Finance Officer

Joanne Martin BBus (Banking & Finance), GAICD
Chief Information Officer

Performance Highlights

Obtaining Housing Acceleration Funding

Hunter Water successfully obtained \$21 million of funding over the next three years from the Housing Acceleration Fund. This funding will be used to support over 10,000 new homes in Farley and Lochinvar through the delivery of water and wastewater infrastructure.

The funding will be used to deliver:

- Farley regional wastewater network upgrades - \$7.9 million
- Lochinvar water upgrades - \$4 million
- Lochinvar wastewater upgrades – \$9.1 million

Major Customer Water Audits

Water audits for major customers were a key water efficiency initiative for Hunter Water. In 2013 five major customers signed up to the program. These were the John Hunter and Stockton Hospitals, University of Newcastle, Steggles and Sanitarium Health Foods.

The audits provided an understanding about water demand patterns and identified opportunities for the customer to become more water efficient. Hunter Water also provides a subsidy to major customers who implement identified audit initiatives.

New Prices Determined for the Next Four Years

The Independent Pricing and Regulatory Tribunal (IPART) announced in June 2013 new prices for Hunter Water's water, sewerage and stormwater services to apply from 1 July 2013 to 30 June 2017. Setting prices for four years gives customers certainty about how their bills will change over time.

For customers living in houses, typical annual water and sewerage bills will rise only in line with inflation (by 2.5% or \$26 each year over the next four years). The cost of stormwater drainage for houses will also decrease by about \$5 per year while stormwater charges for home units will fall by \$55 from 1 July 2013. Pensioner households will see an even smaller increase in their water bills, with IPART approving an increase of just \$13 each year over the four year period. Many small business owners will also benefit with their water and sewerage bills estimated to fall by \$177 over the full four year period.

IPART has approved Hunter Water's \$300 million infrastructure program for the next four years that will include projects such as upgrading both the Grahamstown and Nelson Bay Water Treatment Works and upgrading the Burwood Beach and Farley Wastewater Treatment Works.

Lifeline Workplace Lifesaver Award Winner

In May 2013, Hunter Water's Rodney Cade, Manager Customer Care & Complaints, was announced the dual-winner of the 2013 Lifeline Workplace Lifesaver Award. This annual award recognises a local person who makes a significant contribution to the mental health and well-being of their colleagues. Mr Cade continually keeps his team's morale high and has implemented a number of proactive initiatives to assist in the duties they undertake.

Registration of Workplace Agreements

The Association of Professional Engineers, Scientists and Managers Australia (APESMA) Hunter Water Corporation Agreement 2012 and Hunter Water Corporation Employees Enterprise Agreement 2012 were registered by Fair Work Australia. The APESMA Agreement came into effect from 17 October 2012 whilst the Hunter Water Corporation Employees Enterprise Agreement 2012 came into effect from 6 November 2012. The nominal expiry dates of both Agreements is 31 May 2015.

Environmental Training Launched Online

An online environmental training program was launched as part of the Environmental Management System in March 2013. The training, which is provided for all employees, will provide an understanding about Hunter Water's commitment to sustainable urban water management and an overview of policies and plans that relate to environmental management and sustainability. The training identifies environmental management tools that are available to all employees to assist in environmental decisions made in the day to day operations of Hunter Water.

Introduction of Centrepay

Hunter Water launched in partnership with Centrelink a Centrepay channel on the 21 June 2013. The payment channel is an important component of Hunter Water's Account Assistance Program and provides customers who receive any benefit from Centrelink with the option to nominate an amount of money to be deducted automatically from their benefits and paid toward their Hunter Water account electronically.

Supporting Nations in the Pacific Region

Hunter Water has continued to support the work of Hunter Water Australia in working with developing nations in the Pacific region through the Asian Development Bank. In February 2013, employees spent a week in Fiji as part of a twinning arrangement, with costs funded by the Asian Development Bank. The visit focused on assisting with the minimisation of non-revenue generating water, improvements to internal business processes as well as advice on process improvements that could be made to poorly performing wastewater assets. The Chairman and CEO of the Water Authority of Fiji and specialist staff visited Hunter Water in June 2013. This project follows on from work that has been carried out in Papua New Guinea for the past two years. In May 2013 a Hunter Water employee visited Papua New Guinea to assist with the mitigation of non-revenue generating water.

Hunter Business Water Savers Program

Hunter Water has conducted the Hunter Business Water Savers Program since 2010. To date over 155ML has been saved each year at 94 individual business sites. In August 2013, the Hunter Sports Centre was declared the winner of the Hunter Water Savers award for the 2012-13 program. The Centre proposed decompacting the main field area and adding compost over a three year period. This will increase the water holding capacity of the soil, improving turf growth by better utilising rainfall and result in less irrigation. The potential water savings for the project are estimated to be 3 million litres per annum.

Delivering the Lower Hunter Recycled Water Initiative

The Lower Hunter Recycled Water Initiative is the culmination of several years work on how to sustainably manage urban water in the Lower Hunter. The program comprises of eight recycling and greenhouse gas offset projects that will be delivered between 2011 and 2015.

This \$100 million program of works will save drinking water and improve water security for the Lower Hunter. The program is receiving \$8.8 million in funding from the Australian Government's Water for the Future initiative through the National Urban Water and Desalination Plan.

In October 2012 Hunter Water commissioned the Branxton recycled water scheme to supply recycled water from the Branxton Wastewater Treatment Works via a 10km purpose built pipeline to The Vintage Golf Course and other customers for irrigation purposes. The upgrade delivers several environmental benefits by reducing the amount of water extracted for irrigation and reduces the volume of treated wastewater discharged into nearby waterways.

Construction commenced in February 2013 on the Kooragang Industrial Water Scheme which will provide up to nine mega litres per day of recycled water for industrial use. Once commissioned in December 2014, the scheme will save up to 3,300 million litres of potable water each year.

A condition of the funding grant is to deliver projects that offset greenhouse gas emissions from the operation of the recycled water plants at Kooragang and Branxton.

In February 2013 Hunter Water completed installation of solar panels on Hunter Water's head office. The 72kW solar panels system will contribute about 100-megawatt hours of renewable energy each year for use within the building. Updating the head office data centre, which accounts for half of the buildings electricity consumption, Hunter Water has seen a significant decrease in energy used in the building.

Hunter Water planted 300,000 trees and shrubs at Grahamstown Dam, Chichester Dam and Irrawang to offset more than 80% of the 68,000 tonnes of carbon emissions likely to be produced by the recycled water plants over a 20 year period.

Hunter Water installed its first cogeneration facility at the Cessnock Wastewater Treatment Works in June 2013. The biogas produced by the digester is ignited within the cogeneration facility and the energy generated is used to generate electricity. The heat generated from the process is also used to heat the digester and in turn reduces treatment energy costs. The facility will reduce carbon emissions by 170 tonnes and reduce energy costs by \$30,000 each year.

Delivery of the First Recycled Water to The Vintage

Supply of recycled water from Branxton Wastewater Treatment Works (WWTW) to The Vintage Golf Course commenced for irrigation purposes in October 2012.

The scheme delivers up to 300 million litres of recycled water from the upgraded Branxton WWTW to The Vintage for use on its greens and fairways.

The pipeline assures a supply of water for The Vintage even during drier times when local waterways can otherwise run low. It also delivered environmental benefits by reducing the amount of water extracted from local waterways for irrigation, as well as the volume of treated wastewater discharged into nearby waterways from the Branxton plant.

The timely progress of this project was a demonstration of Hunter Water's commitment to providing a safe, reliable water service for customers, while reducing extraction from local waterways for irrigation purposes. The project saves up to 410 million litres of water each year, by providing recycled water to The Vintage, Branxton Golf Club and adjacent farmer.

This venture was the first initiative announced as part of the Lower Hunter Recycled Water Initiative. This recycled water pipeline was funded through Hunter Water and the Australian Government's Water for the Future initiative through the National Urban Water and Desalination Plan.

Assisting Customers with Water Efficient Washing Machines

In April 2013, the Hunter Region No Interest Loans Scheme was re-launched to assist low income customers to purchase water and energy efficient washing machines. The scheme provides small, no interest loans to low income households for the purchase of essential household goods. A 4 or 5 star water and energy efficient washing machine can save up to \$100 per year in operating costs compared with an inefficient (1 or 2 stars) machine.

Upgrading High Voltage Assets

In December 2012, Hunter Water commenced a \$50.5 million two-year program to upgrade existing high voltage assets associated with water and wastewater infrastructure. The assets to be upgraded include power poles, power cables and transformers, which are critical for ensuring the safe and reliable transport and treatment of water and wastewater for Hunter Water customers. The upgrade will also enable Hunter Water to introduce energy-efficient solutions and improve the operation of existing equipment, which will provide environmental benefits.

This project also demonstrates safety improvements for employees working on these assets.

Strategic Plan

During 2012-13, Hunter Water commenced a new process to assist and strengthen the development of the organisation's Strategic Plan. Directors, the Executive Management Team and employees have assisted in the development of the new Plan. The 2013-14 Strategic Plan sets out the organisation's objectives and financial commitment over a ten year horizon. The Plan provides guidance to Hunter Water's employees and shareholders on those initiatives and areas of the business which will drive strategic performance. Further work will be undertaken during 2013-14 to further define multi-year objectives. The work undertaken has significantly improved upon the historical approach to strategic planning.

Business Drivers

During 2012-13 Hunter Water has developed effective responses to a number of business drivers, as outlined in the Statement of Corporate Intent.

The drivers were as follows:

Safety

Hunter Water requires further efforts to better manage safety.

Water Sustainability

Hunter Water's ability to supply potable water may be threatened by a severe multi-year drought.

Affordability & Cost Structure

Demand for capital expenditure and increased operating expenditure may put upward pressure on customer pricing. Hunter Water needs to operate more efficiently.

Capital Structure

Hunter Water's investment grade credit rating may be lost should its financial metrics worsen.

Community Trust

Trust in Hunter Water has been unfavourably impacted by the Tillegra Dam debate.

Business Improvements

There are opportunities to improve outcomes by developing a genuine continuous improvement culture.

Information Technology

Hunter Water requires information technology upgrades to manage identified risk.

Culture

Implementing and sustaining a balanced customer driven commercial culture provides opportunities to improve performance.

Focus

Hunter Water will gain efficiencies by focusing on meeting community, environmental and operational regulatory requirements.

1. Safety

2012-13 Objectives

- A strong safety culture.
- Best practice safety program.
- Demonstrate a reduction in injuries.

There have been no lost-time injuries to Hunter Water employees for 27 months. This is the first time Hunter Water has achieved this result and is a credit to the safety culture in the workplace.

Hunter Water is continuing to improve contract management systems and processes to facilitate improvements in contractor safety.

Hunter Water places great importance on mental health and is currently developing a plan that continues to support access to employee assistance programs.

2. Water Sustainability

2012-13 Objectives

- An affordable and acceptable supply risk profile over the life of the Lower Hunter Water Plan.
- Wide community support for the plan.
- Maximise community value by planning an efficient water supply.

Updated modelling of how much water we need (demand) and how much water we have available (supply) indicates that the Lower Hunter storages can currently supply an average of 75 billion litres of water each year, which is enough to cater for growth for at least the next 20 years. However, while the Lower Hunter has enough water to meet the average needs of our growing region in the short to medium term, planning needs to occur for periods of drought. The primary focus of the Lower Hunter Water Plan will therefore be to improve drought security.

Since December 2012, the Metropolitan Water Directorate has been engaging with the Lower Hunter community and stakeholders, both online and through workshops. Twenty short listed options recommended for detailed evaluation and public discussions were released in April 2013 for community feedback. These options will be developed into potential portfolios using multi criteria decision analysis taking into account their cost, social, environmental, and risk/resilience factors.

3. Affordability

2012-13 Objective

- Reduce the impact on future prices by implementing an efficient capital program.

Over recent years, Hunter Water has undertaken considerable investment in capital infrastructure in order to meet customer growth demands, comply with regulatory obligations in relation to wastewater treatment operations and to improve water security for the region. The capacity provided by this investment has allowed Hunter Water to reduce the level of capital expenditure over the next four years to focus on providing water, wastewater and stormwater services to a level that complies with safety, environmental and customer obligations. Hunter Water will continue to focus on developing and delivering the projects in this program to deliver value for money for the community.

4. Cost Structure

2012-13 Objective

- Reduce the impact on future prices with efficient operational costs.

During 2012-13 Hunter Water's operating costs were \$133.77 million. One of the key areas in which savings were achieved was electricity, where costs were minimised through a combination of energy efficiency initiatives and also through reduced pricing as a result of the retail electricity supply contract being re-tendered.

Hunter Water continues to be one of the lowest cost water utilities in Australia as evidenced in the National Water Commission Annual Report for 2011-12 where Hunter Water was ranked the second lowest of 11 utilities in terms of operating costs per property served. The efficiency of Hunter Water's operating expenditure was further validated during the Price Determination process whereby IPART adopted proportionate regulation in the price determination which they commented they were able to do where a business makes "...price proposals based on efficient operating and capital expenditures supported by their customers".

5. Capital Structure

2012-13 Objective

- Reduce the impact of future prices by minimising the cost of interest.

To ensure the ongoing financial sustainability of the organisation, Hunter Water aims to maintain an investment-grade credit rating and is therefore closely monitoring debt levels and the costs associated with servicing this debt. After taking into account customer affordability and financial sustainability, Hunter Water's price submission to IPART for the 2013-17 period incorporated forecast capital expenditure of \$350 million. This level of capital investment will ensure service provision to the community and minimises increases in the level of debt required.

During 2012-13, approximately 20% of Hunter Water's debt portfolio was refinanced to take advantage of low market interest rates and the average interest yield (excluding the government guarantee fee) on the debt portfolio has reduced to 5.0% (a decrease of 0.7% on 2011-12).

New Credit Management and Account Assistance policies have been implemented into business processes. Data cleansing of customer information within the billing system has commenced. The focus is on improving the billing system credit paths and business processes which align to the goals of debt prevention and supporting customers experiencing hardship and making these processes more efficient.

6. Community Trust

2012-13 Objectives

- Comprehensive community engagement.
- Community endorsement of major capital projects.
- Increased community confidence in Hunter Water.

Hunter Water's Community Consultative Forum met three times during 2012-13 to provide advice on customer and consumer interests in relation to Hunter Water's Customer Contract and the operational requirements of the Operating Licence. The Forum is an advisory body made up of key community representatives from across the Lower Hunter, representing various stakeholder groups such as Hunter Region Botanic Gardens, No Tillegra Dam Group, Hunter Business Chamber and the Catchment Management Authority. At each meeting the Metropolitan Water Directorate attended and discussed the development of the Lower Hunter Water Plan.

A land use and management plan is being developed for Hunter Water's landholdings in the Tillegra area. Local stakeholders, including Dungog Shire Council, the community and government authorities, are being consulted to ensure a comprehensive approach to engagement is taken throughout the development of the plan. The plan will be completed in October 2013.

7. Business Improvement

2012-13 Objectives

- A continuous improvement culture.
- Efficient systems and processes.
- Reduce the impact on future prices by achieving operational cost efficiencies through continuous improvements.

Hunter Water is undertaking third party certification to nominated Australian and International standards for its workplace health and safety system, quality management and environmental management systems. Work has been progressing in developing documentation for Hunter Water's upgraded Work Health and Safety Management System and the implementation will commence in August 2013. The certification of the Work Health and Safety Management System to AS/NZS 4801 is due to be completed by December 2013.

8. Information Technology

2012-13 Objectives

- Information technology systems that adequately support business needs.
- Reduce the impact on future prices with efficient information technology costs.

Hunter Water completed a technical upgrade of the meter reading system. Planning for the new pricing structure that occurred during 2012-13, as determined by IPART for commencement from 1 July 2013, was successfully implemented. The Geospatial Information System (GIS) was upgraded and Hunter Water is in the process of upgrading its Enterprise Resource Planning (ERP) system from Ellipse version 5 to version 8. This system is used for asset management, human resources, finance and supply chain management.

To support a sustainable computing environment for the overall business, a technical upgrade of the electronic document management system was completed. Hunter Water successfully performed disaster recovery testing for its critical business systems in March 2013. Hunter Water is continually undertaking an ongoing infrastructure refresh to migrate away from and then decommission unsupported technologies.

Modern information systems provide access to relevant management information which assists the quality of management timing and decision making, resulting in operating efficiencies.

9. Culture

2012-13 Objectives

- A culture of achieving business objectives at all levels of the organisation.
- Consistently rated as an employer of choice.
- Consistently outperform water industry benchmarks.

Hunter Water is undertaking a complete internal review of the human resources management systems to ensure alignment between organisational needs and the human resources function. A new performance management system has been successfully introduced with a simplified ratings system. This has driven employee participation rates from 60% to 100% compliance in performance reviews during 2012-13. Work is progressing in developing a more structured and formal remuneration and benefits system to enable greater reward and recognition of employees and their performance.

Hunter Water is continuing to review and develop a base lined training platform to meet business training needs and institute a targeted recruitment and selection system aligned to corporate objectives.

10. Focus

2012-13 Objectives

- Improved service levels.
- An acceptable risk profile over the life of the plan.
- Reduce the impact on future prices with efficient operational costs.
- Community support for Hunter Water's activities.

Hunter Water has service offerings to meet the needs of key customer segments. Continual improvements are made to customer service with the assistance of survey information. Training was implemented with a focus on the service delivery experience. As a result of the training the ability to undertake first call resolution has improved.

Hunter Water provides dedicated account managers to assist customers in a variety of ways. These include financial hardship, major customer support and customer service resolution. During 2012-13, a restructure of the Customer Services division was carried out to draw together the different teams who interact with developers under a dedicated senior manager. The group achieved strong performance against a suite of key performance indicators that were designed to ensure that Hunter Water was able to respond with timely and accurate information to this key customer group. A total of 1,599 development assessments were approved with 97% completed within the 30 day target. The team achieved this result with the assistance of a revised electronic tool for creating notice letters.

Financial Statements

Company Particulars

Directors

Mr T Lawler, Chairman

Mr K Wood, Managing Director

Mr J Eather, Deputy Chairman

Ms B Crossley

Prof M Gleeson (from 1 January 2013)

Ms S Ivens

Ms C Cifuentes (to 31 May 2013)

Mr P Dalglish (from 2 July 2013)

Mr RA Chappel (to 31 December 2012)

Company Secretary

Mr S Phillips

Auditors

Audit Office of New South Wales

Bankers

Commonwealth Bank of Australia

Directors' Report	20
Independent Auditor's Report	24
Income Statement	26
Statement of Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity.....	29
Statement of Cash Flows.....	30
Notes to and Forming Part of the Financial Statements.....	31
Directors' Declaration	67

Directors' Report

The Directors submit the following report made in accordance with a resolution of the Directors of the Parent Entity and Controlled Entity for the year ended 30 June 2013.

Directors

The names and details of the Directors of the Parent Entity at any time during or since the end of the year are:

Mr	T	Lawler	Chairman
Mr	K	Wood	Managing Director
Mr	J	Eather	Deputy Chairman
Ms	B	Crossley	
Ms	S	Ivens	
Mr	R	Chappel	(to 31 December 2012)
Ms	C	Cifuentes	(to 31 May 2013)
Prof	M	Gleeson	(from 1 January 2013)
Mr	P	Dalglish	(from 2 July 2013)
Mr	RA	Chappel	(to 31 December 2012)

Information on Directors

T LAWLER - BCom, FCA, FAICD, FAIM

Mr Lawler was appointed as Chairman of Hunter Water Corporation in January 2012 and was also Chairman of Hunter Water Australia Pty Limited (Hunter Water Corporation's Controlled Entity) until 25 July 2013. Mr Lawler is Chairman of Lawler Chartered Accountants and Lawler Partners Pty Limited, a national award winning accounting and business advisory firm. He is also Chair of Life Without Barriers Limited.

Mr Lawler is a Director of Ampcontrol Pty Ltd, Powerdown Australia Pty Ltd, Peoplefusion Pty Ltd and is an advisory board member of Urban Purveyor Group Pty Limited. He has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Ltd and a Director of Newcastle Port Corporation.

K WOOD - BEng, DipEng, MBA, FIEAust, CPEng, FAIM

Mr Wood was appointed as Managing Director of Hunter Water Corporation in November 2011 and was also a Director of Hunter Water Australia Pty Limited until 25 July 2013. He was previously the CEO of Queensland's Allconnex Water, which he helped establish. He has extensive utility experience as a CEO, having led a number of electricity and water utilities throughout Australia.

Mr Wood was the inaugural CEO of City West Water and then went on to head the Victorian electricity transmission business, GPU PowerNet. His other CEO roles have included Northern Territory Power and Water Corporation, and Queensland power generator Stanwell Corporation. His experience includes past private sector leadership roles in the telecommunications industry, firstly as Managing Director of GEC Plessey Telecommunications and later with publicly listed company, DataFast.

Mr Wood has also had extensive experience as a company director, including several industry association directorships. He has prior senior management experience with the Australian operations of both Hewlett Packard and Bell South. He commenced his working career as an engineer with Victoria's State Electricity Commission.

JR EATHER - BCom (Newcastle), CPA, FCIM, MAICD

Mr Eather was appointed as a Director on 1 January 2008 and is also a Director of Hunter Water Australia Pty Ltd. Mr Eather is the Managing Director of The Callaghan Institute, a business and economic research and advisory practice he established in 2007. Previously he was CEO Media for the SOUL Group, where he was directly responsible for the running of NBN Television. During his 27 years with the NBN and SOUL Groups, he was actively involved in the expansion of the Group from its media base to the converging world of telecommunications.

Mr Eather is currently a Director of The Heal for Life Foundation, a healing centre for survivors of child abuse and a Director of the Newcastle Permanent Building Society. Mr Eather has previously been Chairman of The University of Newcastle Foundation.

B CROSSLEY - BNatRes(Hons), MEIA, MAICD

Ms Crossley was appointed as a Director on 1 February 2004. Ms Crossley is a Director of Umwelt (Australia) Pty Limited, a locally based environmental consultancy firm, with over 100 professionals providing services across Australia from offices in Newcastle, Canberra and Perth.

Ms Crossley is a former Chairperson of Hunter Environment Institute. She has extensive knowledge of relevant environmental issues, and has managed numerous project approvals and environmental programs for major industry and infrastructure. Ms Crossley has a strong business and marketing focus.

S IVENS - BA, DipEd, MBA, LLB, FAICD

Ms Ivens was appointed as Director on 1 April 2012. She has made a strong contribution to the Hunter business community, particularly through roles in the health industry, including Managing Director of Toronto Private and Maitland Private Hospitals.

Ms Ivens has a high level of experience in the planning, development and management of successful businesses, as well as corporate governance and involvement with various Boards and Committees. She is currently a member of the Regional Development Australia Hunter Committee and was the first woman to receive the prestigious Hunter Business person of the Year award in 2006.

C CIFUENTES - BEc (Sydney), LLB (UTS) (Hons)

Ms Cifuentes was appointed as a Director on 1 February 2011 and retired on 31 May 2013. She is a public policy and investment markets professional, with over 25 years experience in economics, policy and finance. She was formerly a Board Member of the Australian Energy Regulator, a Trustee Director of First State Super, an Independent Member of Perpetual Multi Manager Investment Committee, a Member of the Australian Institute of Superannuation Trustees Governance Committee and a former Director of NSW Treasury Corporation (the State's central borrowing authority).

Ms Cifuentes has extensive experience as a non-executive director with a strong background in corporate governance; strategic and budget planning; audit and risk management and compliance. Ms Cifuentes has spent many years in the public sector formulating and implementing government policy across a range of areas including regulated utilities, superannuation, corporations law and finance.

PROF M GLEESON - BSc, PhD, FAICD

Professor Gleeson was appointed as a Director on 1 January 2013. Professor Gleeson is a health, education, science and medical research professional, with 35 years experience and is currently a Director of the Hunter Valley Research Foundation, the Central Coast Local Health District Board, the Special Olympics Asia Pacific Games Trust, a Trustee Director of Nationwide Superannuation Fund and a member of the National Health and Medical Research Council Principal Advisory Committee on Preventative & Community Health.

Professor Gleeson has extensive experience as a non-executive director with a strong background in corporate governance, strategic planning, capital developments, risk management and compliance.

P DALGLISH - BSc, P.DMktgMgmt

Mr Dalglish was appointed as a Director on 2 July 2013 and a Director of Hunter Water Australia Pty Limited on 25 July 2013. Mr Dalglish is a water industry specialist with over 35 years' experience in all facets of the industry including management of large-scale wastewater treatment operations and infrastructure projects, corporate planning and system performance review.

Mr Dalglish is currently a Director of Chester Consulting Pty Ltd and has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

RA CHAPPEL - BE (Civil), Dip T & RP, Hon FIE Aust, FTSE

Mr Chappel was appointed as a Director on 1 February 2004 and ceased his Directorship on 31 December 2012. He was also a Director of Hunter Water Australia Pty Limited.

Mr Chappel is a former Managing Director of Connell Wagner and former Chairman of the Australian Underground Construction & Tunnelling Association. He has vast experience in managing large technical projects involving water and wastewater.

Meeting of Directors

	Board Meetings		Committee Meetings							
	A	B	Audit & Risk		Corporate Governance		Community, Environment & Sustainability		Capital Works	
	A	B	A	B	A	B	A	B	A	B
T Lawler	10	11	4	5	3	4	*	*	2	2
K Wood	11	11	*	*	4	4	3	3	2	2
B Crossley	10	11	3	5	4	4	3	3	2	2
RA Chappel	4	5	*	*	*	*	*	*	1	1
J Eather	11	11	5	5	4	4	1	3	2	2
C Cifuentes	7	10	3	4	2	4	3	3	1	2
S Ivens	10	11	*	*	-	-	3	3	*	*
M Gleeson	5	6	1	1	*	*	1	1	*	*

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* = Not a member of the relevant committee

Principal Activities

The principal activities of the Economic Entity in the course of the year were the harvesting, distribution and preservation of water; the provision of sewerage facilities; and the construction, control and maintenance of certain stormwater channels.

Results and Dividends

The operating profit before income tax for the year ended 30 June 2013 was \$32.00m compared with \$47.59m for the previous year. An annual dividend of \$15.60m has been declared for the year ended 30 June 2013.

Review of Operations

The terminology used in reporting the results is as follows:

- The Group, ie. Hunter Water Corporation and Hunter Water Australia Pty Limited are referred to as the Economic Entity
- The Parent or Hunter Water Corporation is referred to as the Parent Entity
- The Subsidiary, Hunter Water Australia Pty Limited is referred to as the Controlled Entity

The financial year profit result is unfavourable to budget by \$11.26m on primarily due to a revaluation decrement of \$29.26m processed against land and buildings partially offset by additional developer asset contributions and lower depreciation and income tax expenses.

Subsequent Events

There were no matters or circumstances that have arisen since the end of the year which significantly affected or may affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

Directors Indemnification

Hunter Water Corporation has an agreement to indemnify the Directors and Company Secretary of the Parent Entity and its Controlled Entity.

The indemnity relates to:

- any civil liability to a third party (other than Hunter Water Corporation or a related entity) unless the liability arises out of conduct involving lack of good faith
- any costs or expenses of defending proceedings in which judgement is given in favour of the officer

No liability has arisen under these indemnities as at the date of this report.

Change in State of Affairs

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2013.

Audit and Risk Committee

Hunter Water Corporation has an Audit and Risk Committee, which meets five times per year and at reporting date, was comprised of:

Mr J Eather Director – Committee Chairman
Mr T Lawler Director – Chairman
Ms B Crossley Director
Prof M Gleeson Director (appointed 30 May 2013)

The committee's main objectives are to:

- Review the integrity and quality of the financial information to be provided to the shareholders and the public
- Review the systems and processes that management has in place to identify and manage areas of significant risk, including financial risk
- Review the effectiveness of both the internal audit function and the Parent Entity's external auditors
- Oversee the Parent Entity's fraud and corruption control policies and plans

Corporate Governance Committee

The Corporate Governance Committee has been established to ensure that the system of corporate governance within Hunter Water Corporation provides an effective and ethical framework within which the Board and Management address their respective responsibilities. The Committee advises the Board on remuneration policy in accordance with the NSW Treasury Commercial Policy Framework: Guidelines for Boards of Government Businesses and all matters concerning the evaluation of Board performance including the composition of the Board and the skills required of individual Directors.

The committee's main objectives are to:

- Review the development and implementation of principles, policies and practices of Corporate Governance and make recommendations to the Board in relation to these matters, as appropriate
- Advise the Board regarding the effectiveness of the Board's composition in allowing it to discharge its responsibilities
- Provide advice on appropriately managing pay and performance of staff

The Membership of the Committee at reporting date is as follows:

Mr T Lawler Chairman – Committee Chairman
Mr J Eather Director
Ms B Crossley Director
Ms S Ivens Director (appointed 30 May 2013)
Mr K Wood Managing Director

Directors' Benefits

During or since the end of the year 30 June 2013 no Director of the Economic Entity has received or become entitled to receive a benefit, other than those disclosed at Note 28 – Related Party Disclosures of the financial statements, by reason of a contract entered into by the Parent Entity or the Controlled Entity with:

- a Director, or
- a firm of which a Director is a member, or
- an Entity in which a Director has a substantial financial interest

Code of Conduct

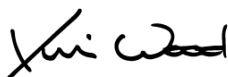
The Parent Entity has a Code of Conduct that must be adhered to by all employees. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia.

Environmental Regulation

Operations of the Parent Entity are subject to licences issued under the *Protection of the Environment Operations Act 1997*. During the financial year the Parent Entity materially complied with all requirements in respect to these licences and associated legislation.



T Lawler
Chairman



K Wood
Managing Director

Newcastle, 29 August 2013

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2013, the income statement, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entity it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2013, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

A handwritten signature in black ink, reading 'James Sugumar'. The signature is fluid and cursive, with the first name 'James' and the last name 'Sugumar' clearly distinguishable.

James Sugumar
Director, Financial Audit Services

2 September 2013
SYDNEY

Income Statement for the Year Ended 30 June 2013

Start of Audited Financial Statements

		Economic Entity		Parent Entity	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue from Continuing Operations					
Services	2	318,160	288,013	301,269	275,147
Other income	2	350	439	5,863	4,102
Expenses					
Operational costs	3	(133,765)	(119,927)	(122,521)	(114,101)
Depreciation and amortisation	4	(43,932)	(52,372)	(42,938)	(51,606)
Finance costs	4	(73,568)	(66,230)	(73,732)	(66,447)
Superannuation expense	4	(1,047)	(1,893)	(163)	(963)
Revaluation decrement	4	(29,260)	-	(29,260)	-
Other		(4,936)	(438)	(4,928)	(438)
Profit Before Income Tax		32,002	47,592	33,590	45,694
Income tax expense	5(a)	(9,425)	(14,280)	(8,230)	(12,541)
Profit for the Period		22,577	33,312	25,360	33,153
Profit is attributable to:					
Owners of Hunter Water Corporation		22,577	33,312	25,360	33,153
		22,577	33,312	25,360	33,153

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 31 to 66.

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Notes	Economic Entity		Parent Entity	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Profit for the Period		22,577	33,312	25,360	33,153
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Net increase/(decrease) in property plant and equipment revaluation reserve		(384,527)	(661,946)	(384,527)	(661,946)
Income tax relating to net (increase)/decrease in property plant and equipment revaluation reserve	5(c)	115,823	198,583	115,823	198,583
Actuarial gains/(losses) on defined benefits fund	24(f)	22,443	(56,727)	19,780	(50,381)
Income tax relating to actuarial (gains)/losses on defined benefits fund	5(c)	(6,733)	16,938	(5,934)	15,053
Other comprehensive income for the period, net of tax		(252,994)	(503,152)	(254,858)	(498,690)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(230,417)	(469,840)	(229,498)	(465,537)
Total comprehensive income for the year is attributable to:					
Owners of Hunter Water Corporation		(230,417)	(469,840)	(229,498)	(465,537)
		(230,417)	(469,840)	(229,498)	(465,537)

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 31 to 66.

Statement of Financial Position as at 30 June 2013

		Economic Entity		Parent Entity	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current Assets					
Cash and cash equivalents	7	31,645	10,724	29,043	3,377
Trade and other receivables	8	45,673	42,188	45,472	43,763
Inventories	10	2,669	2,504	2,669	2,504
Assets held for sale	11	5,517	13,360	5,517	13,360
Total Current Assets		85,504	68,776	82,701	63,004
Non-current assets					
Other financial assets	9	-	-	900	900
Property, plant & equipment	12	2,579,937	2,888,977	2,588,190	2,895,480
Intangible assets	13	19,355	21,918	19,096	21,605
Total Non-Current Assets		2,599,292	2,910,895	2,608,186	2,917,985
TOTAL ASSETS		2,684,796	2,979,671	2,690,887	2,980,989
Current Liabilities					
Trade and other payables	14	81,797	53,694	83,937	57,327
Current tax liabilities	15	9,019	4,800	9,019	4,800
Borrowings	16	1,377	75,072	9,011	75,072
Provisions	17	40,787	43,676	36,884	40,262
Total Current Liabilities		132,980	177,242	138,851	177,461
Non-Current Liabilities					
Borrowings	16	984,720	843,296	984,720	848,296
Provisions	17	79,661	104,341	71,967	93,807
Deferred tax liabilities	18	172,519	293,859	177,088	298,067
Total Non-Current Liabilities		1,236,900	1,241,496	1,233,775	1,240,170
TOTAL LIABILITIES		1,369,880	1,418,738	1,372,626	1,417,631
NET ASSETS		1,314,916	1,560,933	1,318,261	1,563,358
Equity					
Contributed equity	19	100,000	100,000	100,000	100,000
Reserves	20(a)	557,709	827,859	557,709	827,859
Retained profits	20(b)	657,207	633,074	660,552	635,499
TOTAL EQUITY		1,314,916	1,560,933	1,318,261	1,563,358

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes on pages 31 to 66.

Statement of Changes in Equity for the Year Ended 30 June 2013

Economic Entity	Notes	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2012		100,000	827,859	633,074	1,560,933
Profit for the period		-	-	22,577	22,577
Transfer from revaluation reserve to retained earnings	20(b)	-	(1,446)	1,446	-
Other comprehensive income		-	(268,704)	15,710	(252,994)
Total comprehensive income for the period		-	(270,150)	39,733	(230,417)
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(15,600)	(15,600)
Balance at 30 June 2013		100,000	557,709	657,207	1,314,916
Balance at 1 July 2011		100,000	1,279,649	671,944	2,051,594
Transfer from revaluation reserve to retained earnings		-	11,573	(11,573)	-
Restated total equity at the beginning of the financial year		100,000	1,291,222	660,371	2,051,593
Profit for the period		-	-	33,312	33,312
Other comprehensive income		-	(463,363)	(39,789)	(503,152)
Total comprehensive income for the period		-	(463,363)	(6,477)	(469,840)
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(20,820)	(20,820)
Balance at 30 June 2012		100,000	827,859	633,074	1,560,933
Parent Entity	Notes	Contributed Equity \$'000	Reserves \$'000	Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2012		100,000	827,859	635,499	1,563,358
Profit for the period		-	-	25,360	25,360
Transfer from revaluation reserve to retained earnings	20(b)	-	(1,446)	1,446	-
Other comprehensive income		-	(268,704)	13,846	(254,858)
Total comprehensive income for the period		-	(270,150)	40,652	(229,498)
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(15,600)	(15,600)
Balance at 30 June 2013		100,000	557,709	660,552	1,318,261
Balance at 1 July 2011		100,000	1,279,649	670,067	2,049,716
Transfer from revaluation reserve to retained earnings		-	11,573	(11,573)	-
Restated total equity at the beginning of the financial year		100,000	1,291,222	658,494	2,049,716
Profit for the period		-	-	33,153	33,153
Other comprehensive income		-	(463,363)	(35,328)	(498,691)
Total comprehensive income for the period		-	(463,363)	(2,175)	(465,538)
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(20,820)	(20,820)
Balance at 30 June 2012		100,000	827,859	635,499	1,563,358

The above consolidated Statement of Changes In Equity should be read in conjunction with the accompanying notes on pages 31 to 66.

Statement of Cash Flows for the Year Ended 30 June 2013

		Economic Entity		Parent Entity	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods and services tax)		310,521	270,825	295,722	260,220
Payments to suppliers and employees (inclusive of goods and services tax)		(142,425)	(145,938)	(133,512)	(141,074)
		168,096	124,887	162,210	119,146
Dividends received		-	-	6,893	3,558
Interest received		340	440	268	207
Proceeds from environmental levy and developers		8,999	8,387	8,999	8,387
Borrowing costs		(70,876)	(56,559)	(70,919)	(56,781)
Income taxes paid		(15,655)	(12,900)	(13,260)	(11,285)
Net cash inflow from operating activities	21	90,904	64,255	94,191	63,232
Cash Flows From Investing Activities					
Purchases of property, plant and equipment		(114,246)	(140,920)	(115,309)	(142,171)
Proceeds from sales of property, plant and equipment		363	600	363	600
Net cash (outflow) from investing activities		(113,883)	(140,320)	(114,946)	(141,571)
Cash flows from financing activities					
Proceeds from borrowings		249,904	106,869	253,905	106,869
Repayment of borrowings		(185,163)	(10,300)	(186,664)	(10,300)
Dividends paid	6	(20,820)	(16,600)	(20,820)	(16,600)
Net cash inflow from financing activities		43,921	79,969	46,421	79,969
Net increase / (decrease) in cash and cash equivalents		20,942	3,904	25,666	1,630
Cash and cash equivalents at beginning of the year		10,724	6,822	3,377	1,747
Effects of exchange rate changes on cash and cash equivalents		(21)	(2)	-	-
Cash and cash equivalents at end of the year	7(a)	31,645	10,724	29,043	3,377

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 31 to 66.

Notes to and Forming Part of the Financial Statements

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Hunter Water Corporation as the parent entity and the Economic Entity consisting of Hunter Water Corporation and its wholly-owned subsidiary (the Controlled Entity).

The Economic Entity's and Parent Entity's financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Board on 29 August 2013.

a) Basis of preparation

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

Proper accounts and records for all of the Economic Entity's operations have been kept as required under Section 41(1) of the Public Finance and Audit Act 1983.

Historical cost convention

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 and intangibles are measured at the lower of fair value and recoverable amount
- Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell
- Defined benefit superannuation liabilities are stated at the present value of accrued benefit obligation less fair value of the fund assets
- Employee benefit provisions are stated at the present value of the future obligation for the relevant liabilities concerned

Rounding to the nearest \$000

The amounts contained in this report have been rounded off to the nearest thousand dollar.

Currency of amounts in report

The amounts contained in this report are in Australian Dollars unless otherwise stated.

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Parent Entity (Hunter Water Corporation) and the wholly-owned Controlled Entity (Hunter Water Australia Pty Limited) as at 30 June 2013 and the results of the Parent Entity and Controlled Entity for the year then ended. The Parent Entity had the capacity to dominate the decision making in relation to the financial and operating policies of the Controlled Entity so that the Controlled Entity operated with the Parent Entity to achieve its objectives. The Controlled Entity is detailed in note 31 to the accounts.

Inter-company transactions, balances and unrealised gains or losses on transactions between entities in the Economic Entity are eliminated.

c) Revenue recognition

Revenue is recognised when the entity has passed on control of the good or provision of the service, where it is probable that the economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

(i) Tariff income

Reflects revenue raised for the provision of core water and sewer services and includes both fixed service charges and volumetric charges for water. Prices are determined by the Independent Pricing and Regulatory Tribunal (IPART).

Revenue is recognised in respect of these services on an accrual basis as the services are provided. Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by calculating revenue based on water supply that has left water sources (using system flow data), less a component for non-revenue generating supply.

(ii) External sales

External sales are raised by the Controlled Entity through the provision of services.

(iii) Contributions for capital works

Contributions from developers can be in the form of both monetary and non-monetary assets. In accordance with Australian Accounting Interpretation 18, where physical asset contributions are received in return for connection to a service delivery network, contributions are recognised as revenue and assets at their assessed fair value upon connection.

Cash contributions received from developers are recognised as revenue upon connection of services. Environmental levy receipts are considered revenue in nature and are shown at their cash value.

(iv) Property sales

Revenue is recognised on the signing of an unconditional contract of sale.

(v) Investment income

Represents earnings on surplus cash invested in the Economic Entity's bank accounts and other deposits with financial institutions.

Interest revenue is recognised as the interest accrues using the effective interest method.

(vi) Dividends

Dividends are recognised as income when the right to receive payment is established.

(vii) Government grants

Government grants relating to assets are recognised as deferred income with the income presented in profit or loss on a systematic basis over the useful life of the asset.

d) Income tax

The Parent and Controlled Entity are subject to the National Tax Equivalent Regime (NTER). An "equivalent" or "notional income tax" is payable to the NSW Government through the Office of State Revenue. The liability for income tax is primarily assessed in accordance with the Income Tax Assessment Acts of 1936 and 1997 (ITAA) and is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional tax rate enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity, are similarly recognised in other comprehensive income or directly in equity.

Tax consolidation legislation

Hunter Water Corporation and its wholly-owned Australian entity Hunter Water Australia Pty Limited decided to implement the tax consolidation legislation as of 1 July 2003.

The head entity, Hunter Water Corporation, and Hunter Water Australia Pty Limited continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

Assets or liabilities arising under tax funding and tax sharing agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding and tax sharing agreements are disclosed in note 5.

e) Cash and cash equivalents

For the purpose of the presentation of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

f) Trade receivables

Trade receivables are recognised at original invoice amount less allowance for impairment. Recognition of original invoice amount is adopted as this is not materially different to amortised cost, given the short-term nature of receivables.

Trade debtors for service availability and usage charges receivable are required to be settled within 21 days. Other trade debtors receivable are generally required to be settled within 30 days.

Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. All customer debts, other than those provided for, are considered collectable.

Any non-current receivables are measured at discounted amortised cost.

g) Inventories

Inventories are valued at the lower of cost and net realisable value using the weighted average basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

h) Assets held for sale

Assets held for sale are stated at the lower of their carrying amount or fair value less costs to sell. Non-current assets are not depreciated while they are classified as held for sale.

It is anticipated that the carrying amounts of such assets will be recovered principally through sale transactions. It is considered probable that a sale will occur.

No impairment is processed against assets classified as held for sale.

i) Property, plant and equipment

Acquisitions and Capitalisation

All items of property, plant and equipment are recognised initially at the cost of acquisition. Subsequent to initial recognition, certain classes of assets are revalued in accordance with the Parent Entity's revaluation policies (see Valuation below).

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

Items costing greater than \$500 individually and having a minimum expected operational life of one year are capitalised.

The Parent Entity recognises the entire infrastructure system as one asset, comprising the entire water network regardless of the type of water that the network is managing at the various stages of its cycle.

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

- costs associated with the detailed design of the asset
- materials used in construction
- direct labour and an appropriate proportion of overhead costs
- contractors' services
- major inspection costs
- an estimate where relevant of the costs to dismantle, decommission and remove the assets and restore the site on which it is located

System assets are capitalised as completed assets when each facility, or operating unit within a facility, becomes operational and available for use.

In line with AASB 123 Borrowing Costs, the entity capitalises borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset. The interest rate which has been used to capitalise borrowing costs is currently 6.83% (2012: 8.16%).

Valuation

The Parent Entity has valued its non current assets in accordance with AASB 116 Property, plant & equipment and NSW Treasury's accounting policy TPP07-1 "Valuation of Physical Non-Current Assets at Fair Value". Land and buildings are valued at fair value whilst the system asset is valued at gross replacement cost using the modern engineering equivalent replacement asset methodology (MEERA). Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at reporting date.

The Parent Entity's policy is to revalue assets, except land and buildings, over a five year cycle by selecting assets according to a predetermined schedule of five asset sub groups. Other than the asset sub group scheduled for revaluation, the remaining four groups are indexed annually to maintain current values.

While the estimated written down current replacement cost is used in the asset revaluation process, the carrying amount of the total asset set is assessed against their net cash inflows. Where the carrying values exceed the recoverable amount, assets are written down. (Refer note 1(k) and note 12(d)).

When revaluing system assets at MEERA the gross amount and the related accumulated depreciation are separately restated. When valuing land and buildings at fair value, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

In recent years with increased focus on asset management and improved technology such as camera inspections, both the Parent Entity and the water industry have greater knowledge of the condition and performance of infrastructure assets. The revaluation process requires the determination of a modern equivalent reference asset at the productive unit or component level. This valuation is an assessment of the lowest cost at which the service potential or future economic benefit could currently be obtained in the ordinary course of business. The written down valuation is then determined taking into account the relative age and life expectancy of each unit or component.

Land and buildings owned by the Parent Entity are valued by registered valuers every three years. Land, upon which the Parent Entity's system assets are located, is valued at its value in use by an independent expert valuer, which is considered to be the highest and best use. The written down value of all other property, plant and equipment is considered a surrogate for their fair value.

For each asset subject to valuation, revaluation increments are credited to the asset revaluation reserve within the Statement of Comprehensive Income. Where a revaluation decrement or impairment loss reverse a revaluation increment previously credited to 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 in the Income Statement.

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal, and is included in the Income Statement. It is policy to transfer the amounts included in the revaluation reserve in respect of those assets to retained earnings.

Depreciation

Depreciation is calculated using the straight line method on all property, plant and equipment, other than freehold land, at rates calculated to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Land is not a depreciable asset.

It is the Parent Entity's policy to recognise a 'residual value' in respect to assets which can be practically rehabilitated to 'as new' service potential at a cost that is less than construction of a complete new asset. This reflects the reality of economic decision making. Consequently, a residual value is recognised for example, in respect of gravity sewer mains and some large gravity water mains for which it is economical to implement re-lining technologies, as well as in respect of a civil component of dams/ treatment plants etc.

The estimated useful lives for each class of assets are stated below. These lives have been updated so as to reflect the composition of the asset base at balance date.

Class of Fixed Asset	Useful Life (yrs)
System Assets	
Sewer	
- Sewermains	80-120
- Sewer Pump Stations	10-100
- Wastewater Treatment Works	10-100
Water	
- Watermains	80-150
- Water Chlorinators	10-50
- Water Pump Stations	10-100
- Water Resources	10-50
- Water Treatment Works	10-80
- Meters	15
Stormwater	100-150
Recycled Water	80-150
General Support	
Fleet	3-10
General equipment	3-15
Buildings	25-100

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance date.

j) Intangible assets

Intangible assets consist of easements, software and other intangible assets (including some development projects). Research expenditure is recognised as an expense as incurred. Costs incurred on development projects whereby research findings are applied to the development of substantially new or improved products or processes (for example, relating to the design of new improved systems) are capitalised when:

- it is probable that the project will result in future economic benefits,
- the project is technically or commercially feasible,
- its costs can be measured reliably, and
- there are sufficient resources to complete development

If development costs are capitalised they are recorded as intangible assets and amortised from the point at which benefits are recognised on a straight-line basis over their useful life which is generally five years.

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets and are not amortised. Software is also classified as an intangible asset and is amortised (generally over five years).

Intangible assets are initially recognised at cost. After initial recognition they are carried at cost less any accumulated amortisation.

k) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units). The Directors have determined there is one cash generating unit for the purposes of impairment assessment. Intangibles are not considered part of the system assets for the purpose of impairment testing and are separately assessed for impairment indicators.

Impairment losses are recognised as an expense in the Income Statement unless an asset has been previously revalued through the asset revaluation reserve. In this case the impairment loss is recognised as a reversal to the extent previous revaluation surpluses exist with any excess recognised in the Income Statement.

l) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease, over the term of the lease.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of financial year which are unpaid. Payables are recognised at cost, which is considered to approximate amortised cost due to the short-term nature of payables. They are not discounted as the effects of discounting would not be material for these liabilities.

Trade accounts payable are normally settled according to terms (usually within 30 days).

n) Borrowings

The Parent Entity borrows through the NSW Treasury Corporation in the form of liquid and marketable TCorp Stocks. As part of its debt management activities, NSW Treasury Corporation is contracted to actively manage the Parent Entity's debt portfolio.

Borrowings are measured initially at cost, being the fair value of consideration received less any transaction costs associated with the borrowing. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method. Borrowings are classified as current when they are due to be settled within 12 months from reporting date.

Borrowing costs are capitalised when they are directly attributable to the acquisition, construction or production of a qualifying asset as part of the asset. Otherwise, borrowing costs are expensed in the period in which they are incurred.

o) Employee benefits

Short-term obligations

(i) Wages and salaries, annual leave and sick leave

Liabilities for salaries and wages (including non-monetary benefits), annual leave and unpaid sick leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits. Market yields on government bonds are used to discount long-term annual leave.

The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993.

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

Other long-term employee benefit obligations

(ii) Long service leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Non current expected future payments are discounted using the applicable Commonwealth Government bond rate.

(iii) Retirement benefit obligations

Employees of the entities within the Economic Entity are members of either defined benefit superannuation funds or defined contribution superannuation funds.

Defined contribution superannuation schemes

The Economic Entity contributes to the defined contribution superannuation schemes. Contributions to these schemes are recognised in the profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid in the following month that relate to the period up to reporting date.

Defined benefit superannuation schemes

The defined superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Economic Entity 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 Economic Entity's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

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

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

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

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

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

p) Other provisions

Other provisions exist when: the entity has 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.

q) Dividends

Provision is made for any dividend declared, being authorised via the Economic Entity's Statement of Corporate Intent, on or before the end of the financial year but not distributed at balance date.

r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST of cash flows from investing and financing activities that are recoverable from the Australian Tax Office are classified as cash flows from operating activities.

Commitments are disclosed inclusive of GST where applicable.

s) Foreign currency transactions and balances

Foreign currency transactions are translated into Australian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Income Statement.

t) Australian accounting standards and interpretations issued but not yet operative

Certain new accounting standards and interpretations applicable to the Economic Entity and Parent Entity have been published that are not mandatory for 30 June 2013 reporting periods. NSW Treasury have mandated that the Economic Entity and Parent Entity may not early adopt any of these new standards and interpretations. The Economic Entity and Parent Entity assessment of the impact of these new standards and interpretations which may impact the Economic Entity and Parent Entity are set out below:

(i) AASB 9 - Financial Instruments (effective from 1 January 2015)

The standard replaces the multiple classification and measurement models in AASB 139 Financial Instruments: Recognition and Measurement with a single model that has only two classifications: amortised cost and fair value. There is no anticipated impact on the Economic Entity as all financial instruments are already recognised at amortised cost or fair value.

(ii) AASB 1053 - Application of tiers of Australian accounting standards and AASB 2010-2 - Amendments to Australian accounting standards arising from reduced disclosure requirements (effective from 1 July 2013)

On 30 June 2010 the AASB released a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting Entity in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

The Economic Entity is a government owned corporation and it is likely that NSW Treasury will mandate adoption of tier 1 reporting. As a consequence, it is anticipated that the two standards will have no impact on the financial statements of the Economic Entity.

(iii) AASB 10, AASB 11 and AASB 12, revised AASB 127 and AASB 128 - Consolidations, joint arrangements and associated disclosures (effective from 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127. There are no changes to the core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity. AASB 10 does however introduce a single definition of control that focuses on the need to have power, rights or exposure to variable returns and the ability to exercise its power to affect those returns before control is present.

It is expected that the existing relationship between the parent and controlled entity will continue to meet the definition of control and that no changes to the consolidation process will occur.

(iv) AASB 13 – Fair value measurement (effective 1 January 2013)

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. No changes have been made as to when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when required/permitted.

It is expected that, in relation to developer contributions, the 'income approach' as prescribed within AASB 13 will be adopted with regard to initial measurement / revenue recognition.

(v) Revised AASB 119 - Employee benefits (effective 1 January 2013)

Removal of the corridor method of accounting for defined benefit plans means that all actuarial gains and losses are to be recognised immediately in other comprehensive income. Immediate recognition in the profit or loss is no longer permitted. There is no expected impact on the Economic Entity given the corridor method was previously not adopted.

(vi) AASB 2012-5 Amendments arising from the 2009-0211 annual improvements project (effective 1 January 2013)

The annual improvements project makes minor but necessary annual amendments to Australian Accounting Standards. Amendments this year affect AASB 1, AASB 101, AASB 116, AASB 132 and AASB 134. The amendments are applicable for annual periods beginning after 1 January 2013 and as such will have no impact for the period ended 30 June 2013.

u) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Economic Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of assets

In accordance with the requirements of AASB136 Impairment of Assets and NSW Treasury Policy TPP07-1 Valuation of Physical Non-current Assets at Fair Value, an assessment has been made of the expected net cash flows to be received over the remaining life of the existing asset base to determine the extent of any difference in the economic value and the carrying value of the assets. This assessment includes business assumptions in respect of future income streams, ongoing operational cost efficiencies and future growth in new connections. With respect to future income streams, estimates of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) pricing methodology. The expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate.

Significant factors influencing the assessment of recoverable amount include the following:

i) Due to the long life of the Parent Entity's infrastructure assets, the calculation of the recoverable amount, which is carried out using a 74 year financial model, is sensitive to variations in key assumptions. Significant assumptions underpinning the modelling process include assumptions regarding the 2013-17 price path which is subject to the outcome of IPART's independent reviews and subsequent determination of prices.

The major assumptions underlying the impairment calculation for the current reporting period are:

- Time period (the weighted average remaining life of the asset base) 74 years (2012: 75 years).
- Real discount rate (before tax) - 4.8% (2012: 6.2%).
- Opening written down value of Property, Plant and Equipment.

Estimates of future revenues have been based on the final 2013 IPART determination which is applicable up to 30 June 2017 and expected water consumption. Beyond 2017 a level of pricing support has been assumed to ensure the current asset base is maintained with an acceptable weighted average cost of capital return of 4.6% (calculated using IPART post tax WACC methodology). In the absence of approved future price increases after 1 July 2017, estimates of future cash inflows have been based on a building block model approach as utilised by IPART (excluding capital expenditure). This bases prices on full cost recovery on estimated operating expenditure relating to infrastructure assets. Existing and new asset lives are 70 and 100 years respectively for the purpose of determining regulated cash inflows.

Estimates of future expenditure have been based on the final 2013-14 operating expenditure budget with some anticipated cost increases factored in for future years in line with the Economic Entity's Statement of Corporate Intent.

As outcomes from the Parent Entity's model are sensitive to variations in the forecast expenditure and expected rate of return on these, impairment outcomes can vary. Overall a conservative approach has been taken to minimise the risk of material differences attributable to the uncertainty in future periods.

ii) A pre-tax weighted average cost of capital (WACC) of 4.8% (2012: 6.2%) has been used as the discount rate. While varying assumptions could be made as to the value of specific WACC inputs, the Economic Entity considers parameters used in the WACC recently calculated by IPART for the Final Price Determination to be most appropriate.

iii) There is not an open market for the sale of infrastructure assets owned by the Parent Entity.

It is not envisaged that there will be significant variation in the assumptions noted above.

Actuarial assumptions - Defined benefit superannuation

The following information details the actuarial assumptions used in calculating the entity's liability in regards to its defined benefits superannuation funds.

i) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

ii) Economic Assumptions

	2013	2012
Salary increase rate (excluding promotional increases)	2.25%	2.50%
Rate of CPI increase	2.50%	2.50%
Expected rate of return on assets	8.60%	8.60%
Discount rate	3.80%	3.06%

iii) Demographic Assumptions

The demographic assumptions at 30 June 2013 are those that were used in the 2012 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

Note 2. Revenue

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Services				
Tariff - service charges	135,505	125,895	135,505	125,895
Tariff - usage charges	123,789	97,302	123,789	97,302
Environmental charge	6,133	5,875	6,133	5,875
Other regulated income	6,220	5,390	6,220	5,390
	271,647	234,462	271,647	234,462
External sales	16,559	13,240	255	48
	16,559	13,240	255	48
Developer contributions – cash	2,143	2,512	2,143	2,512
Developer contributions – assets	21,051	28,615	21,051	28,615
	23,194	31,127	23,194	31,127
Corporate services	-	30	-	354
Other	6,760	9,154	6,173	9,156
	6,760	9,184	6,173	9,510
	318,160	288,013	301,269	275,147
Other Income				
Interest income	371	441	299	209
Dividends	-	-	5,564	3,893
Foreign exchange gain/(loss)	(21)	(2)	-	-
	350	439	5,863	4,102
	318,510	288,452	307,132	279,249

Note 3. Operational Costs

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Employee-related costs	58,528	54,828	40,133	36,771
Other maintenance expenses	25,206	24,264	25,515	24,791
Materials	7,507	4,893	3,180	2,762
Energy	14,776	12,666	14,392	12,302
Plant & vehicles	1,385	1,503	721	583
Contracts, property & other	11,357	11,320	38,324	36,479
Cost of external sales	15,006	10,453	255	413
	133,765	119,927	122,521	114,101
Maintenance expense				
Maintenance-related employee expenses	14,958	13,992	14,958	13,989
Other maintenance expenses	25,206	24,264	25,515	24,791
	40,164	38,256	40,473	38,780

Note 4. Profit Before Income Tax

		Economic Entity		Parent Entity	
	Notes	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific net gains and expenses:					
Revaluation decrement*		29,260	-	29,260	-
Net (gain)/loss on disposal of:					
Property, plant and equipment		4,936	438	4,928	438
Foreign exchange (gain)/loss	2	21	2	-	-
		4,957	440	4,928	438
Changes in restoration provision		262	(3)	-	(3)
Depreciation and Amortisation					
Amortisation	13 (b)	4,097	3,297	3,972	3,198
Depreciation	12 (c)	39,835	49,075	38,966	48,408
Total depreciation and amortisation expense		43,932	52,372	42,938	51,606
Other charges against assets					
Bad and doubtful debts - trade debtors		120	(4)	120	10
		120	(4)	120	10
Finance Costs					
Amortisation of discount/(premium) on loans		(527)	423	(527)	423
Long term borrowings - interest		51,442	50,529	51,442	50,529
Short term borrowings - interest		72	62	236	279
Net (Gain) / Loss on borrowings refinanced		3,265	62	3,265	62
Other interest expense		2,627	848	2,627	848
Government Guarantee Fee		18,604	16,415	18,604	16,415
Capitalised finance costs		(1,915)	(2,109)	(1,915)	(2,109)
		73,568	66,230	73,732	66,447
Rental expense relating to operating leases					
Minimum lease payments		3,742	3,484	2,008	1,825
Superannuation Expense/(Revenue):					
Superannuation revenue - defined benefits funds		(2,498)	(1,523)	(2,065)	(1,197)
Superannuation expense - contributions		3,545	3,416	2,228	2,160
		1,047	1,893	163	963

* During the year ended 30 June 2013 Land & Buildings were revalued with a number of individual assets revalued to below their initial capitalised cost, giving rise to a revaluation decrement through profit and loss. Of the total revaluation decrement, \$28.5m relates to Land and Buildings at Tillegra.

Note 5. Income Tax

		Economic Entity		Parent Entity	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Income Tax Expense					
Current tax		19,908	15,578	19,318	13,959
Deferred tax		(10,310)	118	(10,916)	36
Under/(over) provided in prior years		(172)	(1,416)	(172)	(1,454)
		9,425	14,280	8,230	12,541
Deferred income tax (revenue)/expense included in income tax expense comprises:					
(Decrease)/increase in deferred tax liabilities		(13,242)	(1,325)	(13,552)	(1,352)
(Decrease)/increase in deferred tax assets		1,485	1,443	2,519	1,388
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		32,002	47,592	33,590	45,694
Subtract inter-company dividend income		-	-	(5,564)	(3,893)
Profit before income tax excluding dividend		32,002	47,592	28,026	41,801
Tax at Australian rate of 30% (2012 - 30%)		9,600	14,278	8,408	12,540
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Entertainment non-deductible expenses		5	18	4	16
Non-deductible expenses		21	14	20	14
Australian owned R&D concession claim		(72)	(40)	(72)	(40)
		9,554	14,270	8,359	12,530
Under/(over) provision in prior years		(129)	10	(129)	10
		9,425	14,280	8,230	12,540
(c) Tax expense/(income) relating to items of comprehensive income					
Net increase/(decrease) in property plant and equipment revaluation reserve	20(a)	115,823	198,583	115,823	198,583
Actuarial gains/(losses) on defined benefits fund		(6,733)	16,938	(5,934)	15,053
		109,090	215,521	109,889	213,636

(d) Tax consolidation legislation

Hunter Water Corporation and its wholly-owned Australian controlled entity, Hunter Water Australia Pty Limited decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(d). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The wholly-owned entity has been fully compensated for deferred tax assets transferred to Hunter Water Corporation on the date of implementation of the legislation. No compensation was due to Hunter Water Corporation from the wholly-owned entity as it did not assume any deferred tax liabilities as a result of implementing the tax consolidation legislation.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entity will reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Australia arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Hunter Water Corporation. In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entity in case of a default by Hunter Water Corporation.

Note 6. Dividends Paid or Provided For

	Notes	Economic Entity		Parent Entity	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Opening Balance		20,820	16,600	20,820	16,600
Add dividend declared at 15.6 cents per share (2012: 20.8 cents per share)		15,600	20,820	15,600	20,820
Less dividend paid at 20.8 cents per share (2012: 16.6 cents per share)		(20,820)	(16,600)	(20,820)	(16,600)
		15,600	20,820	15,600	20,820

Under the National Tax Equivalent Regime, the Parent Entity is not required to maintain a dividend franking account.

Note 7. Cash and Cash Equivalents

	Notes	Economic Entity		Parent Entity	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash at bank and on hand		14,382	4,359	11,780	3,377
Deposits at call		17,263	6,365	17,263	-
		31,645	10,724	29,043	3,377

Deposits at call are bearing interest rates between 2.70% and 4.08% (2012: 3.5% and 4.7%)

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 33.

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial years as shown in the Statement of Cash Flows as follows:

Balances as above	31,645	10,724	29,043	3,377
Balances per Statement of Cash Flows	31,645	10,724	29,043	3,377

Note 8. Trade and Other Receivables

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Trade debtors	43,727	40,084	42,276	38,461
Allowance for Impairment	(396)	(276)	(396)	(276)
	43,331	39,808	41,880	38,185
Prepayments	1,479	2,103	1,028	1,686
Work In Progress	863	277	-	-
Dividend receivable	-	-	2,564	3,893
	45,673	42,188	45,472	43,763
(a) Movement in the allowance for impairment				
Balance at beginning of year	276	280	276	266
Amounts written off during the year	(168)	(23)	(168)	(23)
Amounts recovered during the year	-	(24)	-	(9)
Increase/(decrease) in allowance recognised in Income Statement	288	43	288	42
Balance at end of year	396	276	396	276

Details regarding market risk, liquidity risk and credit risk, including financial assets that are either past due or impaired, are disclosed in Note 33.

Note 9. Other Financial Assets

	Notes	Economic Entity		Parent Entity	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Non-current					
Shares in controlled entity - at cost		-	-	900	900
		-	-	900	900

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 33.

Note 10. Inventories

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Consumable stores at cost	2,669	2,504	2,669	2,504
	2,669	2,504	2,669	2,504

Note 11. Assets Held for Sale

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Land and buildings held for sale	5,517	13,360	5,517	13,360
	5,517	13,360	5,517	13,360

The land and buildings held for sale at 30 June 2013 relate to three Tillegra properties approved by the Board of Directors for sale. They are expected to be settled via sales transactions within 12 months of reporting date.

Note 12. Property, Plant & Equipment

(a) Property, Plant & Equipment - comprise the following all at Directors' valuation

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Work In Progress \$'000	Total \$'000
Economic Entity						
At 1 July 2011 - fair value						
Gross carrying amount	3,842,961	22,682	154,416	63,797	311,072	4,394,928
Accumulated depreciation and impairment	(870,316)	(13,124)	-	(37,023)	-	(920,463)
Net carrying amount	2,972,645	9,558	154,416	26,774	311,072	3,474,465
At 30 June 2012 - fair value						
Gross carrying amount	3,306,221	22,112	145,451	63,160	180,877	3,717,821
Accumulated depreciation and impairment	(777,845)	(13,577)	-	(37,422)	-	(828,844)
Net carrying amount	2,528,376	8,535	145,451	25,738	180,877	2,888,977
At 1 July 2012 - fair value						
Gross carrying amount	3,306,221	22,112	145,451	63,160	180,877	3,717,821
Accumulated depreciation and impairment	(777,845)	(13,577)	-	(37,422)	-	(828,844)
Net carrying amount	2,528,376	8,535	145,451	25,738	180,877	2,888,977
At 30 June 2013 - fair value						
Gross carrying amount	3,239,222	24,166	121,906	68,386	238,724	3,692,404
Accumulated depreciation and impairment	(1,055,210)	(13,867)	-	(43,390)	-	(1,112,467)
Net carrying amount	2,184,012	10,299	121,906	24,996	238,724	2,579,937
Parent Entity						
At 1 July 2011 - fair value						
Gross carrying amount	3,842,961	15,723	154,416	63,797	319,429	4,396,326
Accumulated depreciation and impairment	(870,316)	(10,061)	-	(37,023)	-	(917,400)
Net carrying amount	2,972,645	5,662	154,416	26,774	319,429	3,478,926
At 30 June 2012 - fair value						
Gross carrying amount	3,306,221	14,499	145,451	63,160	191,387	3,720,718
Accumulated depreciation and impairment	(777,845)	(9,971)	-	(37,422)	-	(825,238)
Net carrying amount	2,528,376	4,528	145,451	25,738	191,387	2,895,480
At 1 July 2012- fair value						
Gross carrying amount	3,306,221	14,499	145,451	63,160	191,387	3,720,718
Accumulated depreciation and impairment	(777,845)	(9,971)	-	(37,422)	-	(825,238)
Net carrying amount	2,528,376	4,528	145,451	25,738	191,387	2,895,480
At 30 June 2013 - fair value						
Gross carrying amount	3,239,222	16,192	121,906	68,386	250,494	3,696,200
Accumulated depreciation and impairment	(1,055,210)	(9,409)	-	(43,390)	-	(1,108,009)
Net carrying amount	2,184,012	6,782	121,906	24,996	250,494	2,588,190

(b) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the previous financial year (excluding work in progress) are set out below:

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Economic Entity 30 June 2012					
Net carrying amount 1 July 2011	2,972,645	9,558	154,416	26,774	3,163,393
Additions	266,756	1,289	1,886	62	269,993
Disposals	(6,241)	(4)	(474)	(86)	(6,806)
Transfers between classes	(1,378)	46	(11,878)	(23)	(13,233)
Revaluation: increments/(decrements)	270,203	33	1,501	-	271,737
Impairment	(927,901)	-	-	(9)	(927,910)
Depreciation expense	(45,708)	(2,387)	-	(980)	(49,075)
Net carrying amount 30 June 2012	2,528,376	8,535	145,451	25,738	2,708,100
Parent Entity 30 June 2012					
Net carrying amount 1 July 2011	2,972,645	5,662	154,416	26,774	3,159,497
Additions	266,756	511	1,886	62	269,215
Disposals	(6,241)	(4)	(474)	(86)	(6,805)
Transfers between classes	(1,378)	46	(11,878)	(23)	(13,233)
Revaluation: increments/(decrements)	270,203	33	1,501	-	271,737
Impairment	(927,901)	-	-	(9)	(927,910)
Depreciation expense	(45,708)	(1,720)	-	(980)	(48,408)
Net carrying Amount 30 June 2012	2,528,376	4,528	145,451	25,738	2,704,093

(c) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year (excluding work in progress) are set out below:

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Economic Entity 30 June 2013					
Net carrying amount 1 July 2012	2,528,376	8,535	145,451	25,738	2,708,100
Additions	76,569	4,751	953	3	82,276
Disposals	(1,097)	(59)	(315)	(15)	(1,485)
Transfers between classes	-	-	7,870	(27)	7,843
Revaluation: increments/(decrements)	319,974	-	(32,053)	271	288,193
Impairment	(703,878)	-	-	-	(703,878)
Depreciation expense	(35,932)	(2,929)	-	(974)	(39,835)
Net carrying amount 30 June 2013	2,184,012	10,299	121,906	24,996	2,341,213
Parent Entity 30 June 2013					
Net carrying amount 1 July 2012	2,528,376	4,528	145,451	25,738	2,704,093
Additions	76,569	4,363	953	3	81,888
Disposals	(1,097)	(50)	(315)	(15)	(1,476)
Transfers between classes	-	-	7,870	(27)	7,843
Revaluation: increments/(decrements)	319,974	-	(32,053)	271	288,193
Impairment	(703,878)	-	-	-	(703,878)
Depreciation expense	(35,932)	(2,060)	-	(974)	(38,966)
Net carrying amount 30 June 2013	2,184,012	6,782	121,906	24,996	2,337,696

(d) Valuation notes

The valuation of system assets is based on the modern engineering equivalent replacement asset methodology (MEERA). The valuation of these assets is confirmed by application of a cash generating unit test (CGUT) based on the expected net cash flows to be generated discounted to their present value. The outcome of this test for 2012-13 indicated that the net present value of future revenues did not support accounting book values of the asset base. As a result of the impairment test outcome, an impairment of \$704m was processed in 2012-13.

In 2012-13 the water network assets and land & buildings were expertly revalued and the remainder of the property, plant & equipment asset base (excluding land, buildings and some general support assets) were indexed by the Australian Bureau of Statistics Construction CPI (0.1%).

Note 13. Intangible Assets

	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Work In Progress \$'000	Total \$'000
Economic Entity						
At 1 July 2011 - cost						
Gross carrying amount	1,319	34,336	1,338	989	-	37,982
Accumulated amortisation	(54)	(29,168)	(780)	(788)	-	(30,790)
Net carrying amount	1,265	5,168	558	201	-	7,192
At 30 June 2012 - cost						
Gross carrying amount	1,507	38,003	1,346	1,409	13,718	55,983
Accumulated amortisation	(54)	(31,941)	(1,024)	(1,046)	-	(34,065)
Net carrying amount	1,453	6,062	322	363	13,718	21,918
At 1 July 2012 - cost						
Gross carrying amount	1,507	38,003	1,346	1,409	13,718	55,983
Accumulated amortisation	(54)	(31,941)	(1,024)	(1,046)	-	(34,065)
Net carrying amount	1,453	6,062	322	363	13,718	21,918
At 30 June 2013 - cost						
Gross carrying amount	1,548	41,093	1,346	4,378	9,157	57,522
Accumulated amortisation	(54)	(34,958)	(1,209)	(1,945)	-	(38,166)
Net carrying amount	1,494	6,135	137	2,433	9,157	19,355
Parent Entity						
At 1 July 2011 - cost						
Gross carrying amount	1,319	33,635	1,338	887	-	37,179
Accumulated amortisation	(54)	(28,661)	(780)	(779)	-	(30,274)
Net carrying amount	1,265	4,974	558	108	-	6,905
At 30 June 2012 - cost						
Gross carrying amount	1,507	37,199	1,346	1,307	13,718	55,077
Accumulated amortisation	(54)	(31,361)	(1,024)	(1,033)	-	(33,471)
Net carrying amount	1,453	5,838	322	274	13,718	21,605
At 1 July 2012 - cost						
Gross carrying amount	1,507	37,199	1,346	1,307	13,718	55,077
Accumulated amortisation	(54)	(31,361)	(1,024)	(1,033)	-	(33,471)
Net carrying amount	1,453	5,838	322	274	13,718	21,605
At 30 June 2013 - cost						
Gross carrying amount	1,548	40,218	1,346	4,270	9,157	56,539
Accumulated amortisation	(54)	(34,258)	(1,209)	(1,922)	-	(37,443)
Net carrying amount	1,494	5,960	137	2,348	9,157	19,096

(a) Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the previous financial year, excluding work in progress, are as follows:

	Easements	Software External	Software Internal	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Economic Entity 2012					
Net carrying amount 1 July 2011	1,265	5,168	558	201	7,192
Additions	188	3,689	8	420	4,305
Amortisation expense	-	(2,795)	(244)	(258)	(3,297)
Net carrying amount 30 June 2012	1,453	6,062	322	363	8,201
Parent Entity 2012					
	Easements	Software External	Software Internal	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount 1 July 2011	1,265	4,974	558	108	6,905
Additions	188	3,564	8	421	4,181
Amortisation expense	-	(2,700)	(244)	(254)	(3,198)
Net carrying amount 30 June 2012	1,453	5,838	322	274	7,887

(b) Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current financial year are as follows:

	Easements	Software External	Software Internal	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Economic Entity 2013					
Net carrying amount 1 July 2012	1,453	6,062	322	363	8,200
Additions	41	3,444	-	2,963	6,448
Disposals	-	(352)	-	-	(352)
Amortisation expense	-	(3,019)	(185)	(893)	(4,097)
Net carrying amount 30 June 2013	1,494	6,135	137	2,433	10,199
Parent Entity 2013					
	Easements	Software External	Software Internal	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net carrying amount 1 July 2012	1,453	5,838	322	274	7,887
Additions	41	3,372	-	2,963	6,375
Disposals	-	(352)	-	-	(352)
Amortisation expense	-	(2,898)	(185)	(889)	(3,972)
Net carrying amount 30 June 2013	1,494	5,960	137	2,348	9,938

Note 14. Trade and Other Payables

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Trade creditors	3,568	3,669	3,634	5,266
Deposits received for services	1,915	1,988	1,915	1,988
Accrued expenses	76,314	48,037	78,387	50,073
	81,797	53,694	83,937	57,327

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 33.

Note 15. Current Tax Liabilities

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Provision for Income Tax Payable				
Opening Balance	4,800	3,536	4,800	3,597
Under/(over) provision for income tax in prior year	6	(1,415)	(38)	(1,454)
Amount paid relating to prior year	(4,807)	(2,122)	(4,763)	(2,143)
Amount payable for current year	19,908	15,578	18,279	14,174
Amount paid relating to current year	(10,888)	(10,777)	(9,259)	(9,374)
	9,019	4,800	9,019	4,800

Note 16. Borrowings

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Intercompany Loan	-	-	7,634	5,000
Other loans	986,097	918,368	986,097	918,368
	986,097	918,368	993,731	923,368
Represented By:				
Current	1,377	75,072	9,011	75,072
Non-current	984,720	843,296	984,720	848,296
	986,097	918,368	993,731	923,368

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of \$30m (2012:\$10m).

The Economic Entity has a contingent loan facility with Commonwealth Bank of Australia \$0.1m which was not drawn down at 30 June 2013, a credit card facility with Commonwealth Bank of Australia \$0.2m which was not drawn down at 30 June 2013 and a purchase card facility with National Bank of Australia of \$0.860m which was not drawn down at 30 June 2013.

The borrowings are classified as non-trading liabilities and are unsecured. The fair value of loans are disclosed in Note 33.

The Treasurer approved funding of up to \$1,040m with NSW TCorp for the 2013 year (2012: \$925m), of which \$986m was used at 30 June 2013 (\$918m at 30 June 2012).

The Minister has approved an intercompany loan for \$10m of which \$7.6m was used at 30 June 2013.

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 33.

Note 17. Provisions

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Dividends	15,600	20,820	15,600	20,820
Restoration	435	435	435	435
Rectification	1,847	875	1,847	875
Employee benefits - Short Term	6,478	6,354	4,861	4,818
Employee benefits - Long Term*	16,427	15,193	14,141	13,314
	40,787	43,676	36,884	40,262
Non Current				
Restoration	402	140	140	140
Employee benefits	79,259	104,201	71,827	93,667
	79,661	104,341	71,967	93,807
*Employee benefits expected to be settled after 12 months	8,997	8,817	7,285	7,338
Movements in Dividend Provision 2013				
Carrying amount 1 July 2012	20,820		20,820	
Less: dividend paid	(20,820)		(20,820)	
Add: dividend declared	15,600		15,600	
Carrying amount at 30 June 2013	15,600		15,600	
Movements in Restoration Provision 2013				
Carrying amount 1 July 2012	575		575	
(Over)/under provision adjustment 2013	262		-	
Carrying amount at 30 June 2013	837		575	
Movements in Rectification Provision 2013				
Carrying amount 1 July 2012	875		875	
(Payments)/Receipts	1,000		1,000	
(Over)/under provision adjustment 2013	(28)		(28)	
Carrying amount at 30 June 2013	1,847		1,847	

Note 18. Deferred Tax Liabilities

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Amounts recognised in profit or loss				
Tax bases without an asset carrying amount	(10)	(9)	(10)	(9)
Stock On Hand	801	751	801	751
Accruals	4,962	4,409	5,147	4,639
Borrowing costs	1,141	-	1,141	-
Provisions	(10,010)	(11,293)	(8,821)	(10,689)
Inventories	-	83	-	-
Prepayments	290	301	271	283
Land held for sale	-	38	-	38
Property, plant and equipment	(34,647)	(19,605)	(34,209)	(19,711)
	(37,472)	(25,325)	(35,680)	(24,698)
Amounts recognised in the Statement of Comprehensive Income				
Superannuation actuarial gains/(losses)	(23,492)	(30,225)	(20,710)	(26,644)
Revaluation of property, plant and equipment	233,483	349,409	233,479	349,409
	209,991	319,184	212,769	322,765
Total	172,519	293,859	177,088	298,067
Movements:				
Opening balance at beginning of year	293,859	509,266	298,067	511,651
Credited/(charged) to the Income Statement	(12,190)	(1,569)	(11,136)	(1,261)
Credited/(charged) to the Statement of Comprehensive Income	(109,195)	(215,521)	(109,889)	(213,636)
Add under provision for deferred tax in prior year	46	1,683	46	1,313
Closing balance at end of year	172,519	293,859	177,088	298,067

Note 19. Contributed Equity

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Issued and paid up capital: 100,000,003 ordinary shares each fully paid	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000

Hunter Water Corporation's two shareholders at 30 June 2013 were:

The Premier of NSW, Minister for Western Sydney; and The Treasurer.

Each shareholder holds their shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from Hunter Water Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the entity's Statement of Corporate Intent with the shareholders.

Note 20. Reserves and Retained Profits

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Reserves				
Asset revaluation	557,709	827,859	557,709	827,859
	557,709	827,859	557,709	827,859
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1.				
Movement in reserves				
Revaluation surplus - property, plant and equipment				
Balance at beginning of year	827,859	1,291,222	827,859	1,291,222
Fixed asset increments/(decrements) from revaluations				
System assets	319,974	270,203	319,974	270,203
General support	-	33	-	33
Buildings	568	-	568	-
Land	(1,191)	1,501	(1,191)	1,501
	319,352	271,737	319,352	271,737
Fixed asset decrements from impairment				
System assets	(703,878)	(927,901)	(703,878)	(927,901)
General support	-	-	-	-
Buildings	-	(9)	-	(9)
	(703,878)	(927,910)	(703,878)	(927,910)
Tax effect - deferred tax liability on revaluation reserve	115,823	198,583	115,823	198,583
Write-back of written down value of decommissioned assets	(1,446)	(5,773)	(1,446)	(5,773)
	557,709	827,859	557,709	827,859
(b) Retained Profits				
Balance 1 July	633,074	660,370	635,499	658,494
Net profit for the period	22,577	33,312	25,360	33,153
Transfer from revaluation reserve to retained earnings	1,446	-	1,446	-
Net income/(loss) recognised direct in equity	15,711	(39,788)	13,848	(35,328)
Dividends	(15,600)	(20,820)	(15,600)	(20,820)
Balance 30 June	657,207	633,074	660,552	635,499

Note 21. Statement of Cash Flows

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Net profit for the year from continuing operations	22,577	33,312	25,360	33,153
Net superannuation (income)/expense	(2,498)	(1,523)	(2,065)	(1,197)
Depreciation and amortisation	43,932	52,372	42,938	51,606
Revaluation decrement	29,260	-	29,260	-
(Profit)/loss on sale of non-current assets	4,936	438	4,928	438
Capital asset (non-cash) contributions	(21,051)	(28,615)	(21,051)	(28,615)
Net exchange differences	21	2	-	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	(3,523)	3,713	(3,695)	3,038
(Increase)/decrease in inventories	(165)	(340)	(165)	(340)
(Increase)/decrease in other operating assets	3,016	5,659	173	5,653
(Increase)/decrease in work in progress	(586)	(30)	-	-
Increase/(decrease) in trade creditors	22,579	(5,365)	22,560	(4,793)
Increase/(decrease) in other operating liabilities	5,524	5,211	4,050	5,206
Increase/(decrease) in provision for income taxes payable	4,219	1,264	4,219	1,203
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)	12,147	114	10,982	52
(Increase)/decrease in capitalised borrowing costs	(1,915)	(2,109)	1,915	(2,109)
Increase/(decrease) in other provisions	(27,569)	152	(25,218)	(63)
Net cash inflow from operating activities	90,904	64,255	94,191	63,232

Note 22. Contractual Commitments

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Capital Commitments				
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable within one year	66,983	53,904	68,289	56,972
Payable later than one year but not later than five years	15,845	40,379	15,934	41,442
Payable later than five years	-	-	-	-
	82,828	94,283	84,223	98,414

Note 23. Lease Expenditure Commitments

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Operating lease commitments in relation to operating leases not provided for and payable:				
Within one year	4,429	3,568	2,674	1,925
Later than one year but not later than five years	10,763	5,865	6,219	2,343
Later than five years	477	2,577	83	83
	15,669	12,010	8,976	4,351
Representing:				
Cancellable operating leases	9,763	4,831	8,706	3,932
Non-cancellable operating leases	5,906	7,179	270	419
	15,669	12,010	8,976	4,351

The Economic Entity has a cancellable operating lease for fleet vehicles that commenced in June 2007. This operating lease may be terminated by the Economic Entity or the Lessor at any time by giving one month's notice in writing. If terminated by the Economic Entity penalties will apply.

There are two significant non-cancellable operating leases of the Economic Entity for the lease of general office premises and a laboratory. The general office space lease commits the Controlled Entity to a 10 year non-cancellable lease with two 5 year options to renew. There is an option to sub-let subject to council planning approvals. This lease commenced on 14 November 2008. A 5 year option to renew laboratory space was taken on 1 July 2009. There is no option to sub-let under the current lease of the laboratory.

With respect to the other minor operating leases of the Economic Entity, some have provisions within the agreement for CPI increases and others provide for a set percentage increase each year. When a set percentage increase is provided for, this increase has been incorporated into the above commitment.

All lease expenditure commitments disclosed above are GST inclusive.

Note 24. Superannuation

(a) Superannuation plan

All employees are entitled to benefits on retirement, disability or death. The defined benefit superannuation plans are administered by Pillar Administration and provide defined benefits based on years of membership and final average salary. All funds are invested at arm's length through independent fund managers. Employees contribute to the plans at various percentages of their wages and salaries. The Parent and Controlled Entity also contribute to the plans.

The Parent and Controlled Entity contribute to three defined superannuation schemes in the NSW public sector Pooled Fund, which holds in trust the investments of these schemes. These schemes are:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

All defined benefit funds are closed to new members. Superannuation benefits for new entrants are now provided through First State Super (FSS) or the employee's choice of fund, which are accumulation type schemes. The Economic Entity has made full provision for these commitments.

The following sets out details in respect of the defined benefits funds only.

	Economic Entity		Parent Entity	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(b) Reconciliation of the present value of the defined benefit obligation				
Present Value of partly funded defined benefit obligations at the beginning of the year	205,266	158,909	182,371	141,399
Current service cost	1,803	1,535	1,614	1,386
Interest cost	6,137	8,158	5,447	7,250
Contributions paid by fund participants	941	1,009	841	879
Actuarial (gains)/losses	(14,150)	47,796	(12,699)	42,627
Benefits paid	(7,640)	(12,141)	(6,899)	(11,170)
Present value of partly funded defined benefit obligations at the end of the year	192,357	205,266	170,676	182,371
(c) Reconciliation of the fair value of fund assets				
Fair value of Fund assets at the beginning of the year	101,932	110,778	89,169	97,381
Expected return on fund assets	8,446	9,233	7,369	8,097
Actuarial gains/(losses)	8,294	(8,931)	7,081	(7,754)
Employer contributions	1,992	1,984	1,757	1,736
Contributions paid by fund participants	941	1,009	842	879
Benefits paid	(7,640)	(12,141)	(6,899)	(11,170)
Fair value of Fund assets at the end of the year	113,965	101,932	99,319	89,169
(d) Reconciliation of the assets and liabilities recognised in the Statement of Financial Position				
Present value of partly funded defined benefit obligations at end of year	192,357	205,266	170,676	182,371
Fair value of fund assets at end of year	(113,965)	(101,932)	(99,319)	(89,169)
Subtotal	78,392	103,334	71,356	93,202
Net Liability/(Asset) recognised in Statement of Financial Position at end of year	78,392	103,334	71,356	93,202
(e) Expense/(income) recognised in Income Statement				
Current service cost	1,803	1,536	1,614	1,386
Interest cost	6,137	8,158	5,447	7,250
Expected return on fund assets (net of expenses)	(8,446)	(9,234)	(7,369)	(8,098)
Expense/(Income) recognised	(506)	460	(307)	538
(f) Amounts recognised in the Statement of Comprehensive Income				
Actuarial losses/(gains) recognised in year	(22,443)	56,727	(19,780)	50,381
Expense/(Income) recognised	(22,443)	56,727	(19,780)	50,381
Cumulative amount recognised in other comprehensive income				
Cumulative Expense/(Income) recognised	63,069	85,512	57,467	77,247

(g) Historical information

Economic Entity

	\$'000 2013	\$'000 2012	\$'000 2011	\$'000 2010	\$'000 2009
SASS					
Present value of defined benefit obligation	46,729	45,691	41,510	40,008	36,881
Fair value of Fund assets	(28,280)	(24,573)	(27,852)	(27,158)	(25,850)
(Surplus)/Deficit in Fund	18,449	21,117	13,658	12,850	11,031
Experience adjustments - Fund liabilities	454	5,673	914	2,315	694
Experience adjustments - Fund assets	(2,322)	2,039	349	(212)	4,365
SANCS	2013	2012	2011	2010	2009
Present value of defined benefit obligation	6,604	7,275	6,866	6,687	6,394
Fair value of Fund assets	(2,004)	(2,072)	(2,878)	(2,775)	(2,925)
(Surplus)/Deficit in Fund	4,600	5,203	3,988	3,912	3,469
Experience adjustments - Fund liabilities	(508)	864	12	391	379
Experience adjustments - Fund assets	(145)	245	2	(17)	644
SSS	2013	2012	2011	2010	2009
Present value of defined benefit obligation	139,024	152,301	110,532	111,055	103,946
Fair value of Fund assets	(83,681)	(75,287)	(80,048)	(76,990)	(74,032)
(Surplus)/Deficit in Fund	55,343	77,014	30,484	34,065	29,914
Experience adjustments - Fund liabilities	(14,096)	41,259	(2,088)	4,667	14,940
Experience adjustments - Fund assets	(5,827)	6,647	(361)	260	16,640

(h) Fund Assets

The percentage invested in each asset class at the balance sheet date:

	2013	2012
Australian equities	30.4%	28.0%
Overseas equities	26.1%	23.7%
Australian fixed interest securities	6.9%	4.9%
Overseas fixed interest securities	2.2%	2.4%
Property	8.3%	8.6%
Cash	13.1%	19.5%
Other	13.0%	12.9%

(i) Fair value of fund assets

All Fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

(j) Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

(k) Actual return on fund assets

	\$'000	\$'000	\$'000
	SASS	SANCS	SSS
Actual return on fund assets – 2013	4,173	306	12,480
Actual return on fund assets – 2012	(38,194)	(16,549)	61,031

(l) Expected contributions

	\$'000	\$'000	\$'000
	SASS	SANCS	SSS
Expected employer contributions	956	293	702

Contribution rates are set after discussions between the employer, SAS Trustee Corporation and NSW Treasury

(m) Employer contributions

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2012.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost to the employer. Under the aggregate funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payment to existing members, taking into account the current value of assets and future contributions.

The recommended contribution rates for the Economic Entity are:

State Superannuation Scheme (Parent Entity)	1.60X (multiple of member contributions)
State Superannuation Scheme (Controlled Entity)	1.60X (multiple of member contributions)
State Authorities Superannuation Scheme	1.90X (multiple of member contributions)
State Authorities Non-Contributory Superannuation Scheme	2.50% (% of member salary)

The economic assumptions used by the actuary to make the funding recommendation were:

Expected rate of return on fund assets backing current pension liabilities of 8.3% pa (2012: 8.3% pa)

Expected rate of return on fund assets backing other liabilities of 7.3% pa (2012: 7.3% pa)

Expected salary increase rate of 2.7% pa (2012: 4.0% pa) for 6 years then 4% per annum

Expected rate of CPI increase of 2.5% pa (2012: 2.5% pa).

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2013), and a deficit of \$12.54m was reported for the Economic Entity.

Economic Entity

	2013 \$'000 SASS	2013 \$'000 SANCS	2013 \$'000 SSS
Accrued benefits	38,059	5,455	82,991
Net market value of Fund assets	(28,280)	(2,004)	(83,682)
Net (surplus)/deficit	9,779	3,451	(691)
Accrued benefits	36,593	6,065	81,657
Net market value of Fund assets	(24,573)	(2,072)	(75,287)
Net (surplus)/deficit	12,020	3,993	6,370

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

Note 25. Consultancies

The total amount paid or payable to consultants engaged by the Parent Entity during the reporting period was \$3.30m (2012: \$11.38m).

Note 26. Contingent Liabilities

The Economic or Parent Entity do not have any contingent liabilities

No significant claims for damages are being negotiated (2012: nil). This does not include matters covered by insurance.

Note 27. Auditors' Remuneration

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Audit Office of New South Wales				
Audit review of financial statements	259	249	220	214
Other audit fees	-	4	-	4
	259	253	220	218

Note 28. Related Party Disclosures

Transactions between related parties are conducted using commercial conditions no more favourable than those available to other parties unless otherwise stated.

(a) Controlled entities

The Controlled Entity Hunter Water Australia Pty Limited is 100% owned by Hunter Water Corporation (2012: 100%). Hunter Water Australia Pty Limited acquired assets and liabilities on 2 March 1998 of the Engineering Consulting, Water Treatment Consulting, Survey & Laboratories Business Units formerly undertaken by Hunter Water Corporation for a consideration of \$1.5m. This consideration comprised 0.9m shares of \$1 each and a loan of \$0.6m, which has subsequently been repaid.

This subsidiary was incorporated in Australia.

(b) The following related party transactions occurred during the financial year	Entity	Economic Entity		Parent Entity	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Transactions with Controlled Entities					
Sales					
- Contracts (Insurance etc)	HWA	-	-	241	220
- Consultancy Services	HWA	-	-	15	140
Total sales		-	-	256	360
Purchases					
Purchases - Consultancy services & contracts	HWA	-	-	21,781	24,029
Interest Paid	HWA	-	-	164	217
Dividend Received	HWA	-	-	3,000	3,558
Outstanding balances with Controlled Entities					
Receivables (excl GST)					
- Sales and purchases	HWA	-	-	-	1
- Tax funding agreements	HWA	-	-	-	766
- Dividend receivable	HWA	-	-	2,564	3,893
Total receivables		-	-	2,564	4,660
Payables (excl GST)					
- Sales and purchases	HWA	-	-	2,124	3,421
- Tax funding agreements	HWA	-	-	2,941	3,685
- Inter-company loan	HWA	-	-	7,634	5,000
- Interest Accrued on Intercompany Loan	HWA	-	-	-	15
Total payables		-	-	12,699	12,121
Other Transaction with Related Parties					
Purchases					
Consulting Services	Umwelt (Australia) Pty Ltd	-	2	-	2
	AMPControl SWG Pty Ltd	183	-	183	-
	Lawler Partners Pty Ltd	15	5	15	5
Recruitment Services	Peoplefusion Pty Ltd	29	45	26	22

	Entity	Economic Entity		Parent Entity	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Membership & Subscription Fees of Industry Association	Water Services Association of Australia	204	150	203	138
	EWON	-	59	-	59
Sponsorships	University of Newcastle	-	208	-	194
	Dial B4 You Dig	62	-	62	-
	Hunter Wetlands Centre	18	-	18	-
	Hunter Valley Research Foundation	39	32	39	32
Purchases of Air Conditioning Maintenance Services	Church Air Conditioning	-	22	-	22
Self Managed Super Fund	Onesm Pty Ltd	17	-	17	-
Entertainment	Newcastle Club	2	-	2	-
Sales					
University courses	University of Newcastle	-	10	-	-
Consulting Services	Hunter Development Corporation	-	35	-	-
	WSAA	29	28	-	-
Outstanding balances with Related Parties					
Receivables	Hunter Development Corporation	-	11	-	-
Payables	AMPControl SWG Pty Ltd	55	-	60	-
	Dial B4 You Dig	5	-	6	-
	Lawler Partners Pty Ltd	1	-	1	-
	Onesm Pty Ltd	2	-	2	-
	Hunter Wetlands Centre	2	-	2	-

The Economic and Parent Entity also transacted with NSW Treasury Corporation and First State Superannuation under normal commercial terms.

Sales were made to Directors and the Controlled Entity under normal commercial terms and conditions no more favourable than those available to other parties and in accordance with the principles of good governance.

The intercompany loan payable to the Controlled Entity has a term of 5 years, interest is payable at an interest rate equivalent to that paid by the NSW Treasury Corporation 11AM Facility.

Other transactions with key management personnel related parties for goods or services provided to Hunter Water Corporation are on normal commercial terms and conditions.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 30.

Note 29. Segment Information

The Economic Entity operates in the water industry as one business segment in the provision of water and water-related services to its customers in Australia and overseas. It operates predominantly in the one geographical segment of NSW in Australia with some services of a consulting nature being provided internationally.

Note 30. Key Management Personnel Disclosures

(a) Directors and any director related Entities

The Directors of Hunter Water Corporation during the financial year and up to the date of this report were:

Mr T Lawler	Chairman
Mr K Wood	Managing Director
Mr J Eather	Deputy Chairman
Ms B Crossley	
Mr R Chappel	(to 31 December 2012)
Ms C Cifuentes	(to 31 May 2013)
Ms S Ivens	
Prof M Gleeson	(from 1 January 2013)
Mr Peter Dalglish	(from 2 July 2013)

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Economic Entity, directly or indirectly, during the financial year:

Stephen Phillips	Hunter Water Corporation	Chief Shared Services Officer
Dean Taylor	Hunter Water Corporation	Chief Customer Service Officer
Chris Turnbull	Hunter Water Corporation	Chief Operating Officer (to 11 December 2012)
Darren Cleary	Hunter Water Corporation	Chief Operating Officer (from 12 December 2012)
Joanne Martin	Hunter Water Corporation	Chief Information Officer
Fiona Cushing	Hunter Water Corporation	Chief Finance Officer
Jeremy Bath	Hunter Water Corporation	Manager Government and Media Relations (from 21 January 2013)
Jim Keary	Hunter Water Australia	General Manager

	Economic Entity		Parent Entity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(c) Key Management Personnel Compensation				
Short term employee benefits	3,012	2,937	2,706	2,668
Long term employee benefits	26	795	15	785
Post employment benefits	518	1,069	492	1,019
	3,556	4,801	3,213	4,472

Note 31. Controlled Entities

Parent Entity:

Hunter Water Corporation

Controlled Entities

	Equity Holding	
	2013	2012
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%

Note 32. Events Occurring After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

Note 33. Financial Instruments

The Economic Entity is exposed to different types of risk as a result of the financial instruments (financial assets and liabilities) that it holds. These risks are managed through Board-approved policies and procedures (as outlined below), review of monthly reports from NSW Treasury Corporation (NSW TCorp), regular internal audits, setting of benchmarks to facilitate performance evaluation and other internal reporting and control mechanisms.

Treasury operations are not one of the core functions of the Economic Entity and due to the high level of expertise required to effectively manage financial liabilities, the Economic Entity contracts the services of an external specialist (currently NSW TCorp) to actively manage the debt portfolio. The current management agreement with NSW TCorp commenced on 1 December 2010, prior to that date NSW TCorp held only an advisory role.

An analysis of the various risks is outlined below:

a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities. The Economic Entity's debt portfolio is all held at fixed interest rates, with the exception of a small amount of CPI linked debt. The \$30m overdraft facility held with NSW TCorp has a floating rate.

The current neutral benchmarks for each type of debt that the Economic Entity holds are shown below:

Type of debt	Actual	Benchmark	Allowable Range
Pre 1st December 2010 Fixed rate debt	4.88	Eroding to zero	Eroding to zero
Post 1st December 2010 Fixed rate debt	5.13	6.25	3.75 to 8.75
CPI Linked debt	9.48	12.80	8.80 to 16.80
Floating	0	0.25	0.25 to 0.75

The weighted average interest rates are shown below:

Economic Entity

2013	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	3.03%	21,636	10,000	10	31,645
Trade & other receivables	9.50%	-	10,392	35,281	45,673
Other financial assets	n/a	-	-	-	-
		21,636	20,392	35,291	77,318
Financial liabilities					
Borrowings	5.01%	138,464	847,633	-	986,097
Trade & other payables	n/a	-	-	81,797	81,797
		138,464	847,633	81,797	1,067,894

The comparative information with regard to the 2012 year is as follows:

2012	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	3.98%	10,714	-	10	10,724
Trade & other receivables	10.75%	-	14,271	27,917	42,188
Other financial assets	n/a	-	-	-	-
		10,714	14,271	27,927	52,912
Financial liabilities					
Borrowings	5.73%	28,284	890,084	-	918,368
Trade & other payables	n/a	-	-	53,694	53,694
		28,284	890,084	53,694	972,062

Parent Entity

2013	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	3.06%	19,035	10,000	8	29,043
Trade & other receivables	9.50%	-	10,392	35,080	45,472
Other financial assets	n/a	-	-	900	900
		19,035	20,392	35,988	75,415
Financial liabilities					
Borrowings	4.99%	138,464	855,267	-	993,731
Trade & other payables	n/a	-	-	83,937	83,937
		138,464	855,267	83,937	1,077,668

The comparative information with regard to the 2012 year is as follows:

2012	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	3.65%	3,369	-	8	3,377
Trade & other receivables	10.75%	-	14,271	29,492	43,763
Other financial assets	n/a	-	-	900	900
		3,369	14,271	30,400	48,040
Financial liabilities					
Borrowings	5.71%	28,284	895,084	-	923,368
Trade & other payables	n/a	-	-	57,327	57,327
		28,284	895,084	57,327	980,695

Sensitivity analysis

The table below shows the effect on profit and equity after tax if interest rates at balance date had been 100 basis points higher or lower than current levels, with all other variables held constant.

	Increase/(decrease) to post-tax profit		Increase/(decrease) to equity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Economic Entity				
If Interest rates are 100 basis points higher	(388)	229	(388)	229
If Interest rates are 100 basis points lower	388	(229)	388	(229)
Parent Entity				
If Interest rates are 100 basis points higher	(489)	105	(489)	105
If Interest rates are 100 basis points lower	489	(105)	489	(105)

(ii) Foreign exchange risk

The objective of managing foreign exchange rate risk is to mitigate the potential for financial loss arising through unfavourable movements in exchange rates. The Economic Entity manages these risks by actively monitoring and forecasting cash flows to report on performance and foreign currency exposure. Where exposure is determined to be significant, the Economic Entity will hedge the risk by the use of a variety of different methods such as forward exchange contracts and forward rate options.

The Controlled Entity, Hunter Water Australia Pty Limited, provides consultancy services to customers in the United States and Papua New Guinea, and as such, its exposure to foreign exchange risk at reporting date is as follows (all amounts are shown in notional Australian dollars) :

	2013		2012	
	USD \$'000	PNG \$'000	USD \$'000	PNG \$'000
Trade Receivables	-	43	-	-
Bank	-*	58	-	-
	-	101	-	-

* Less than \$10

(b) Liquidity risk

Effective liquidity risk management involves ensuring that the Economic Entity has sufficient funds and cash flows to meet its obligations and commitments at any point in time. The Economic Entity's liquidity is controlled through the preparation of detailed cash flows at both an Economic Entity and Parent Entity level that must incorporate future projections for a period of at least 10 years.

As part of its neural benchmark debt portfolios the Economic Entity has also established the specific target for when total debt exceeds more than \$50m, that no more than 20% of the total face value debt (based on the portfolio in the year of maturity) is to mature in any 12 month period. When preparing the Statement of Corporate Intent, the Economic Entity must also submit to its Board for endorsement the proposed financial accommodation that will be required for the coming year (this is then required to be approved by the Treasurer of NSW).

In order to further manage liquidity risk, the Parent Entity has a \$30m overdraft facility with NSW TCorp which is used to meet short-term cash flow requirements as deemed by management. Any surplus funds are invested in an at call deposit ("11am") account, also held with NSW TCorp.

The controlled entity, Hunter Water Australia Pty Limited, also has a bank overdraft facility of \$0.2m with the Commonwealth Bank for short-term cash management purposes.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

The following are the contractual maturities of financial liabilities, including interest payments:

Economic Entity

	Carrying Amount	Total Contractual Cash flows	Maturity Dates Within			
	\$'000	\$'000	1 Year \$'000	1-2 Years \$'000	2-5 Years \$'000	Over 5 Years \$'000
2013						
Trade & other payables	81,797	81,797	81,797	-	-	-
Borrowings	986,097	1,279,790	32,954	137,829	365,566	743,442
Total	1,067,894	1,361,587	114,751	137,829	365,566	743,442
2012						
Trade & other payables	53,694	53,694	53,694	-	-	-
Borrowings	918,368	1,216,021	113,248	96,494	410,492	595,787
Total	972,062	1,269,715	166,942	96,494	410,492	595,787
Parent Entity						
2013						
Trade & other payables	83,937	83,937	83,937	-	-	-
Borrowings	993,731	1,287,425	32,954	137,829	365,566	751,076
Total	1,077,668	1,371,362	116,891	137,829	365,566	751,076
2012						
Trade & other payables	57,327	57,327	57,327	-	-	-
Borrowings	923,368	1,221,021	113,248	96,494	410,492	600,787
Total	980,695	1,278,348	170,575	96,494	410,492	600,787

(c) Credit risk

Credit risk refers to the risk that indebted counterparties will default on their contractual obligations, resulting in financial loss to the Economic Entity. Exposures to credit risk exist in respect of financial assets such as trade and other receivables, cash and cash equivalents and investments in marketable securities.

In respect of trade and other receivables, the Economic Entity monitors balances outstanding on an ongoing basis and has policies in place for the recovery and write-off of amounts outstanding. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. All long term investments are held as government bonds with any of the appropriately rated (A+ or better) State Governments, and short-term investments are held in a NSW Treasury (TCorp) at call deposit account or bank term deposit. The Economic Entity limits its exposure to credit risk by only investing cash and cash equivalents in liquid securities with reputable financial organisations, namely NSW TCorp and other financial institutions. The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

The only financial assets that are past due or impaired are sales of goods and services in the receivables category of the Statement of Financial Position.

	Economic Entity			Parent Entity		
	Total ¹	Past due but not impaired ¹	Considered Impaired	Total ¹	Past due but not impaired ¹	Considered Impaired
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30- 90 days overdue	11,163	11,163	-	10,956	10,956	-
> 90 days overdue	4,643	4,248	396	4,566	4,171	396

¹ The 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. Therefore, the total will not reconcile to the receivables total recognised in the Statement of Financial Position.

(d) Fair values

The Economic Entity's investments available for sale are measured at fair value through market valuation. Fixed interest-bearing liabilities are classified as held to maturity and measured at amortised cost using the effective interest rate method. All other financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair value except for shares in subsidiaries which are held at historical cost.

There were no financial instruments that were carried in the Statement of Financial Position at fair value determined by any of the three valuation methods defined below:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

End of Audited Financial Statements

Directors' Declaration

In accordance with a resolution of the Directors of the Parent Entity, Clause 11 of the Public Finance and Audit Regulation 2010, and pursuant to Section 41C(1B) and 41C(1C) of the Public Finance and Audit Act 1983, in the opinion of the Directors:

1) The accompanying consolidated financial statements (pages 19 to 66) exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entity as at 30 June 2013, and transactions for the year then ended.

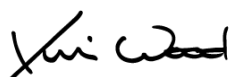
2) The accompanying consolidated financial statements have been prepared in accordance with the Public Finance and Audit Act 1983, the State Owned Corporation's Act 1989, Public Finance and Audit Regulation 2010, applicable Accounting Standards and other mandatory professional reporting requirements and Treasurer's directions.

We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.

On behalf of the Directors



T Lawler
Chairman



K Wood
Managing Director

Dated: 29 August 2013,
Newcastle

Statistical Information

Statistical Information is Unaudited

6.1 Directors and Committees

6.1.1 Board of Directors.....	69
6.1.2 Committees and Memberships	69
6.1.3 Attendance of Directors at Hunter Water Corporation Committee Meetings	70
6.1.4 Community Consultative Forum Membership and Attendance	70

6.2 Employees

6.2.1 Executive Positions	71
6.2.2 Performance Statement	71
6.2.3 Workforce Profile	71
6.2.4 Human Resource Policies & Practices.....	71
6.2.5 Trends in the Representation of Equal Employment Opportunity (EEO) Groups	72
6.2.6 Trends in the Distribution of EEO Groups	72
6.2.7 Multicultural Policies & Services Program	72
6.2.8 Employee Safety Performance	73
6.2.9 Overseas Travel	73

6.3 Customer and Service Performance

6.3.1 Customer Base.....	74
6.3.2 Rainfall Received	74
6.3.3 Water Supplied	74
6.3.4 Water Consumption.....	75
6.3.5 Water System Incidents	75
6.3.6 Water Transport System Reliability	76
6.3.7 Performance Against IPART Guidelines	76
6.3.8 Wastewater System Incidents	76
6.3.9 Wastewater Transport System Reliability	77
6.3.10 General Statistics.....	77
6.3.11 Waste Statement	79
6.3.12 Consumer Response	79

6.4 Financial

6.4.1 Information on the Statement of Financial Position of the Economic Entity.....	81
6.4.2 Operating Program	85
6.4.3 Pricing Structure	89
6.4.4 Statement of Corporate Intent.....	92
6.4.5 Liability Management Performance	92
6.4.6 Credit Card Certification.....	93
6.4.7 Major Acquisitions over \$0.5 million	93
6.4.8 Consultancies	94
6.4.9 Research and Development.....	95
6.4.10 Donations and Sponsorship.....	96
6.4.11 Payment Performance	98
6.4.12 Cost of Producing Annual Report.....	98
6.4.13 Significant Audit Matters	98

6.5 Legislation

6.5.1 Right to Information.....	99
6.5.2 Legislative Change.....	101

6.6 Public Interest Disclosures

6.7 Risk Management and Insurance Arrangements.....

6.8 Major Capital Works in Progress

6.1 Directors and Committees

6.1.1 Board of Directors

Hunter Water Corporation's Board of Directors is comprised of nine members, including the Managing Director, appointed by the voting shareholders, currently the NSW Treasurer and the NSW Premier. Hunter Water's constitution requires that, on an annual basis, two of the Directors, with the exception of the Managing Director, shall retire from office and be eligible for reappointment.

For details on Directors refer to the Directors' Report in the financial statements (page 20).

6.1.2 Committees and Memberships

Committee & Membership	Corporate Support & Contact	Meeting Frequency	Major Areas Coverage
Audit and Risk J Eather (Chair) T Lawler B Crossley C Cifuentes (to 31 May 2013) ¹ M Gleeson (appointed 30 May 2013) ²	A Fullick	Five meetings per year	To assist the Board in ensuring Hunter Water Corporation meets its financial, compliance and regulatory requirements across (but not limited to) the areas of financial, safety, environmental and information technology.
Corporate Governance T Lawler (Chair) J Eather C Cifuentes (to 31 May 2013) B Crossley K Wood S Ivens (appointed 30 May 2013)	S Phillips	Four meetings per year and as required	To ensure effective corporate governance within Hunter Water and to advise the Board on remuneration policy and matters concerning Board evaluation and composition
Community and Environment B Crossley (Chair) J Eather C Cifuentes (to 31 May 2013) K Wood S Ivens M Gleeson (appointed 31 January 2013) ³	D Taylor	Three meetings per year	To ensure the Hunter Water continues to maintain a pro-active and strategic approach in relation to sustainable use of resources and delivery of services.
Capital Works RA Chappel (Chair) (to 31 December 2012) J Eather K Wood (A/Chair) (from 31 January 2013) C Cifuentes (to 31 May 2013) B Crossley	D Cleary	Three meetings per year	To assist the Board by providing strategic overview of the Capital Works and Research and Development programs.

¹ C Cifuentes resigned from the Board.

² M Gleeson was appointed to the Audit & Risk committee to replace C Cifuentes as the Corporate Governance Committee meeting at 30 May 2013.

³ M Gleeson appointed Community & Environment Committee at the Corporate Governance Committee meeting held 31 January 2013.

6.1.3 Attendance of Directors at Hunter Water Corporation Committee Meetings

	Board Meetings		Committee Meetings							
	A	B	Audit & Risk		Corporate Governance		Community, Environment & Sustainability		Capital Works	
	A	B	A	B	A	B	A	B	A	B
T Lawler	10	11	4	5	3	4	*	*	2	2
K Wood	11	11	*	*	4	4	3	3	2	2
B Crossley	10	11	3	5	4	4	3	3	2	2
RA Chappel	4	5	*	*	*	*	*	*	1	1
J Eather	11	11	5	5	4	4	1	3	2	2
C Cifuentes	7	10	3	4	2	4	3	3	1	2
S Ivens	10	11	*	*	-	-	3	3	*	*
M Gleeson	5	6	1	1	*	*	1	1	*	*

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* = Not a member of the relevant committee

6.1.4 Community Consultative Forum Membership and Attendance

The Community Consultative Forum is an advisory body formed by key community representatives from throughout the Lower Hunter, providing guidance on customer and consumer interest in relation to Hunter Water's activities and operational performance requirements.

During 2012-13 membership and attendance at the Community Consultative Forum was as follows:

Representative	Attendance at Meetings Held		
	25 September 2012	29 January 2013	28 May 2013
Mr K Wood	•	•	•
Mr W Lennox	•	•	•
Ms B Smoothy	•	•	
Ms C Pasenow	•	•	•
Cr H Johnston	•	•	•
Cr M Campbell	•		
Mr J Pauling	•		
Ms I Berthold	•	•	•
Mr K McDonald	•	•	•
Ms C Gillard	•	•	•
Cr D Compton		•	•
Ms L Bowden	•	•	•
Mr R Banyard	•	•	•
Cr G Dingle			•
Cr K Paxinos		•	•
Mr J Hopson	•		
Mr O Nicholson (representing Williams River Water Users' Association in place of Mr J Hopson)		•	•

• = Attended

6.2 Employees

6.2.1 Executive Positions at 30 June 2013 (Paid at Equivalent of SES Level 1 or Above)

Position	2008-09	2009-10	2010-11	2011-12	2012-13
Managing Director	1	1	1	1	1
Senior Executives	7	7	7	5	5
Number of roles filled by women	2	2	2	2	2

All executive employees are employed under personal contract. They are not members of the NSW Executive Service (SES), nor are their conditions of employment aligned with the SES.

6.2.2 Performance Statement

Name	Position and Level	Total Remuneration package	Performance pay	Period in Position	Results
Kim Wood	Managing Director	\$437,291	\$34,400*	14/11/2011 - ongoing	Kim achieved financial, business and regulatory outcomes as required by his performance agreement

* Relates to 2011-12 financial year.

6.2.3 Workforce Profile

	2008-09	2009-10	2010-11	2011-12	2012-13
Males	318	315	325	326	329
Females	137	148	156	157	148
TOTAL	455	463	481	483	477
Permanent	354	350	383	383	403
Temporary	48	56	47	32	15
Part-time	51	57	51	68	59
TOTAL	455	463	481	483	477
Redundancies	10	3	1	7	7
Recruitment	54	25	57	74	52
Unplanned absences (%)	2.04	2.57	1.98	2.28	2.40

6.2.4 Human Resource Policies and Practices

Induction Policy	Contractor Guidelines	Parental Leave Policy
Training & Development Policy	Corporate Uniform Policy	Personal/Carer's Leave Policy
Education Assistance Policy	Damage to or Loss of Personal Effects Policy	Recruitment & Selection Policy
Fitness for Work Policy	Disciplinary Guidelines	Redundancy & Redeployment Policy
Leave Without Pay Policy	Employee Referral Program Policy	Smoking Policy
Annual Leave Policy	Equal Employment Opportunity Policy	Social Distancing Policy
APESMA Agreement 2012	Extended Leave Guidelines	Special Leave Policy
Attendance & Absenteeism Policy	Fair Treatment Policy & Procedure	Trade Union Training Attendance Policy
Bullying & Harassment Prevention Policy	Hunter Water Corporation Employees Enterprise Agreement 2012	Travel Policy
Code of Conduct	Long Service Leave Policy	Working from Home Policy
Compassionate Leave Policy		

6.2.5 Trends in the Representation of Equal Employment Opportunity (EEO) Groups¹

EEO Target Groups

	Benchmark or Target %	% of Total Staff ²						
		2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Women	50.0	28.0	30.0	30.0	32.0	32.8	34.0	33.0
Aboriginal people and Torres Strait Islanders	2.6	0.9	0.7	0.7	0.6	0.7	0.6	0.8
People whose first language was not English	19.0	5.0	5.0	4.8	5.2	5.3	5.0	4.9
People with a disability	NA	4.8	4.8	4.0	3.0	2.4	1.8	1.7
People with a disability requiring work-related adjustment	1.5	0.5	0.5	0.4	0.4	0.5	0.4	0.4

6.2.6 Trends in the Distribution of EEO Groups¹

Distribution Index^{2,3}

	Benchmark or Target %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Women	100	89.0	90.0	90.0	91.0	89.0	86.0	88.0
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A	102.0	109.0	102.0
People with a disability	100	104.0	104.0	104.0	104.0	103.0	103.0	100.0
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Notes the data from employees with a physical disability, Aboriginal background and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

¹ Staff numbers are as at 30 June 2013.

² Excludes casual employees.

³ A Distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other employees. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other employees. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is calculated in accordance with methodologies provided by the Office of the Director of Equal Opportunity in public employment. "N/A" applies where there are less than 20 staff in a particular EEO group.

6.2.7 Multicultural Policies & Services Program

In the areas of service recruitment, selection, promotion, transfer, training and development and conditions of service, merit based principles apply. Hunter Water continue to seek ongoing applications from people from culturally and linguistically diverse backgrounds.

Equal Employment Opportunity Statement

Hunter Water is committed to affirmative action. In doing so, Hunter Water aims to eliminate and ensure the absence of discrimination in employment on the grounds of race, sex, marital status, physical impairment, intellectual impairment, sexual preference, age and carers responsibilities; and aims to promote equal employment opportunity for all employees, including members of minority and disadvantaged groups.

EEO & Multicultural Policies & Services Analysis

Hunter Water values and recognises the importance of equality of opportunity in the workplace and the role effective diversity management can play in terms of ensuring the appropriate organisational response to the increasingly diverse needs of our workforce, community and wider marketplace. Hunter Water recognises the benefits to ensuring everyone has “a fair go” and having a diverse and multi-skilled workforce as a growing competitive advantage in terms of meeting community needs, customer service and satisfaction. Hunter Water identifies current and future workforce needs in an increasingly diverse community and marketplace. Hunter Water provides and will continue to assess both short and long term business needs from both a workforce and community perspective and ensures the recruitment program provides pathways for people from culturally and linguistically diverse backgrounds.

Women

In the past 12 months Hunter Water recognises and appreciates the importance of increasing female participation in the workforce which traditionally has been focused on engineering and field maintenance areas which have not historically had high female participation rates. Over 40% of Hunter Water's Board Directors are now women and four in ten of Hunter Water's senior managers are women. Hunter Water champions equal opportunity through a merit based recruitment processes.

Aboriginal People and Torres Strait Islanders

Hunter Water continues to encourage people of an Aboriginal and Torres Strait Islander background to apply for roles at Hunter Water and receive support in their application.

People whose First Language is not English

Hunter Water operates in an increasingly diverse community and market. It implements procedures that emphasis the importance of having a culturally and linguistically diverse workforce to meet and exceed customer service standards and promote diversity management. Non English speaking background employees constitute around 5% of the workforce and Hunter Water continues to encourage people from all backgrounds to apply for jobs and career opportunities with the organisation.

People with a Disability

Hunter Water continues to encourage people with a disability to apply for roles and receive support in their application.

People with a Disability Requiring Work-Related Adjustment

Hunter Water maintains a safe and healthy workplace. All employees including those with a disability will have a workplace adjustments where possible.

Translation Service

Hunter Water has a translator service in place for customers where English is not their first language. This service provides assistance in transacting with Hunter Water. Hunter Water continues to improve the collection of information about the diversity of its customers. The information will provide Hunter Water with a better understanding of the customers, including cultural and linguistic diversity. This information will be used to inform future multicultural service programs.

Financial Assistance Services

Hunter Water has financial assistance programs: Centrepay, Hunter Region No Interest Loan Scheme (HRNILS) and the Payment Assistance Scheme that are available to all customers who may be having trouble paying their bill.

6.2.8 Employee Safety Performance

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Change %
Lost time injury frequency rate	2.47	1.1	9.3	3.85	0	0	0
Total hours lost	2,204	2,044	5,436	2,802	1,189	1,149	-3
Lost time injuries	2	1	9	4	0	0	0
Minor injuries	68	24	17	18	14	10	-40
Prosecutions	0	0	0	0	0	0	0

6.2.9 Overseas Travel Commenced During 2012-13

Name	Destination City, Country	Departure Date	Duration	Reason for travel
Dean Taylor	Lae, Papua New Guinea	29 April 2013	13 days	Consultancy*
Dean Taylor	Suva, Fiji	16 February 2013	5 days	Consultancy*

*Expenses paid by the Asia Development Bank.

6.3 Customer and Service Performance

6.3.1 Customer Base

Customer	Number of Properties 2012-13	Income Raised 2012-13 \$m Actual
Residential	178,804	171.24
Multi-Residential	39,494 ¹	24.98
Commercial	9,425	31.29
Industrial	1,078	15.67
Bulk Supply	2	0.06
Other	4,161 ²	16.01
TOTAL	232,964	259.25

¹ Includes total number of individual flats.

² Includes some Hunter Water properties from which no revenue is raised.

6.3.2 Rainfall Received (Millimetres) - 12 Months Ending 19 April 2013

Year	Newcastle	Grahamstown	Chichester
2002-03	788	837	1,032
2003-04	999	819	1,244
2004-05	910	1,242	1,299
2005-06	695	835	1,016
2006-07	1,081	1,011	1,128
2007-08	1,567	1,585	1,656
2008-09	1,041	1,431	1,619
2009-10	797	796	1,185
2010-11	1,022	1,001	1,225
2011-12	1,091	1,423	1,735
2012-13	959	1,085	1,343
LONG TERM AVERAGE	1,120	1,045	1,271
YEARS OF RECORD	148	46	86

6.3.3 Water Supplied (Megalitres) - 12 Months Ending 19 April 2013

Source	2010	2011	2012	2013
Chichester	27,462	25,277	22,113	23,996 ¹
Tomago	4,262	0	0	0
Grahamstown	35,971	40,398	38,921	42,094
Total Major Sources	67,695	65,675	61,035	66,060
Anna Bay	2,148	1,572	1,444	1,793
Lemon Tree Passage	707	761	714	768
TOTAL	70,550¹	68,008¹	63,193	68,622¹

¹ Anna Bay figures include water supplied from the Glovers Hill and the Anna Bay Water Treatment Plants. Total includes losses from Dungog Water Treatment Plant. The 2011, 2012 and 2013 values for Grahamstown include process water used at Grahamstown Water Treatment Plant.

6.3.4 Water Consumption (Megalitres) - 12 Months Ending 19 April 2013

	2010 ML	2010 %	2011* ML	2011 %	2012* ML	2012 %	2013* ML	2013 %
Domestic	38,463	55	37,087	55	34,911	55	38,370	56
Non-Domestic	21,081	30	21,068	31	19,225	30	21,026	31
Bulk Supply	2,316	3	315	0	11	0	29	0
TOTAL CONSUMPTION	61,860	88	58,470	86	54,147	86	59,424	87
Authorised (HWC own use)	1,156	2	2,226	3	2,058	3	2,004	3
Apparent Losses	1,283	2	1,255	2	1,168	2	1,281	2
Real Losses	6,250	9	6,058	9	5,820	9	5,912	9
Gross Non-Revenue Generating	8,689	12	9,539	14	9,046	14	9,198	13
TOTAL SUPPLY	70,549		68,009		63,193		68,622	

*Note the 2011, 2012 and 2013 values include process water used at Grahamstown Water Treatment Plant.

6.3.5 Water System Incidents

Incident / Solution	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Poor pressure	185	127	87	144	132	115	56	90
Pump problem	2	2	1	2	5	4	5	1
Seepage	143	244	260	243	152	201	332	249
Main flush	1,330	831	638	733	692	690	692	788
Main repair	2,030	1,733	1,422	1,590	1,553	1,534	1,246	1,539
Hydrant defect	1,156	826	811	765	901	745	716	744
Valve defect	377	283	244	250	264	249	231	212
Repair pathcock / maincock	2,941	2,909	2,845	2,794	3,008	2,875	2,711	2,680
Meter defect	237	221	280	358	458	525	518	599
Service defect repaired by HWC's Operations staff	1,658	1,470	1,406	1,695	1,769	1,664	1,507	1,682
Service defect repaired by private plumber	553	560	551	633	735	640	727	631
Complaint unconfirmed	318	300	262	275	314	430	408	324
Other	2,209	1,907	1,493	1,520	1,572	1,667	1,536	1,473
Tap rewashers	89	103	89	92	96	69	85	50
Trunkmain repairs	3,936	3,242	2,927	3,812	3,597	3,012	2,725	2,500
TOTAL	17,164	14,758	13,136	14,906	15,248	14,420	13,495	13,562

6.3.6 Water Transport System Reliability

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Main breaks per 100km main - Trunkmains included in length of mains	44.6 ¹	37.4 ¹	30.3 ¹	32.6 ¹	32 ¹	31.2 ¹	25.2 ¹	66.8 ^{1, 2}
Discoloured water complaints per 1000 properties connected (tenancy)	4.6	3.4	2.2	2.7	3.3	1.9	2.1	3.0

¹ Water breaks includes all breaks, bursts and leaks in all diameter mains in the reporting period. It excludes those in the service connection to internal plumbing. It does not completely exclude those minor repairs to above ground mains that can be fixed without shutting the main down (as in WSAA and IPART definitions) as these repairs could not be identified in the current system, depending on job call off.

² 2012-13 result now includes breaks in water services due to a change in the WSAA definition.

6.3.7 Performance Against IPART Guidelines

	2008-09	2009-10	2010-11	2011-12	2012-13
i1 - Number of properties affected by unplanned water interruptions > 1 hr & < 5 hrs	42,671	43,705	42,332	34,993	35,870
i2 - Number of properties affected by 3 or more planned or unplanned water interruptions	4,301	2,737	3,624	3,177	1,834
i3 - Number of water events affecting > 250 properties for > 5 hours	-	-	5	4	3
i4 - Number of residential properties affected by planned water interruptions between 5am and 11pm	11,680	12,980	16,844	17,152	11,760
i5 - Number of properties with occasional or recurrent but not permanent pressure failure	1,182	1,182	1,860	698	1,473
i6 - Priority 1 sewer overflows responded to annually	580	892	1,138	904	764
i7 - Priority 2 sewer overflows responded to annually	2,660	3,186	3,195	2,473	2,475
i8 - Residential properties with sewer spills not contained in 1 hour	2,364	2,503	2,807	2,334	2,036

6.3.8 Wastewater System Incidents

Incident / Solution	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Chokage cleared - main	2,529	2,806	2,200	1,948	2,745	2,773	2,116	1,938
Chokage cleared - branch	2,672	2,603	2,155	1,923	2,131	2,665	1,969	1,837
Private plumbers job ¹	548	610	547	471	541	547	536	431
House drains cleared	4	4	2	0	1	0	3	4
Storm overflow	96	897	394	179	50	232	310	386
Gravity sewer break	23	29	43	36	19	25	28	35
Rising main break	40	29	42	33	27	32	37	39
Pump station malfunction	7	22	13	12	20	13	16	12
Vacuum sewer jobs	160	145	78	38	26	63	58	40
Pump effluent line	4	5	8	9	3	5	8	4
No work required	169	218	163	140	120	135	122	88
Complaint unconfirmed	211	178	163	172	191	212	276	208
Charge job ²	1	1	0	5	1	2	0	1
Other	1,093	1,524	1,182	852	742	853	838	784
TOTAL	7,557	9,071	6,990	5,818	7,217	7,557	6,317	5,807

¹ Problem in customer's private drains or fittings.

² Completed by Corporation and customer billed.

6.3.9 Wastewater Transport System Reliability

	Number of Main Breaks and Chokes	Length of Sewermain (km)	Ratio of Main Breaks/Chokes per 100km of Main
TOTAL	2,051	4,852	42.3

	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1000 Properties
TOTAL	1,908	221,434	8.6

6.3.10 General Statistics

Water	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Population in area ^{1,2}	517,273	522,415	527,557	533,874	560,603	567,526	561,549
Population supplied with water ¹	505,712	510,703	515,695	521,736	539,364	539,909	545,256
Properties where water is available ³	224,442	228,312	231,266	233,509	236,369	237,164	239,036
Properties connected to water (metered) ³	216,189	220,597	222,454	224,845	227,695	230,140	232,964
Capacity of major sources (ML)	288,000	288,000	288,000	288,000	288,000	288,000	288,000
Total supply from sources (ML) ⁴	74,757	67,244	67,181	70,609	67,100	62,275	68,622
Average day net supply (ML) ⁴	204.80	183.70	184.10	193.40	183.80	170.20	188.00
Maximum day net supply (ML) ⁴	322.90	279.30	308.50	337.20	317.40	240.80	313.90
Maximum week net supply (ML/day) ⁴	296.00	237.50	284.40	273.40	298.30	212.20	273.30
Minimum day net supply (ML) ⁴	145.90	113.00	121.20	105.60	120.40	136.20	138.50
Average consumption per residential tenement (kL/annum)	194.60	177.40	179.60	183.80	174.80	162.90	175.80
5 year rolling average consumption ⁵	205.10	196.20	190.60	188.00	182.00	176.40	175.40
Watermains laid during year (km)	56.80	82.70	157.3	73.9	58.03	58.28	48.64
Watermains abandoned during year (km)	32.20	25.30	33.00	32.40	21.24	24.00	8.00
Watermain length revisions during the year (km)	65.40	-2.60	5.20	6.80	2.62	-0.90	-150
Total watermains in service (km)	4,637.70	4,692.54	4,821.96	4,856.64	4,898.05	4930	4820
Length of watermain per connected property (m)	21.50	21.20	21.68	21.60	21.51	21.42	20.69
Water supplied free of charge: charitable, public & miscellaneous purposes (kL)	444,828	398,089	483,778	379,740	423,194	415,704	449,055
Water supplied free of charge (\$)	604,966	564,825	614,398	647,830	723,662	789,838	934,034

Wastewater	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Population supplied with water & sewer ¹	486,310	491,136	495,963	501,000	519,858	516,726	523,211
Properties where sewer is available	214,430	217,065	219,764	221,726	224,986	227,690	229,938
Properties connected to sewer ³	205,034	208,662	211,015	213,023	215,748	218,459	221,434
Sewer mains laid during the year (km)	57.40	39.70	74.90	50.00	68.23	65.06	68.31
Sewer mains abandoned during the year (km)	10.90	7.70	4.80	10.00	0.43	3.52	1.34
Total sewer mains in service (km)	4,523.40	4,555.60	4,625.6	4,667	4,729.97	4,792	4,852
Length of sewer main per liable property (m)	22	21.80	21.90	21.90	21.02	21.04	21.10
Sewer service supplied free of charge (\$)	75,983	106,424	109,535	114,700	107,775	109,205	127,229

Drainage	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Properties liable ³	65,958	66,476	66,969	67,404	67,938	68,387	68,848

Dissection of Population - June 2013 ¹		2012-13	
Region	Population in Area	Served Water	Served Sewer
Newcastle	158,170	158,170	157,443
Lake Macquarie	198,767	197,847	191,404
Maitland	73,448	72,341	70,057
Cessnock	54,047	47,862	43,525
Port Stephens	68,434	65,356	59,746
Dungog	8,683	3,427	942
SUB TOTAL	561,549	545,003	523,117
Singleton (Part Branxton)	-	168	94
Great Lakes (East Karuah/ Alicetown)	-	85	-
TOTAL	561,549	545,256	523,211

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Ratio of properties connected to water & sewer, and water only	96.90%	96.90%	96.70%	96.40%	95.70%	96.00%

¹ Population figures from 2011-12 have used revised Estimated Resident Population (ERP) from the Australian Bureau of Statistics based on the 2011 Census.

² Population in area for 2012-13 includes population in Dungog Local Government Area.

³ Property numbers have been revised: includes Hunter Water properties.

⁴ Supply & consumption figures are based on water year, i.e. 12 months ending 19 April.

⁵ Target is to not exceed 215kL/annum, based on 5-year rolling average.

⁶ 2012-13 - Length of mains adjusted with new GIS data. Total length dropped compared to previous years due to better data.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Financial	\$m	\$m	\$m	\$m	\$m	\$m
Total Tariff Revenue (includes service & usage charges & other regulated income)	162.53	174.56	217.57	222.33	228.58	265.51
Capital Indebtedness - external	414.60	522.00	662.65	815.75	918.37	986.10
Staffing						
Salaried	295	300	296	332	318	314
Wages	108	101	100	97	99	93
Engineers	50	54	67	52	65	70
TOTAL	453	455	463	481	482	477

6.3.11 Waste Statement

Hunter Water has undertaken three initiatives during 2012-13 to implement the State Government's Waste Reduction and Purchasing Policy. This has included waste management audits and development of new waste guidelines for operational employees. Resource recovery has been undertaken at Grahamstown Water Treatment Plant with recovered resources being reused by a licensed contractor rather than sending the material to landfill. Overall 87% of solid waste was recycled or reused.

6.3.12 Consumer Response

The number of complaints received by Hunter Water decreased by 4% compared to 2011-12. The number of complaints has fallen steadily since 2009-10. The table on page 80 provides a summary of the complaint volumes against each category.

Water Quality Contacts

Water quality contacts are complaints relating to issues with the quality of water received such as colour, taste and odour. Escalated water quality complaints are those which require further investigation to resolve the issue by Hunter Water's Customer Care and Complaints Team.

Hunter Water has a regular flushing program in place as part of routine maintenance of mains throughout Hunter Water's system to minimise dirty water complaints.

Of the total 684 contacts and escalated complaints, 68% related to dirty water, whilst 17% were taste and odour related.

Water Service Contacts

Water Service issues are complaints related to the continuity or pressure of water service to a property. Water pressure issues are recognised where a customer is receiving less than 20m pressure, or where a customer starts to receive lower pressure than normally experienced. Water continuity issues are experienced by customers when there is a failure of a water main or a water pump station (WPS).

During 2012-13 customers experienced a hot and dry period during the month of January which contributed to the increase in water pressure complaints compared to 2011-12 which was a milder summer with fewer low water pressure occurrences in the system.

Sewer Service Contacts

Overall, complaints related to sewerage service (overflow and odour complaints) have decreased in comparison to 2011-12 by 28. The volumes of complaints are 27% below the long term average which has been a favourable result over the past five years.

The main driver behind the decrease in complaints is attributed to the seasonal weather variations experienced during 2012-13.

Drainage Contacts

Hunter Water is responsible for approximately 95 kilometres of stormwater carrier system in its area of operations. Over 80% of this system is within the Newcastle Local Government Area.

The decrease in the number of complaints can be attributed to the increased scheduled maintenance program implemented in 2011-12 which repaired or removed debris from stormwater assets.

Billing Contacts

There has been a 5% increase in billing complaints per 1,000 properties recorded in 2012-13. This is above the previous four year average. The categories that saw an increase in 2012-13 were disputed consumption complaints, credit arrangements and restrictions.

Hunter Water experienced higher disputed consumption between January to June 2013 by comparison to the first half of the year. As was the case in previous years, usage increases in summer which in turn increases the bill. However, the increase experienced in 2012-13 summer was typically greater than previous years due to less rainfall and hotter conditions. This is compounded by the timing of the bill post-Christmas period when payment for gifts purchased on credit card fall due.

During 2012-13 Hunter Water has introduced a new Account Assistance policy and updated its payment assistance scheme to support household customers in hardship. There has also been an increased focus on credit management actions throughout 2012-13 which has resulted in an increase in restriction action and debt recovery/legal escalation. As a result of the increased credit activity there has been an increase in complaints in these categories.

The Operating Licence requires Hunter Water to be a member of an industry-based dispute resolution scheme. Compliance is achieved through the membership established in 2002 with the dispute resolution scheme operated by the Energy and Water Ombudsman of NSW (EWON).

The scheme provides the customer access to an external dispute resolution body, which offers an independent review of complaints. Hunter Water remains committed to the internal complaints management process and considers the services provided by EWON as part of that process. This extra service provides support to those customers who may not be satisfied with the solution offered by Hunter Water. The details reported included all finalised EWON contacts in relation to Hunter Water issues.

There has been a slight increase in complaints escalated to EWON from 2011/12. Since 2008/09 complaints escalated to EWON has increased by 34%.

This is a reflection of changing consumer behaviour experienced by other service providers whereby customers are escalating matters earlier for external dispute resolution. Hunter Water has responded by ensuring a customer focused complaint resolution process is in place, including a defined structure of roles and responsibilities within the Hunter Water Customer Care and Complaints Team, processes and procedures are in place to ensure effective communication to resolve issues to the satisfaction of all parties.

Total Number of Complaints

Table 1 - Total Number of Complaints (excluding EWON) 2008-09 to 2012-13

	2008/09	2009/10	2010/11	2011/12	2012/13
Total Water & Sewer Complaints	1604	1784	1690	1650	1621
Per 1000 Properties	7.3	8.1	7.4	7.3	7.0

Table 2 - Main Features of Complaints by Category - 2008-09 to 2012-13

	2008/09	2009/10	2010/11	2011/12	2012/13
Water Quality	720	775	636	660	684
Per 1000 Properties	3.2	3.6	2.8	2.9	2.9
Water Services	49	63	60	39	54
Per 1000 Properties	0.2	0.3	0.3	0.2	0.2
Sewer Services	485	459	483	481	344
Per 1000 Properties	2.3	2.2	2.3	2.2	1.6
Drainage	24	22	21	18	16
Per 1000 Properties	0.11	0.10	0.09	0.08	0.08
Billing	340	502	490	477	523
Per 1000 Properties	1.5	2.3	2.2	2.1	2.2

Table 3 - EWON Complaints - 2008-09 to 2012-13

	2008/09	2009/10	2010/11	2011/12	2012/13
EWON	85	71	104	123	126

6.4 Financial

6.4.1 Information on the Statement of Financial Position of the Economic Entity

1 Receivables

Receivables are shown as a current asset on the Statement of Financial Position and total \$45.673m.

	Jun 13 \$m	Jun 12 \$m
Tariff income – billed	13.89	17.07
Tariff income – unbilled	17.23	16.17
Sundry debtors	8.73	3.09
Net GST receivable from ATO	2.57	2.73
Community service obligations	1.22	0.84
Prepayments	1.48	2.10
Miscellaneous debtors	0.95	0.46
TOTAL	46.07	42.46
Less provision for doubtful debts	0.40	0.27
TOTAL	45.67	42.19

Information regarding the major categories follows:

- A Tariff Income – unbilled – This item is an estimate of water and sewer usage charges for properties up to the reporting date that has been accrued.
- B Net GST Receivable from ATO - The Economic Entity is liable to pay GST on all taxable acquisitions. For the Parent Entity GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant accounting standards and Treasury circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Parent Entity are GST-free, but its purchases predominantly include GST, the Parent Entity receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable for the Economic Entity at 30 June 2013 (inclusive of accruals) and included in receivables was \$2.57 million.
- C Community Service Obligations - The Parent Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant portfolio Minister for endorsement and inclusion in the State Budget.

Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with the Department of Finance and Services. The Parent Entity's CSO claims for 2012-13 were for tariff rebates given to pensioners and exempt properties, for example churches. The 2012-13 claim and cash received were as follows:

	Prior Year Outstanding \$m	Amount Claimed \$m	Cash Received \$m	Outstanding (Prepayment) \$m
Pensioner rebate	0.42	11.65	11.10	0.98
Exempt properties	-	1.99	1.74	0.24
TOTAL	0.42	13.64	12.84	1.22

The amount owing of \$1.22 million represents the June 2013 claims unpaid at year end of \$0.795 million and an outstanding June 2012 claim of \$0.42 million.

2 Investments

The Economic Entity's investment powers are as set out in Part 2 of the *Public Authorities (Financial Arrangements) Act 1987*.

A profile of the Portfolio is as follows:

	Jun 13 \$m	Jun 12 \$m
Cash at bank	14.38	4.36
Term deposits	10.000	-
T-Corp deposits	7.26	6.36
TOTAL	31.64	10.72
Interest earned	0.37	0.44
Average interest (on average monthly investment balance)	3.03%	3.98%
Benchmark	3.69%	4.90%

All investments noted above are classified as current on the Statement of Financial Position.

The benchmark ratio is the T-Corp Hourglass Facility.

3 Fixed Assets - Property Plant & Equipment

	Jun 13 \$m	Jun 12 \$m
Opening written down book value	2,708.10	3,163.39
Less - Depreciation charge	(39.84)	(49.08)
Less - Disposals	(1.49)	(6.81)
Add - Additions	61.23	241.38
Add - Externally funded assets	21.05	28.62
Add - Transfers between classes	7.85	(13.23)
Revaluation - Increment	288.19	271.74
(Impairment) / Impairment reversal	(703.88)	(927.91)
TOTAL	2,341.21	2,708.10

The total assets of \$2,341 million represent a decrease of \$367 million from the June 2012 balance.

4 Intangible Assets

	Jun 13 \$m	Jun 12 \$m
Opening written down book value	8.20	7.19
Less - Amortisation charge	(4.10)	(3.30)
Less - Disposals	(0.35)	-
Add - Additions	6.45	4.31
TOTAL	10.20	8.20

The Economic Entity's intangible assets consist of easements (rights of access to property), software and other intangible assets (including some development expenditure).

5 Borrowings

The Economic Entity contracts the services of an external specialist (currently NSW TCorp) to actively manage the debt portfolio. The current management agreement with NSW TCorp commenced on 1 December 2010, prior to that date NSW TCorp held only an advisory role. During 2012-13 the current capital value of the Parent Entity's financial liability portfolio increased by \$67.7 million.

The Economic Entity's financial liability portfolio includes loans taken up at premiums and discounts. These arise because loans are issued at a premium or discount to their face value in order to reflect the current market value.

The average interest yield cost of debt held at 30 June 2013 was 4.99%. A profile of the Economic Entity's Financial Liability Portfolio is as follows:

	Jun 13 \$m	Jun 12 \$m
Number of loans	35	29
Face value	976.39	917.17
Net premium / discount on loans	9.71	1.20
Current capital value	986.10	918.37
Market capital value	1,041.73	1,007.59
Come and Go facility	-	-
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	1.38	75.07
Non Current	984.72	843.30
TOTAL	986.10	918.37
Debt Maturity Profile		
Come and Go Facility	-	-
Within 1 year	1.38	75.07
Between 1-5 years	338.92	347.04
Over 5 years	645.80	496.26
TOTAL	986.10	918.37

6 Employee Provisions

At 30 June 2013 the liability for Employee Provisions totalled \$102.16 million representing a \$23.58 million decrease during the year and comprised as follows:

	Jun 13 \$m	Jun 12 \$m
Long service leave	17.29	16.060
Defined-benefit superannuation	78.39	103.33
Accrued sick / annual leave/ public holidays	6.48	6.36
TOTAL	102.16	125.75
These liabilities are split on the Statement of Financial Position into:		
	Jun 13 \$m	Jun 12 \$m
Current	22.90	21.55
Non current	79.60	104.20
TOTAL	102.16	125.75

At 30 June 2013 the Economic Entity's superannuation portfolio was under-funded in total by \$78.39 million. At 30 June 2012 the portfolio was under-funded by \$103.33 million. The decrease in the net liability is driven by a combination of a decrease in the assessed accrued liability and an increase in the estimated reserve account balance predominantly resulting from movements in the ten year Government bond rate and share market performance

Note the Long Service Leave (LSL) entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB119 *Employee Benefits*.

7 Breakdown of Landholdings 30 June 2013

Code Description	Number of Properties	Value \$m
1 Land fully utilised as an integral part of the Parent Entity's system	394	41.96
2 Land partly used with the unused residue required for future integral needs	20	20.65
3 Land not currently used but fully required for future integral needs	6	2.00
4 Land being partly used, the residue having potential for alternative use	25	3.00
5 Land with significant potential for alternative use	58	58.83
6 Land not currently used but potentially required for future integral needs	5	0.96
TOTAL	508	127.40

As at 30 June 2013, the Parent Entity held properties to the value of \$5.52 million that were classified as "Held for Sale" and disclosed in note 11 of the financial statements.

Landholdings are re-valued and assessed in accordance with the NSW Treasury Accounting Policy – *Valuation of Physical Non-Current Assets at Fair Value*. The last full land revaluation was undertaken as at 31 December 2012.

Land holdings in all Codes have been re-valued in accordance with Treasury Guidelines TPP 07-1 March 2012- being *Fair Value of Specialised Physical Assets*.

8 Property Disposals

There was one parcel of land disposed of during the financial year. Total proceeds of \$0.319 million were received at settlement. These properties were no longer required for operational purposes by the Parent Entity. The proceeds from the sale of these properties have been reinvested in the Economic Entity's operations and access to documents relating to disposals of the land can be obtained under the *Government Information (Public Access) Act 2009*.

9 Material Capital Expenditure Contracts as at 30 June 2013 (GST- Exclusive)

(Contracted for at balance date but not provided for)

Contract Number	Contract Description	Committed Amount \$m
CG370001	Treatment Alliance - Upgrade of 13 wastewater treatment plants	39.65
CP306006	Design, development and construction of high voltage upgrade projects (package 1)	23.72
CP306006	Design, development and construction of high voltage upgrade projects (package 2 d&c)	8.16
CP312203	Concept and detail design of the Williamstown wastewater transfer scheme	5.31
CS0044	Rehabilitation of sewermain by lining within Hunter Water Corporation area	1.76
CP306006	Project management services for upgrade of Hunter Water high voltage assets	1.21
CG360503	Watermain replacements	0.55
CP320604	Tree planting for carbon offsets	0.43
CP306455	Design, construct and commission Nelson Bay water treatment plant switchboard	0.21
	Other commitments less than \$0.200 million	1.83
	TOTAL	82.83

6.4.2 Operating Program

Economic Entity

A summary of actual and budgeted results for 2012-13 and comparisons with 2011-12 results and budget is as follows:

	Actual 2012-13 \$m	Budget 2012-13 \$m	Actual 2011-12 \$m	Budget 2011-12 \$m
Income				
Net tariff income	271.265	270.81	234.46	256.44
Interest on investments	0.37	0.45	0.44	0.50
Profit/(loss) on Sale of Assets	(4.94)	(3.50)	(0.44)	-
External Sales	16.56	15.27	13.24	13.25
Contributions from capital works	23.19	19.43	31.13	15.31
Other (including non-regulated income)	6.01	3.50	9.18	2.77
TOTAL INCOME	313.57	305.96	288.01	288.28
Expenditure				
Operating expenses	134.81	134.63	121.82	126.07
Revaluation decrement	29.26	-	-	-
Depreciation & amortisation	43.93	50.39	52.37	41.36
Interest payable	55.50	54.51	50.45	51.26
Financial charges	18.07	18.06	15.78	15.71
TOTAL EXPENDITURE	281.57	257.59	240.42	234.39
PROFIT BEFORE TAX	32.00	48.37	47.59	53.89

Operating Program 2013-14 Economic Entity

	Budget 2013-14 \$m
Income	
Net tariff income	275.96
Interest on investments	0.20
Profit/(loss) on sale of assets	-
External sales	16.06
Contributions from capital works	19.01
Other (including non-regulated income)	2.91
TOTAL INCOME	314.14
Expenditure	
Operating Expenses	137.08
Depreciation & Amortisation	45.30
Interest Payable	55.22
Financial Charges	16.66
TOTAL EXPENDITURE	254.26
PROFIT BEFORE TAX	59.88

Five Year Financial Summary and Ratio Analysis

1 Statement of Financial Position (Economic Entity)

	Actual 2012-13 \$m	Actual 2011-12 \$m	Actual 2010-11 \$m	Actual 2009-10 \$m	Actual 2008-09 \$m
Current Assets					
Cash & cash equivalents	31.64	10.72	6.82	9.69	5.19
Trade and other receivables	45.67	42.19	45.48	44.39	41.31
Inventories	2.67	2.50	2.16	2.25	2.30
Assets held for sale	5.52	13.36	0.13	2.87	-
TOTAL CURRENT ASSETS	85.00	68.77	54.59	59.20	48.80
Non-current assets					
Fixed assets	2,599.29	2,910.90	3,481.66	2,825.93	2,594.80
Investments/other	-	-	-	10.95	7.49
TOTAL ASSETS	2,599.29 2,684.80	2,910.90 2,979.67	3,481.66 3,536.25	2,836.88 2,896.08	2,602.29 2,651.09
Current Liabilities					
Trade and other payables	81.80	53.69	63.71	61.31	57.97
Borrowings	1.37	75.07	19.02	145.83	75.21
Provisions	40.79	43.68	42.47	63.34	63.51
Current tax liabilities	9.02	4.80	3.54	6.37	1.86
TOTAL CURRENT LIABILITIES	132.98	177.24	128.74	276.85	198.55
Non-Current Liabilities					
Borrowings	984.72	843.30	796.73	516.82	446.75
Provisions/other	252.18	398.20	559.19	414.38	386.79
TOTAL CURRENT LIABILITIES	1,236.90	1,241.50	1,355.92	931.20	833.54
TOTAL LIABILITIES	1,369.88	1,418.74	1,484.66	1,208.05	1,032.08
NET ASSETS	1,314.92	1,560.93	2,051.59	1,688.03	1,619.01
Capital and Retained Earnings					
Issued capital	100.00	100.00	100.00	100.00	100.00
Asset revaluation reserve	557.71	827.86	1,279.65	924.55	865.91
Accumulated funds	657.21	633.07	671.94	663.48	653.10
TOTAL EQUITY	1,314.92	1,560.93	2,051.59	1,688.03	1,619.01

2 Income Statement (Economic Entity)

	Actual 2012-13 \$m	Actual 2011-12 \$m	Actual 2010-11 \$m	Actual 2009-10 \$m	Actual 2008-09 \$m
Trading Operations					
Revenue					
- Tariff	271.65	234.46	227.96	223.16	183.54
- Other	23.32	22.42	17.03	15.23	22.85
Operating costs	133.77	119.93	107.07	100.33	91.39
Gross margin	161.20	136.95	137.92	138.06	115.0
Other Income					
- Investments	0.35	0.44	0.54	0.33	0.68
Other Expenditure:					
- Financing charges	73.57	66.23	57.08	47.41	32.35
- Depreciation and amortisation	43.93	52.37	35.68	36.46	34.71
- Superannuation expense	1.05	1.89	1.62	3.57	2.80
- Other	34.19	0.44	26.29	0.32	4.01
Profit Before Contributions for Capital Works	8.81	16.46	17.79	50.63	41.81
Contributions for capital works	23.19	31.13	16.17	15.37	20.16
Net Profit Before Tax	32.00	47.59	33.96	66.00	61.97

3 Financial Ratios

Profit included in calculating ratios is Profit before superannuation adjustments and Contributions for Capital Works.

	2012-13	2011-12	2010-11	2009-10	2008-09
A – Gross profit (%)	54.47	53.26	56.34	42.07	55.72
B – Working capital (ratio)	0.64	0.39	0.42	0.21	0.25
C – Cash ratio	0.24	0.06	0.05	0.04	0.03
D – Equity to total liabilities (ratio)	0.96	1.10	1.38	1.40	1.57
E – Interest cover (times)	1.90	1.86	1.77	2.09	2.51
F – Return on equity (%)	1.30	2.50	2.54	7.14	6.47
G – Real rate of return (%)	3.44	3.12	2.76	3.67	2.75
H – Return on total net assets (%)	0.75	1.18	0.94	3.23	3.01

Comments on Financial Ratios

For ratios calculated with reference to profit, it is the profit before superannuation adjustments and capital contributions that has been used. It is believed that due to the inherent variability of the superannuation adjustment between financial years, if this was included in profit then valid ratio comparisons between years could not be performed.

A - Gross Profit

Gross Profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services.

B - Working Capital

Working Capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments.

C - Cash Ratio

Cash Ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. The increase in the ratio reported for 2012-13 is a consequence of the increase in cash and cash equivalents at balance date (2013: \$31.6 million; 2012: \$10.7 million).

D - Equity to Total Liabilities

Equity to Total Liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of Hunter Water, in that it shows the level of financial equity in Hunter Water as represented by how many times net assets if liquidated would cover total liabilities. The ratio has decreased this year due to increased debt levels.

E - Interest Cover

Interest Cover is calculated as funds from operations plus interest expense and financial charges divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments. This ratio shows that Hunter Water is achieving profits sufficient to cover financing costs, however it has increased from last year as a result of higher funds from operations.

F - Return on Equity

Return on Equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. Return on Equity for 2012-13 is 1.20%, which is lower than last year due to lower operating profit predominantly due to the recognition of the revaluation decrement for land.

G - Real Rate of Return

Real Rate of Return is calculated as operating profit plus net interest plus financial charges divided by written down book value of infrastructure assets and works in progress and reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return Hunter Water may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 3.42%.

H - Return on Total Net Assets

Return on Total Net Assets is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2012-13 Return on Total Net Assets is 0.69%.

6.4.3 Pricing Structure

The NSW Independent Pricing and Regulatory Tribunal (IPART) sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. The 2012-13 prices were set by IPART in July 2009 as part of a four-year price determination applying from July 2009 to 30 June 2013.

Water Service Charge (\$) Filtered & Unfiltered (Metered & Unmetered) Meter/ Diameter Pipe Size mm	Meter Equivalent	2012-13		2011-12	
		Main Prices	Dungog Only	Main Prices	Dungog Only
		\$	\$	\$	\$
		All Cycles	All Cycles	All Cycles	All Cycles
20	1.00	18.92	69.55	18.84	76.87
25	1.56	29.56	108.67	29.45	120.11
32	2.56	48.43	178.05	48.24	196.80
40	4.00	75.68	278.20	75.38	307.49
50	6.25	118.25	434.70	117.77	480.44
65	10.56	199.83	734.64	199.05	811.96
80	16.00	302.70	1,112.81	301.51	1,229.94
100	25.00	472.98	1,738.78	471.12	1,921.78
150	56.25	1,064.20	3,912.25	1,060.00	4,324.01
200	100.00	1,891.89	6,955.10	1,884.46	7,687.13
250	156.25	2,956.09	10,867.37	2,944.46	12,011.15
300	225.00	4,256.77	15,649.01	4,240.03	17,296.06
350	306.25	5,793.93	21,300.03	5,771.15	23,541.87

Water Usage Charge (Metered Properties Only) (\$/kL)	2012-13		2011-12	
	Main Prices	Dungog Only	Main Prices	Dungog Only
	\$	\$	\$	\$
Tier 1 (≤ 50,000 kL)				
Filtered water	2.08	2.08	1.90	1.90
Unfiltered water	1.60	1.60	1.45	1.45
Tier 2 - Filtered Water (> 50,000 kL)				
Kurri Kurri	2.06		1.87	
Lookout	1.90		1.73	
Newcastle	1.85		1.69	
Seaham - Hexham	1.61		1.49	
South Wallsend	1.94		1.77	
Tomago - Kooragang	1.56		1.44	
Dungog - charges only for water sourced from Chichester Dam within Shire		1.56		1.44
All other locations	2.08		1.90	
Gosford-Wyong Water Usage Charges (\$/kL)¹	1.37		1.33	

¹ Charge for supply by Hunter Water is same as charge for supply by either Wyong or Gosford council.

Sewer

Meter/Diameter Pipe Size		2012-13		2011-12	
mm		Main Prices	Dungog Only	Main Prices	Dungog Only
	Meter Equivalent	\$	\$	\$	\$
Residential Properties					
20	1.00	555.23	555.23	521.25	521.25
25	1.56	867.55	867.55	814.45	814.45
32	2.56	1,421.39	1,421.39	1,334.40	1,334.40
40	4.00	2,220.92	2,220.92	2,085.00	2,085.00
50	6.25	3,470.19	3,470.19	3,257.82	3,257.82
65	10.56	5,864.63	5,864.63	5,505.70	5,505.70
80	16.00	8,883.69	8,883.69	8,340.00	8,340.00
100	25.00	13,880.76	13,880.76	13,031.24	13,031.24
150	56.25	31,231.72	31,231.72	29,320.32	29,320.32
200	100.00	55,523.06	55,523.06	52,125.00	52,125.00
250	156.25	86,754.78	86,754.78	81,445.30	81,445.30
300	225.00	124,926.88	124,926.88	117,281.23	117,281.23
350	306.25	170,039.37	170,039.37	159,632.79	159,632.79
Non-Residential Properties					
20	1.00	1,110.46	1,110.46	1,042.50	1,042.50
25	1.56	1,735.10	1,735.10	1,628.91	1,628.91
32	2.56	2,842.78	2,842.78	2,668.80	2,668.80
40	4.00	4,441.85	4,441.85	4,170.00	4,170.00
50	6.25	6,940.38	6,940.38	6,515.63	6,515.63
65	10.56	11,729.25	11,729.25	11,011.41	11,011.41
80	16.00	17,767.38	17,767.38	16,680.00	16,680.00
100	25.00	27,761.53	27,761.53	26,062.50	26,062.50
150	56.25	62,463.44	62,463.44	58,640.62	58,640.62
200	100.00	111,046.12	111,046.12	104,249.99	104,249.99
250	156.25	173,509.56	173,509.56	162,890.61	162,890.61
300	225.00	249,853.77	249,853.77	234,562.47	234,562.47
350	306.25	340,078.74	340,078.74	319,265.58	319,265.58
Multi Premises (Residential) i.e. Flats & Units					
Per each residential property located in a multi premises (minimum charge)*		363.20	363.20	340.98	340.98
Sewer Usage Charge - Non-residential Only (\$/kL) (metered only)		0.67	0.67	0.65	0.65

* Note the service charge per flat/unit is determined as the higher of the calculated charge using the minimum charge above or the calculated charge using the 'Residential Properties' prices above.

Stormwater

Stormwater Service Charge (\$)	2012-13		2011-12	
	\$		\$	
Residential	86.42		82.30	
Non-Residential				
Small (< 1,000m2) or low impact	86.42		82.30	
Medium (1,001 - 10,000m2)	156.20		148.76	
Large (10,001 - 45,000m2)	993.59		946.22	
Very Large (> 45,000m2)	3,156.84		3,006.32	
Recycled Water (Mandatory Schemes)				
Gillieston Heights				
Service charge (20mm base \$/year)	23.07		22.41	
Usage charge (\$/kL)	1.60		1.43	
Chisholm				
Service charge (20mm base \$/year)	23.07		22.41	
Usage charge (\$/kL)	1.60		1.43	
	2012-13		2011-12	
Backlog & Other Sewerage Services	Main Prices	Dungog Only	Main Prices	Dungog Only
	\$	\$	\$	\$
Environmental improvement charge (EIC) (\$) (same for Hunter Water & Dungog)	35.89	35.89	34.86	34.86
Clarence Town sewer charge (\$) (Dungog only)		116.02		112.69

Exempt Service

mm		2012-13 Main Prices \$	Dungog Only \$	2011-12 Main Prices \$	Dungog Only \$
Exempt Proportion		0.41	0.41	0.41	0.41
Water Service - Exempt	Meter Equivalent				
20	1.00	7.74	28.45	7.71	31.45
25	1.56	12.09	44.46	12.05	49.14
32	2.56	48.43	178.05	48.24	196.80
40	4.00	75.68	278.20	75.38	307.49
50	6.25	118.25	434.70	117.77	480.44
65	10.56	199.83	734.64	199.05	811.96
80	16.00	302.70	1,112.81	301.51	1,229.94
100	25.00	472.98	1,738.78	471.12	1,921.78
150	56.25	1,064.20	3,912.25	1,060.00	4,324.01
200	100.00	1,891.89	6,955.10	1,884.46	7,687.13
250	156.25	2,956.09	10,867.37	2,944.46	12,011.15
300	225.00	4,256.77	15,649.01	4,240.03	17,296.06
350	306.25	5,793.93	21,300.03	5,771.15	23,541.87

The rebate for water service charges only applies to services of 20mm or 25mm. The standard water service charge applies to all other sizes.

Sewer Service - Exempt

mm	Meter equivalent	2012-13		2011-12	
		Main Prices \$	Dungog Only \$	Main Prices \$	Dungog Only \$
20	1.00	226.08	226.08	212.24	212.24
25	1.56	352.68	352.68	331.09	331.09
32	2.56	578.76	578.76	543.33	543.33
40	4.00	904.32	904.32	848.96	848.96
50	6.25	1,413.00	1,413.00	1,326.50	1,326.50
65	10.56	2,387.40	2,387.40	2,241.25	2,241.25
80	16.00	3,617.28	3,617.28	3,395.84	3,395.84
100	25.00	5,652.00	5,652.00	5,306.00	5,306.00
150	56.25	12,717.00	12,717.00	11,938.50	11,938.50
200	100.00	22,608.00	22,608.00	21,224.00	21,224.00
250	156.25	35,325.00	35,325.00	33,162.50	33,162.50
300	225.00	50,868.00	50,868.00	47,754.00	47,754.00
350	306.25	69,237.00	69,237.00	64,998.50	64,998.50
Pensioner rebate (same for Hunter Water & Dungog)		258.00	258.00	239.00	239.00

6.4.4 Statement of Corporate Intent

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water and its voting shareholders.

Performance against the SCI for the 2012-13 financial year is shown below:

	2012-13 SCI Target \$m	2012-13 Actual \$m
Operating profit before income tax expense	48.36	32.00
Income tax expense	14.53	9.43
Net debt	1,025.21	986.10

SCI performance for 2012-13 was impacted by the revaluation decrement on land and non-operational buildings of \$29.36 million. If this was excluded then Hunter Water would have been \$13.00 million ahead of target for operating profit before income tax expense.

6.4.5 Liability Management Performance

Hunter Water contracts the services of an external specialist (currently NSW T-Corp) to actively manage the Entity's debt portfolio. At 30 June 2013 key statistics on the Corporation's debt portfolio were as follows:

	Actual 2012-13	Target 2012-13
Current capital value (\$)	986,097,000	1,025,210,000
Average cost of debt (%)	6.87	7.58
Duration		
Pre-dec 2010 nominal debt (years)	4.88	Eroding to zero
Post-dec 2010 nominal debt (years)	5.13	6.25
Inflation linked debt	9.48	12.8

6.4.6 Credit Card Certification

Usage of corporate credit cards is in accordance with Corporation policy, and with directions and or memoranda by the Treasurer of NSW and the Premier of NSW.

6.4.7 Major Acquisitions Over \$0.5 million¹

Project	2012-13 Expenditure \$m
Wastewater Treatment Works Upgrade (includes treatment plants at Burwood Beach, Boulder Bay, Cessnock, Shortland & Farley)	23.42
Kooragang Recycled Water Project	20.81
Williamstown / Raymond Terrace Wastewater Transportation Scheme	7.65
Adamstown Wet Weather Pump Station	5.26
Maitland North Rothbury Water Distribution Stage 3	4.89
Cessnock Water Distribution Upgrade	4.84
High Voltage Network Upgrade	4.82
Tomago Pre-Treatment Facility	2.31
Aberglasslyn Wastewater System Upgrade	2.28
Other Major Acquisitions (mostly made up of replacements in Hunter Water's Water and Sewer Networks)	34.60
TOTAL	110.89

¹Amounts include expenditure on projects in progress at 30 June 2013.

6.4.8 Consultancies from 1 July 2012 to 30 June 2013

Consultants \$50,000 and over

Consultant	Project	Cost \$
GHD Pty Ltd	Water Network Asset	53,122
Sinclair Knight Merz	Windale Wastewater Transportation System Upgrade - Stage 2	57,165
Consulting Environmental Eng.	Burwood Beach / Boulder Bay Marine Assessment	64,120
Water Services Assoc. of Aust.	Aquamark 2012 Benchmarking	64,850
GHD Pty Ltd	Lochinvar Water Pump Station - Detail Design	68,167
Hunter Water Australia P/L	Cooranbong Wastewater Study	69,988
Entatek Pty Ltd	ERP Upgrade Project Services	187,226
Hunter Water Australia P/L	Tarro To Beresfield Trunk Watermain Replacement - Concept Design Stage 1	90,182
Hunter Water Australia P/L	Chlorine Decay Tests -Grahamstown WTP Stage 3 Pilot Plant	100,149
Hunter Water Australia P/L	Environmental Planning Services to Lower Hunter Water Plan	103,180
University Of Technology, Sydney	Lower Hunter Water Plan - Option Investigation - Rainwater Tanks	106,305
Hunter Water Australia P/L	Lower Hunter Water Plan - Project Management	123,276
GHD Pty Ltd	Swansea Wastewater Network Stage 2 Upgrades - Concept Design Detailed Design	164,653
Hunter Water Australia P/L	Burwood Beach WWTW Stage 3 Options Development	177,245
Hunter Water Australia P/L	Carrington To Mayfield Network Upgrade	200,525
Hunter Water Australia P/L	Burwood Beach WWTW UV Disinfection Pilot Study	526,478
TOTAL CONSULTANTS	16	2,156,629

Consultants less than \$50,000

Category	Number	Cost \$
Engineering	51	661,688
Environmental	17	482,593
Finance	1	15,405
TOTAL	69	1,159,686
TOTAL CONSULTANTS	85	3,316,315

6.4.9 Research and Development

During 2012-13 Hunter Water undertook and collaborated on research and development on 13 projects covering water, corrosion and wastewater subjects. This research was conducted both internally and in association with other organisations such as Hunter Water Australia Pty Ltd, Monash University, University of Queensland, University of New South Wales, University of Newcastle, Australia National University, University of Technology Sydney and NSW Trade and Investment. The projects were undertaken either to address identified knowledge gaps in areas of Hunter Water's operations to meet strategic business goals or to provide information for regulatory authorities regarding the Hunter Water's operations.

Completed Projects	\$
Burwood Beach Anaerobic Digestion Trials with Eudiometer	500
Burwood Beach Anaerobic Digestion Trials	15,129
Campvale Faecal Sterol Study	1,075
TOTAL	16,704
Continuing Projects	\$
Corrosion and Septicity ARC Project	40,144
Minimising Emissions from Wastewater Biosolids for Beneficial Reuse	30,000
Grahamstown Adaptive Management Strategy – Sediment Nutrient Sources Investigation	27,785
Optimal management of critical water and wastewater pressurised mains	20,000
Monitoring Organic Matter in Drinking Water Systems	14,130
University of Newcastle study on Actinomycetes	13,837
Assessing the extent to which E. coli is a reliable faecal indicator	10,310
Eastern King Prawn Habitat Study	10,000
Robust optimization of urban drought security in the face of uncertain climate - NCCARF	4,444
Fluro Whitening Compounds	342
TOTAL	170,992

6.4.11 Donations and Sponsorship

To Non-Government Community Organisation

Organisation	Program	Summary of Project	Target Clients	Type	Amount \$
Adventure Racing Teams	Employee participation	Outdoor challenge promoting a one team approach	Hunter Water employees	Employee funding	1,231
Australian Water Association SWWS	National conference	Support of industry knowledge sharing	Water Industry professionals	Donation	2,000
Bikefest	Bikefest Newcastle	Support for community event that promotes a healthy lifestyle and environment	Lower Hunter community	Grant	8,000
Booragual, Woodrising, Marmong Point Neighbourhood Group	Water tank	Sustainable water practice for neighbourhood garden	Neighbourhood Group	Grant	3,000
Compass Housing Services	Complex garden	Water solution for garden in low socio economic housing complex	Low socio economic housing group	Grant	2,000
Camp Quality	Giggle Ball	Support for local ball to raise money for children with cancer	Lower Hunter community	Charity	5,000
Dungog Pedalfest	Pedalfest	Community bike festival that promotes healthy and sustainable lifestyles	Lower Hunter community	Grant	5,740
Engineers Australia	Corporate sponsorship	Recognises skills and talented engineers to work in local area	Engineers in the Lower Hunter	Sponsorship	4,000
Hunter Surf Life Saving	Corporate sponsorship	Helps reduce number of lives lost in the surf with the support of the operations unit	Lower Hunter community	Sponsorship	40,000
Hunter Water Corporation v Hunter Water Australia cricket	Employee participation	Builds relationship and team spirit with HWC and HWA	Hunter Water employees	Employee funding	120
Hunter Valley Research Foundation	Corporate sponsorship	Support of research to be carried out to aid local businesses and organisations in the region	Lower Hunter business community	Sponsorship	10,000
Hunter Water Twilight Nine Golf Club	Employee participation	Golf social club across all working groups	Hunter Water employees	Employee funding	1,500
Hunter Wetlands Centre	Envirothon Challenge	School program that educates about sustainable environments	School Children	Grant	3,000
Hunter Wetlands Centre	Corporate sponsorship	Support for conservation and the management of the wetlands environment in local area	Lower Hunter community	Sponsorship	15,000
Newcastle National Park Croquet Club	Maximising natural water resources	Installation of a rainwater tank to reduce using drinking water for use on greens	Croquet members	Grant	3,000
Ocean Swims	Employee participation	Embraces team culture for swims in area of operations	Hunter Water employees	Employee funding	1,049

Organisation	Program	Summary of Project	Target Clients	Type	Amount \$
Paraplegic & Quadriplegic Association of NSW	Wheels for a Day	Support for awareness of the difficulties people face living in the community with a disability	People in the community living with a disability	Charity	500
Redhead Public School P & C's Learnscapes Committee	Redhead Community Gardens	New community garden that teaches sustainability skills	Redhead residents	Grant	5,000
Solar Sailor	Solar Sailor Christmas event	Support family Christmas Eve Santa cruise who visits children on the shores of Lake Macquarie	Lake Macquarie community	Donation	2,000
Southlake Community Gardens	Yunung Community Garden Drainage and Wetland plan	Improve stormwater and ground water drainage throughout garden	Lake Macquarie community	Grant	2,500
St Albans Anglican Church	Community Garden Rain Watering Initiative	Materials to harvest rainwater from church roof to tank for use on garden	Church community	Grant	3,000
Surfest	Corporate sponsorship	Community event that focus on supporting local young talent with a career in surfing	Lower Hunter community	Sponsorship	15,000
Surfers for Autism	Surfing for Autism 2013	Community event for children with Autism	Lower Hunter community	Donation	500
Sparke Helmore Triathlon	Employee participation	Team event that encourages fitness and generates a healthy lifestyle	Hunter Water employees	Employee funding	900
Thornton Child Care and Preschool Centre	Water Sustainability in Children's Services	Funding for the installation of a water tank for the children's garden	Thornton Child Care and Preschool children	Grant	4,400
Total Agricultural College	Scholarship	Three scholarship's for students suffering hardship	Agriculture students	Scholarship	5,000
Total Field Days	Total Field Days Education Program	Community day to teach residents how to protect the quality of the Lower Hunter's drinking water	Lower Hunter residents	Grant	5,000
Water Aid Australia	Donation	Membership to help provide water in disadvantaged countries	International	Charity	6,200
TOTAL					154,640

6.4.11 Payment Performance

Invoices Paid on Time Within Each Quarter

Quarter	Total Invoices Paid on Time	Actual No. %	Paid on time	Total Invoices Paid Within Quarter
	Target No. %		\$	\$
September	95	90	57,634,555	63,472,355
December	95	93	51,303,155	54,853,942
March	95	88	41,134,795	44,180,260
June	95	92	47,617,817	49,943,867

The invoice payment report is based on quantity of invoices paid on time as a percentage and not based on a dollar amount.

Analysis of Total Invoices Paid Within Each Quarter

Quarter	Paid on Time	Less than 30 Days Overdue	Between 30 and 60 Days Overdue	Between 60 and 90 Days Overdue	More than 90 Days Overdue	Total Invoices Paid Within Quarter
	\$	\$	\$	\$	\$	\$
September	57,634,555	4,582,817	499,880	242,450	512,654	63,472,355
December	51,303,155	2,271,978	776,262	128,091	374,456	54,853,942
March	41,134,795	2,063,604	496,516	326,073	159,272	44,180,260
June	47,617,817	1,514,839	346,485	167,786	296,940	49,943,867

The majority of invoices which were not paid promptly were those which were under dispute or waiting until full finalisation or satisfaction of the related work.

No interest was paid due to late payments.

6.4.12 Production Costs of the Annual Report

Hunter Water advises that there were no external production incurred costs in the production of this Annual Report.

6.4.13 Significant Audit Matters

Hunter Water is required to disclose in the Annual Report under section 7 *Annual Reports (Statutory Bodies) Act 1984* No 87 a response to any significant matters raised by the external auditors, The Audit Office of New South Wales. The following significant matters were raised by the Audit Office in their Client Service Report for the year ended 30 June 2013.

Tillegra Land Use Strategy

The Corporation continues to work on its Tillegra Land Use Strategy. It expects to conclude on this strategy in early 2014 and start an appropriate Land Sales Program.

External valuers revalued the Tillegra land assets to \$59.3 million at 30 June 2013 (30 June 2012 - \$87.7 million) and the Corporation recognised the \$28.4m decrease in market value in the profit or loss. The Corporation started a disposal program for Tillegra land assets in 2012 under the right of refusal available to former landowners. There were no sales to former land owners to 30 June 2012. As a result land assets previously held for sale have been reversed. The Corporation has three properties in assets held for sale at 30 June 2013 at a total value of \$3.6 million.

Corporation's Response

An external agent has been engaged to develop a Land Management Strategy for Tillegra land assets. The first draft of which was made available for public comment from 25 September to 22 October 2013.

Land and buildings were revalued in the 2012-13 financial year with a revaluation decrement arising against a number of assets mostly related to Tillegra properties. The decrease in asset values was a consequence of original capitalised costs being at market valuation at the time of acquisition, the inclusion of costs associated with acquiring the assets and a subsequent decrease in general market values. The write-down of Tillegra assets recognised in the Statement of Financial Performance at 2012-13 was \$28.4million.

6.5 Legislation

6.5.1 Right to Information

During 2012-13, Hunter Water received 5 formal *Government Information (Public Access) Act 2009* (GIPA) applications, all of which were determined within the statutory timeframe.

In order to promote 'openness of government' the majority of information requests are handled informally. A formal application is not required if the volume of and ease of access to the information required to satisfy the request is not labour intensive.

Hunter Water conducts community surveys every year on how Hunter Water can better engage with the public.

Information regarding these activities is regularly updated on the Hunter Water website and communicated via these other methods, including:

- Events and open days
- Publications and promotional material
- Advertising
- Newsletters and direct mail
- Media campaigns
- Partnerships and alliances
- Sponsorship and community funding
- Stakeholder briefings
- Media and government relations
- Water efficiency education program

Hunter Water proactively releases information on its pollution monitoring program for the Environment Protection Authority. Information is also made publicly available concerning water storage levels, major infrastructure projects, and Independent Pricing and Regulatory Tribunal pricing submissions.

Hunter Water has also established an 'Incident Response' area on its website to provide up-to-date information to customers during incidents involving our assets, the environment, customers or staff.

Number of Applications by Type of Applicant and Outcome¹

	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	1	1	0	0	0	0	0	0
Private sector business	2	2	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	1	1	0	0	0	0	0	0
Members of the public (other)	0	0	0	1	0	0	0	0

¹More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to the table which follows.

Number of Applications by Type of Application and Outcome¹

	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)	4	4	0	1	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

¹ A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 of the Act) about the applicant (the applicant being an individual).

Invalid Applications

Reason for Invalidity	Number of Applications
Application does not comply with formal requirements (section 41 of the Act)	1
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	1
Invalid applications that subsequently became valid applications	1

Conclusive Presumption of Overriding Public Interest Against Disclosure: Matters Listed in Schedule 1 of the Act

	Number of Times Consideration Used ¹
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

¹ More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once for each application). This also applies in relation to the table that follows.

Other Public Interest Considerations Against Disclosure: Matters Listed in Table to Section 14 of Act

	Number of Occasions when Application Not Successful
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	4
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Timeliness

	Number of Applications
Decided within the statutory timeframe (20 days plus any extensions)	5
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
TOTAL	5

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 Act	0	0	0
Review by ADT	0	0	0
TOTAL	0	0	0

* Note the Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Applications for review under part 5 of the Act (by type of applicant)

Reason for Invalidity	Number of Applications for Review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

6.5.2 Legislative Change

There was no material legislative changes during 2012-13.

6.6 Public Interest Disclosures

Reporting Period July 2013 - June 2013

Number of public interest disclosure received by Hunter Water	0
Number of public officials who made public interest disclosures to Hunter Water	0
Information on public interest disclosures received:	
- Corrupt conduct	0
- Maladministration	0
- Serious and substantial waste of public money	0
- Government information contravention	0
- Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2012) that have been finalised in this reporting period	0
Has Hunter Water established an internal reporting policy?	Yes
Has Hunter Water taken action to meet their staff awareness obligations?	Yes
Actions taken to increase awareness include:	
- Introduction of an e-learning module for all staff	
- Inductions for new employees	
- Provision of intranet resources	

6.7 Risk management and Insurance Arrangements

Hunter Water has implemented an Enterprise Risk Management Framework across the business. This framework is consistent with ISO 31000 and provides a transparent and consistent approach to risk management, as well as standardised documentation and terminology.

As part of its ongoing risk identification, assessment and management activities, Hunter Water continues to establish and refine controls which reduce the impact and likelihood of adverse events. There are some key risks and various controls and management strategies that have been established to mitigate those risks. Details of residual risks assessed as high are outlined in the following table.

Hunter Water has a comprehensive insurance program with the NSW Treasury Managed Fund. The central types of cover held include public liability, motor vehicles, workers compensation and property.

Key risks (as Reported in the SCI)	Description	Potential Impact on SCI Targets	Treatment Actions
1. Major asset failure	Operational asset failure with resultant inability to deliver core services	The financial impact of this risk eventuating has been subjective assessed as potentially over \$25 million	Review asset risk profiles and maintain asset management strategies Maintain detailed dam asset management plan
2. Safety in the workplace	Unsafe work environment or practices result in escalated levels of injury	The financial impact of this risk eventuating in terms of fines or penalties has been subjectively assessed as \$1-3 Million	Maintain comprehensive workplace health and safety management systems Upgrade the Contractor Safety Management System Achieve accreditation for workplace health and safety to AS 4801
3. Inadequate water/ wastewater capacity	Imbalance in water supply/ demand or wastewater service/demand	The financial impact of this risk eventuating has been subjectively assessed as potentially over \$25 million	Provide support to the NSW Office of Water in the development of a Lower Hunter Water Plan Review annual planning and risk review process for networks and treatment plants
4. Adequacy of business systems	Business systems unable to support efficient delivery of core services	The financial impact on this risk eventuating has been subjectively assessed as potentially \$10-25 million.	Undertake the ICT disaster recovery project Undertake the ICT infrastructure review and replacement program Upgrade the network and telecommunication review program

6.8 Major Capital Works in Progress

Project	Cost \$	Commenced	Status
Aberglasslyn Wastewater Transport Upgrade - Stage 2	6,402,000	Dec-08	Nearing Completion
Adamstown Wet Weather Pump System Upgrade	14,900,000	Jun-11	Nearing Completion
Boulder Bay Wastewater Treatment Works Upgrade - Stage 2	25,585,000	May-10	Complete
Burwood Beach Wastewater Treatment Works Upgrade - Stage 2	50,310,000	Dec-08	Complete
Cessnock Water Distribution Works - Stage 1	20,247,439	Nov-08	Nearing Completion
Farley Wastewater Treatment Works Upgrade - Stage 3	29,424,544	Sep-08	Complete
High Voltage Major Upgrade	50,500,000	Sep-09	Underway
Kooragang Island Recycled Water Works - Stage 1	69,800,000	Feb-07	Underway
Maitland-North Rothbury Water Distribution Upgrades - Stage 3	14,097,000	Jun-11	Underway
Millfield & Ellalong Priority Sewerage Program	17,232,351	Nov-07	Complete
Shortland Wastewater Treatment Works Augmentation - Stage 3	11,350,000	Jun-11	Complete
Toronto Wastewater Treatment Inlet Works	11,364,000	Mar-11	Complete
Wastewater Transfer System Upgrades - Williamstown/Tomago	17,200,000	Jul-10	Underway

Note the status is at 30 June 2013.

Definitions

Underway - Design commenced

Nearing completion - Due for completion by 30 Dec 2013

Complete - Practical completion achieved, in operation

Hunter Water Australia

About Us

Hunter Water Australia Pty Limited (Hunter Water Australia) is a fully-owned subsidiary of Hunter Water Corporation that operates as an independent commercial enterprise. Hunter Water Australia operates throughout Australia and internationally, providing a range of specialist technical, management and operational services to water agencies, councils, and industry.

During the 2012-13 financial year, Mr Terry Lawler, Chairman of Hunter Water Corporation, chaired Hunter Water Australia's Board. Other directors are Mr Jeff Eather (Director for Hunter Water), and Mr Kim Wood (Managing Director, Hunter Water).

As of 27 June 2013 Mr Terry Lawler stepped down from the position of Chairman. Mr Jeff Eather was appointed as the new chairman.

Mr Jim Keary is the General Manager of Hunter Water Australia, and Ms Andrea Swan is the Company Secretary.

What We Do

The company specialises in:

- Operation of water and wastewater treatment works
- Providing operations support services and systems
- Water and wastewater planning and investigations
- Process, mechanical, electrical, and structural design of water and wastewater treatment works and other infrastructure
- Laboratory testing of water and wastewater
- Community education and environmental assessment
- Telemetry and automation
- Surveying and electronic mapping
- Materials and corrosion engineering
- Dam monitoring and assessment
- Asset management
- Pricing and capital planning studies
- Project delivery management
- Irrigation engineering

Company Performance

The net profit after tax for the year ending 30 June 2013 amounted to \$3,662,538.

This was a good financial result in a tough consulting market. All key objectives were met except for safety, where there was one lost time injury in contrast to our annual target of zero. Considerable effort continues to be put into safety improvements, especially at the treatment plants. Certification of the safety and environmental management system was obtained in 2012-13.

Our Work

Hunter Water Australia's services fall in three main areas; Operations and partnering, consultancy and laboratory services. Each of these areas performed well in the 2012-13 financial year. The consultancy area was below budget but was still profitable in a tough market.

Operations and Partnering

Hunter Water Australia is a market leader in water and wastewater process design and operational management support. Hunter Water Australia has numerous partnering and twinning arrangements with councils and water agencies. An experienced team handles infrastructure management and operations for 25 water and wastewater treatment plants in the Hunter region, and is integral to supporting the operation of other treatment plants throughout Australia. Hunter Water Australia works closely with clients to help solve specific problems, optimise processes, train operators and improve capabilities.

During 2012-13, Hunter Water Australia expanded to service more operations support and partnering agreements. Work has included capital works planning and procurements, plant optimisation, asset management, plant audits, operator training, development of operational systems and preparing detail designs for new infrastructure.

Hunter Water Australia continues to focus on working closely with regional Australian communities to assist them in dealing with the challenges they face.

Consultancy

Hunter Water Australia's broad operations background is backed by a network of specialist consultants to ensure it continues to provide the best solutions for its clients. Over the past financial year, Hunter Water Australia specialists were involved in a range of projects throughout Australia.

Examples of Hunter Water Australia's most significant projects for 2013 include:

The detailed design of recycled water treatment plants at Hawks Nest and Tuncurry for Mid Coast Water. This project won the 2013 Recovering, Recycling and Reusing category at the annual Institute of Public Works Engineers Australia, NSW Division, Excellence Awards. Hunter Water Australia's achievement was completing the detailed design in collaboration with Mid Coast Water within 18 weeks to meet the timing deadline for funding from the Australian Government's Water for the Future grant.

Another significant project was the complete design, fabrication, delivery, construction and commissioning of two water treatment plants for the Federal Government at Shoalwater Bay in Queensland. This project was completed in under 18 weeks, which is an outstanding achievement.

Laboratories

Hunter Water Laboratories are based at Warabrook in Newcastle. It is one of the best high-quality environmental testing facilities in Australia tailored to efficiently meet the strict testing requirements of large urban water supply and wastewater systems. It also caters for the strict testing regulations of the mining industry. The laboratories carry out water, wastewater, biosolids and environmental water quality monitoring as well as cryptosporidium/giardia and legionella testing. Expertise in sampling, chemical, organics and microbiological analysis of waters is the core business of the Laboratories, which also operates a material testing facility. Analysis techniques and equipment used in this laboratory are to the high standard of APHA (American Public Health Association) Standard Methods and Australian Standards. The laboratory is NATA accredited to conduct over 90 chemical and microbiological testing regimes and also carries AS/NZS ISO9001:2008 *Registration covering Chemical, Microbiological, Sampling and Administration*.

Hunter Water Australia and the Pacific

The Hunter Water Group started a twinning arrangement with Water PNG in 2011 that is funded by the Asian Development Bank. One of the 16 towns and cities where Water PNG operates water supply and sewerage systems is the city of Lae in northern PNG. This was adopted as the case study site for the twinning projects. The achievements under the twinning so far include increasing the collection of revenue, reducing losses from the water supply system, implementing better monitoring of water quality and improving the operation of the water system. Water PNG staff have also benefited from operations and maintenance training carried out in the Hunter region. The twinning activities have not only been useful for Water PNG and their staff but provided specialists from Hunter Water with an opportunity to use their skills and experience in a neighbouring country with many different challenges. Due to the initial success, the Asian Development Bank extended this twinning to Mt Hagen, Madang and Wewak. The twinning activities were completed in early 2013.

Hunter Water Australia Financial Statements

Company Particulars

Directors

Mr TH Lawler (Chairman to 27 June 2013. Resigned 25 July 2013)

Mr K Wood (Resigned 25 July 2013)

Mr J Eather (Chairman from 27 June 2013)

Mr P Dalglish (Appointed 25 July 2013)

Company Secretary

Ms A Swan

Registered Office

The registered office and principal place of business of the company is –

19 Spit Island Close, Steel River,

Mayfield West, NSW 2304

Hunter Water Australia Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

ABN – 19 080 869 905

Auditors

Audit Office of New South Wales

Bankers

Commonwealth Bank of Australia

Directors' Report	108
Auditor's Independence Declaration	111
Independent Auditor's Report	112
Income Statement	114
Statement of Comprehensive Income	114
Statement of Financial Position	115
Statement of Changes in Equity.....	116
Statement of Cash Flows.....	117
Notes to and Forming Part of the Financial Statements.....	118
Directors' Declaration	142

Directors' Report

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited for the year ended 30 June 2013.

Directors

The names and details of the Directors of the Company at any time during or since the end of the financial year are:

Mr TH Lawler (Chairman to 27 June 2013. Resigned 25 July 2013)

Mr K Wood (Resigned 25 July 2013)

Mr RA Chappel (Resigned 22 January 2013)

Mr J Eather (Chairman from 27 June 2013)

Mr P Dalglish (Appointed 25 July 2013)

Information on Directors

T LAWLER - BCom, FCA, FAICD, FAIM

Mr Lawler was appointed as Chairman of Hunter Water Corporation in January 2012 and was also Chairman of Hunter Water Australia Pty Limited (Hunter Water Corporation's Controlled Entity) until 25 July 2013. Mr Lawler is Chairman of Lawler Chartered Accountants and Lawler Partners Pty Limited, a national award winning accounting and business advisory firm. He is also Chair of Life Without Barriers Limited.

Mr Lawler is a Director of Ampcontrol Pty Ltd, Powerdown Australia Pty Ltd, Peoplefusion Pty Ltd and is an advisory board member of Urban Purveyor Group Pty Limited. He has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Ltd and a Director of Newcastle Port Corporation.

K WOOD - BEng, DipEng, MBA, FIEAust, CPEng, FAIM

Mr Wood was appointed as Managing Director of Hunter Water Corporation in November 2011 and was also a Director of Hunter Water Australia Pty Limited until 25 July 2013. He was previously the CEO of Queensland's Allconnex Water, which he helped establish in 2010. He has extensive utility experience as a CEO, having led a number of electricity and water utilities throughout Australia.

Mr Wood was the inaugural CEO of City West Water and then went on to head the Victorian electricity transmission business, GPU PowerNet. His other CEO roles have included Northern Territory Power and Water Corporation, and Queensland power generator Stanwell Corporation. His experience includes past private sector leadership roles in the telecommunications industry, firstly as Managing Director of GEC Plessey Telecommunications and later with publicly listed company, DataFast.

Mr Wood has also had extensive experience as a company director, including several industry association directorships. He has prior senior management experience with the Australian operations of both Hewlett Packard and Bell South. He commenced his working career as an engineer with Victoria's State Electricity Commission.

JR EATHER - BCom (Newcastle), CPA, FCIM, MAICD

Mr Eather was appointed as a Director on 1 January 2008 and is also a Director of Hunter Water Australia Pty Limited. Mr Eather is the Managing Director of The Callaghan Institute, a business and economic research and advisory practice he established in 2007. Previously he was CEO Media for the SOUL Group, where he was directly responsible for the running of NBN Television. During his 27 years with the NBN and SOUL Groups, he was actively involved in the expansion of the Group from its media base to the converging world of telecommunications.

Mr Eather is currently a Director of The Heal for Life Foundation, a healing centre for survivors of child abuse and a Director of the Newcastle Permanent Building Society. Mr Eather has previously been Chairman of The University of Newcastle Foundation.

P DALGLISH - BSc, P.DMktgMgmt

Mr Dalglish was appointed as a Director on 2 July 2013 and a Director of Hunter Water Australia Pty Limited on 25 July 2013. Mr Dalglish is a water industry specialist with over 35 years' experience in all facets of the industry including management of large-scale wastewater treatment operations and infrastructure projects, corporate planning and system performance review.

Mr Dalglish is currently a Director of Chester Consulting Pty Ltd and has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

Meetings of Directors

Board Meetings

	Number of meetings attended	Number of meetings held during the time the Director held office
T Lawler (Resigned 25 July 2013)	9	11
K Wood (Resigned 25 July 2013)	11	11
R Chappel (Resigned 22 January 2013)	4	5
J Eather	11	11

Principal Activities

The principal activities of the Company in 2012-13 were the provision of specialist support and operations services in the fields of water, wastewater, stormwater, environmental and strategic services.

No significant change in the nature of activities occurred during the year.

Review of Operations

The net profit after tax, for the financial year ended to 30 June 2013, was \$3,662,538 compared with a net profit after tax of \$5,559,207 for the previous year.

The entity comprises six Business Units whose performance is independently monitored. The Business Units are made up of Treatment Operations, Process Engineering, Planning, Design & Project Management, Electrical and Laboratories. All businesses achieved a profit result for the year.

Dividends Paid

During the year, a dividend was paid to the Shareholder of \$3,892,910 for the year ended 30 June 2012 that was declared at 27 July 2012. A special dividend was also paid to the Shareholder of \$3,000,000 that was declared at 27 July 2012.

A dividend of \$2,563,777 has been declared for the year ended 30 June 2013. This will be paid to the Shareholder on 1 August 2013.

Subsequent Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Indemnification

The Company has an agreement to indemnify the Directors and Secretary of the Company. This insurance premium to cover the indemnity is paid for by the Parent Company. The Company pays a Management Fee to the Parent Company to cover this expense. This relates to:

- Unlimited civil liability to a third party (other than Hunter Water Australia Pty Limited or a related entity) unless the liability arises out of conduct involving lack of good faith.
- Unlimited costs or expenses of defending proceedings in which judgement is given in favour of the officer.

No liability has arisen under these indemnities as at the date of this report.

Change in State of Affairs

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Company during the year ended 30 June 2013.

True and Fair View

The financial statements and notes give a true and fair view of the financial position as at 30 June 2013 and the performance for the financial year ended 30 June 2013.

Future Developments

The Company expects to maintain the present status and level of operations.

Further information on likely developments in the Company's operations and expected results of operations have not been included in this report because Directors believe it would be likely to result in unreasonable prejudice to the Company.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 111.

Directors' Benefits

During or since the financial year no Director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts, by reason of a contract entered into by the Company with:

- a Director, or
- a firm of which a Director is a member, or
- an Entity in which a Director has a substantial financial interest.

Code of Conduct

Hunter Water Australia Pty Limited has a Code of Conduct that must be adhered to by all employees. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia.

Environmental Regulations

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory law.

Signed in accordance with a resolution of the Directors:



Mr. J. Eather
Chairman



Mr. P. Dalglish
Director

Dated: 29 August 2013 Newcastle

Auditor's Independence Declaration



To the Directors
Hunter Water Australia Pty Limited

22 August 2013

Auditor's Independence Declaration

As auditor for the audit of the financial statements of Hunter Water Australia Pty Limited for the year ended 30 June 2013, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

James Sugumar
Director, Financial Audit Services

22 August 2013
SYDNEY

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Hunter Water Australia Pty Limited

To Members of the New South Wales Parliament and Members of Hunter Water Australia Pty Limited

I have audited the accompanying financial statements of Hunter Water Australia Pty Limited (the Company), which comprise the statement of financial position as at 30 June 2013, the income statement, 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 and the directors' declaration.

Opinion

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2013 and its performance for the year ended on that date
 - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards, the *Corporations Act 2001* and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 22 August 2013, would be in the same terms if provided to the directors as at the time of this auditor's report.



James Sugumar
Director, Financial Audit Services

2 September 2013
SYDNEY

Income Statement for the Year Ended 30 June 2013

Start of Audited Financial Statements

	Notes	2013 \$	2012 \$
Income			
Services	2	37,837,895	37,519,360
Other income	2	675,670	778,416
TOTAL INCOME		38,513,565	38,297,776
Expenses	3	(33,277,463)	(30,353,061)
PROFIT BEFORE INCOME TAX		5,236,102	7,944,715
Income tax expense	4	(1,573,564)	(2,385,508)
PROFIT FOR THE YEAR		3,662,538	5,559,207
Attributable to:			
Owners of Hunter Water Australia Pty Limited		3,662,538	5,559,207
		3,662,538	5,559,207

The Income Statement should be read in conjunction with the accompanying notes on pages 118 to 141.

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Notes	2013 \$	2012 \$
Profit for the year		3,662,538	5,559,207
Other comprehensive income			
Superannuation actuarial gains/ (losses)	19	2,663,434	(6,345,667)
Income tax on superannuation actuarial gains/ (losses)	12	(799,030)	1,903,700
Other comprehensive income for the year net of tax		1,864,404	(4,441,967)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,526,942	1,117,240

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 118 to 141.

Statement of Financial Position as at 30 June 2013

	Notes	2013 \$	2012 \$
Current assets			
Cash & cash equivalents	6	2,601,720	7,346,559
Investments	7	7,634,338	-
Trade and other receivables	8	7,253,228	8,433,494
Current tax assets (liabilities)	9	38,783	(765,514)
TOTAL CURRENT ASSETS		17,528,069	15,014,539
Non-current assets			
Plant & equipment	10	3,516,990	4,007,401
Intangible assets	11	260,293	313,192
Investments	7	-	5,000,000
Deferred tax assets	12	2,902,332	3,684,710
TOTAL NON-CURRENT ASSETS		6,679,615	13,005,303
TOTAL ASSETS		24,207,684	28,019,842
Current liabilities			
Trade and other payables	13	2,386,717	2,481,743
Provisions	14	6,466,701	3,414,713
TOTAL CURRENT LIABILITIES		8,853,418	5,896,456
Non-current liabilities			
Provisions	14	659,062	402,316
Underfunded Defined Benefit Super	15	7,035,963	10,132,085
TOTAL NON-CURRENT LIABILITIES		7,695,025	10,534,401
TOTAL LIABILITIES		16,548,443	16,430,857
Net assets		7,659,241	11,588,985
Equity			
Contributed equity	16	900,010	900,010
Retained earnings		6,759,231	10,688,975
TOTAL EQUITY		7,659,241	11,588,985

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 118 to 141.

Statement of Changes in Equity for the Year Ended 30 June 2013

	Notes	Retained Profits \$	Contributed Equity \$	Total \$
Balance at 1 July 2012		10,688,976	900,010	11,588,986
Profit for the year		3,662,538	-	3,662,538
Other comprehensive income:				
Superannuation actuarial gains/ (losses)		2,663,434	-	2,663,434
Income tax on superannuation actuarial gains/ (losses)		(799,030)	-	(799,030)
Total Other Comprehensive Income		1,864,404	-	1,864,404
Total Comprehensive Income for the year		5,526,942	-	5,526,942
Transactions with owners in their capacity as owners	5	(9,456,687)	-	(9,456,687)
Balance at 30 June 2013		6,759,231	900,010	7,659,241
		Retained Profits \$	Contributed Equity \$	Total \$
Balance at 1 July 2011		9,571,736	900,010	10,471,746
Profit for the year		5,559,207	-	5,559,207
Other comprehensive income:				
Superannuation actuarial gains/ (losses)		(6,345,667)	-	(6,345,667)
Income tax on superannuation actuarial gains/ (losses)		1,903,700	-	1,903,700
Total Other Comprehensive Income		(4,441,967)	-	(4,441,967)
Total Comprehensive Income for the year		1,117,240	-	1,117,240
Transactions with owners in their capacity as owners	5	-	-	-
Balance at 30 June 2012		10,688,976	900,010	11,588,986

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 118 to 141.

Statement of Cash Flows for the Year Ended 30 June 2013

	Notes	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		42,681,903	41,174,709
Payments to suppliers and employees (inclusive of GST)		(35,491,920)	(33,276,100)
		7,189,983	7,898,609
Interest received		250,032	454,370
Income taxes paid		(2,394,514)	(1,615,120)
Net cash flows from operating activities	17	5,045,501	6,737,859
Cash flows from investing activities			
Payments for property, plant and equipment		(243,117)	(903,083)
Loan to HWC		(2,634,336)	-
Net cash flows from investing activities		(2,877,453)	(903,083)
Cash flows from financing activities			
Dividends paid	5	(6,892,910)	(3,558,109)
Net cash flows from financing activities		(6,892,910)	(3,558,109)
Net increase / (decrease) in cash held		(4,724,862)	2,276,667
Cash at beginning of financial period		7,346,559	5,069,916
Effects of exchange rate changes on cash		(19,977)	(24)
Cash at the end of the financial year	6	2,601,720	7,346,559

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 118 to 141.

Notes to and Forming Part of the Financial Statements

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for Hunter Water Australia Pty Limited (the Company) as an individual entity. The Company is a fully owned subsidiary of Hunter Water Corporation (the Parent).

The Company's financial statements for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Board on 29 August 2013.

A. Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001*, Part 3 of the *Public Finance & Audit Act 1983* and Public Finance and Audit Regulation 2010.

The Board has determined that the Company is a for-profit entity for financial reporting purposes. The accounting policies applied are based on the requirements applicable to for-profit entities on these mandatory or statutory requirements.

Proper accounts and records for all of the Company's operations have been kept as required under Section 41(1) of the Public Finance and Audit Act 1983.

Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Historical cost convention

The financial statements have been prepared on an accruals basis using the historical cost convention with the exception of Provisions and Underfunded Superannuation Benefits. Refer to Notes 15 and 16 for details.

Rounding

All amounts in the financial statements are reported to the nearest dollar.

Currency

All amounts in the financial statements are reported in Australian dollars.

B. Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from consulting services is recognised in the accounting period in which the services are rendered. For time and materials contracts, revenue is recognised as the service is rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Revenue includes changes in work in progress. Refer to Note 1F for further details on work in progress.

Investment income represents earnings on surplus cash invested in the Company's bank accounts, NSW TCorp deposits or in the Parent Entity. Interest is recognised on a time proportioned basis using the effective interest method.

C. Income tax

The Company is subject to the National Tax Equivalent Regime (NTER). An "equivalent" or "notional income tax" is payable to the NSW Government through the Office of State Revenue. The liability for income tax is primarily assessed in accordance with the *Income Tax Assessment Act (1997)* (ITAA) and is administered by the Australian Taxation Office.

The Company lodges Income Tax returns in both Canada and the United States. These are nil returns as any assessable income is assessed in the Company's Australian Income Tax in accordance with the relevant tax treaty's Australia has with each of those countries.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the tax rate enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity, are similarly recognised in other comprehensive income or directly in equity.

Tax consolidation legislation

The Company and its Parent Entity, Hunter Water Corporation, decided to implement the tax consolidation legislation as of 1 July 2003.

The parent entity, Hunter Water Corporation, and the Company continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 4.

D. Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

E. Trade receivables

Trade receivables are recognised at original invoice amount less allowance for impairment. Recognition at original invoice amount is adopted as this is not materially different to amortised cost, given the short term nature of receivables.

Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Trade receivables are required to settle within 21-28 days.

F. Work in progress

Work in progress is stated as the aggregate of costs incurred to date plus recognised profits less recognised losses and progress billings. Cost includes all costs directly related to specific contracts, and an allocation of overhead costs attributable to contract activity in general.

Project profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected total costs. Where losses are anticipated they are provided for in full.

Project revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract. Any credit balance in work in progress is reclassified as income in advance.

When the outcome of the project cannot be estimated reliably, revenue is only recognised to the extent that the costs incurred are recoverable.

G. Plant and equipment

Plant and equipment are carried at cost less, where applicable, any accumulated depreciation. Depreciated cost of these assets is considered to equate to fair value.

All items of plant and equipment acquired by the Company are recognised initially at the cost of acquisition. Cost is the amount of cash or cash equivalents paid, or the fair value of other consideration given to acquire the asset, including costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Items costing \$500 or more individually and having a minimum expected working life of 12 months are capitalised.

The carrying amount of plant and equipment is reviewed annually by Management to ensure it is not in excess of the recoverable amount from those assets (refer to Note 11 Impairment of assets below).

The initial cost of the leasehold improvements at the Company's Steel River property includes an estimate of the cost of dismantling the improvements and restoring the site on which it is located. These costs are included in the value of the Company's Leasehold Improvements with a corresponding provision for the 'make good' recognised (see Note 1M).

Depreciation

Depreciation is calculated using the straight line method on all plant and equipment at rates calculated to allocate their cost, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Useful Life
Computers	2 to 5 years
Support Assets	3 to 10 years
Leasehold Improvements	5 to 20 years

The useful life of Leasehold Improvements has been reduced from 40 years to 5-20 years in the current period to bring disclosures in-line with the terms of lease agreements. The change has not resulted in a material impact on the financial statements and is expected to have similar impact on future financial statements.

H. Intangible assets

Intangible assets consist of software and other intangible assets. Research expenditure is recognised as an expense as incurred.

Software assets are classified as intangible assets and are amortised over one to three years. Other intangible assets consist of access fees for high speed internet services and are amortised over twenty-five years.

Following initial recognition, the cost model is applied as it is considered that there is no active market that can be referenced for performing revaluations to a market-based fair value in respect of the particular items within each class of the Company's intangible assets.

I. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised where the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

In accordance with the requirements of AASB136 and NSW Treasury Circular TPP07-01, an assessment has been made of the value in use, which is the future cash flows to be derived from an asset or cash-generating unit over the remaining life of the existing asset base, to determine the extent of any difference in the economic value and the carrying value of the assets.

Key assumptions of the asset impairment test are a discount rate of 12%, inflation of 3% and remaining asset life of an average of five years. These assumptions are consistent with modelling for the prior year.

J. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease, over the term of the lease.

K. Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid.

Payables are recognised at cost, which is considered to approximate amortised cost due to the short term nature of payables. They are not discounted as the effect of discounting would not be material for these liabilities.

Trade Accounts payables are normally settled within 30 days.

L. Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for salaries and wages including annual leave expected to be settled within 12 months of the reporting date and all unconditional employee benefits are recognised as current employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits. Expected future payments are discounted using the Indicative Mid-Rates of selected Commonwealth Government Securities.

(ii) Long service leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the Indicative Mid-Rates of selected Commonwealth Government Securities. This is consistent with the estimated term of the post-employment benefit obligations.

(iii) Superannuation

Employees of the Company are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation at the reporting date plus any actuarial gains less any actuarial losses not recognised because of the treatment set out in AASB119.92 and 93 less the fair value of the superannuation fund's assets at that date and any past service cost. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration. Actuarial gains and losses arising from adjustments and/or changes in actuarial assumptions are recognised in the period in which they occur directly in other comprehensive income.

The defined benefit superannuation fund receives fixed contributions from the Company and the Company's legal or constructive obligation is limited to these contributions. Contributions to the defined benefit fund are recognised as expenses as they become payable.

M. Provisions

A provision for make good has been made for the cost of dismantling the leasehold improvements and restoring the Company's Steel River property in accordance with the lease agreement. The provision has been calculated in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

N. Dividends

Provision is made for any dividend declared by the Directors of the Company on or before the end of the financial year but not distributed at balance date.

O. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows of GST included in the Statement of Cash Flows on a gross basis. The GST of cash flows from investing and financing activities that are recoverable from the Australian Taxation Office are classified as cash flows from operating activities.

Commitments are disclosed inclusive of GST where applicable.

P. Foreign currency transactions and balances

Foreign currency transactions are translated into Australian currency using the spot exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

Q. Accounting standards and Australian accounting interpretations issued but not yet operative

Certain new accounting standards and interpretations applicable to Hunter Water Australia Pty Limited have been published that are not mandatory for the year ended 30 June 2013. The Company's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments (effective from 1 July 2013)

The standard replaces the multiple classification and measurement models in AASB 139 Financial Instruments: Recognition and Measurement with a single model that has only two classifications: amortised cost and fair value. There is no anticipated impact on the Company as all financial instruments are already recognised at amortised cost or fair value.

(ii) AASB 1053 application of tiers of Australian Accounting Standards and AASB 2010-2 amendments to Australian accounting standards arising from reduced disclosure requirements (effective from 1 July 2013).

On 30 June 2011 the AASB released a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting Entity in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

The Company is a subsidiary of a government owned corporation and it is likely that NSW Treasury will mandate adoption of tier 1 reporting. As a consequence, it is anticipated that the two standards will have no impact on the financial statements of the Company.

(iii) Revised AASB 119 - Employee benefits (effective 1 January 2013)

Removal of the corridor method of accounting for defined benefit plans means that all actuarial gains and losses are to be recognised immediately in other comprehensive income. Immediate recognition in the profit or loss is no longer permitted. There is no expected impact on the Company given the corridor method was previously not adopted.

(iv) AASB 2012-5 Amendments arising from the 2009-0211 annual improvements project (effective 1 January 2013)

The annual improvements project makes minor but necessary annual amendments to Australian Accounting Standards. Amendments this year affect AASB 1, AASB 101, AASB 116, AASB 132 and AASB 134. The amendments are applicable for annual periods beginning after 1 January 2013 and as such will have no impact for the period ended 30 June 2013.

Note 2. Income

	2013 \$	2012 \$
Services		
Sale of services	37,837,895	37,519,360
	37,837,895	37,519,360
Other income		
Interest from parent entity	163,767	216,931
Interest from financial institutions	71,768	232,389
Superannuation Income	432,688	326,130
Other	7,447	2,966
	675,670	778,416
TOTAL INCOME	38,513,565	38,297,776

Note 3. Expenses

	2013 \$	2012 \$
Profit before tax includes the following net gains and expenses:		
A. EXPENSES		
Employee related expenses (see note B. below)	19,455,278	18,899,621
Project and contract outlays	8,649,142	6,183,245
Motor vehicles (excluding minimum lease payments)	285,544	627,161
Minimum lease payments	1,757,394	1,634,662
Information technology and communications	603,923	543,758
Foreign currency loss/(gain)	20,565	1,926
Loss/(gain) on disposal of assets	8,695	69
Debts written off	303	298
Other	1,503,302	1,711,345
	32,284,146	29,602,085
Depreciation and amortisation		
Amortisation - Intangibles	124,236	98,374
Depreciation - Plant & Equipment	869,081	667,295
	993,317	765,669
Other charges against assets		
Doubtful debt provision - trade receivables	-	(14,693)
TOTAL EXPENSES	33,277,463	30,353,061
B. EMPLOYEE RELATED EXPENSES		
Salaries	16,250,364	15,656,294
Employee benefits	1,654,583	1,739,138
Superannuation relating to Defined Benefit Schemes	233,730	248,145
Superannuation relating to Defined Contribution Plans	1,316,601	1,256,044
	19,455,278	18,899,621

Note 4. Income Tax on Profit Before Financial Instrument Fair Value Movements

	Notes	2013 \$	2012 \$
A. INCOME TAX EXPENSE			
Current tax		791,186	4,073,215
Deferred tax	12	782,378	(1,687,707)
		1,573,564	2,385,508
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE			
Profit before income tax and financial instrument fair value movements		5,236,102	7,944,715
Tax at the Australian rate of 30%		1,570,831	2,383,414
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Sundry items		2,733	2,094
		1,573,564	2,385,508
		1,573,564	2,385,508
C. TAX EXPENSE/(INCOME) RELATING TO ITEMS IN OTHER COMPREHENSIVE INCOME			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	12	(799,030)	1,903,700
		(799,030)	1,903,700

D. TAX CONSOLIDATION LEGISLATION

Hunter Water Corporation and its wholly-owned Australian controlled entity, Hunter Water Australia Pty Limited decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in Note 1(c). The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The wholly-owned entity has been fully compensated for deferred tax assets transferred to Hunter Water Corporation on the date of implementation of the legislation. No compensation was due to Hunter Water Corporation from the wholly-owned entity as it did not assume any deferred tax liabilities as a result of implementing the tax consolidation legislation.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entity will reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Hunter Water Corporation (see Note 22). In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entity in case of a default by Hunter Water Corporation.

Note 5. Dividends Paid or Provided for

	2013 \$	2012 \$
Opening balance	-	3,558,109
Add dividend declared	9,456,687	-
Less dividend paid	(6,892,910)	(3,558,109)
	2,563,777	-

Under the national tax equivalent regime, the Company is not required to maintain a dividend franking account.

Note 6. Cash and Cash Equivalents

	2013 \$	2012 \$
Cash at bank and on hand	2,601,720	981,100
Deposits at call	-	6,365,459
	2,601,720	7,346,559

Bank overdraft facility

The Company has a bank overdraft facility available to the extent of \$200,000 as approved by the NSW Treasurer in accordance with the *Public Authorities (Financial Arrangements) Act 1987*. As at 30 June 2013 the whole amount of the overdraft was unused. The Company also has a credit card facility to the extent of \$120,000. All balances are repaid in full at the end of each month and no interest expense has occurred during the year.

The Company's exposure to interest rate risk is discussed in Note 28. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 7. Investments

	2013 \$	2012 \$
Current		
Loan with Parent Entity	7,634,338	-
	7,634,338	-
Non current		
Loan with Parent Entity	-	5,000,000
	-	5,000,000

The loan with parent entity has been reclassified from non-current to current during the period to reflect the restructure of loan terms to allow a draw down on the loan given 2 business days' notice, and ability to recall the balance in full given 90 days' notice.

The Company's exposure to interest rate risk is discussed in Note 28. The maximum exposure to credit risk at the end of the reporting period is the carrying amount mentioned above.

Note 8. Trade and Other Receivables

	2013 \$	2012 \$
Current		
Trade debtors	3,761,787	5,367,754
Other current receivables	700	705
Prepayments	450,797	416,819
Work in Progress	2,256,756	2,224,138
Security Deposits	3,000	1,500
Accrued Income	780,188	408,082
Accrued Interest	-	14,496
	7,253,228	8,433,494

The Company's exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 28 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

Note 9. Current Tax Assets (Liabilities)

	2013	2012
	\$	\$
Provision for income tax payable		
Opening balance	765,514	211,119
Less amount paid relating to prior year	(765,514)	(211,120)
Add amount payable for current year	1,590,217	2,169,515
Less amount paid relating to current year	(1,629,000)	(1,404,000)
	(38,783)	765,514

Note 10. Plant and Equipment

Plant and equipment comprise the following at cost which approximate fair value:

	Computers	Support Assets	Leasehold Improvements	Total
	\$	\$	\$	\$
At 1 July 2011				
Gross carrying amount	1,714,860	4,007,337	1,227,205	6,949,401
Accumulated depreciation	(951,120)	(2,027,558)	(73,936)	(3,052,614)
Net carrying amount	763,740	1,979,779	1,153,269	3,896,787
At 30 June 2012				
Gross carrying amount	1,995,988	4,388,541	1,228,555	7,613,085
Accumulated depreciation	(1,221,691)	(2,279,356)	(104,637)	(3,605,684)
Net carrying amount	774,297	2,109,185	1,123,918	4,007,401
At 1 July 2012				
Gross carrying amount	1,995,988	4,388,541	1,228,555	7,613,085
Accumulated depreciation	(1,221,691)	(2,279,356)	(104,637)	(3,605,684)
Net carrying amount	774,297	2,109,185	1,123,918	4,007,401
At 30 June 2013				
Gross carrying amount	2,078,745	4,426,150	1,444,141	7,949,036
Accumulated depreciation	(1,519,543)	(2,643,328)	(269,175)	(4,432,046)
Net carrying amount	559,202	1,782,822	1,174,966	3,516,990

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial years are set out below:

	2013 \$	2012 \$
Reconciliation - computers		
Net carrying amount at start of the year	774,227	763,739
Additions	95,078	320,212
Disposals	-	(69)
Depreciation expense	(310,102)	(309,655)
Net carrying amount at end of the year	559,203	774,227
Reconciliation - support assets		
Net carrying amount at start of the year	2,109,255	1,979,779
Additions	71,880	456,416
Disposals	(8,695)	-
Depreciation expense	(389,618)	(326,940)
Net carrying amount at end of the year	1,782,822	2,109,255
Reconciliation - leasehold improvements		
Net carrying amount at start of the year	1,123,918	1,153,269
Make Good - Steel River premises	215,586	-
Additions	-	1,350
Depreciation expense	(164,538)	(30,701)
Net carrying amount at end of the year	1,174,966	1,123,918

Note 11. Intangible Assets

Intangible assets comprise the following at cost:

	Software \$	Other \$	Total \$
At 1 July 2011			
Gross carrying amount	700,438	101,823	802,260
Accumulated amortisation	(506,696)	(9,103)	(515,799)
Net carrying amount	193,742	92,720	286,461
At 30 June 2012			
Gross carrying amount	804,030	101,823	905,853
Accumulated amortisation	(579,482)	(13,179)	(592,661)
Net carrying amount	224,548	88,644	313,192
At 1 July 2012			
Gross carrying amount	804,030	101,823	905,853
Accumulated amortisation	(579,482)	(13,179)	(592,661)
Net carrying amount	224,548	88,644	313,192
At 30 June 2013			
Gross carrying amount	898,875	108,122	1,006,997
Accumulated amortisation	(723,345)	(23,359)	(746,704)
Net carrying amount	175,530	84,763	260,293

Reconciliations

Reconciliations of the carrying amounts of each class of intangible asset at the beginning and end of the current and previous financial years are set out below:

	2013 \$	2012 \$
Reconciliation - software		
Net carrying amount at start of the year	224,548	193,743
Additions	69,859	125,105
Amortisation expense	(118,877)	(94,299)
Net carrying amount at end of the year	175,530	224,548
Reconciliation - other		
Net carrying amount at start of the year	88,644	92,718
Additions	6,300	-
Amortisation expense	(10,181)	(4,074)
Net carrying amount at end of the year	84,763	88,644

Note 12. Deferred Tax Assets

	2013 \$	2012 \$
Non current		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit & loss		
Work in Progress	(633,224)	(606,476)
Workers Compensation prepayment	(19,703)	(18,441)
Employee benefits	3,570,756	4,405,865
Provision for Make Good	78,577	-
Other operating expenditure payable	15,182	8,940
Depreciation	(109,433)	(105,756)
Unrealised tax foreign currency loss	177	578
	2,902,332	3,684,710
Amounts recognised in other comprehensive income		
Superannuation actuarial gains/(losses)	(799,030)	1,903,700
	(799,030)	1,903,700
Movements:		
Opening balance at 1 July	3,684,710	1,997,002
Credited/(charged) to the Income Statement	(782,378)	1,687,708
CLOSING BALANCE AT 30 JUNE	2,902,332	3,684,710

Note 13. Trade and Other Payables

	2013	2012
	\$	\$
Current		
Trade creditors	1,624,312	1,547,530
Other creditors	616,396	731,662
Income in Advance	146,009	202,551
	2,386,717	2,481,743

Details regarding liquidity risk and market risk including maturity analysis of above payables are disclosed in Note 28.

Note 14. Provisions

	2013	2012
	\$	\$
Current		
Employee benefits - short term	1,617,233	1,535,930
Employee benefits - long term	2,285,691	1,878,783
Dividend provided	2,563,777	-
	6,466,701	3,414,713
Non-current		
Employee benefits	397,140	402,316
Make Good – Steel River premises	261,922	-
	659,062	402,316

Reconciliations

Reconciliation of Provision for Make Good – Steel River Premises at the beginning and end of the current and previous financial years is set out below:

	2013	2012
	\$	\$
Reconciliation - make good - Steel River Premises		
Opening balance	-	-
Increase in provision	261,922	-
	261,922	-

Provisions are classified as current liabilities if the Company does not have unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date. This means that short term benefits such as annual leave, roster leave and the unconditional component of long service leave entitlements are classified as current liabilities regardless of when they are expected to be settled. Current employee benefits of \$1,501,467 at 30 June 2013 (30 June 2012: \$1,576,754) are expected to be settled after 12 months from reporting date.

A provision for Make Good – Steel river premises has been recognised for the first time in the current period. The provision is based on an estimate of the cost of dismantling the improvements to the Steel River premises and restoring the site on which it is located.

Note 15. Other Non-Current Liabilities

	Notes	2013	2012
		\$	\$
Non current			
Provision for underfunded defined benefit superannuation	19	7,035,963	10,132,085
		7,035,963	10,132,085

Note 16. Contributed Equity

	2013 \$	2012 \$
Issued and paid up capital 900,010 ordinary shares each fully paid	900,010	900,010

Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The shares have no par value.

Note 17. Statement of Cash Flows

Reconciliation of profit for the year to the net cash flows from operating activities

	2013 \$	2012 \$
Profit for the Year	3,662,538	5,559,207
Depreciation and amortisation	993,317	765,669
Superannuation Income	(432,688)	(326,130)
(Profit)/loss on sale of non-current assets	8,695	69
Net exchange differences	20,565	1,926
Make good lease costs	46,336	-
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors	1,605,378	(479,954)
(Increase)/decrease in work in progress	(32,618)	(317,318)
(Increase)/decrease in deferred tax assets	(16,652)	215,993
(Increase)/decrease in other operating assets	(393,082)	723,056
Increase/(decrease) in trade creditors	(95,026)	(175,061)
Increase/(decrease) in inter-company tax payable	(804,297)	554,395
Increase/(decrease) in other provisions	483,035	216,006
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,045,501	6,737,858

Note 18. Commitments

Lease commitments

Commitments in relation to leases contracted for the reporting date but not recognised as liabilities (inclusive of GST), payable:

	2013 \$	2012 \$
Within one year	1,595,016	1,493,616
Later than one year but not later than five years	4,131,131	3,201,021
Later than five years	358,413	2,267,231
	6,084,560	6,961,868
Representing:		
Cancellable operating leases	961,065	817,146
Non-cancellable operating leases	5,123,495	6,144,722
	6,084,560	6,961,868

Operating lease commitments

There are two significant non-cancellable operating leases of the Company for the lease of Head Office premises and a laboratory. The general office space lease commits the Company to a 10 year non-cancellable lease with two 5 year options to renew. There is an option to sub-let subject to council planning approvals. This lease commenced on 14 November 2008.

A 5 year option to renew the lease for the laboratory was taken on 1 July 2009. There is no option to sub-let under the current lease of the laboratory.

Future non-cancellable operating leases not provided for and payable (inclusive of GST):

	2013 \$	2012 \$
Within one year	1,081,054	1,028,099
Later than one year but not later than five years	3,684,028	2,849,392
Later than five years	358,413	2,267,231
	5,123,495	6,144,722

Note 19. Superannuation

A. Superannuation plan

Some employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Company also contributes to the plans.

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)
- Police Superannuation Scheme (PSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The State Authorities Superannuation Scheme closed on 18 December 1992. All the Schemes are closed to new members.

Superannuation benefits for new entrants are now provided through First State Super (FSS) or the employee's choice of fund, which are accumulation type schemes. The Company has made full provision for these commitments.

The following sets out details in respect of the defined benefits schemes only.

B. Superannuation position

Following is the 30 June 2013 superannuation position:

Member Numbers	SSS	SASS	SANCS	2013	2012
Contributors	3	10	13	26	26
Deferred benefits	2	-	-	2	2
Pensioners	11	1	-	12	12
Pensions fully commuted	5	-	-	5	5
Superannuation Position	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Accrued liability	16,576,452	4,408,017	696,853	21,681,322	22,894,962
Estimated reserve account balance	(11,099,027)	(3,158,750)	(387,582)	(14,645,359)	(12,762,877)
	5,477,425	1,249,267	309,271	7,035,963	10,132,085
Future service liability	(271,198)	(575,910)	(290,552)	(1,137,660)	(1,355,366)
Net (asset)/liability to be recognised in statement of financial position	5,477,425	1,249,267	309,271	7,035,963	10,132,085

C. Reconciliation

	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Present value of partly funded defined benefit obligations at beginning of the year	17,901,988	4,274,899	718,075	22,894,962	17,509,405
Current service cost	53,742	104,625	29,804	188,171	149,820
Interest cost	539,023	129,197	21,351	689,570	907,800
Contributions by fund participants	39,091	61,460	-	100,551	130,613
Actuarial (gains)/losses	(1,421,562)	18,849	(47,751)	(1,450,463)	5,168,287
Benefits paid	(535,830)	(181,013)	(24,626)	(741,469)	(970,964)
Present value of partly funded defined benefit obligations at end of the year	16,576,452	4,408,017	696,853	21,681,322	22,894,962
Fair value of fund assets at beginning of the year	9,770,727	2,667,773	324,377	12,762,877	13,396,857
Expected return on fund assets	819,020	230,202	27,477	1,076,699	1,135,605
Actuarial gains/(losses)	926,786	256,751	29,434	1,212,971	(1,177,380)
Employer contributions	79,233	123,577	30,920	233,730	248,145
Contributions by fund participants	39,091	61,460	-	100,551	130,613
Benefits paid	(535,830)	(181,013)	(24,626)	(741,469)	(970,964)
Fair value of fund assets at end of the year	11,099,027	3,158,750	387,582	14,645,359	12,762,876
Present value of partly funded defined benefit obligations at end of year	16,576,452	4,408,017	696,852	21,681,321	22,894,962
Fair value of fund assets at end of the year	(11,099,027)	(3,158,750)	(387,581)	(14,645,358)	(12,762,877)
Subtotal	5,477,425	1,249,267	309,271	7,035,963	10,132,085
Net Liability/(Asset) recognised in statement of financial position at end of year	5,477,425	1,249,267	309,271	7,035,963	10,132,085

D. Expense recognised in the income statement

Components Recognised in Income Statement	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Current service cost	53,742	104,625	29,804	188,171	149,820
Interest cost	539,023	129,197	21,351	689,570	907,800
Expected return on fund assets (net of expenses)	(819,020)	(230,202)	(27,477)	(1,076,699)	(1,135,605)
Expense/(income) recognised	(226,255)	3,620	23,678	(198,958)	(77,985)

E. Expenses recognised in the statement of comprehensive income

	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Actuarial (gains)/losses	(2,348,348)	(237,901)	(77,185)	(2,663,434)	6,345,667

F. Cumulative amount recognised in the statement of comprehensive income

Actuarial (gains) losses	\$
2004/05	1,361,465
2005/06	(2,530,305)
2006/07	(1,322,582)
2007/08	1,622,799
2008/09	4,380,831
2009/10	1,209,695
2010/11	(129,141)
2011/12	6,345,667
2012/13	(2,663,434)
	8,274,995

G. Fund assets

The percentage invested in each asset class at the statement of financial position date:

	30 June 2013	30 June 2012
Australian equities	30.4%	28.0%
Overseas equities	26.1%	23.7%
Australian fixed interest securities	6.9%	4.9%
Overseas fixed interest securities	2.2%	2.4%
Property	8.3%	8.6%
Cash	13.1%	19.5%
Other	13.0%	12.9%

All fund assets are invested by STC at arm's length through independent fund managers.

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns for each class are net of investment tax and investment fees.

H. Actual return on plan assets

	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Actual return on fund assets	1,627,621	460,941	56,911	2,145,473	20,057

I. Principal actuarial assumptions

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the obligation.

The principal actuarial assumptions used (expressed as weighted averages) at the reporting date were as follows:

Weighted-Average Assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	2.7% pa for 6 years then 4% pa
Expected rate of CPI increase	2.5% pa

The demographic assumptions at 30 June 2013 are those that will be used in the 2012 triennial actuarial valuation.

J. Employer contributions

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2009.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost to the employer. Under the aggregate funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The recommended contribution rates for 2013 and 2012 for the Company are:

- State Superannuation Scheme 1.60X (multiple of member contributions)
- State Authorities Superannuation Scheme 1.90X (multiple of member contributions)
- State Authorities Non-Contributory Superannuation Scheme 2.5% (% of member salary)

2013: The economic assumptions used by the actuary to make the funding recommendation were an investment return on fund assets of 8.6% pa, a salary increase rate of; 2.25% (2013/14 to 2014/15), 2.0% (2015/16 to 2019/20), 2.5% (2020 onwards), and an inflation rate of 2.5% pa.

2012: The economic assumptions used by the actuary to make the funding recommendation were an investment return on fund assets of 8.6% pa, a salary increase rate of 2.5% pa, and an inflation rate of 2.5% pa.

The following is a summary of the 30 June 2013 financial position of the Fund calculated in accordance with *AAS 25 Financial Reporting by Superannuation Plans*:

Surplus/Deficit	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Accrued benefits	9,606,602	3,630,828	560,887	13,798,317	13,185,640
Net market value of fund assets	(11,099,027)	(3,158,750)	(387,582)	(14,645,359)	(12,762,877)
Net (surplus)/deficit	(1,492,425)	472,078	173,305	(847,042)	422,763

K. Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

L. Historic summary

	SSS \$	SASS \$	SANCS \$	2013 \$
Present value of defined benefit obligation	16,576,452	4,408,017	696,853	21,681,322
Fair value of fund assets	(11,099,027)	(3,158,750)	(387,582)	(14,645,359)
(Surplus)/Deficit in Fund	5,477,425	1,249,267	309,271	7,035,963
Experience adjustments - Fund liabilities	(1,421,562)	18,849	(47,751)	(1,450,464)
Experience adjustments- Fund assets	(926,786)	(256,751)	(29,434)	(1,212,971)
	2012 \$	2011 \$	2010 \$	2009 \$
Present value of defined benefit obligation	22,894,962	17,509,406	17,839,393	16,851,460
Fair value of fund assets	(12,762,877)	(13,396,857)	(13,297,391)	(13,181,995)
(Surplus)/Deficit in Fund	10,132,085	4,112,549	4,542,002	3,669,465
Experience adjustments - Fund liabilities	5,168,287	(320,470)	536,958	2,138,637
Experience adjustments- Fund assets	1,177,380	191,329	672,737	2,242,204

Expected Contributions

	SSS \$	SASS \$	SANCS \$	2013 \$	2012 \$
Expected employer contributions	62,546	116,774	29,833	209,153	258,895

Note 20. Contingent Liabilities and Assets

Liabilities

No significant claims for damages are being negotiated. This does not include matters covered by Insurance. No significant claims for damages were being negotiated as at 30 June 2013.

Assets

The Company has a contingent asset in the form of a Redundancy Guarantee from the Controlling Entity. The Redundancy Guarantee relates to current Hunter Water Australia employees who were former employees of the controlling entity upon Hunter Water Australia's formation in 1998.

The Redundancy Guarantee provides that if Hunter Water Australia were to pay current employees who were former employees of the Controlling Entity redundancy, then the Controlling entity would pay Hunter Water Australia the difference between the severance rate which would be paid at the Controlling Entities scale and the severance rate Hunter Water Australia would be required to pay in accordance with current statutory legislation.

The current Redundancy Guarantee from the Controlling Entity will expire on 30 June 2016, unless there is a change in ownership prior to this date. In the case of change of ownership, the Redundancy Guarantee would expire when Hunter Water Corporation was no longer the Controlling Entity.

The contingent asset for Redundancy Guarantee has not been valued as there is no current expectation that the guarantee will be called upon.

Note 21. Auditors' Remuneration

Amounts received or due and receivable by the auditors, from the Company

	2013 \$	2012 \$
Audit review of financial reports (exclusive of GST)	35,000	35,000
	35,000	35,000

Note 22. Related Party Disclosures

Transactions between related parties are conducted using commercial conditions no more favourable than those available to other parties unless otherwise stated.

The Controlling Entity Hunter Water Corporation (HWC) owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.

Sales were made to the parent entity under normal commercial terms and conditions no more favourable than those available to other parties.

Purchases from the parent entity were made under normal commercial terms and conditions no more favourable than those available to other parties.

A formal loan agreement has been entered into with the Parent Entity under normal terms and conditions. Interest is payable monthly at market rates.

A. Controlling entity

	2013 \$	2012 \$
Transactions with controlling entity		
Sales		
Contracts & Consultancy Services	21,870,753	24,029,269
Purchases		
Contracts	241,403	219,997
Consultancy Services	15,090	139,539
TOTAL PURCHASES	256,493	359,536
Interest received	163,767	216,931
Dividends paid	(6,892,910)	(3,558,109)
Outstanding balances at year end		
Receivables		
Sales and purchases	2,123,635	3,421,475
Tax funding agreements	2,941,115	3,684,710
Inter-company loan	7,634,338	5,000,000
Inter-company loan - interest	-	14,496
TOTAL RECEIVABLES	12,699,088	12,120,681
Payables		
Sales and purchases	-	1,500
Tax funding agreements	-	765,514
Dividend payable	2,563,777	-
TOTAL PAYABLES	2,563,777	767,014

B. Related entity/party

		2013	2012
	Entity	\$	\$
Transactions with related entities			
Sales			
Engineering consultancy	GHD	-	262
Engineering consultancy	Hunter Development Corp	-	34,762
University engineering courses	University of Ncle	-	10,359
Engineering consultancy	Water Services Association of Aust	28,700	27,600
TOTAL SALES		28,700	72,983
Purchases			
Superannuation contributions	First State Super	1,249,638	1,329,420
Project consultancy services	GHD	-	58,793
Labour hire	People Fusion	2,561	21,401
Scholarship fees	University of Ncle	-	14,140
Membership fees	Water Services Association of Aust	1,200	11,225
TOTAL PURCHASES		1,253,399	1,434,979
Outstanding balances at year end			
Receivables	Entity		
Engineering consultancy	Hunter Development Corp	-	10,612
11am cash account	TCorp	-	6,365,459
TOTAL RECEIVABLES		-	6,376,071

Note 23. Key Management Personnel Disclosures**A. Directors and any director related entities**

The Directors of Hunter Water Australia Pty Limited during the financial year were:

Mr TH Lawler Chairman to 27 June 2013 (Resigned 25 July 2013)

Mr K Wood (Resigned 25 July 2013)

Mr RA Chappel (Resigned 22 January 2013)

Mr J Eather Chairman from 27 June 2013

All Directors of Hunter Water Australia Pty Limited were also Directors of the parent entity, Hunter Water Corporation during the year.

B. Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Name	Position
Mr J Keary	General Manager
Mr P Thompson	Manager Process Engineering
Mr D Bailey	Manager Treatment Operations
Mr J Gleeson	Chief Engineering Consultant
Mr C Smith	Manager Planning, Assets and Environmental
Mr J Smith	Manager Design and Project Delivery
Mr D Bowerman	Manager Electrical and SCADA
Ms A Swan	Manager Laboratories and Company Secretary
Mrs M Griffin	Commercial Manager

C. Key management personnel compensation

	2013	2012
	\$	\$
Short term employee benefits	1,774,262	1,670,117
Long term employee benefits	57,239	54,975
Post employment benefits	253,885	275,939
	2,085,386	2,001,031

Note 24. Management Consultants Fees

	2013	2012
	\$	\$
Management consultants paid or payable	56,868	73,642

Note 25. Segment Information

The Company operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia.

Note 26. Economic Dependency

The Company operated independently of the parent entity. All transactions were on normal commercial terms and conditions. A significant portion of sales (approximately 56%) are derived from the parent entity, Hunter Water Corporation.

Note 27. Events Occurring After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affect or may affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 28. Financial Risk Management

A. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual, incorporated legal entity or government entity. Approximately 56 percent of the Company's revenue is attributable to sales transactions with the controlling entity. Geographically there is no concentration of credit risk.

The Company's credit policy requires new customers to be analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes determining the customer type and receiving credit worthiness reports for non-government entities and in some cases trade references. Credit limits are established for each customer, which represent the maximum amount without requiring approval from the General Manager; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company on a prepayment basis only.

The Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is the total of specific loss component that relates to individually significant exposures.

Investments

The Company limits its exposure to credit risk by only investing in liquid securities and only with the Controlling Entity or with the New South Wales Treasury Corporation (TCorp). Management does not expect either of these counterparties to fail to meet its obligations.

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's strategy is to maintain a sufficient level of cash and investments to meet current and longer-term operating needs of the company.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2013 \$	2012 \$
Cash and cash equivalents	6	2,601,720	7,346,559
Investments	7	7,634,338	5,000,000
Trade Receivables	8	4,545,675	5,792,538
		14,781,733	18,139,097

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2013 \$	2012 \$
Domestic	3,718,781	5,317,926
Papua New Guinea	43,006	49,828
	3,761,787	5,367,754

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2013	2012
	\$	\$
Controlling entity	1,950,665	3,355,540
Other Government entity	987,373	1,516,999
Incorporated entity (Proprietary or Public Company)	822,048	494,113
Unincorporated entity or sole trader	1,701	1,102
	3,761,787	5,367,754

For each type of customer that is not past due or impaired, the credit quality is considered good with no defaults in the past.

Impairment losses

The aging of trade receivables at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Not past due	3,677,746	-	5,018,126	-
Past due 2 to 6 months	75,971	-	237,864	-
Past due 6 to 12 months	5,286	-	70,788	-
Past due more than one year	2,784	-	40,976	-
	3,761,787	-	5,367,754	-

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	2013	2012
	\$	\$
MOVEMENT IN ALLOWANCE FOR IMPAIRMENT		
Balance at 1 July	-	(14,784)
Amounts recovered during the year	-	14,784
Balance at 30 June	-	-

All trade receivables at 30 June 2013 are expected to be collected.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

B. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The loan held with the parent entity can be drawn down given 2 business days' notice, and can be recalled in full given 90 days' notice. In addition, the Company maintains a \$200,000 bank overdraft that is unsecured. Interest would be at the rate of 9.63% per annum for an overdraft up to \$200,000 and then 14.73% for an overdraft above that (2012: 9.98% and 15.08% respectively).

The following are the contractual maturities of financial liabilities, including interest payments.

2013	Carrying amount \$	Contractual cash outflows \$	3 months or less \$	4 months or more \$
Trade and other payables	1,624,312	1,624,312	1,624,312	-
	1,624,312	1,624,312	1,624,312	-
2012	Carrying amount \$	Contractual cash outflows \$	3 months or less \$	4 months or more \$
Trade and other payables	1,547,530	1,547,530	1,547,530	-
	1,547,530	1,547,530	1,547,530	-

C. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Company provides consultancy services to customers based in Papua New Guinea and New Zealand.

Currency risk arises from future commercial transactions and recognised assets denominated in a currency that is not the Company's functional currency.

The Company manages currency risk by regularly billing in hourly rates upon completion of tasks and continuous monitoring of forecast cash flows. Management has set up a policy requiring the company to manage their foreign exchange risk against the Australian dollar. The Company is required to hedge any major foreign exchange risk exposure arising from future commercial transactions using forward contracts or derivatives in the form of currency option contracts. The Company's exposure to currency risk at the reporting date was as follows:

All carrying amounts of the financial assets and liabilities are denominated in notional Australian dollars.

	2013 \$ PGK	2012 \$ PGK
Trade Receivables	43,006	49,828
Bank	58,472	-
	101,478	49,828

Currency risk sensitivity analysis

A 10 percent strengthening of the Australia dollar against the following currencies at 30 June 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	2013		2012	
	Profit or (Loss)	Equity	Profit or (Loss)	Equity
	\$	\$	\$	\$
Papua New Guinea Kina	(10,148)	(10,148)	(4,983)	(4,983)
	(10,148)	(10,148)	(4,983)	(4,983)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2013 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Company is not exposed to any significant interest rate risk as the company currently hold only interest bearing financial assets. These financial assets held are all variable rate instruments.

The Company has an undrawn overdraft facility approved up to a limit of \$200,000. Interest would be at the rate of 9.63% per annum for an overdraft up to \$200,000 and then 14.73% for an overdraft above \$200,000 (2012: 9.98% and 15.08% respectively).

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were:

	2013	2012
	\$	\$
Variable rate instruments		
Financial assets	10,176,035	12,344,801
	10,176,035	12,344,801

Interest Rate Sensitivity Analysis for Variable Rate Instruments

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on equity and profit or loss. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

2013	Profit or (Loss) 1% increase	Equity 1% increase
	\$	\$
Variable rate interest rates	101,760	101,760
	101,760	101,760
2012	Profit or (Loss) 1% increase	Equity 1% increase
	\$	\$
Variable rate interest rates	123,448	123,448
	123,448	123,448

D. Fair values

The financial assets and liabilities in the Statement of Financial Position are carried at amounts assumed to approximate their net fair values.

End of Audited Financial Statements

Directors' Declaration

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that in the opinion of the Directors of Hunter Water Australia Pty Limited, the financial statements and notes:

a) Exhibit a true and fair view of the financial position of the Company as at 30 June 2013 and its performance as represented by the results of its operation and its cash flows for the year then ended.

b) Comply with the applicable Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the *Australian Accounting Standards Board*, the *Corporations Act 2001*, Part 3 of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*.

There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.

Signed in accordance with a resolution of the Directors:



Mr. J. Eather
Chairman



Mr. P. Dalglish
Director

Dated: 29 August 2013, Newcastle

Contact Us

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The other offices are located within Council offices.

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Annual Report Availability

www.hunterwater.com.au/annualreport

Index

About this report.....	4
Area of operations map	6
Australian Drinking Water Quality Guidelines	12
Board committees	22-23
Board members	11, 20-21
Chairman's and Managing Directors Report.....	10
Community Consultative Forum.....	17, 70
Consultants	94
Contact Us	143
Debt management.....	35
Drinking water quality	12
Environmental Protection Authority	12
Equal employment opportunity	72
Executive team	13
Financial assistance.....	14, 16-18, 73
Financial statements	19-67
Government Information (Public Access) (GIPA)	99-101
Hunter Water Australia Pty Limited.....	105-142
Independent Pricing and Regulatory Tribunal	10, 12, 14, 17, 31, 37-38, 76, 89
Lower Hunter Water Plan.....	10, 16-18, 103
Metropolitan Water Directorate	10, 16-18, 103
Multicultural Polices and Services Program.....	72-73
No Interest Loan Scheme	15, 73
Operating expenditure	26
Operating Licence	10, 12, 17
Organisational structure.....	13
Overseas travel.....	73
Pricing	89
Property sales.....	84
Recycled water.....	15, 91, 93
Research and development	95
Risk management and insurance.....	103
Waste Reduction and Purchasing Policy Statement (WRAPP).....	79
Water efficiency	14-15
Workplace health and safety.....	8, 10, 14-17, 73, 103
Values.....	8
Vision and mission.....	7

