

Grahamstown Dam at dawn



ANNUAL 2015-16 REPORT

2015-16



ABOUT THIS REPORT

The 2015-16 Annual Report provides an overview of Hunter Water's activities and performance for the period 1 July 2015 to 30 June 2016. It includes highlights from the year, financial reports, statistical information and the activities of Hunter Water's former subsidiary company, Hunter Water Australia Proprietary Limited (HWA), of which the assets were divested in December 2014. Until HWA has been liquidated and deregistered, there remains a legislative obligation under the *Annual Reports (Statutory Bodies) Act 1984* (NSW) for the financial statements to be reported each year.

Past annual reports can be found at hunterwater.com.au/annualreport. To provide feedback on this report please email communications@hunterwater.com.au or write to: Public Affairs / Hunter Water / PO Box 5171 / HRMC NSW 2310.

Note

At the commencement of the 2015-16 financial year, Hunter Water's Managing Director was Mr Kim Wood. Mr Wood announced his resignation on 20 August 2015 and Mr Jeremy Bath was subsequently appointed Interim Chief Executive Officer. Dr Jim Bentley was appointed Managing Director on 27 July 2016 by the Governor of New South Wales.

LETTER OF SUBMISSION



The Hon. Gladys Berejiklian, MP
Treasurer
Minister for Industrial Relations
Member for Willoughby
52 Martin Place
SYDNEY NSW 2000

The Hon. Dominic Perrottet, MP
Minister for Finance, Services and Property
Member for Hawksbury
52 Martin Place
SYDNEY NSW 2000

The Hon. Niall Blair, MLC
Minister for Primary Industries
Minister for Lands and Water
Member of the Legislative Council
52 Martin Place
SYDNEY NSW 2000

Dear Treasurer, Minister Perrottet and Minister Blair

We are pleased to submit the Annual Report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2016 for presentation to the Parliament of New South Wales.

Our Annual Report 2015-16 was prepared in accordance with section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements for 2015-16, which form part of the full report, have been submitted to and certified by the Auditor-General of New South Wales.

Yours sincerely

Terry Lawler
Chairman

Jim Bentley
Managing Director

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MANAGING DIRECTOR'S OVERVIEW

In 2015-16 Hunter Water continued to progress its goal of becoming one of Australia's leading water utilities.

Our pricing submission was largely supported by our pricing regulator, the Independent Pricing and Regulatory Tribunal (IPART), with only relatively small reductions in approved capital and operational expenditure. This ensures our water prices for the next four years will remain among the most affordable of any Australian medium or large sized water utility while allowing Hunter Water to commence a 10 year plan to invest more than \$1 billion in work to build or upgrade water and wastewater infrastructure. At the same time, we completed a three year asset recycling program with our decision to sell the Kooragang Industrial Water Scheme. The sale is expected to complete later this year, strengthening our balance sheet.

Earlier in the year Hunter Water also entered into contracts which have since seen the disposal of 100% of the land purchased for Tillegra Dam, a \$470 million project which was abandoned by the then Keneally Government in 2010. The decision to sell the land was a logical one given both major political parties as well as the Greens are opposed to the construction of the Dam. During the year Hunter Water also commenced work to augment its water supply by increasing the amount of daily water it can access from the Central Coast. Once the upgrade is completed in 2018, up to 11 billion litres of water will, subject to Wyong Water approval, be available to be purchased from the Central Coast and pumped to a reservoir in Toronto for the purpose of supplying the southern part of Lake Macquarie.

Hunter Water is one of the region's oldest organisations, and we are proud of our connection to the community. In 2015-16, we took steps to further enhance this connection via the establishment of a Charity Partnership Program with local charities Cancer Council NSW, Westpac Rescue Helicopter Service and Lifeline Hunter Central Coast. These charities were selected by our employees and saw each charity promoted more than half a million times via our emails, bills and customer newsletters. We also worked closely with each charity to support their fundraising events, raising tens of thousands of dollars.

In 2015-16 Hunter Water formalised its 30-year association with the Hunter Region Botanic Gardens via the provision of an annual grant of up to \$50,000. These funds will ensure this much loved volunteer run facility will continue to operate as both a valuable educational centre and as a tourist destination. The Gardens also plays a valuable role as a custodian of the western end of the Tomago Sandbeds, an underground water source that can provide up to 20% of the region's drinking water during a period of drought.

The threat to water quality from human activity within the Tomago Sandbeds was unfortunately highlighted throughout the year via the revelation of the contamination of the aquifer from chemicals used within RAAF Base Williamtown over several decades for the purpose of firefighting. The foams comprised of chemicals collectively known as PFAS, entered local ground water many years ago and have now moved from the Base to the bores of many local property owners. This widespread contamination has not only forced Hunter Water to suspend its use of three bores in the Tomago Sandbeds, but has also required the NSW Government to declare a formal Investigation Area.

Hunter Water has provided considerable support to property owners inside the Investigation Area, making available key staff for advisory committees which have both informed Government decision making as well as helped bring about a better understanding of the contamination, its movement within groundwater and its effect on the local environment. Under the direction of the NSW Government, Hunter Water has commenced a project to provide access to reticulated water to those properties within the Investigation Area. It is my expectation that this work will be completed by June 2017.

In December Hunter Water commenced testing drinking water for PFAS. The results of these tests, which confirmed the absolute safety of our water, are now published monthly on our website and promoted via our Twitter account.

2015-16 was not without its challenges. Hunter Water was fined by the NSW Land and Environment Court for an incident in 2014 when fluoride at the Dungog Water Treatment Plant leaked into a nearby creek. Hunter Water is committed to ensuring that its operations are carried out in an environmentally responsible manner and has since invested more than \$5 million at its water treatment plants ensuring that such a spill can never occur again.

Financially, Hunter Water exceeded forecasts with a net profit of \$39.1 million. Driving this result were favourable capital contributions from developers as the region continued to enjoy a period of heightened development activity. Hunter Water's operational savings of almost \$6 million also contributed to this strong result.

The year ahead is an exciting one for Hunter Water. We will celebrate our 125th anniversary, an event that will be shared with the community via an exhibition at Newcastle Museum which is now being planned, and which will celebrate our contribution to this amazing region.

Our strategic goals will be reviewed with a view to ensuring Hunter Water is meeting not only the expectations of our customers but indeed of our community and stakeholders. We have an organisation that the community can rightly be proud of, but that if we are honest with ourselves, can and will achieve more on behalf of the Hunter.

I look forward to reporting back to you in 12 months of our success in delivering upon this commitment to achieve more.

Jim Bentley
Hunter Water Managing Director

ORGANISATIONAL PROFILE

What We Do

Hunter Water is a State Owned Corporation (SOC) providing drinking water, wastewater, recycled water and some stormwater services to a population of almost 600,000 people in homes and businesses across the Lower Hunter.

Hunter Water was the first SOC to be proclaimed within New South Wales pursuant to the *State Owned Corporations Act 1989*. We are proud of our humble beginnings, starting in the 1880s when water was first delivered to Newcastle from a temporary pumping station on the Hunter River at Oakhampton to Newcastle No 1 Reservoir on Tyrrell Street. We are committed to building a better understanding of the water and wastewater system in our community. To support this we run monthly public tours of the Hunter's oldest drinking water reservoir, The Res, where visitors learn about our water history. We have also built the region's first water Centre for Education at the site of the Kooragang Industrial Water Scheme, which links to the primary and high school curriculum. Today we operate under the *Hunter Water Act 1991* (NSW).

We have 456 employees who are committed to delivering safe, affordable and reliable services to our community. Our employees work closely with contractors, stakeholders and the community to manage an asset base of more than \$2.5 billion worth of water, wastewater and recycled water infrastructure, ensuring a sustainable water future for the Lower Hunter.

Our Area of Operations

Our services, projects and activities cover 6,671 square kilometres in the areas of Cessnock, Lake Macquarie, Maitland, Newcastle, Port Stephens, Dungog and small parts of Singleton. We deliver an average of 188ML (one megalitre equals one million litres) of water per day. Our major water sources are: Grahamstown Dam (182,305ML), Chichester Dam (18,356ML), Tomago Sandbeds (60,000ML) and Anna Bay Sandbeds (16,024ML). We supply bulk water to small parts of the Great Lakes area and are capable of selling up to 35ML per day to the Central Coast.

We maintain an extensive system to transport wastewater, which includes 4,995km of sewer mains and 402 pumping stations. We also have 19 wastewater treatment works, treating more than 70,000ML of wastewater annually. We own and operate a small amount of stormwater assets in Lake Macquarie, Newcastle and Cessnock.

Our Vision



To be a leading water business



Our Purpose



To provide safe, reliable and efficient water and wastewater services to our community

Respect

We are courteous and honest. We value and consider the views of others. We look out for others' welfare and show appreciation.

Excellence

We take pride in our work and celebrate and acknowledge successes. We deliver on our commitments and strive to continuously improve. We accept and respond to change.

Ethics

We act in accordance with our policies and Code of Conduct. We are fair, consistent and objective. We make decisions that are transparent and credible.

Courage

We are accountable for our actions and behaviours and lead by example. We are comfortable to challenge ideas and the status quo. We have honest and open conversations and listen to different perspectives.

Collaboration

We work as a team and take a whole of business view. We share our skills, knowledge and experience. We consider others' perspectives and accept others' ideas. We work constructively to resolve conflicts.

Our Values

OUR STRUCTURE

Under the *Hunter Water Act 1991*, the Board of Directors includes a Chairperson and up to nine directors, including the Managing Director. The Board has established a number of committees to provide strategic guidance and to strengthen corporate governance. The Executive Management Team, led by the Managing Director, oversees the operation of the five divisions at Hunter Water. This Team's key responsibilities include accountability for operational safety, providing leadership to employees, delivering Hunter Water's strategic vision, and ensuring compliance with regulatory frameworks.



Current at 31 September 2016.

THE BOARD

The Board of Directors is comprised of up to nine members, including the Managing Director, together with a Chairman and non-executive Directors appointed by the voting shareholders of Hunter Water - the NSW Treasurer and Minister for Finance, Services and Property. Directors, excluding the Managing Director, are appointed for a term of up to three years. Upon completion of their term, Directors may be appointed for a further term or subsequent terms. The maximum term a Director can serve is 10 years. All non-executive Director positions are skills-based, with the Managing Director, the only executive 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 the business and regulatory commitments. We have a strong corporate governance framework that underpins our strategic objectives and commitment to 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 profiles of Hunter Water's Directors please refer to the Directors' Report on page 35.

EFFECTIVE GOVERNANCE

We operate within a risk-based framework that guides decision making and business controls.

COMMITTEES



Audit and Risk

To assist the Board with external financial reporting; internal control and risk management; external audit; internal audit; compliance and ethics; and fraud and corruption prevention and detection.

Membership

J Eather (Chair), T Lawler, M Gleeson and R Lavery.

Frequency

At least four meetings per year.



Capital Works

To assist the Board by providing strategic overviews of the Capital Works programs.

Membership

P Dalglish (Chair), T Lawler, J Eather, K Wood (resigned 30 September 2015), G Clarke.

Frequency

At least four meetings per year.



Community and Environment

To ensure Hunter Water continues to maintain a proactive and strategic approach in relation to sustainable use of resources and delivery of services in the context of its trading, social and natural environment.

Membership

M Gleeson (Chair), G Clarke, K Wood (resigned 30 September 2015), R Lavery (appointed 29 October 2015).

Frequency

Four meetings per year.



Corporate Governance

To ensure effective corporate governance within Hunter Water and to advise the Board on remuneration policy and matters concerning Board evaluation and composition.

Membership

T Lawler (Chair), J Eather, K Wood (resigned 30 September 2015), P Dalglish.

Frequency

Four meetings per year and as required.



Economic Regulatory

To assist the Board in developing regulatory policy position and pricing proposals for input to economic reviews of the urban water utility sector and the IPART price determination process.

Membership

R Lavery (Chair), G Clarke, P Dalglish, K Wood (resigned 30 September 2015).

Frequency

Four meetings per year during the price review period, and as needed at other times.



After a 12 month public review, the Independent Pricing and Regulatory Tribunal (IPART) determined Hunter Water's 2016-2020 water and sewer prices for local homes and businesses in June 2016. As part of the review, IPART approved Hunter Water to invest \$364.5 million over four years on new and existing infrastructure.

An operational audit of Hunter Water's Operating Licence for 2014-15 has been undertaken, examining 15 clauses in Hunter Water's Operating Licence during September and October 2015. This included two days of onsite interviews, field visits and a review of documentation provided by Hunter Water.

The report awarded full compliance for 13 of the audited Licence clauses and two high compliance findings. Hunter Water has steadily improved its Operating Licence compliance over recent years. With almost 90% full compliance for 2014-15, the draft report is the best outcome for an Operating Licence audit for Hunter Water since IPART established the current Operating Licence in 2012-13. The 2015-16 report has been completed, with the results to become available in the future.

Operating Licence
RECORD
compliance



GOVERNANCE

Regulatory Framework

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

Operating Licence

Our Operating Licence is set by the IPART and is issued by our Portfolio Minister. We have a five year Operating Licence which came into effect on 1 July 2012.

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

IPART conducts an annual independent audit to assess our 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. Updates to the Operating Licence and Customer Contract are due to commence on 1 July 2017.

Pricing

Our overall pricing structure is periodically reviewed and determined by IPART. Prices that applied for 2015-16 were set by IPART in 2013 and came into effect July 2013. For further details on pricing refer to the Pricing Structure in Statistical Information on page 24 and the Hunter Water website. Information about the price determination process can be found on IPART's website.

Wastewater Systems

The Environment Protection Authority (EPA) is 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.

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

Access to Water

We extract 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

We produce and supply high quality, safe drinking water to our 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. We work closely with NSW Health to ensure that drinking water quality is managed appropriately.

NSW Regulatory 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)	Licensing of discharge to environment	Environment Protection Licences
DPI Water - part of the NSW Department of Primary Industries	Water extraction licensing	Water Management Licences
NSW Health	Drinking water quality	Operating Licence Memorandum of Understanding with NSW Health Australian Drinking Water Guidelines



SATISFIED COMMUNITY

We embrace our role in the community and engage with customers in the provision of our services.

Hunter Water is a part of the local community. We aim to instil community trust through understanding, engagement and positive interactions. We believe a Satisfied Community is one where expectations are set and met, where it is understood the direction we are going and why, and where people are consulted with and have a voice.

Having a Satisfied Community gives us the social licence we need to operate, and makes Hunter Water more desirable to work for and do business with.

In 2015-16 we developed a school education program to engage children from a young age, teaching the importance of water and water efficiency. We also embarked on a Charity Partnership Program where our employees choose three charities annually for us to promote and fundraise for, enhancing community participation.

COMMUNITY PARTNERSHIPS IN FOCUS



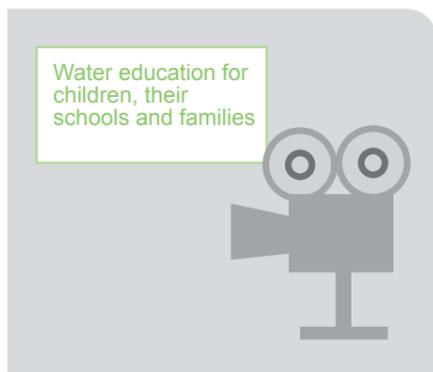
Promoting the good in our community

Charity Partnership Program

In March 2016, Hunter Water partnered with three local charities, using the 750,000 water bills it sends out annually to promote the contribution each charity is making to the Hunter. It also sought various opportunities to fundraise for the charities over the year, including through employee events.

Hunter Water has provided Cancer Council NSW, Westpac Rescue Helicopter Service and Lifeline Hunter Central Coast the opportunity for their respective logos and fundraising information to be included on Hunter Water's bills, emails and customer newsletter for four months each.

Hunter Water employees will select three new charities in December 2016.



Water education for children, their schools and families

School Short Film Competition

Primary schools throughout the Lower Hunter were invited to join Hunter Water's *The Water Catchers* competition, with nine finalists having their short films professionally shot and directed. The short film competition was designed to make water education fun and this year's 'how water gets to the tap' theme encouraged students to submit creative scripts and story boards inspired by what happens to our most precious resource between falling from the sky and flowing from our taps.

Finalists won the opportunity to have their scripts come to life and act out their stories in front of a film crew, with their videos hosted online for public voting. All nine films were screened at a gala movie night held at Newcastle's Tower Cinemas in December. Eleebana Public School won first prize, which was \$5,000 towards an environmental project at the school.



Highlighting the benefits of water

Hydration Program

Hunter Water partnered with the Newcastle Knights to promote the benefits of drinking tap water and staying hydrated. The partnership focused on leveraging the Newcastle Knights' community program that sees players engage 50,000 school students annually, spreading the message of staying hydrated with water from the tap.

Hunter Water had a presence at Knights home games, providing fans with free tap water at the stadium entrance throughout the 2016 season.

COMMUNITY CONSULTATIVE FORUM

Representation from

19

local organisations

The Community Consultative Forum is an advisory body comprising of 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 2015-16 membership and attendance at the Community Consultative Forum was as follows:

Representative	Organisation	Attendance at meetings held	
		A	B
Cr Brian Adamthwaite	Lake Macquarie City Council [from 29 September 2015]	1	3
Mr Rick Banyard	Property Owners Association	2	3
Mr Jeremy Bath	Hunter Water (Chair)	3	3
Mr David Beins	[Non-English speaking background]	1	2
Ms Ingrid Berthold	Local Land Services	3	3
Cr Linda Bowden	Save the Williams River Coalition	2	3
Cr David Compton	Newcastle City Council	1	3
Cr Geoff Dingle	Port Stephens Council [to 5 November 2015]	1	1
Cr Geoff Dingle	Medowie Progress Association [from 2 February 2016]	2	2
Dr Troy Gaston	University of Newcastle [from 29 September 2015]	3	3
Mr James Hopson	Williams Water Users Association	2	2
Ms Anita Hugo	Hunter Business Chamber	1	3
Mayor Harold Johnston	Dungog Shire Council	2	3
Mr Peter Jones	Wetlands Environmental Education Centre	0	3
Ms Joan Lambert	Newcastle Older Women's Network	3	3
Cr Paul Le Mottee	Port Stephens Council [from 5 November 2015]	1	2
Mr William Lennox	Maitland Masonic Centre	3	3
Mr Norbert Lica	Lake Macquarie Sustainable Neighbourhoods Alliance [from 2 February 2016]	2	2
Mr Kevin McDonald	Hunter Region Botanic Gardens	2	3
Ms Carol Pasenow	No Tillegra Dam Group	3	3
Cr Suellen Wrightson	Cessnock City Council	0	3

A = Number of meetings attended.

B = Number of meetings held during the time the member was part of committee.

CONSUMER RESPONSE

In July 2015 further improvements were implemented to the process for providing a first response to complaints and enquires. These changes have improved the percentage of customers responded to within three days from 75% to 100%. In September 2015, complaint handling guidelines were updated to be consistent with the current ISO standard.

During 2015-16 Hunter Water revised the definition for reportable complaints to be in line with the definition applied by other water utilities. The following initiatives contributed to reduced incidents of water quality complaints: improvements to the scheduled flushing of known hotspots; revised configuration of the water network in locations where multiple complaints have been received; increased real-time water quality monitoring to support a proactive operational response; improved understanding of water chemistry particularly in relation to manganese which is often the cause of water quality complaints; and enhanced maintenance programs.

The volume of water pressure and continuity complaints remained the same as the previous year.

The process for identifying sewer odour complaints has improved considerably over the last 12 months. A more intensive investigation is now carried out to identify the source of the odour and to recommend an appropriate operational response.

In 2015-16, billing complaints declined by 10%. This reduction is attributed to the provision of account assistance options for customers, including referral to welfare support agencies. Hunter Water also provided the option of bill smoothing to reduce the instances of billing complaints.

Hunter Water supports the operation of the Energy and Water Ombudsman of NSW (EWON) which is an independent complaint resolution organisation. This scheme provides customers with access to an external dispute resolution body offering an independent review of complaints – if required. Complaints to EWON for 2015-16 were consistent with the same period for 2014-15.

A Customer Commitment Tracker was implemented which captures all complaints where Hunter Water has made a commitment to its customer for follow-up action. These commitments are now being tracked and monitored by the Executive Management Team on a quarterly basis. Fulfilling commitments made to customers is essential in decreasing complaints and is in line with Hunter Water's commitment to keep our promises.



Our Customer Commitment Tracker ensures all the promises we make are recorded, actioned, reviewed and fulfilled.

Total Number of Complaints

Table 1. Total Number of Complaints (Excluding EWON)

	2011-12	2012-13	2013-14	2014-15	2015-16
Total water and sewer complaints	1,650	1,621	1,577	1506	1160
Per 1,000 properties	7.3	7	6.8	6.3	4.8

Table 2 - Main Features of Complaints by Category

	2011-12	2012-13	2013-14	2014-15	2015-16
Water quality	660	684	794	708	407
Per 1,000 properties	2.9	2.9	3.4	3	1.7
Water services	39	54	17	15	13
Per 1,000 properties	0.2	0.2	0.1	0.1	0.05
Sewer services	481	344	173	233	247
Per 1,000 properties	2.2	1.6	0.8	1	1
Drainage	18	16	2	9	5
Per 1,000 properties	0.08	0.08	0.03	0.04	0.02
Billing	477	523	591	541	488
Per 1,000 properties	2.1	2.2	2.5	2.3	2

Table 3 - EWON Complaints

	2011-12	2012-13	2013-14	2014-15	2015-16
EWON	123	126	127	120	126

DONATIONS AND SPONSORSHIPS

Hunter Water is a proud partner in our local community, supporting a range of educational, charitable and social causes.

To Non-Government Community Organisations

Organisation(s)	Project	Purpose of Project	Target Clients	Type	Amount
Awabakal Limited	NAIDOC Day	NAIDOC Day celebrates the history, culture and achievements of Aboriginal and Torres Strait Islanders	Whole community	Event	\$1,500
Camp Quality	1,000 Kilometres for Kids	An employee participated in a 1,000 kilometre bike ride to raise funds to support children with cancer	Families with children who are cancer patients	Charity	\$1,000
Cessnock City Council	Cessnock City Council	Water Wise catchment crawl and Kooragang Island education tour workshops for residents	Local residents	Sustainability Grant	\$3,300
ConnectAbility	ConnectAbility	Holding a wicking garden bed workshop which created two garden beds in the community garden	Local Wallsend community	Sustainability Grant	\$2,000
Dungog Festival	Dungog Festival	A film and music festival to promote Dungog and surrounding regions as a tourist destination as well as producer of food, wine, art and craft	Residents of Dungog and surrounding areas	Sponsorship	\$20,000
Ethnic Communities Council	Ethnic Communities Council	Update of watering equipment and Water Wise Rules booklet in multiple languages	Local community and volunteers	Sustainability Grant	\$3,800
Hunter Regional Botanic Garden	Hunter Region Botanic Gardens	A grant to ensure the continuing operations of the Gardens in its current state	Hunter community and tourists	Community Grant	\$50,000
Hunter Wildlife Rescue	Hunter Wildlife Rescue	Redirecting storm water to prevent sediment from flowing into the wetlands to create natural habitat	Whole community	Sustainability Grant	\$4,000
Juvenile Diabetes Research Foundation	London Marathon	An employee participated in the London Marathon to raise funds for this cause. Hunter Water matched her fundraising efforts	Whole community	Sponsorship	\$1,512
Lifeline	Lifeline Newcastle	Hunter Water matched employee contributions raised during Christmas period	Whole community	Sponsorship	\$744
Macquarie College	Macquarie College	Rainwater refill station lesson which was displayed at spring fair with drink bottles	School students	Sustainability Grant	\$3,000
Maitland City Council	Maitland Green Communities Workshops	A program that educates households in Maitland about a range of environmental topics with two water themed workshops	Adults interested in the local environment	Sustainability Grant	\$2,400
Maitland Public School	Maitland Public School	Aboriginal education program including an irrigation project, water capturing and distribution for bush tucker	School students	Sustainability Grant	\$2,500
Mark Hughes Foundation	Mark Hughes Foundation	Support for the Beanie for Brain Cancer Day	Whole community	Donation	\$2,000
Master Builders	Master Builders Association Awards	Awarding the best use of water efficiency in residential and commercial building	Builders and designers	Sustainability Grant	\$2,500
Merewether Community Kitchen	Merewether Community Kitchen	Upgrade of community kitchen providing food for the needy, incorporates water efficient devices and fixing leaking taps	Under privileged and homeless community members	Sustainability Grant	\$5,000
Movember Foundation	November Challenge	Charity committed to men living happier, healthier, longer lives	Whole community	Charity	\$625
Muswellbrook High School	Muswellbrook High FOCUS	Workshop for children with behavioural problems to learn about installing a watering system	Students with behavioural challenges	Sustainability Grant	\$3,500

Organisation(s)	Project	Purpose of Project	Target Clients	Type	Amount
Newcastle Knights	Newcastle Knights Junior Development Program	Educating children about keeping active in sport and staying hydrated	Primary School students	Sponsorship	\$75,000
Newcastle University	Newcastle University Scholarships	For students studying in areas relating to Hunter Water and undergoing hardship	Students undergoing hardship	Scholarship	\$20,000
NSW Chapter of Australian Association for Environmental Education	Conference	Environmental educators two day conference with visit to Kooragang Island Centre for Education	Educators	Sustainability Grant	\$1,000
Rotary Club	Light up Newcastle Lantern Festival	Community event that celebrates the Chinese New Year	Newcastle community	Community Grant	\$10,000
Surfest	Surfest	Sponsorship for local surfing event that draws attention to the quality of Newcastle beaches	Hunter and international surfing community	Community Grant	\$5,000
Total	Total Agricultural College Scholarships	For students studying in areas of catchment health	Students studying catchment health	Scholarship	\$6,000
Total	Total Field Days	Sponsorship for community event that brings land owners together to encourage catchment care	Farmers and people living in the catchment area	Community Grant	Nil*
Tomaree Accommodation Service	Tomaree Accommodation Service	Rainwater tank used for toilets and water based education play area for people with disabilities	Young children and community members living with a disability	Sustainability Grant	\$4,849
Whitebridge High School	Whitebridge High School	Installation of bottle refill stations replacing aged bubblers	School students	Sustainability Grant	\$1,850
Total					\$233,080

*Funding carried over from cancelled event in 2014-15.

In Kind Support

Organisation(s)	Project	Purpose of Project	Type
Wheelchair Sports NSW	Hunter Disability Sports Expo	Showcase the various sporting activity options for people with a disability and promote awareness among wider community	Donation of water bottles
Lake Macquarie Council	Living Smart Festival	Demonstrate how to adopt sustainable practices in everyday life	Donation of water bottles, trigger nozzles with staff present to discuss Water Wise Rules
Christmas Carols	Carols by Candlelight Newcastle	Community event	Provision of chilled water, bottles and other merchandise
Christmas Carols	Carols by Candlelight Swansea	Community event	Provision of chilled water, cups, bottles and other merchandise
Run Australia	Run Newcastle	Marathon / physical activity	Provision of chilled water, bottles and disposable cups
Lifeline	Lifeline Newcastle	Donation of goods and funds	BBQ to raise cash donations as well as donation of goods from employees
Cancer Council	Biggest Morning Tea	Hunter Water employee fundraising event	Morning tea and raffles to raise a cash donation for Cancer Council
Alzheimers Australia NSW	Memory Walk Hunter	Raise awareness and funds for Alzheimers support and research	Provision of chilled water, bottles and disposable cups
Cancer Council	Dungog Relay for Life	Raise awareness, funds and support for cancer sufferers and their families	Provision of chilled water, bottles and disposable cups
Dungog Neighbourhood Centre	Dungog Community Connect	Provide advice and support on topics such as account assistance and Water Wise Rules	Provide trigger nozzles, shower timers, support brochures and advice



HIGH PERFORMANCE WORKFORCE

We are committed to a continuous improvement culture.

We operate a business model and cultivate a workforce culture that facilitates the best outcomes for our community, underpinned by industry-leading safety and productivity. We are committed to a continuous improvement culture where no one is injured as a result of their work.

A High Performance Workforce is essential for us to achieve our strategic vision of being a leading water business, as Hunter Water is the sum of its parts - its people.

DIVERSITY AND HUMAN RESOURCES

Hunter Water recognises that little can be achieved without great people and for that reason is committed to attracting, recruiting, developing and retaining great people from all backgrounds. In the past year, Hunter Water has taken steps to make our recruitment process more user friendly to attract more diverse candidates. This has included writing advertising and recruitment material in simple English so as to encourage more culturally diverse groups to apply for roles. Furthermore, all advertising promotes the message that Hunter Water is an equal opportunity employer. As part of our Young Professionals program Hunter Water has initiated an Aboriginal and Torres Strait Islander scholarship through the University of Newcastle to promote further workforce diversity in our young professionals.



Hunter Water partnered with the University of Newcastle to deliver an Aboriginal and Torres Strait Islander scholarship

WORKING SAFE

Hunter Water is committed to working safe: the safety and wellbeing of employees is our number one priority. By ensuring we meet the highest safety standards and always strive for improvement we can provide the best environment for our employees to thrive while boosting business performance, culture, attraction and retention.

We believe that safe workplaces guarantee a strong future because they create opportunities, adapt to change and respond positively to adversity.

In 2015-16 a full Work Health and Safety (WHS) Management System review was undertaken and an annual improvement plan developed to further enhance safe work practices and procedures across the business. The management of workers' compensation claims and the return to work of injured employees was also a priority, with a number of proactive initiatives being implemented with allied health providers. Safe Work NSW reviewed Hunter Water's workers' compensation program and supported the direction of the revised injured worker pack which was rolled out in field toolbox meetings.

In relation to the WHS lead and lag indicators, Hunter Water finished the year with a combined Lost Time Injury Frequency Rate of 3.73 compared to 4.12 the previous year. All 10 targets were met in 2015-16 and the annual Safety Bonus was paid in full to eligible Hunter Water employees.

OUR INITIATIVES

The continuing strong WHS performance is due to a number of initiatives which have been implemented throughout the year plus the ongoing commitment to WHS which has been displayed by the Hunter Water Executive Management Team and workers. Hunter Water implemented a Fitness for Work Program involving a functional assessment and general health check for field workers which was well received. Health promotion programs included annual influenza vaccinations, Hepatitis A/B for workers exposed to sewerage and blood lead testing for lead-based workers.

Another program aimed at improving health was the 'MATES in Construction' Awareness Training in suicide prevention and mental health which was rolled to field employees. There were also 21 WHS courses that were run throughout 2015-16, totalling 2,400 training hours booked across Hunter Water. The majority of WHS training was based on operational high risk areas.

Productivity and Efficiency

Hunter Water has embarked on a strategy to improve the efficiency of its maintenance practices. Maintenance of our assets accounts for a quarter of our operating costs.

In 2015 Hunter Water participated in a benchmarking exercise which showed that although our maintenance practices compared well with other utilities, ranking five out of 19, there was still room for improvement. A two-pronged strategy was developed, with the assistance of industry experts, to improve productivity by 10% in the electrical and mechanical workforce and 15% in the civil maintenance workforce. During 2015-16, \$1.1m in benefits were realised and productivity targets have been exceeded to date.

Health Program Offered to Field Workforce



In 2016, field employees received a presentation from Newcastle Knights NRL team coach Nathan Brown, who spoke about high performance, team culture, morale, leadership and overcoming personal challenges. In addition, former Knights player Adam MacDougall presented his story of how personal tragedy empowered him to channel his energy into developing nutritional solutions to help Australians lose weight and lead a healthy lifestyle. At the completion of Adam's presentation all field employees were given the opportunity to join 'The Man Challenge', a 10 week exercise and food program commencing in June.

Profits from program fees paid for participation in the Challenge were donated to the Mark Hughes Foundation which funds research into brain cancer, the leading cause of cancer death in Australian children and adults under 40. Hunter Water funded the cost of each registration on the employee's behalf. Eighty-five percent of Hunter Water's field employees nominated to undertake the challenge to eat healthier and exercise more. There were many positive results from weight loss to healthy eating regimes, increasing the employees' overall health and fitness to boost performance at work and home.

Leadership Program

Hunter Water launched an enhanced Leadership Program to develop key management and guidance skills in current and future leaders. The program includes employees from across the business engaged in a Certificate IV Leadership and Management or Diploma of Leadership and Management.

Participants provided positive feedback and have already applied their new skills and abilities on the job. The Program continues into 2016-17 and will see some employees carry their Certificate IV qualifications into Diplomas as we further enhance the skills of our High Performance Workforce.



EQUAL EMPLOYMENT OPPORTUNITY

Equal Employment Opportunity (EEO) Statement

Hunter Water aims to recognise and create opportunities and continuously work on strategies to promote and reinforce the principle of EEO. Hunter Water is committed to ensuring that positive employment practices are followed, eliminate employment discrimination, promote equality of opportunities and outcomes for all employees and to more closely reflect the diverse nature of the Hunter Water community.

EEO and Multicultural Policies and Services Analysis

Hunter Water values and recognises the importance of achieving workplace diversity by identifying and eliminating all forms of discrimination and putting measures in place to overcome the employment disadvantage faced by people from diverse backgrounds and needs. Recruitment activities and documentation have been revised to include EEO aims and to better position Hunter Water as an employer to minority groups. Hunter Water workforce planning has identified the need to increase awareness of EEO as both a recruitment and workforce skill gap issue. Hunter Water will support NSW public sector cultural diversity initiatives and work to develop and sustain relationships with local organisations and educational centres to promote such aims and to provide industry scholarship pathways for people from diverse backgrounds. Examples include the Industry-Based Indigenous Scholarship (IBIS), Student Experiencing a Disability (SEAD) and Lucy Mentoring Program.

Trends in the Representation of EEO Groups¹

EEO Target Groups:

	Benchmark or Target	% of Total Employees ²				
		2012	2013	2014	2015	2016
Women	50	34	33	29	30	29
Aboriginal people and Torres Strait Islanders	2.6	0.6	0.8	0.6	0.6	0.6
People whose first language was not English	19	5	4.9	4.5	4.8	4.6
People with a disability ³	1.5	1.8	1.7	5.4	3.7	5
People requiring work-related adjustment	1.5	0.4	0.4	4.5	4.6	4.1

Note: Data from employees with a physical disability, Aboriginality 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 Employee numbers are as at 30 June 2016.

² Excludes casual employees.

³ Includes people requiring work-related adjustment

Distribution Index³:

	Benchmark or Target	2012	2013	2014	2015	2016
Women	100	86	88	88	88	89
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	109	102	103	105	101
People with a disability	100	103	100	98	91	95
People with a disability requiring work-related adjustment	100	N/A	N/A	96	90	93

Note: Data from employees with a physical disability, Aboriginality 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 Employee numbers are as at 30 June 2016.

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 automatically calculated by the software provided by the Office of the Director of Equal Opportunity in Public Employment (ODEOPE). N/A displayed where there are less than 20 employees in a particular EEO group.

Multicultural Policies and Services Program (previously EAPS)

All employees, customers and stakeholders have access to corporate services where required. In the areas of recruitment, selection, promotion, transfer, training and development and conditions of service, merit based principles apply. We continue to seek ongoing applications from people from culturally and linguistically diverse backgrounds.

Women

Hunter Water is predominantly an engineering and technical services discipline based organisation and when allied with the field-based maintenance operations, it historically did not attract a large number of female candidates. To correct this, Hunter Water applies merit-based and EEO principles, which are always enforced in the recruitment and selection process. Hunter Water participates in the University of Newcastle Lucy Mentoring Program where senior female employees act as mentors to female university students including coaching and facilitation of work experience.

Aboriginal People and Torres Strait Islanders

Hunter Water continues to foster a merit based recruitment and selection process whereby people of an Aboriginal and Torres Strait Islander background are encouraged to apply for roles at Hunter Water and receive support in their application. Hunter Water has also initiated the Industry Based Indigenous Scholarship (IBIS) through the University of Newcastle for a student with an Aboriginal and/or Torres Strait Islander background to promote cultural diversity in the workplace.

People Whose First Language is Not English

Hunter Water continues to foster a merit based recruitment and selection process whereby people whose first language is not English are encouraged to apply for roles at Hunter Water and receive support in their application. Recruitment and advertising services are written in plain English to encourage a wider and more diverse range of applicants. Hunter Water provides applicant assistance during a selection process to support individuals from non English speaking backgrounds.

People with a Disability

Hunter Water continues to foster a merit based recruitment and selection process whereby people with a disability are encouraged to apply for roles at Hunter Water and receive support in their application. Hunter Water has also initiated the Student Experiencing a Disability (SEAD) Scholarship through the University of Newcastle to promote employment opportunities for young professionals with a disability.

People with a Disability Requiring Work-Related Adjustment

Hunter Water continues to foster a merit based recruitment and selection process whereby people with a disability are encouraged to apply for roles at Hunter Water and receive support in their application. Hunter Water's strong safety focus will ensure that the needs of employees with a disability requiring work-related adjustment are facilitated.



FINANCIALLY RESPONSIBLE

We manage our financial position to ensure we are an efficient and financially sustainable water utility.

We ensure the long term financial sustainability of our business through disciplined financial management.

Being Financially Responsible means we can provide affordable services to our customers, and put the rates they pay to the best use possible. It also ensures we can demonstrate value for our shareholders.

In 2015-16, we delivered on our Financially Responsible strategic aim by divesting non-core assets, including land at Tillegra and the Kooragang Industrial Water Scheme, and provided a detailed submission to IPART for the 2016-2020 price path.

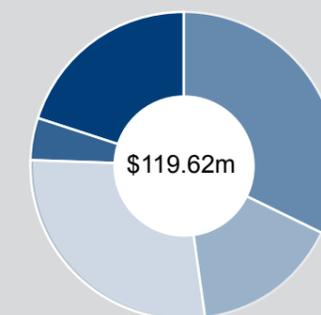
HIGHLIGHTS

Total Income

Total income for 2015-16 was \$330.3m which was \$7.8m higher than 2014-15. The primary driver for the increase in income was higher water consumption due to the relatively warm, dry weather experienced during the year.

- \$144.18m 44% Service Charges
- \$135.64m 41% Usage Charges
- \$28.60m 9% Capital Contributions
- \$21.85m 7% Other Income

- \$38.55m 32% Labour
- \$18.66m 16% Maintenance
- \$33.17m 28% Operations
- \$5.47m 5% Regulatory
- \$23.77m 20% Corporate

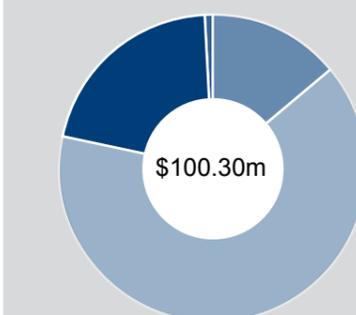


Operating Expenditure

Total operating expenditure for 2015-16 was \$119.6m which was \$4.8m lower than 2014-15. The core operating costs of the business remained stable across the two years but 2014-15 operating costs included six months of operating costs related to Hunter Water Australia Pty Limited (now in liquidation).

Investment

Hunter Water invested \$100.3m on its assets including upgrades to chemical storage facilities, a hydraulic upgrade at Morpeth Wastewater Treatment Plant and replacement of a major sewer rising main in Belmont. Investment in 2015-16 continued to focus on meeting regulatory requirements and the ongoing renewal of existing assets.



- \$14.00m 14% Growth
- \$64.80m 65% Mandatory Standards
- \$20.80m 21% Government Programs
- \$0.70m 1% Business Efficiency

Tillegra Land Sold

The 6,000 hectares of land purchased by Hunter Water for the Tillegra Dam project was sold to a mix of local and Sydney residents. Among the buyers was a local hotelier who purchased the Munni portion of the Tillegra land. Included in her plans was the establishment of an Artisan cheese factory open to the public as well as a training centre for those wishing to learn sustainable farming practices. Hunter Water received 32 expressions of interest for varying portions of the land, including five bids to buy 100% of the land. Ultimately after a sales campaign that was overseen by an independent probity advisor, the Board of Hunter Water agreed to sell the land divided into five lots ranging in size from 1,000ha to 1,300ha, and one separate parcel of 86ha.

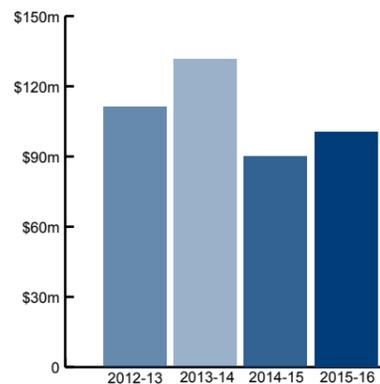
Approximately 130ha of the land was sold with an exclusion zone of 30 metres established on either side of the Williams River using fencing and native trees to improve water quality by preventing cattle from entering the river.

Kooragang Industrial Water Scheme

Hunter Water exchanged contracts for the sale of the Kooragang Industrial Water Scheme (KIWS) to ITOCHU Corporation, a Tokyo-headquartered Japanese trading house with significant investments in both the Australian water sector and the Hunter Valley. KIWS is an advanced water treatment plant located within the industrial precinct of Steel River in Mayfield West. The plant uses a micro-filtration and reverse osmosis process to produce up to 3.3 billion litres of recycled water per annum, which is sold under a long term contract with Orica Limited. The sale will benefit Hunter Water's balance sheet by freeing up capital to invest in the region over the coming decade and will also reduce expenditure on servicing the borrowings associated with the construction of KIWS.

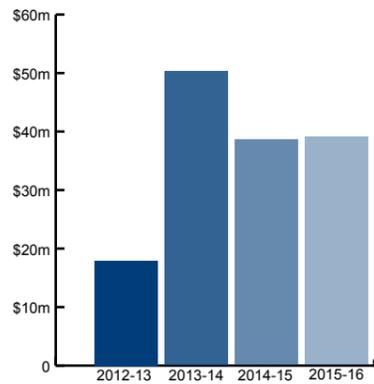
Capital Portfolio

The capital portfolio in 2015-16 included replacement of and upgrades to water and wastewater networks and treatment plants. Investment in 2015-16 is consistent with recent expenditure levels with the focus on meeting regulatory requirements and the ongoing maintenance of assets.



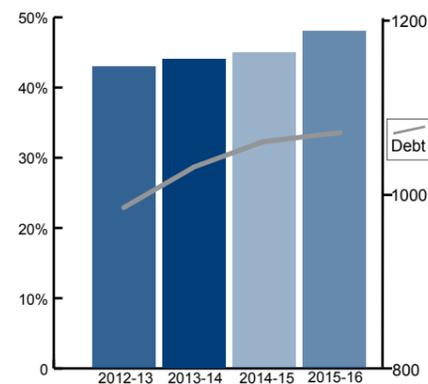
Profit

Profit after tax for 2015-16 was \$39.1m, \$0.5m higher than 2014-15. The profit result for 2015-16 included higher levels of revenue from increased water consumption, lower cost of operations and a higher level of third party contributed assets. Income tax expense for 2015-16 was significantly higher than prior years (with an effective tax rate of 50%) due to crystallising capital losses on Tillegra land sales. The higher income tax expense does not impact on tax payments and the tax rate used to calculate the dividend declared was 30%.



Gearing (and debt)

Debt and gearing increased slightly in 2015-16. The growth rate of borrowings has slowed over recent years as a result of the lower capital program and an asset recycling program whereby non-core assets held by Hunter Water have been sold with proceeds reinvested into the business.



PRICING STRUCTURE

The 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 2015-16 prices reported in this table were determined by IPART in mid-2013.

IPART's 2013 Determination made a number of changes to the structure of Hunter Water's prices, including:

- The sewerage service charge for residential flats and units increases from 65% to 72.5% of the charge paid by houses over three years.
- The sewerage service charge for small businesses with a standalone 20mm water meter was reduced to be the same as for a residential house.
- A new category was added for stormwater charges for residential flats, units and townhouses.

The typical residential bill (average consumption of 185KL of water per year) for an individually metered house rose by no more than the rate of inflation in the period 2014-15 to 2015-16.

IPART completed a review of Hunter Water's prices during 2015-16. IPART's Final Determination has effect for the period 1 July 2016 to 30 June 2020.

Water

Water Service Charge (\$) Filtered and Unfiltered (Metered and Unmetered)		2015-16 Main Prices	2014-15 Main Prices
Residential properties		\$17.75	\$17.51
Non-Residential Properties			
Meter/ Diameter Pipe Size (mm)	Meter Equivalent ¹	2015-16 Main Prices	2014-15 Main Prices
2013-14 Main Prices All Cycles			
20 stand alone		\$17.75	\$17.51
25	1	\$28.97	\$28.59
32	1.64	\$47.47	\$46.83
40	2.56	\$74.17	\$73.17
50	4	\$115.89	\$114.33
65	6.76	\$195.86	\$193.24
80	10.24	\$296.67	\$292.69
100	16	\$463.55	\$457.33
150	36	\$1,042.99	\$1,028.99
200	64	\$1,854.20	\$1,829.32
250	100	\$2,897.00	\$2,859.00
300	144	\$4,171.68	\$4,116.96
350	196	\$5,678.12	\$5,603.64

¹ Meter Equivalent rate applied from 2013-14 onwards.

Water Usage Charge (Metered Properties Only) (\$/kL)	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
Tier 1 (≤ 50,000 kL)			
Filtered water	\$2.22	\$2.19	\$2.13
Unfiltered water	\$1.86	\$1.79	\$1.69
Tier 2 - Filtered Water (> 50,000 kL)			
Kurri Kurri	\$2.20	\$2.17	\$2.11
Lookout	\$2.03	\$2.01	\$1.95
Newcastle	\$1.98	\$1.96	\$1.90
Seaham - Hexham	\$1.72	\$1.70	\$1.65
South Wallsend	\$2.08	\$2.05	\$1.99
Tomago - Kooragang	\$1.67	\$1.65	\$1.60
Dungog - charges only for water sourced from Chichester Dam within Shire	\$1.67	\$1.65	\$1.60
All other locations	\$2.22	\$2.19	\$2.13
Gosford-Wyong Water Usage Charges (\$/kL) ¹	\$0.65	\$0.64	\$0.62

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

Sewer

Sewer Service Charge (\$) (Metered and Unmetered)	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
Residential properties:			
Houses	\$593.58	585.61	\$569.11
Multi premises (residential) - i.e. flats and units			
Per each residential property located in a multi premises (minimum charge) ¹	\$430.34	409.93	\$384.15
Minimum charge not applicable			\$363.20

¹ 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.

Non-Residential Properties	Meter Equivalent ¹	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
20mm stand alone		\$593.58	585.61	\$569.11
25mm	1	\$1,843.09	\$1,818.35	\$1,767.10
32mm	1.64	\$3,019.71	\$2,979.18	\$2,895.22
40mm	2.56	\$4,718.30	\$4,654.97	\$4,523.78
50mm	4	\$7,372.34	\$7,273.38	\$7,068.40
65mm	6.76	\$12,459.26	\$12,292.02	\$11,945.60
80mm	10.24	\$18,873.19	\$18,619.86	\$18,095.10
100mm	16	\$29,489.36	\$29,093.53	\$28,273.60
150mm	36	\$66,351.07	\$65,460.45	\$63,615.60
200mm	64	\$117,957.46	\$116,374.14	\$113,094.40
250mm	100	\$184,308.53	\$181,834.59	\$176,710.00
300mm	144	\$265,404.28	\$261,841.81	\$254,462.40
350mm	196	\$361,244.72	\$356,395.80	\$346,351.60

¹ Meter Equivalent rate applied from 2013-14 onwards.

	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
Sewer Usage Charge - non-residential only (\$/kL) (metered only)	\$0.67	\$0.67	\$0.67

Stormwater

Stormwater Service Charge (\$)	2015-16 (\$)	2014-15 (\$)	2013-14 (\$)
Residential (not within a multi premise)	\$71.86	\$79.05	\$85.67
Residential multi premise and mixed multi premise	\$26.59	\$29.24	\$31.69
Non-residential			
Small (< 1,000m ²) or low impact	\$71.86	\$79.05	\$85.67
Medium (1,001 - 10,000m ²)	\$129.90	\$142.90	\$154.84
Large (10,001 - 45,000m ²)	\$826.21	\$908.90	\$984.91
Very large (> 45,000m ²)	\$2,625.07	\$2,887.78	\$3,129.29

Recycled Water (Mandatory Schemes)

Gillieston Heights	2015-16 (\$)	2014-15 (\$)	2013-14 (\$)
Service charge (20mm base \$/year)	\$21.64	\$21.35	\$20.75
Usage charge (\$/kL)	\$1.93	\$1.90	\$1.85
Chisholm	2015-16 (\$)	2014-15 (\$)	2013-14 (\$)
Service charge (20mm base \$/year)	\$21.64	\$21.35	\$20.75
Usage charge (\$/kL)	\$1.93	\$1.90	\$1.85

Backlog and Other Sewerage Services

	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
Environmental Improvement Charge (EIC) (\$) (Same for Hunter Water and Dungog)	\$38.37	\$37.86	\$36.79
Clarence Town Sewer Charge (\$) (Dungog Only)	\$78.26	\$77.21	\$75.03

Exempt Services

	Meter Equivalent	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
Exempt proportion		20%	20%	20%
Water service - exempt				
Residential properties:				
House		\$3.55	\$3.50	\$3.40
Unit/flat		\$3.55	\$3.50	\$3.40
Non-residential properties:				
Non-residential stand alone		\$3.55	\$3.50	\$3.40
25mm	1	\$5.79	\$5.72	\$5.56
32mm	1.64	\$9.49	\$9.37	\$9.10
40mm	2.56	\$14.83	\$14.63	\$14.22
50mm	4	\$23.18	\$22.87	\$22.22
65mm	6.75	\$39.17	\$38.65	\$37.56
80mm	10.24	\$59.33	\$58.54	\$56.89
100mm	16	\$92.71	\$91.47	\$88.89
150mm	36	\$208.60	\$205.80	\$200.00
200mm	64	\$370.84	\$365.86	\$355.55

Note: For pipe sizes greater than 25mm, the standard water service charges apply (refer above).

Sewer Service - Exempt	Meter Equivalent	2015-16 Main Prices	2014-15 Main Prices	2013-14 Main Prices
Residential Properties:				
House		\$118.72	\$117.12	\$113.82
Unit/flat		\$86.07	\$81.99	\$76.83
Non-residential Properties:				
Non-residential Stand Alone		\$118.72	\$117.12	\$113.82
25mm	1	\$368.62	\$363.67	\$353.42
32mm	1.64	\$603.94	\$595.84	\$579.04
40mm	2.56	\$943.66	\$930.99	\$904.76
50mm	4	\$1,474.47	\$1,454.68	\$1,413.68
65mm	6.75	\$2,491.85	\$2,458.40	\$2,389.12
80mm	10.24	\$3,774.64	\$3,723.97	\$3,619.02
100mm	16	\$5,897.87	\$5,818.71	\$5,654.72
150mm	36	\$13,270.21	\$13,092.09	\$12,723.12
200mm	64	\$23,591.49	\$23,274.83	\$22,618.88
Pensioner Rebate		\$274.00	\$271.00	\$263.00

Hunter Water has obtained the Treasurer's approval under section 18(2) of the *Independent Pricing and Regulatory Tribunal Act 1992* to make variations to existing IPART determinations.

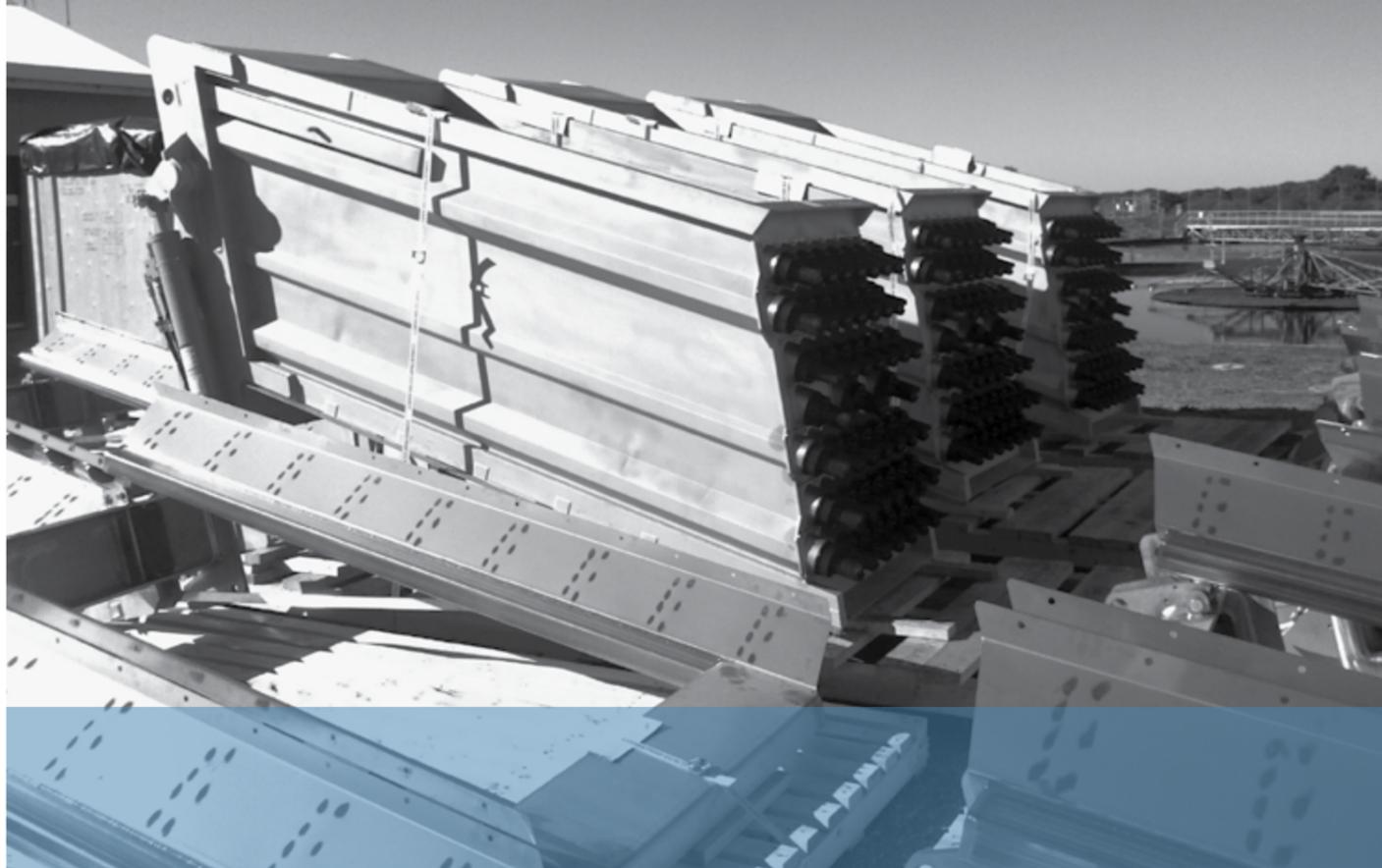
On 17 July 2014, the Australian Government repealed legislation relating to the carbon pricing mechanism, with retrospective effect from 1 July 2014. IPART estimated that Hunter Water would over recover about \$2.8 million (\$2012-13) during 2014-15 as a result of the repeal because prices were set on the assumption that the carbon price would remain in place for the current price period. After receiving the Treasurer's approval, Hunter Water applied an annual refund as a credit of \$13.23 on each customer's bill during the November 2014 to February 2015 billing period. A refund for 2015-16 was applied as a credit of \$13.41 on each customer's bill during the July 2015 to October 2015 billing period, returning \$2.9 million to customers.

IPART's 2006 Pricing Arrangements for Recycled Water and Sewer Mining, Determinations and Report sets the framework that Hunter Water applies for the recovery of costs associated with recycled water projects. In 2014-15 Hunter Water received the Treasurer's approval to set recycled water developer charges for dual reticulation in Gillieston Heights and Chisholm growth areas in real terms at 2012-13 levels, to be adjusted for inflation annually.

On 4 November 2015, prior to the sale of the KIWS, Hunter Water obtained the Treasurer's approval to waive the sewer service and usage charges applicable to the land on which the KIWS treatment plant is constructed. These charges have been waived for the term of the existing contract for the supply of recycled water.

Cost of Producing Annual Report

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



RIGHT INFRASTRUCTURE

We manage our infrastructure to deliver safe, reliable and compliant services to our community.

We ensure our infrastructure is properly maintained, operated and planned for so we can provide safe and reliable services to our customers. We meet or exceed all our Operating Licence, environmental and health related targets.

Our infrastructure program is directed to help facilitate growing areas of the Lower Hunter, and to ensure our customers receive high quality services at a fair price. In 2015-16 we developed a detailed four-year infrastructure plan based on preparing for growth, which was submitted to IPART. We also developed a 25 year plan for the region's largest wastewater treatment works, Burwood Beach, ensuring it continues to meet the needs of our growing population.

UPGRADES

Hunter Water invested \$105.8m building new infrastructure or upgrading existing assets in 2015-16 as part of its commitment to supporting the local community and environment. The capital program included projects to meet the growing population, efficiency improvements to Hunter Water's existing assets and upgrades that ensured Hunter Water continues to meet the expectations of its regulators.

 **\$105.8 million**

Revitalising Newcastle's Wastewater System for the Future

Newcastle's Central Business District (CBD) is undergoing a revitalisation, with new apartment buildings, office space and university facilities all under construction. With the city's wastewater mains laid a century ago, Hunter Water rehabilitated the CBD wastewater mains in February 2016 by scouring the cast iron pipes to clear build up and blockages, before relining them with a polymer tubing.

By rehabilitating the wastewater mains, Hunter Water has improved their reliability and enhanced their capacity to handle the extra load brought on by the thousands of new residents moving to the city. Rehabilitating the wastewater mains also means they are less likely to leak or break, which can cause inconvenience to local residents and businesses.

Relining the wastewater mains is a low impact activity that does not require excavations that would have disturbed daily life in the city. It is an innovative way to add an additional 50 years of life to the mains.

Preparing for Lochinvar's Transformation from Rural to Residential

The Maitland area is one of the fastest growing in NSW, with greenfield areas being transformed into modern residential villages. With Maitland's population expected to reach 100,000 by 2040, bringing with it a surge of economic benefits, Hunter Water has been investing in local water and wastewater infrastructure to ensure the system is ready for the new homes and businesses.

In November Hunter Water commenced a \$15 million upgrade to the system in Lochinvar, delivering water and wastewater services to a new 5,000 lot development. This development will provide additional housing, recreation and commerce to the presently rural town. The upgrade includes a three kilometre watermain, as well as water and wastewater pumping stations, ensuring when the properties are built, residents are ready to move in straight away with water and sewerage connected.

Burwood Beach Wastewater Treatment Works Disinfection Upgrade

The Hunter's beaches are integral to the region's tourism industry, local culture and identity. Hunter Water takes an active role in keeping local beaches clean through a high standard of wastewater treatment and management.

With the Hunter's population expected to grow by 10% over the next decade, Hunter Water has installed a \$15 million ultraviolet disinfection system at Burwood Beach Wastewater Treatment Works to help keep local beaches clean into the future. The system works by exposing effluent to short length microwaves in the form of ultra-violet light, which disrupts the DNA of any microbes remaining in the water before it's discharged 1.6 kilometres out to sea.

Although the NSW Government's Beachwatch program consistently provides top ratings to Hunter beaches for cleanliness, in rare conditions treated wastewater can wash back towards Merewether and Burwood Beaches from the Burwood Wastewater Treatment Works outfall. This upgrade means that the effluent treated at Burwood will be disinfected of microbes and pathogens, making the local marine environment even cleaner.

Tillegra Riparian Improvement Project

Hunter Water is safeguarding the quality of the region's drinking water by building a fence along either side of a 24 kilometre section of the Williams River on land previously owned by Hunter Water to prevent cattle from accessing the river and its banks. Protecting the riverbank via fencing and revegetation will stop cattle from entering the Williams River, reducing pollution as well as prevent erosion and filter runoff. The water from Williams River is pumped to Grahamstown Dam, Hunter Water's major drinking water storage.

The downstream effects of protecting the river are substantial and include environmental improvements, visual amenity, water quality, and improving riverbank resilience to flood and storm events.

RECYCLED WATER

In 2015-16, 5.37 billion litres of recycled water was supplied to non-residential recycled water customers, minimising the demand on Hunter Water's drinking water supplies and reducing environmental discharge. In total, Hunter Water supplied recycled water to 12 non-residential customers that included industrial, agricultural and municipal users.

Kooragang Industrial Water Scheme

The sale of KIWS allows for the continued provision of recycled water to Orica while further reducing demands on our drinking water supply system. KIWS has the potential to reduce the region's water use by up to 5%. It has also substantially increased the percentage of wastewater we recycle to approximately 8% of total wastewater.

WATER EFFICIENCY

Hunter Water has undertaken water efficiency programs for more than 30 years and has a strong focus on business water efficiency audits and educating our community. The business efficiency audits in 2015-16 saved more than 260 million litres of water with the audits assisting in building our knowledge of customer operations as well as providing essential information that assists in demand forecasting and drought planning. Water efficiency and community education programs have significantly improved water efficiency for the Lower Hunter with the programs resulting in minimising water demand.

SERVICE PERFORMANCE

Customer Base

Customer	Number of Properties 2015-16	Income Raised 2015-16 \$m Actual
Residential	186,110	185.13
Multi-residential ¹	42,075	29.64
Commercial	9,780	32.7
Industrial	1,152	17.11
Bulk supply	3	0.34
Other ²	3,157	15.33
Total	242,277	280.25

¹ Includes total number of individual flats.

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

Rainfall Received (Millimetres) - 12 Months Ending 19 April for Each Year¹

Year	Newcastle	Grahamstown	Chichester
2011-12	1,091	1,423	1,735
2012-13	959	1,085	1,343
2013-14	928	813	863
2014-15	990	901	1,133
2015-16	1,369	1,635	1,615
Long term average	1,120	1,049	1,268
Years of record	151	49	89

¹ Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This timeframe allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.

Water Supplied (Megalitres) - 12 Months Ending 19 April for Each Year

Source	2012	2013	2014	2015	2016
Chichester	22,113	23,966	27,086	23,580	19,606
Tomago	0	0	1,123	0	5,993
Grahamstown	38,921	42,094	40,167	40,702 ³	39,837
Total major sources	61,034	66,060	68,376	64,282 ³	65,437
Anna Bay ¹	1,444	1,793	2,295	1,941	2,195
Lemon Tree Passage	714	768	812	792	828
Total²	63,192¹	68,621¹	71,483	67,015	68,460

¹ Above figures for Anna Bay include water supplied from the Glovers Hill and the Anna Bay Water Treatment Plants.

² Total includes losses from Dungog Water Treatment Plant (WTP) and process water used at Grahamstown WTP.

³ Grahamstown sourced water and total major sources for 2014-15 have been updated.

Water Consumption (Megalitres) - 12 Months Ending 19 April for Each Year

	2012	2012	2013	2013	2014	2014	2015	2015	2016	2016
	ML	(%)								
Domestic	34,911	55%	38,370	56%	40,150	56%	37,723	56%	37,936	55%
Non-domestic	19,225	30%	21,026	31%	21,306	30%	18,572	28%	18,171	26%
Bulk supply	11	0%	29	0%	299	0%	380	0%	484	1%
Total consumption	54,147	86%	59,424	87%	61,755	86%	56,675	84%	56,591	82%
Authorised (HWC own use)	2,058	3%	2,004	3%	2,139	3%	2,045	3%	2,450	4%
Apparent losses	1,168	2%	1,281	2%	1,333	2%	1,225	2%	1,225	2%
Real losses	5,820	9%	5,912	9%	6,523	9%	7,327	11%	8,514	12%
Gross non-revenue generating	9,046	14%	9,198	13%	9,995	14%	10,597	16%	12,189	18%
Total supply¹	63,193		68,622		71,750		67,272		68,780	

¹ Water consumption is reported as higher than water supplied due to water received from bulk suppliers: 267ML in 2014, 257ML in 2015 and 321ML in 2016.

Water System Incidents

Incident / Solution	2011-12	2012-13	2013-14	2014-15	2015-16
Poor pressure	56	90	63	76	80
Pump problem	5	1	3	40	14
Seepage	332	249	178	234	296
Main flush	692	788	1,191	1,264	2,185
Main repair	1,246	1,539	1,479	1,431	1,335
Hydrant defect	716	744	866	905	911
Valve defect	231	212	237	229	290
Repair pathcock / maincock	2,711	2,680	2,788	2,793	3,160
Meter defect	518	599	694	994	740
Service defect repaired by HWC's operations employees	1,507	1,682	1,555	1,958	2,035
Service defect repaired by private plumber	727	631	688	899	806
Complaint unconfirmed	408	324	373	416	459
Other	1,536	1,473	1,417	1,519	1,537
Tap rewashers	85	50	45	26	59
Trunkmain repairs	2,725	2,500	2,666	2,856	2,463
Total	13,495	13,562	14,243	15,640	16,370

Water Transport System Reliability

	2011-12	2012-13	2013-14	2014-15	2015-16
Main breaks per 100kms main - trunkmains included in length of mains	25.2 ¹	31.9 ²	30.2 ²	28.9	26.8
Discoloured water complaints per 1000 properties connected (tenancy)	2.1	3	2.9	2.7	3.6

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 and onward includes breaks in water services due to a change in the WSAA definition.

Wastewater System Incidents

Incident / Solution	2011-12	2012-13	2013-14	2014-15	2015-16
Chokage cleared - main	2,116	1,938	2,529	2,515	2024
Chokage cleared - branch	1,969	1,837	2,175	2,205	1917
Private plumbers job ¹	536	431	490	586	532
House drains cleared	3	4	4	4	5
Storm overflow	310	386	239	460	436
Gravity sewer break	28	35	35	46	43
Rising main break	37	39	40	45	29
Pump station malfunction	16	12	6	66	9
Vacuum sewer jobs	58	40	21	46	36
Pump effluent line	8	4	10	12	14
No work required	122	88	117	112	122
Complaint unconfirmed	276	208	187	244	379
Charge job ²	0	1	1	1	1
Other	838	784	1,091	1,219	743
Total	6,317	5,807	6,945	7,561	6,290

¹ Problem in customer's private drains or fittings.

² Completed by Hunter Water and customer billed.

Wastewater Transport System Reliability

	Number of Main Breaks and Chokes	Length of Sewermain (km)	Ratio of Main Breaks/Chokes Per 100km of Main
Total	2,133	4,995	42.7
	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1000 Properties
Total	1,971	230,618	8.5

RESEARCH AND DEVELOPMENT

During 2015-16, Hunter Water undertook and collaborated on research and development on eight projects covering water quality, wastewater, asset management, ecology and catchment management subjects. This research was conducted in association with other organisations such as University of New South Wales, University of Newcastle, University of Technology, Water Services Association of Australia and Water Research Australia. 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 Corporation's operations.

Collaborative Research and Development Projects with Expenditure in 2015-16

Project	\$
Sustainable Groundwater Dependant Ecosystems - Water Stress Monitoring	\$40,000
Grahamstown Dam Inflow Characterisation and Impacts of Stratification on Water Quality	\$15,000
Climate Change Adaptation Planning	\$20,000
Destratification of Chichester Dam	\$10,000
Smart Monitoring of Microbial Risk Assessment	\$15,000
Emerging Pathogens of Concern for the Water Industry	\$8,000
Environmental Grants - Lake Macquarie City Council	\$11,000
Smart Controls	\$3,600
Total	\$122,600

WASTE STATEMENT

Hunter Water continued to recycle waste from operational activities and construction projects wherever practical and cost effective to do so. During 2015-16, 78% of solid waste was reused or recycled. Effective management of waste spoil from operational activities continues to be a major focus with plans to upgrade waste storage facilities at a number of site depots over the next 12 months.

MAJOR CAPITAL WORKS IN PROGRESS

Project	Cost (\$)	Commenced	Status
Shortland Wastewater Treatment Works Sludge Handling Upgrade	17,696,000	Jun-14	Complete
Morpeth WWTW Upgrade - Stage 2 (Hydraulic Upgrade)	19,969,000	Nov-14	Complete
Belmont 6 Rising Main Renewal (Sec 1-3)	5,900,000	Nov-13	Complete
WTP Fluoride Upgrade - various sites	5,790,000	Dec-14	Complete
Grahamstown WTP Bulk Storage Facility	2,555,000	Jun-14	Complete
Burwood Beach WWTW Disinfection	15,769,000	Jun-14	Underway
Maitland 14 WWPS Upgrades (Housing Acceleration Fund HAF2 Upgrades)	7,900,000	Jan-15	Underway
Tarro to Beresfield WPS Augmentation	6,950,000	Jan-13	Underway
Remediation of Inlet Works Belmont and Cessnock WWTW	2,887,000	Dec-14	Underway
Lochinvar Water Trunkmain	3,100,000	Apr-14	Underway
SCADA Radio Network Replacement	8,510,000	Feb-15	Underway
Overhead Powerlines Upgrade	13,700,000	Sep-15	Underway
Wye Backlog Sewer Scheme	25,168,000	Jul-16	Underway
Biosolids Storage	6,452,000	Dec-15	Underway
Tillegra Riparian Improvement Project (TRIP)	3,450,000	Nov-15	Underway
Switchboard Replacement	3,950,000	Dec-15	Underway
Central Coast Transfer Capacity Upgrade	2,665,000	May-16	Underway
Hunter River Tunnel	6,350,000	Dec-14	Underway
Swansea Channel Crossing	4,108,000	Jan-16	Underway

Note the status is at 30 June 2016.

Definitions

Underway: Design commenced.

Complete: Practical completion achieved, in operation/implemented.

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 2016.

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 J Eather	Deputy Chairman
Mr K Wood	Managing Director (to 30 September 2015)
Dr J Bentley	Managing Director (from 28 July 2016)
Prof M Gleeson	
Mr P Dalglish	
Ms R Lavery	
Mr G Clarke	

Company Secretary

Mr P Kembrey

Auditors

Audit Office of New South Wales

Bankers

Commonwealth Bank of Australia

Information on Directors

T Lawler B Com, FCA, FAICD, FAIM

Mr Lawler was appointed as Chairman of Hunter Water Corporation in January 2012. Mr Lawler is Chairman of PKF Lawler Corporate Finance Pty Limited. He is also Chair of Life Without Barriers Limited and Chair of Ampcontrol Group. Mr Lawler is a Director of Powerdown Australia Pty Limited and peoplefusion Pty Limited. He has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Limited and a director of Newcastle Port Corporation.

J Eather B Com, CPA, FGIA, MAICD

Mr Eather was appointed as a Director on 1 January 2008. 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 a Director of the Newcastle Permanent Building Society and has previously been Chairman of the University of Newcastle Foundation.

K Wood B Eng, DipEng, MBA, FIE (Aust), FAIM

Mr Wood was appointed as Managing Director of Hunter Water Corporation in November 2011 and resigned as Managing Director of Hunter Water Corporation and as a Director of Hunter Water Australia Pty Limited on 30 September 2015. 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 power and water utilities across Australia. Mr Wood was the inaugural CEO of City West Water and then went on to head the Victorian electricity transmission business, GPU PowerNet. Other CEO roles have included the 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.

J Bentley BSc, PhD

Dr Bentley was appointed as Managing Director of Hunter Water Corporation on 28 July 2016. He has more than 20 years' experience in the infrastructure sector, much of it in water and wastewater businesses. Dr Bentley's experience includes key roles at Thames Water in London and internationally, including in Turkey and the Middle East. Prior to joining Hunter Water, he worked in New Zealand as Executive Director of infrastructure services consultancy Synergine Group Limited and Director of the Centre for Infrastructure Research at the University of Auckland. He previously served as the Chief Executive of Metrowater Limited which supplied water and wastewater services to Auckland City.

M Gleeson B.Sc, PhD, FAICD

Professor Gleeson was appointed as a Director on 1 January 2013. Professor Gleeson has held leadership positions in health services, tertiary education, medical research and government. Previously she was the Executive Director of the Hunter Medical Research Institute and is currently a Director of the Hunter Valley Research Foundation, the Central Coast Local Health District Board, and was a member of the National Health and Medical Research Council Principal Advisory Committee on Preventative and Community Health (2012-2015). 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.

FINANCIAL STATEMENTS

Financial records for 1 July 2015 to 30 June 2016.

P Dalglish BSc, GDipMktgMgmt, GAICD, GAID

Mr Dalglish was appointed as a Director on 2 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.

R Lavery B Com, MPH, CA, F.Fin, GAICD

Ms Lavery was appointed as a Director on 23 June 2014. Ms Lavery has a finance and economics background. Ms Lavery is a member of the inaugural Consumer Challenge Panel of the Australian Energy Regulator, advising on consumer perspectives on electricity and gas network regulatory proposals, and served as Trustee of the NSW Government's Responsible Gambling Fund. With many years at a senior level at the NSW Independent Pricing and Regulatory Tribunal and extensive experience in private sector infrastructure investment and business management, she brings to the Board expertise in economic regulation, efficient business practices and financial analysis.

G Clarke BAppS, MEngSc, GAICD

Mr Clarke was appointed as a Director on 23 June 2014. Mr Clarke has extensive experience in the functions and administration of Local and State Government in New South Wales. Mr Clarke has worked throughout regional NSW including roles at Hastings Shire Council and Shoalhaven City Council specialising in the regulation of the environmental health, building and planning functions of local government. Mr Clarke was employed by the NSW Department of Public Works and Services, in the delivery of the then NSW Government's Country Towns Water Supply and Sewerage Scheme program for New South Wales which included training treatment plant operators. During this time Mr Clarke developed an in depth working knowledge of water supply and sewerage systems operated by local Government Councils. Mr Clarke also worked for the NSW Environment Protection Authority from 1993 to 2013 which included seven years as the Regional Manager for the Hunter Region

P Kembrey – Company Secretary, BA, LLB, Dip. Legal Prac.

Mr Kembrey was appointed as Hunter Water's General Counsel in January 2013 and appointed by the Board as Company Secretary in November 2013. In March 2015 Mr Kembrey was appointed as acting Executive Manager Corporate and Legal and appointed to the position permanently in October 2015. Mr Kembrey moved to Hunter Water from TressCox Lawyers where he worked for six years in the Commercial Litigation division. Prior to that Mr Kembrey worked in a variety of roles in the non-government sector in Newcastle and the Upper Hunter including Manager of Community Services for the Samaritans Foundation.

Meetings of Directors

	Board Meetings		Committee Meetings									
	A	B	Audit and Risk		Corporate Governance		Community and Environment		Economic Regulatory		Capital Works	
	A	B	A	B	A	B	A	B	A	B	A	B
T Lawler	12	12	4	4	4	4	*	*	*	*	3	4
J Eather	11	12	4	4	4	4	*	*	*	*	4	4
K Wood**	2	2	1	1	1	1	1	1	*	*	1	1
M Gleeson	12	12	4	4	*	*	4	4	*	*	*	*
P Dalglish	11	12	*	*	4	4	*	*	4	4	4	4
R Lavery	12	12	4	4	*	*	2	2	4	4	*	*
G Clarke	12	12	*	*	*	*	4	4	4	4	4	4

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.

** = Managing Director resigned 30 September 2015.

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 for continuing operations before income tax for the year ended 30 June 2016 was \$78.7m compared with \$52.2m for the previous year. An annual dividend of \$37.3m has been declared for the year ended 30 June 2016.

Review of Operations**Financial**

The terminology used in reporting the results is as follows:

- The Group, i.e. 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 favourable to budget by \$22.3m primarily due to higher than budgeted water consumption, higher than budgeted capital contributions and favourable to budget operating costs.

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 the 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

Hunter Water Australia Pty Limited ceased operations in December 2014 following an asset sale of the engineering consultancy operations and laboratory operations. It is expected that the company will be wound-up and de-registered before the end of 2016.

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 2016.

Audit and Risk Committee

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

Mr J Eather	Director, Committee Chairman
Mr T Lawler	Director, Chairman
Prof M Gleeson	Director
Ms R Lavery	Director

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 Corporation's external auditors.
- Oversee Hunter Water'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 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 was as follows:

Mr T Lawler	Chairman, Committee Chair
Mr J Eather	Director
Mr P Dalglish	Director (to 30 June 2016)

Directors' Benefits

- During or since the end of the year 30 June 2016 no Director of the Economic Entity has received or become entitled to receive a benefit, other than those disclosed at Note 30 – 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.



Terry Lawler
Chairman



Jeff Eather
Deputy Chairman

Newcastle
25 August 2016

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the statements of financial position as at 30 June 2016, the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of 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 entities it controlled at the year's end or from time to time during the financial year.

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 2016, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the *Public Finance and Audit Regulation 2015*.

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

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

I am independent of the Corporation and the consolidated entity in accordance with the auditor independence requirements of:

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

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

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

FINANCIAL STATEMENTS

Start of audited financial statements.

Consolidated Income Statement for the Year Ended 30 June 2016

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue					
Services	2	330,150	322,345	330,150	322,348
Other revenue	2	103	182	103	7,182
Total Revenue		330,253	322,527	330,253	329,530
Expenses					
Operational expenses	3	(119,620)	(124,421)	(119,620)	(124,421)
Depreciation and amortisation	4	(49,896)	(41,473)	(49,896)	(41,473)
Finance costs	4	(70,565)	(67,852)	(70,565)	(67,881)
Superannuation expense	4	(7,620)	(7,901)	(7,620)	(7,901)
Asset revaluation increment/ (decrement)	4	(1,471)	(23,896)	(1,471)	(23,896)
Other	4	(2,393)	(4,749)	(2,393)	(4,749)
Total Expenses		(251,565)	(270,292)	(251,565)	(270,321)
Profit Before Income Tax		78,689	52,235	78,689	59,209
Income tax expense	5(a)	(39,630)	(13,616)	(39,630)	(15,590)
Profit from Continuing Operations		39,058	38,618	39,058	43,618
Profit/(loss) from Discontinued Operation Net of Tax	6	(6)	1,262	-	-
Profit for the Year		39,052	39,879	39,058	43,618
Profit is attributable to:					
Owners of Hunter Water Corporation		39,052	39,879	39,058	43,618
		39,052	39,879	39,058	43,618

The Consolidated Income Statement should be read in conjunction with the accompanying notes.

Directors' Responsibility for the Financial Statements

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

In preparing the financial statements, the directors must assess the ability of the Corporation and the consolidated entity to continue as a going concern, unless they intend to liquidate or cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

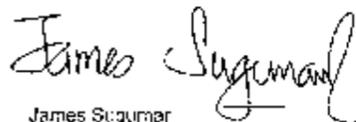
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Corporation or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented



James Sugumar
Director, Financial Audit Services

23 August 2016
SYDNEY

Consolidated Statement of Other Comprehensive Income for the Year Ended 30 June 2016

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit for the Year					
Other Comprehensive Income		39,052	39,879	39,058	43,618
Items that will not be reclassified to profit or loss:					
Net increase/(decrease) in property plant and equipment revaluation reserve	22(a)	(168,519)	(51,196)	(168,519)	(51,196)
Income tax effect relating to net (increase)/decrease in property plant and equipment revaluation reserve	5(c)	51,618	15,327	51,618	15,327
Remeasurement of defined benefit superannuation liability		(42,900)	(6,297)	(42,900)	(7,341)
Income tax effect relating to remeasurement of defined benefit superannuation liability	5(c)	12,870	1,883	12,870	2,202
Other comprehensive income for the period, net of tax		(146,931)	(40,283)	(146,931)	(41,007)
Total Comprehensive Income for the Year		(107,879)	(404)	(107,873)	2,611
Total comprehensive income for the year is attributable to:					
Owners of Hunter Water Corporation		(107,879)	(404)	(107,873)	2,611
		(107,879)	(404)	(107,873)	2,611
Continuing Operations		(107,873)	(2,390)	(107,873)	2,611
Discontinued Operations		(6)	1,986	-	-
		(107,879)	(404)	(107,873)	2,611

The Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2016

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current Assets					
Cash and cash equivalents	8	11,965	12,713	11,965	10,171
Trade and other receivables	9	46,900	41,011	46,900	40,212
Inventories	11	2,475	2,277	2,475	2,277
Assets classified as held for sale	12(a)	43,292	26,994	43,292	26,994
Total Current Assets		104,632	82,994	104,632	79,653
Non-Current Assets					
Other financial assets	10	-	-	900	900
Property, plant and equipment	13	2,504,262	2,612,523	2,504,262	2,623,346
Intangible assets	14	23,007	27,472	23,007	27,472
Other non-current assets	9	443	423	443	423
Total Non-Current Assets		2,527,712	2,640,416	2,528,612	2,652,140
Total Assets		2,632,343	2,723,411	2,633,243	2,731,793
Current Liabilities					
Trade and other payables	16	88,081	76,672	88,081	76,648
Current tax liabilities	17	4,181	948	4,181	948
Borrowings	18	7,382	100,686	13,186	103,952
Provisions	19	56,137	41,621	56,137	41,621
Liabilities directly associated with assets classified as held for sale	12(b)	4,124	-	4,124	-
Total Current Liabilities		159,905	219,928	165,710	223,169
Non-Current Liabilities					
Borrowings	18	1,064,182	960,345	1,064,182	960,345
Provisions	19	151,232	105,382	151,232	98,249
Deferred tax liabilities	20	89,136	134,861	91,546	139,913
Total Non-Current Liabilities		1,304,550	1,200,588	1,306,960	1,198,508
Total Liabilities		1,464,455	1,420,516	1,472,670	1,421,676
Net Assets		1,167,887	1,302,895	1,160,573	1,310,117
Equity					
Share capital	21	103,700	102,850	103,700	102,850
Reserves	22(a)	390,887	512,264	390,887	512,264
Retained profits	22(b)	673,301	687,781	665,987	695,003
Total Equity		1,167,887	1,302,895	1,160,573	1,310,117

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

Economic Entity		Share Capital	Reserves	Retained Profits	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		102,850	512,264	687,781	1,302,895
Profit for the year		-	-	39,052	39,052
Transfer from revaluation reserve to retained earnings on disposal	22(b)	-	(4,476)	6,388	1,912
Other comprehensive income		-	(116,901)	(30,030)	(146,931)
Net income recognised directly in equity	22(b)	-	-	7,410	7,410
Total comprehensive income for the year		-	(121,377)	22,820	(98,557)
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	7	-	-	(37,300)	(37,300)
Contributions with owners:					
Equity Injections		850	-	-	850
Balance at 30 June 2016		103,700	390,887	673,301	1,167,887
Balance at 1 July 2014					
		100,000	555,937	665,842	1,321,780
Profit for the year		-	-	39,879	39,879
Transfer from revaluation reserve to retained earnings on disposal	22(b)	-	(7,804)	7,804	-
Other comprehensive income		-	(35,868)	(4,415)	(40,283)
Total comprehensive income for the year		-	(43,673)	43,268	(404)
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	7	-	-	(21,330)	(21,330)
Contributions with owners:					
Equity Injections		2,850	-	-	2,850
Balance at 30 June 2015		102,850	512,264	687,781	1,302,895

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Parent Entity		Share Capital	Reserves	Retained Profits	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		102,850	512,264	695,003	1,310,117
Profit for the year		-	-	39,058	39,058
Transfer from revaluation reserve to retained earnings on disposal	22(b)	-	(4,476)	6,388	1,912
Other comprehensive income		-	(116,901)	(30,030)	(146,931)
Net income recognised directly in equity	22(b)	-	-	(7,132)	(7,132)
Total comprehensive income for the year		-	(121,377)	8,284	(113,093)
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	7	-	-	(37,300)	(37,300)
Contributions with owners:					
Equity Injections		850	-	-	850
Balance at 30 June 2016		103,700	390,887	665,987	1,160,573
Balance at 1 July 2014					
		100,000	555,937	670,050	1,325,988
Profit for the year		-	-	43,618	43,618
Transfer from revaluation reserve to retained earnings on disposal	22(b)	-	(7,804)	7,804	-
Other comprehensive income		-	(35,868)	(5,139)	(41,007)
Total comprehensive income for the year		-	(43,673)	46,284	2,611
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	7	-	-	(21,330)	(21,330)
Contributions with owners:					
Equity Injections		2,850	-	-	2,850
Balance at 30 June 2015		102,850	512,264	695,003	1,310,117

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2016

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash flows from Operating Activities					
Receipts from customers (inclusive of goods and services tax)		303,153	298,678	303,106	291,079
Payments to suppliers and employees (inclusive of goods and services tax)		(139,523)	(141,930)	(139,478)	(133,996)
		163,630	156,748	163,627	157,083
Dividends received		-	-	-	7,000
Interest received		109	224	103	172
Proceeds from environmental levy and developers		8,897	7,578	8,897	7,579
Borrowing costs		(69,984)	(72,319)	(69,984)	(72,319)
Income taxes paid		(21,047)	(30,646)	(21,047)	(30,299)
Net cash flows from operating activities	23	81,605	61,585	81,596	69,216
Cash Flows from Investing Activities					
Purchases of property, plant and equipment		(85,750)	(88,425)	(85,750)	(88,780)
Proceeds from sales of property, plant and equipment		18,720	35,759	18,720	27,871
Net cash (outflows) from investing activities		(67,030)	(52,666)	(67,030)	(60,909)
Cash Flows from Financing Activities					
Proceeds from borrowings		219,408	92,202	221,962	100,911
Repayment of borrowings		(214,251)	(62,268)	(214,254)	(70,789)
Equity contribution	21	850	2,850	850	2,850
Dividends paid	7	(21,330)	(36,300)	(21,330)	(36,300)
Net cash flows from financing activities		(15,324)	(3,516)	(12,772)	(3,327)
Net Increase / (Decrease) in Cash and Cash Equivalents		(748)	5,403	1,794	4,979
Cash and cash equivalents at beginning of the year		12,713	7,287	10,171	5,192
Effects of exchange rate changes on cash and cash equivalents		-	23	-	-
Cash and cash equivalents at end of the year	8	11,965	12,713	11,965	10,171
Cash Flows from Discontinued Operations	6	10	447	-	-

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

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 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 25 August 2016.

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 (and Interpretations) issued by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars, the *Public Finance and Audit Act 1983*, the *State Owned Corporations Act 1989* and the associated requirements of the Public Finance and Audit Regulation 2015. The Directors have determined that the Economic Entity 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;
- Assets classified as 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 net assets available to pay benefits of the fund assets;
- Employee benefit provisions are stated at the present value of the future obligation for the relevant liabilities concerned;
- Borrowings are measured at amortised cost.

Rounding to the Nearest \$000

The amounts contained in this report have been rounded 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 2016 and the results of the Parent Entity and Controlled Entity for the year then ended in accordance with AASB 10 *Consolidated Financial Statements*. The Parent Entity had power over the Controlled Entity, rights to its variable returns and ability to use its power to effect the returns of the Controlled Entity.

The Parent Entity has reviewed AASB 10 and considers that the Parent Entity maintains control of the Controlled Entity under the standard. The Controlled Entity is detailed in Note 33 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 measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised when the entity has passed on control of the good, 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 or contribution 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.

State government grants are received to offset customer service obligation rebates. Government grants relate to pensioner, environmental levy and exempt property rebates.

(ii) External Sales

External sales were 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 cost upon connection. Subsequent measurement of the assets is in accordance with AASB 13 *Fair Value Measurement* using the income approach.

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 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 collectible.

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 Classified as Held for Sale

Assets classified as 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.

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 Fair Value below).

Cost is the amount of cash or cash equivalents paid or 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 three years 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; and
- 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 7.02% (2015: 6.64%).

Fair Value

The Parent Entity values its non-current assets in accordance with AASB 116 *Property, plant and equipment*, AASB 13 *Fair Value Measurement* and NSW Treasury's accounting policy TPP14-01 *Valuation of Physical Non-Current Assets at Fair Value*. Non-current assets are valued at fair value using the Income Approach. 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. Non-operational land and buildings are revalued every three years.

AASB 13 determines fair value to be an exit price and one that a market participant would pay in an orderly transaction. Assumptions that are included in determining the most appropriate measure of fair value include:

- The principle or most advantageous market in which an orderly transaction would take place for the asset (liability);
- The highest and best use of the asset / (liability);
- If the asset is used in combination with other assets or a stand-alone basis.

AASB 13 identifies three fair value valuation techniques being:

- Cost approach: the current replacement cost of an asset based on its current service (e.g. the cost to acquire or construct a substitute asset);
- Market approach: the price that would be determined via an active market (e.g. market transactions for comparable assets);
- Income approach: future cash flows to a single discounted amount (via a present value technique or other approach).

A fair value hierarchy exists within AASB 13. The hierarchy establishes the most reliable evidence of fair value. Level 1 inputs include quoted prices in an active market for identical assets.

Level 2 inputs include inputs other than quoted prices that are observable for the asset (e.g. interest rates and yield curves).

Level 3 inputs are unobservable inputs for assets and should be used to the extent that no observable inputs are available.

Fair value measurement objectives remain the same i.e. an exit price at measurement date from the perspective of a market participant.

Refer to Note 15 for details on fair value assessment.

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.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

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.

Refer to Note 15 for details of fair value non-current asset disclosures.

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 (years)
System Assets	
Sewer	
- Sewer mains	80-120
- Sewer Pump Stations	10-50
- Wastewater Treatment Works	10-100
Water	
- Water mains	80-150
- Water Chlorinators	15-50
- Water Pump Stations	10-100
- Water Resources	20-100
- Water Treatment Works	10-100
- Meters	15-20
Stormwater	100-150
Recycled Water	80-150
General Support	
Fleet	10-15
General equipment	3-50
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 fair value in accordance with AASB 13 *Fair Value Measurement* using the income approach.

K. 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.

L. 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).

M. Borrowings

The Parent Entity borrows through NSW Treasury Corporation (TCorp) in the form of liquid and marketable TCorp Stocks. As part of its debt management activities, NSW TCorp is contracted as the Debt Liability Advisor for 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 to which they are incurred.

N. Employee Benefits

Short-Term Obligations

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for salaries and wages (including non-monetary benefits), and accumulating sick leave that are expected to be settled wholly 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 of the benefits.

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.

Annual leave that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service is measured at present value in accordance with AASB 119 *Employee Benefits*. Actuarial advice obtained by NSW Treasury has confirmed the use of a nominal approach for the annual leave on annual leave liability. In accordance with NSWTC 15/09 *Accounting for Long Service Leave and Annual Leave* a factor of 7.9% of the nominal value of annual leave has been used to calculate the present value of the annual leave liability. Hunter Water has assessed that there is no material difference in the nominal approach plus the 7.9% factor compared to a discounted rate to determine the net present value of this leave liability. The discount rate used in this assessment was 2.5% (2015: 2.5%).

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 benefit 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 Statement 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.

In July 2015 the Controlled Entity's defined benefit liability was rolled into the defined benefit liability of Hunter Water Corporation as the Controlled Entity was set to begin the process of liquidation and company wind-up. The transfer of the liability had no effect on the position of the Economic Entity i.e. no increase or decrease in overall liability as this was a transfer between the two entity's funds. Refer to Note 26 for more details.

(iv) Termination Benefits

Termination benefits are employee benefits payable as a result of an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

A liability and expense for redundancy benefits are recognised when there is a demonstrated commitment to provide termination benefits to affected employees. This is usually when specific employees affected by restructures have elected to take redundancy termination benefits as at the reporting date. Earlier recognition via a general provision is only recognised when a detailed formal plan has been approved and communicated to employees and unions.

The liability for redundancy benefits for specific employees that have accepted redundancy is measured at the calculated entitlement that will be paid to those employees. This is usually in the following reporting period and thus is not discounted. For a general provision, an estimate is calculated on the basis of the number of employees expected to accept an offer of redundancy in accordance with the formal detailed plan. The liability is only discounted if termination benefits are to fall due more than 12 months after the reporting date.

O. 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.

P. 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.

Q. 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.

R. Australian Accounting Standards and Interpretations Issued but Not Yet Effective

Certain new accounting standards and interpretations applicable to the Economic Entity and Parent Entity have been published that are not mandatory for 30 June 2016 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 for Reporting Periods Commencing after 24 July 2014 but before 1 January 2018)

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 15 - Revenue from Contracts with Customers (Effective for Reporting Periods Commencing on or After 1 January 2017)

AASB 15 *Revenue from Contracts with Customers* was released in December 2014 and is the new comprehensive standard for revenue recognition, replacing AASB 111 *Construction contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. It is operative from 1 January 2017. The core principle of the new standard requires entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (i.e. payment) to which the company expects to be entitled in exchange for those goods and services. There is no anticipated impact on the Economic Entity as all revenue recognition aligns with current AASB requirements including those of the new standard AASB 15.

(iii) AASB 2014-5 Amendments to Australian Accounting Standards Arising from AASB 15

This standard details the changes to other accounting standards as a result of the release of AASB 15 (as detailed above). This standard shall be applied when AASB 15 is applied. There is no anticipated impact on the Economic Entity from the application of this standard.

(iv) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

This interpretation provides guidance on the updates to AASB 1048 *Interpretation of Standards*, AASB 1031 *Materiality* and AASB 9 *Financial Instruments*. It provides updated references between accounting standards and standard interpretations, including editorial changes required to the planned withdrawal of AASB 1031 *Materiality*. No impact on the Economic Entity is expected from AASB 2013-9.

(v) Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 16, 19, 107 and 127]

This amendment has been issued as a result of the December 2010 updated AASB 9 *Financial Statements*. The original application from this pronouncement was for reporting periods beginning on or after 1 January 2013. This date has been changed as a result of AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (see above) that has deferred the application date to reporting periods beginning on or after 1 January 2018. There is no impact on the financial statements of the Economic Entity from this pronouncement.

(vi) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

This standard makes amendments to AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* and establishes the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefit of an asset. It also clarifies the use of revenue-based depreciation methods as not appropriate. These amendments apply to annual reporting periods beginning on or after 1 July 2016. There is no impact on the financial statements of the Economic Entity from this pronouncement.

(vii) AASB 1057 – Application of Australian Accounting Standards (Effective for Reporting Periods Commencing on or after 1 January 2016)

The objective of this Standard is to specify the types of entities and financial statements to which Australian Accounting Standards (including Interpretations) apply. Each reference to an Interpretation refers to that Interpretation as identified in AASB 1048 *Interpretation of Standards*. AASB 1057 applies to annual periods beginning on or after 1 January 2016. It incorporates relevant amendments contained in other AASB Standards made by the AASB up to and including 11 November 2015. There is no anticipated impact on the Economic Entity as this standard clarifies the application of other accounting standards and interpretations which the Economic Entity aligns with currently.

(viii) AASB 16 - Leases (Effective for Reporting Periods Commencing on or after 1 January 2019)

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The previous accounting model for leases required lessees and lessors to classify their leases as either finance leases or operating leases and account for those two types of leases differently. Increased disclosures for leases of the Economic Entity will be required from the effective commencement date of this standard.

(ix) AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. This Standard applies to annual periods beginning on or after 1 January 2017. There is no impact on the financial statements of the Economic Entity from this pronouncement.

(x) AASB 2015-2 Disclosure Initiative Amendments to AASB 101 (Effective for Reporting Periods Commencing after 1 January 2016)

The objective of this Standard is to make amendments to AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 134 *Interim Financial Reporting* and AASB 1049 *Whole of Government and General Government Sector Reporting*. The Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no anticipated impact on the Economic Entity from the application of this Standard.

S. 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.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements:

- Fair Value refer to Note 15.
- Provisions refer to Note 19.
- Employee Benefits (Superannuation) refer to Note 26.

T. Comparative Information

Where relevant, comparative amounts are restated to conform to the current reporting years presentation. This would arise as a result of the requirements of new or revised Australian Accounting Standards, a voluntary change in accounting policy or a reclassification of items presented.

2014-15 comparatives disclosed in Note 3 Operational Expenses have been restated to provide clearer understanding of cost drivers within the Economic Entity.

Note 2. Revenue

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Services - Regulated				
Tariff - service charges	130,178	126,283	130,178	126,283
Tariff - usage charges	135,211	125,990	135,211	125,990
Environmental charge	6,836	6,624	6,836	6,624
Other revenue	7,105	7,104	7,105	7,104
	279,330	266,001	279,330	266,001
Gain / (Loss) on disposal of assets	(1,165)	3,157	(1,165)	3,157
External sales	-	2	-	2
	(1,165)	3,159	(1,165)	3,159
Developer contributions – cash	2,061	8,405	2,061	8,405
Developer contributions – assets	26,536	25,945	26,536	25,945
	28,597	34,350	28,597	34,350
Government Grants - rebates	14,431	14,285	14,431	14,285
Corporate services	-	-	-	3
Other	8,957	4,550	8,957	4,550
	23,388	18,835	23,388	18,838
	330,150	322,345	330,150	322,348
Other Income				
Interest income	103	182	103	182
Dividends	-	-	-	7,000
	103	182	103	7,182
	330,253	322,527	330,253	329,530

Note 3. Operational Expenses

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Labour	38,552	39,987	38,552	39,987
Maintenance	18,655	20,895	18,655	20,895
Operations	33,171	34,899	33,171	34,899
Regulatory	5,473	5,270	5,473	5,270
Corporate	23,297	22,698	23,297	22,698
Revenue Offset - Expenses	471	672	471	672
	119,620	124,421	119,620	124,421
Maintenance expense				
Maintenance-related employee expenses	13,934	14,005	13,934	14,005
Other maintenance expenses	18,928	21,138	18,928	21,138
	32,861	35,143	32,861	35,143

Note 4. Expenses

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit before income tax includes the following specific net gains and expenses:					
(i) Depreciation and Amortisation					
Amortisation	14 (a) and (b)	8,675	6,220	8,675	6,220
Depreciation	13 (b) and (c)	41,221	35,253	41,221	35,253
		49,896	41,473	49,896	41,473
(ii) Finance Costs					
Amortisation of discount / (premium) on loans		(683)	(705)	(683)	(705)
Long term borrowings - interest		51,875	55,195	51,875	55,195
Short term borrowings - interest		78	116	78	145
Net (Gain) / Loss on borrowings refinanced		6,164	1,066	6,164	1,066
Other interest expense		189	214	189	214
Government guarantee fee		16,545	15,360	16,545	15,360
Capitalised finance costs		(3,605)	(3,394)	(3,605)	(3,394)
		70,565	67,852	70,565	67,881
(iii) Superannuation Expense					
Superannuation expense - defined benefits funds		2,978	3,173	2,978	3,173
Superannuation expense - contributions		4,642	4,728	4,642	4,728
		7,620	7,901	7,620	7,901
(iv) Asset Revaluation Decrement/(Increment)					
		1,471	23,896	1,471	23,896
(v) Net (Gain) / Loss on Disposal of Property, Plant and Equipment					
		2,393	4,749	2,393	4,749
(vi) Expenses Include:					
Changes in restoration provision	19	(1,083)	1,083	(1,083)	1,083
Other charges against assets - Bad and doubtful debts	9	0	15	0	15
Rental expenses - Minimum lease payments		4,402	4,284	4,402	4,284

Note 5. Income Tax

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
A. Income Tax Expense					
Current tax		24,122	23,338	24,122	22,677
Deferred tax		14,672	(5,165)	14,672	(5,952)
Under/(over) provided in prior years		836	(3,785)	836	(1,135)
		39,630	14,388	39,630	15,590
Income tax expense is attributed to:					
Continuing Operations		39,630	13,616	39,630	15,590
Discontinued Operations		-	771	-	-
		39,630	14,388	39,630	15,590
Deferred income tax (revenue)/expense included in income tax expense comprises:					
(Decrease)/increase in deferred tax liabilities		(14,991)	1,229	(14,991)	(5,240)
(Decrease)/increase in deferred tax assets		320	(6,394)	320	(712)
Income tax expense is attributed to:					
Profit from Continuing Operations		78,689	52,235	78,689	59,209
Profit/ (loss) from Discontinued Operations		(6)	2,033	-	-
B. Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable					
Profit from continuing operations before income tax expense		78,689	52,235	78,689	59,209
Profit/ (loss) from discontinued operations before income tax expense		(6)	2,033	-	-
Subtract inter-company dividend income		-	-	-	(7,000)
Profit before income tax excluding dividend		78,683	54,268	78,689	52,209
Tax rate of 30% (2015 - 30%)		23,605	16,280	23,607	15,663
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Entertainment non-deductible expenses		3	4	3	3
Non-deductible expenses		878	1,112	878	1,112
Other Assessable income		-	-	-	-
Sundry		(1,039)	789	(1,039)	(40)
Australian owned Research and Development concession claim		(12)	(12)	(12)	(12)
		23,435	18,173	23,436	16,725
Deferred tax not recognised on capital loss		15,358	-	15,358	-
Under/(over) provision in prior years		836	(3,785)	836	(1,135)
Income Tax Expense		39,630	14,388	39,630	15,590
C. Tax Expense/(Income) Relating to Items of Comprehensive Income					
Net increase/(decrease) in property plant and equipment revaluation reserve	20	(51,618)	(15,327)	(51,618)	(15,327)
Actuarial gains/(losses) on defined benefits fund	20	(12,870)	(1,883)	(12,870)	(2,202)
		(64,488)	(17,210)	(64,488)	(17,530)
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. 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. Discontinued Operation

A. Description

In July 2014, the Board of Hunter Water Corporation resolved its intention to sell its subsidiary Hunter Water Australia Pty Limited (HWA). The associated assets and liabilities of the subsidiary which made up the operations of HWA were sold through two separate transactions. The laboratory assets were sold on 18 December 2014, and the engineering consulting assets were sold on 31 December 2014. Financial information relating to the discontinued operations for the period up to the balance date are set out below. HWA has ceased trading and is currently in liquidation.

B. Financial Performance and Cash Flow Information

The financial performance and cash flow information presented are for the year ended 30 June 2016 and the year ended 30 June 2015.

	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	13	11,222	-	-
Expenses	(19)	(9,189)	-	-
Profit before income tax	(6)	2,033	-	-
Income tax expense	-	(771)	-	-
Profit after income tax of discontinued operation	(6)	1,262	-	-
Net cash inflows / (outflows) from operating activities	10	(607)	-	-
Net cash inflow / (outflows) from investing activities (includes inflow from sale of assets)	-	8,244	-	-
Net cash inflow / (outflows) from financing activities	-	(7,190)	-	-
Net increase / (decrease) in cash generated from discontinued operations	10	447	-	-

C. Details of Sale of Discontinued Operations

Consideration Received:

Proceeds of Sale	6,816
Costs related to sale	(739)
Total disposal consideration	6,078
Carrying amount of net assets sold	(1,051)
Gain on sale before income tax	5,027
Income tax expense	(1,508)
Gain on Sale After Income Tax	3,519

The carrying amounts of assets and liabilities as at the date of sale were:

Property, plant and equipment	3,344
Prepaid expenses	334
Work in Progress	844
Deferred tax	1,210
Total Assets	5,733
Employee Benefits	4,074
Other Liabilities	265
Prepaid income	193
Superannuation - Defined Benefit Liability	150
Total Liabilities	4,682
Net Assets	1,051

Note 7. Dividends Paid or Provided for

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening Balance	21,330	36,300	21,330	36,300
Add: dividend declared at 36.0 cents per share (2015: 20.7 cents per share)	37,300	21,330	37,300	21,330
Less: dividend paid at 20.7 cents per share (2015: 35.3 cents per share)	(21,330)	(36,300)	(21,330)	(36,300)
	37,300	21,330	37,300	21,330

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

Note 8. Cash and Cash Equivalents

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and on hand	10,365	6,602	10,365	4,060
Deposits at call	1,600	6,111	1,600	6,111
	11,965	12,713	11,965	10,171

Deposits at call are bearing interest rates between 1.70% and 1.25% (2015: 1.95% and 1.50%).

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 35.

A. Reconciliation to Cash at the End of the Year

The above figures are reconciled to cash at the end of the financial years.

Balances as above	11,965	12,713	11,965	10,171
Balances per Statement of Cash Flows	11,965	12,713	11,965	10,171

Note 9. Trade and Other Receivables

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade debtors	23,461	20,329	23,461	19,530
Allowance for Impairment	(383)	(383)	(383)	(383)
Trade debtor - unread meter accrual	22,728	19,449	22,728	19,449
	45,805	39,395	45,805	38,596
Prepayments	1,094	1,616	1,094	1,616
Total	46,900	41,011	46,900	40,212
Non-current				
Stock Receivable	443	423	443	423
	443	423	443	423

A. Movement in the Allowance for Impairment

Balance at beginning of the year	383	368	383	368
Amounts written off during the year	(1)	(122)	(1)	(11)
Amounts recovered during the year	(119)	-	(119)	-
Increase/(decrease) in allowance recognised in Income Statement	121	138	121	27
Balance at end of year	383	383	383	383

Details regarding market risk, liquidity risk and credit risk, including financial assets that are either past due or impaired, are disclosed in Note 35.

Note 10. Other Financial Assets

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current				
Other (non-traded) investments				
Shares in controlled entities - at cost	-	-	900	900
	-	-	900	900

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 35.

Note 11. Inventories

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Consumable stores at cost	2,475	2,277	2,475	2,277
	2,475	2,277	2,475	2,277

Note 12. Assets Classified as Held for Sale

(a) Assets Classified as Held for Sale				
Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Assets held for sale	43,292	26,994	43,292	26,994
	43,292	26,994	43,292	26,994

The assets held for sale at 30 June 2016 includes all remaining land and buildings owned by Hunter Water at Tillegra, one parcel of non-operational land and Kooragang Industrial Water Scheme (KIWS). Costs to sell assets held for sale total \$1.5m (2015: \$0.7m).

All sales are expected to be settled within 12 months of the reporting date.

Refer to Note 15(B) for valuation process.

(b) Liabilities directly associated with Assets Classified as Held for Sale				
Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Liabilities directly associated with Assets Classified as Held for Sale	4,124	-	4,124	-
	4,124	-	4,124	-

The liability associated with assets held for sale at 30 June 2016 includes deferred income received through a government grant for KIWS.

Sale of KIWS is expected to be settled within 12 months of reporting date.

Note 13. Property, Plant and Equipment

A. Property, Plant and Equipment

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Work in Progress \$'000	Total \$'000
Economic Entity						
At 1 July 2014 - Fair Value						
Cost	-	8,002	-	-	223,779	231,781
Fair value - market valuation	-	-	54,248	7,721	-	61,969
Fair value - income approach	2,359,990	4,602	-	-	-	2,364,592
	2,359,990	12,604	54,248	7,721	223,779	2,658,342
Accumulated depreciation	-	(4,872)	-	-	-	(4,872)
Net carrying amount	2,359,990	7,732	54,248	7,721	223,779	2,653,470
At 30 June 2015 - Fair Value						
Cost	-	-	-	-	88,346	88,346
Fair value - market valuation	-	-	6,539	3,753	-	10,292
Fair value - income approach	2,509,697	4,188	-	-	-	2,513,885
	2,509,697	4,188	6,539	3,753	88,346	2,612,523
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	2,509,697	4,188	6,539	3,753	88,346	2,612,523
At 1 July 2015 - Fair Value						
Cost	-	-	-	-	88,346	88,346
Fair value - market valuation	-	-	6,539	3,753	-	10,292
Fair value - income approach	2,509,697	4,188	-	-	-	2,513,885
	2,509,697	4,188	6,539	3,753	88,346	2,612,523
At 30 June 2016 - Fair Value						
Cost	-	-	-	-	141,066	141,066
Fair value - market valuation	-	-	5,168	3,722	-	8,890
Fair value - income approach	2,348,264	6,041	-	-	-	2,354,305
	2,348,264	6,041	5,168	3,722	141,066	2,504,262

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Work in Progress \$'000	Total \$'000
Parent Entity						
At 1 July 2014 - Fair Value						
Cost	-	-	-	-	234,235	234,235
Fair value - market valuation	-	-	54,248	7,721	-	61,969
Fair value - income approach	2,359,990	4,602	-	-	-	2,364,592
	2,359,990	4,602	54,248	7,721	234,235	2,660,796
At 30 June 2015 - Fair Value						
Cost	-	-	-	-	99,169	99,169
Fair value - market valuation	-	-	6,539	3,753	-	10,292
Fair value - income approach	2,509,697	4,188	-	-	-	2,513,885
	2,509,697	4,188	6,539	3,753	99,169	2,623,346
At 1 July 2015 - Fair Value						
Cost	-	-	-	-	99,169	99,169
Fair value - market valuation	-	-	6,539	3,753	-	10,292
Fair value - income approach	2,509,697	4,188	-	-	-	2,513,885
	2,509,697	4,188	6,539	3,753	99,169	2,623,346
At 30 June 2016 - Fair Value						
Cost	-	-	-	-	141,066	141,066
Fair value - market valuation	-	-	5,168	3,722	-	8,890
Fair value - income approach	2,348,264	6,041	-	-	-	2,354,305
	2,348,264	6,041	5,168	3,722	141,066	2,504,262

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:

Economic Entity 30 June 2015	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Net carrying amount 1 July 2014	2,359,990	7,732	54,248	7,721	2,429,691
Additions	232,853	1,400	444	610	235,308
Disposals	(1,080)	(3,091)	(7,105)	(17,297)	(28,574)
Transfers between classes	-	-	-	-	-
Transfers (to)/from assets held for sale	-	-	(36,271)	13,059	(23,212)
Revaluation increments/(decrements)	(48,343)	(320)	(4,777)	(97)	(53,538)
Depreciation expense	(33,723)	(1,533)	-	(243)	(35,499)
Net carrying amount 30 June 2015	2,509,697	4,188	6,539	3,753	2,524,177

Parent Entity 30 June 2015	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Net carrying amount 1 July 2014	2,359,990	4,602	54,248	7,721	2,426,561
Additions	232,853	1,205	444	610	235,113
Disposals	(1,080)	(12)	(7,105)	(17,297)	(25,494)
Transfers between classes	-	-	-	-	-
Transfers (to)/from assets held for sale	-	-	(36,271)	13,059	(23,212)
Revaluation increments/(decrements)	(48,343)	(320)	(4,777)	(97)	(53,538)
Depreciation expense	(33,723)	(1,287)	-	(243)	(35,253)
Net carrying amount 30 June 2015	2,509,697	4,188	6,539	3,753	2,524,177

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:

Economic Entity 30 June 2016	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Net carrying amount 1 July 2015	2,509,697	4,188	6,539	3,753	2,524,177
Additions	79,032	4,064	-	108	83,204
Disposals	(1,190)	(7)	(34,785)	(3,732)	(39,714)
Transfers between classes	0	(0)	-	-	-
Transfers (to)/from assets held for sale	(56,699)	-	35,105	3,732	(17,862)
Revaluation increments/(decrements)	(143,401)	(360)	(1,691)	65	(145,387)
Depreciation expense	(39,173)	(1,844)	-	(204)	(41,221)
Net carrying amount 30 June 2016	2,348,264	6,041	5,168	3,722	2,363,196

Parent Entity 30 June 2016	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Net carrying amount 1 July 2015	2,509,697	4,188	6,539	3,753	2,524,177
Additions	79,032	4,064	-	108	83,204
Disposals	(1,190)	(7)	(34,785)	(3,732)	(39,714)
Transfers between classes	0	(0)	-	-	-
Transfers (to)/from assets held for sale	(56,699)	-	35,105	3,732	(17,862)
Revaluation increments/(decrements)	(143,401)	(360)	(1,691)	65	(145,387)
Depreciation expense	(39,173)	(1,844)	-	(204)	(41,221)
Net carrying amount 30 June 2016	2,348,264	6,041	5,168	3,722	2,363,196

Refer to Note 15(B) and (D) for further information on the valuation process.

Note 14. Intangible Assets

Economic Entity	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Work in Progress \$'000	Total \$'000
At 1 July 2014 - Fair Value						
Gross carrying amount	-	988	-	129	-	1,117
Accumulated amortisation	-	(803)	-	(36)	-	(839)
Fair value - income approach	1,093	6,240	189	1,692	13,433	22,647
	1,093	6,425	189	1,785	13,433	22,925
At 30 June 2015 - Fair Value						
Cost	-	-	-	-	9,825	9,825
Fair value - income approach	1,298	15,178	-	1,171	-	17,647
	1,298	15,178	-	1,171	9,825	27,472
At 1 July 2015 - Fair Value						
Cost	-	-	-	-	9,825	9,825
Fair value - income approach	1,298	15,178	-	1,171	-	17,647
	1,298	15,178	-	1,171	9,825	27,472
At 30 June 2016 - Fair Value						
Cost	-	-	-	-	3,360	3,360
Fair value - income approach	2,038	13,579	-	4,030	-	19,647
	2,038	13,579	-	4,030	3,360	23,007

Parent Entity	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Work in Progress \$'000	Total \$'000
At 1 July 2014 - Fair Value						
Cost	-	-	-	-	13,433	13,433
Fair value - income approach	1,093	6,240	189	1,692	-	9,214
	1,093	6,240	189	1,692	13,433	22,647
At 30 June 2015 - Fair Value						
Cost	-	-	-	-	9,825	9,825
Fair value - income approach	1,298	15,178	-	1,171	-	17,647
	1,298	15,178	-	1,171	9,825	27,472
At 1 July 2015 - Fair Value						
Cost	-	-	-	-	9,825	9,825
Fair value - income approach	1,298	15,178	-	1,171	-	17,647
	1,298	15,178	-	1,171	9,825	27,472
At 30 June 2016 - Fair Value						
Cost	-	-	-	-	3,360	3,360
Fair value - income approach	2,038	13,579	-	4,030	-	19,647
	2,038	13,579	-	4,030	3,360	23,007

Refer to Note 14(A) and (B) for reconciliations in movement of intangible assets.

A. Reconciliations

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

Economic Entity 2015	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2014	1,093	6,425	189	1,785	9,492
Additions	296	14,059	-	595	14,950
Disposals	-	(150)	-	(88)	(238)
Transfers between classes	-	189	(189)	-	-
Transfers (to)/from assets held for sale	-	-	-	(99)	(99)
Revaluation increments/(decrements)	(91)	-	-	(93)	(183)
Amortisation expense	-	(5,346)	-	(929)	(6,275)
Net carrying amount 30 June 2015	1,298	15,178	-	1,171	17,647
Parent Entity 2015	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2014	1,093	6,240	189	1,692	9,214
Additions	296	14,044	-	595	14,934
Transfers between classes	-	189	(189)	-	-
Transfers (to)/from assets held for sale	-	-	-	(99)	(99)
Revaluation increments/(decrements)	(91)	-	-	(93)	(183)
Amortisation expense	-	(5,295)	-	(924)	(6,220)
Net carrying amount 30 June 2015	1,298	15,178	-	1,171	17,647

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:

Economic Entity 2016	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2015	1,298	15,178	-	1,171	17,647
Additions	835	6,309	-	4,634	11,778
Disposals	-	(1)	-	(206)	(206)
Transfers (to)/from assets held for sale	-	-	-	195	195
Revaluation increments/(decrements)	(95)	(762)	-	(231)	(1,088)
Amortisation expense	-	(7,144)	-	(1,533)	(8,675)
Net carrying amount 30 June 2016	2,038	13,579	-	4,030	19,647
Parent Entity 2016	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2015	1,298	15,178	-	1,171	17,647
Additions	835	6,309	-	4,634	11,778
Disposals	-	(1)	-	(206)	(206)
Transfers (to)/from assets held for sale	-	-	-	195	195
Revaluation increments/(decrements)	(95)	(762)	-	(231)	(1,088)
Amortisation expense	-	(7,144)	-	(1,533)	(8,675)
Net carrying amount 30 June 2016	2,038	13,579	-	4,030	19,647

Note 15. Fair Value Measurement of Non-Financial Assets

A. Fair Value Hierarchy

2016

	Level 2 \$'000	Level 3 \$'000	Total Fair Value \$'000
Economic Entity			
System assets	-	2,348,264	2,348,264
Land and buildings	8,890	-	8,890
General support	-	6,041	6,041
Assets held for sale	43,292	-	43,292
Intangibles	-	19,647	19,647
	52,182	2,373,953	2,426,134
Parent Entity			
System assets	-	2,348,264	2,348,264
Land and buildings	8,890	-	8,890
General support	-	6,041	6,041
Assets held for sale	43,292	-	43,292
Intangibles	-	19,647	19,647
	52,182	2,373,953	2,426,134

Transfers into and out of fair value hierarchy levels are recognised at the end of the reporting period. There were no transfers between level 1 or 2 during the period.

For transfers in and out of level 3 measurements see (c) below.

2015

	Level 2 \$'000	Level 3 \$'000	Total Fair Value \$'000
Economic Entity			
System assets	-	2,509,697	2,509,697
Land and buildings	10,292	-	10,292
General support	-	4,188	4,188
Assets held for sale	26,994	-	26,994
Intangibles	-	17,647	17,647
	37,286	2,531,532	2,568,818
Parent Entity			
System assets	-	2,509,697	2,509,697
Land and buildings	10,292	-	10,292
General support	-	4,188	4,188
Assets held for sale	26,994	-	26,994
Intangibles	-	17,647	17,647
	37,286	2,531,532	2,568,818

B. Valuation Techniques, Inputs and Processes

Asset Category	Fair Value Approach	Inputs into Fair Value Assessment
System Asset	At initial recognition fair value is based on a cost approach.	Income approach is adopted by discounting future cash flows expected to be generated from the use of these assets. Regulated revenue is determined via an IPART price determination that was issued in June 2016. These regulated future cash flows are considered the primary factor that a market participant would consider when evaluating these assets.
	No active market exists for these assets.	
	Income approach adopted based on current regulated IPART price determination (June 2016).	Level 3 input
Land and Buildings (non-operational)	At initial recognition fair value is based on a cost approach.	Market approach is adopted based on the valuations undertaken in 2015-16 financial year. An active property market exists in the regions that land and buildings are held. Valuation based on market prices from observable inputs from comparable assets.
	Most recent revaluation based on market conditions based in an active market occurred in 2015-16.	
		Level 2 input
Assets Held for Sale	All assets initially recognised on a cost approach. Valuations have been obtained for assets held for sale and in line with AASB 5 are recognised at the lower of carrying value and fair value (less costs to sell).	Market approach is adopted based on valuations. An active property market exists in the region. Costs to sell are indicative of previous sales. Observable inputs from comparable assets but not identical.
	Valuation based on active market and similar assets (not identical).	
		Level 2 input
General Support	At initial recognition fair value is based on a cost approach.	Income approach is adopted by discounting future cash flows expected to be generated from the use of these assets. Regulated revenue is determined via an IPART price determination that was issued in June 2016. These regulated future cash flows are considered the primary factor that a market participant would consider when evaluating these assets.
	Income approach adopted based on current regulated IPART price determination (June 2016).	
		Level 3 input

C. Reconciliation of Recurring Level 3 Fair Value Measurements

i) The following table represents the changes in level 3 items for the year ended 30 June 2016 for recurring fair value measurements:

2016

	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Economic Entity				
Fair value as at 1 July 2015	2,509,697	4,188	17,647	2,531,532
Additions	79,032	4,064	11,778	94,874
Disposals	(1,190)	(7)	(206)	(1,404)
Depreciation/amortisation	(39,173)	(1,844)	(8,675)	(49,695)
Revaluation increment/(decrement) recognised in other comprehensive income	(143,401)	-	-	(143,401)
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(360)	(1,088)	(1,449)
Transfers to Level 2	(56,699)	-	195	(56,504)
Fair Value at 30 June 2016	2,348,264	6,041	19,647	2,373,953
Parent Entity				
Fair value as at 1 July 2015	2,509,697	4,188	17,647	2,531,532
Additions	79,032	4,064	11,778	94,874
Disposals	(1,190)	(7)	(206)	(1,404)
Depreciation/amortisation	(39,173)	(1,844)	(8,675)	(49,695)
Revaluation increment/(decrement) recognised in other comprehensive income	(143,401)	-	-	(143,401)
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(360)	(1,088)	(1,449)
Transfers to Level 2	(56,699)	-	195	(56,504)
Fair Value at 30 June 2016	2,348,264	6,041	19,647	2,373,953

Transfer Between Level 2 and 3 Measurements

(i) System assets and intangibles associated with assets held for sale were transferred from system assets and intangibles (level 3) to assets held for sale (level 2) during 2015-16.

(ii) The following table represents the changes in level 3 items for the year ended 30 June 2015 for recurring fair value measurements:

2015

	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Economic Entity				
Fair Value as at 1 July 2014	2,359,990	7,732	9,492	2,377,214
Additions	232,853	1,400	14,950	249,203
Disposals	(1,080)	(3,091)	(238)	(4,409)
Depreciation/amortisation	(33,723)	(1,533)	(6,275)	(41,531)
Revaluation increment/(decrement) recognised in other comprehensive income	(48,343)	-	-	(48,343)
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(320)	(183)	(503)
Transfers to Level 2	-	-	(99)	(99)
Fair Value at 30 June 2015	2,509,697	4,188	17,647	2,531,532

	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Parent Entity				
Fair Value as at 1 July 2014	2,359,990	4,602	9,214	2,373,806
Additions	232,853	1,205	14,934	248,993
Disposals	(1,080)	(12)	-	(1,092)
Depreciation/amortisation	(33,723)	(1,287)	(6,220)	(41,230)
Revaluation increment/(decrement) recognised in other comprehensive income	(48,343)	-	-	(48,343)
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(320)	(183)	(503)
Transfers to Level 2	-	-	(99)	(99)
Fair Value at 30 June 2015	2,509,697	4,188	17,647	2,531,532

Transfer Between Level 2 and 3 Measurements

Land associated with system assets has been transferred from the general land category (level 2) into the system asset (level 3) during 2014-15.

D. Measurement of Fair Value

The following tables summarise the quantitative information about the significant unobservable inputs in recurring level 3 fair value measurements.

Description	Fair Value at 30 June 2016 \$'000
System Assets	2,348,264
Other fixed assets	6,041
Intangibles	19,647

Unobservable Input item	30 June 2016 Calculation of Fair Value	Relationship of Unobservable Inputs to Fair Value
Time Period	Forecast cash flows for a five year period after which a terminal value is derived	The terminal value reflects the ability of the CGU to operate into perpetuity.
Real Discount Rate	Pre-tax real discount rate: 5.1% (2015: 4.7%)	The higher the discount rate, the lower the fair value.
Estimates of Future Revenues	Estimates of future regulated revenue streams have been based on the final 2016 IPART determination. This calculates annual revenue requirements on; <ul style="list-style-type: none"> - Full cost recovery on estimated operating expenditure relating to infrastructure assets - A return on the Regulated Asset Base (RAB) and future capital expenditure relating to replacements and projects currently in progress. - A weighted average cost of capital return of 4.9% for the five year forecast period and 5.4% thereafter (2015: 4.6%). 	The higher the discounted future revenues, the higher the fair value.
Estimates of Future Expenditure	Operating expenditure from the final 2016-17 operating budget and Strategic Plan forecasts. Capital expenditure relating to replacements and capital projects currently in progress from the final 2016-17 operating budget and Strategic Plan forecasts.	Changes in regulated expenditure have little effect on asset values as it has been assumed that future expenditure will be recovered in future IPART pricing determinations. The higher the discounted future expenditure, the lower the fair value.

i) Due to the long life of the Parent Entity's infrastructure assets, the calculation of the fair value based on the income approach, which is carried out using a five year cashflow with a terminal value, is sensitive to variations in key assumptions. Significant assumptions underpinning the modelling process have been based on the final 2016 IPART determination. Beyond that determination 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 5.4% (the post tax WACC based on long term averages). As approved prices from the 2016 IPART determination cannot be used in their entirety (they include a recovery on future capital expenditure which does not relate to the current infrastructure assets), estimates of future revenues have been based on a building block model approach as utilised by IPART. This allows for full cost recovery on estimated operating expenditure relating to infrastructure assets as well as a return on the Regulated Asset Base and future capital expenditure relating to replacements and projects currently in progress. Estimates of future cash-flows have been discounted to present value at a real pre-tax discount rate of 5.1%. The equivalent post-tax discount rate of 3.8% is based off observable market inputs in May 2016, converted to a pre-tax basis to reflect tax cash flows within the valuation model.

Outcomes from the Parent Entity's model are sensitive to variations in the forecast expenditure and expected rate of return and as such, revaluation outcomes can vary. Overall a conservative approach has been taken to minimise the risk of material differences attributable to the uncertainty in future periods. Sensitivity analysis was undertaken on the three key components within the valuation model being the long term weighted average cost of capital return (WACC), the discount rate and the long term growth in net cashflows. A 25 basis point change in WACC results in a change in valuation of \$150m (2015: \$19m) with all other inputs remaining unchanged. A 25 basis point change in the discount rate results in a change in valuation of \$160m. The movements in these components are offsetting such that a change in both rates at once will only result in a change in valuation of \$10m. A 5 basis point change in the long term growth in net cash-flows results in a change in valuation of \$40m (2015: \$41m) with all other inputs remaining unchanged. After assessment of the sensitivity analysis it was determined that if these movements did occur that there would be no material impact on the Income Statement.

ii) 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.

Refer to Note 1 (I) Fair Value for AASB 13 measurement information.

Note 16. Trade and Other Payables

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade creditors	7,684	9,239	7,684	9,236
Deposits received for services	10,112	10,369	10,112	10,369
Accrued expenses	70,285	57,064	70,285	57,043
	88,081	76,672	88,081	76,648

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 35.

Note 17. Current Tax Liabilities

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Provision for Income Tax Payable				
Opening Balance	948	12,949	948	12,949
Under/(over) provision for income tax in prior year	158	(163)	158	(163)
Amount paid relating to prior year	(1,106)	(12,785)	(1,106)	(12,785)
Amount payable for current year	5	22,376	24,122	22,376
Amount paid relating to current year	(19,941)	(21,428)	(19,941)	(21,428)
	4,181	948	4,181	948

Note 18. Borrowings

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Intercompany Loan	-	-	5,805	3,265
Other loans	1,071,563	1,061,031	1,071,563	1,061,031
	1,071,563	1,061,031	1,077,368	1,064,297
Represented By:				
Current	7,382	100,686	13,186	103,952
Non-current	1,064,182	960,345	1,064,182	960,345
	1,071,563	1,061,031	1,077,368	1,064,297

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of \$30m (2015:\$30m)

The Parent Entity has a contingent loan facility with Commonwealth Bank of Australia of \$0.1m which was not drawn down at 30 June 2016 and a purchase card facility with National Australia Bank of \$0.9m which was not drawn down at 30 June 2016. Previous facilities of the Controlled Entity have been cancelled prior to 30 June 2016.

The borrowings are classified as non-trading liabilities and are unsecured.

The Treasurer approved funding of up to \$1,227m with NSW TCorp for the three year period until 30 June 2018 (\$1,090m for 30 June 2015), of which \$1,072m was used at 30 June 2016 (\$1,061m at 30 June 2015).

The Minister has approved an intercompany loan for \$10m of which \$5.8m was used at 30 June 2016.

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 35.

Fair Value Approach

NSW Treasury Corporation loans: Fair values are determined on the basis of rates supplied by independent market sources.

Inputs into Fair Value Assessment: Market approach is adopted for valuation of these assets. An active debt market exists. Valuation based on market prices from observable inputs of similar assets with valuations based on interest rates. (Level 2 input). All borrowings are held at fair value.

Note 19. Provisions

	Notes	Economic Entity		Parent Entity	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current					
Dividends		37,300	21,330	37,300	21,330
Restoration		60	1,143	60	1,143
Rectification		85	97	85	97
Other		50	-	50	-
Employee benefits - short term		816	983	816	983
Employee benefits - long term*		17,825	18,068	17,825	18,068
		56,137	41,621	56,137	41,621
Non-Current					
Employee benefits		151,232	105,382	151,232	98,249
		151,232	105,382	151,232	98,249
*Employee benefits expected to be settled after 12 months		7,469	6,866	7,469	6,866

Movements in Dividends Provision 2016

	Economic Entity		Parent Entity	
	Current	Current	Current	Current
Carrying amount 1 July 2015	21,330	21,330	21,330	21,330
Less: dividend paid	(21,330)	(21,330)	(21,330)	(21,330)
Add: dividend declared	37,300	37,300	37,300	37,300
Carrying amount at 30 June 2016	37,300	37,300	37,300	37,300

Movements in Restoration Provision 2016

	Economic Entity		Parent Entity	
	Current	Non-Current	Current	Non-Current
Carrying amount 1 July 2015	1,143	-	1,143	-
(Payments)/receipts	(1,083)	-	(1,083)	-
Over/(under) provision adjustment 2016	-	-	-	-
Carrying amount at 30 June 2016	60	-	60	-

Movements in Rectification Provision 2016

	Economic Entity		Parent Entity	
	Current	Current	Current	Current
Carrying amount 1 July 2015	97	97	97	97
(Payments)/receipts	(12)	(12)	(12)	(12)
Carrying amount at 30 June 2016	85	85	85	85

Note 20. Deferred Tax Liabilities

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Amounts recognised in profit or loss:				
Tax bases without an asset carrying amount	-	604	-	-
Stock on hand	875	810	875	810
Accruals	(327)	(333)	(327)	(333)
Borrowing costs	2,091	2,049	2,091	2,049
Provisions	(13,776)	(10,539)	(11,636)	(11,311)
Prepayments	226	232	226	232
Property, plant and equipment	(28,187)	(46,324)	(27,917)	(42,807)
	(39,098)	(53,501)	(36,688)	(51,360)
Amounts recognised in the Statement of Comprehensive Income	(39,677)	(29,719)	(39,677)	(26,807)
Superannuation actuarial gains/(losses)	167,911	218,080	167,911	218,080
Revaluation of property, plant and equipment	128,235	188,362	128,234	191,273
Total	89,136	134,861	91,546	139,913

Economic Entity

	Opening Balance at 1 July 2015	Prior Year Under/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2016
Movements					
Tax bases without an asset carrying amount	604	(604)	-	-	0
Stock On Hand	810	-	65	-	875
Accruals	(333)	-	6	-	(327)
Borrowing costs	2,049	-	43	-	2,091
Provisions (including doubtful debts)	(40,257)	-	(326)	(12,870)	(53,454)
Prepayments	232	-	(6)	-	226
Property, plant and equipment	171,756	4,695	14,890	(51,618)	139,724
	134,861	4,091	14,672	(64,488)	89,136

	Opening Balance at 1 July 2014	Prior Year Under/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2015
Movements					
Tax bases without an asset carrying amount	1,138	(564)	31	-	604
Stock On Hand	1,389	-	(579)	-	810
Accruals	302	379	(1,013)	-	(333)
Borrowing costs	2,265	(651)	435	-	2,049
Provisions (including doubtful debts)	(42,609)	2,441	1,794	(1,883)	(40,257)
Prepayments	277	-	(45)	-	232
Property, plant and equipment	192,365	506	(5,787)	(15,327)	171,756
	155,126	2,110	(5,165)	(17,210)	134,861

Parent Entity

	Opening Balance at 1 July 2015	Prior Year Under/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2016
Movements					
Tax bases without an asset carrying amount	-	-	-	-	-
Stock On Hand	810	-	65	-	875
Accruals	(333)	-	6	-	(327)
Borrowing costs	2,049	-	43	-	2,091
Provisions (including doubtful debts)	(38,118)	-	(326)	(12,870)	(51,313)
Prepayments	232	-	(6)	-	226
Property, plant and equipment	175,274	1,449	14,890	(51,618)	139,994
	139,913	1,449	14,672	(64,488)	91,546

	Opening Balance at 1 July 2014	Prior Year Under/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2015
Movements					
Tax bases without an asset carrying amount	-	-	-	-	-
Stock On Hand	803	-	7	-	810
Accruals	(469)	110	26	-	(333)
Borrowing costs	2,265	(651)	435	-	2,049
Provisions (including doubtful debts)	(38,637)	3,460	(738)	(2,202)	(38,118)
Prepayments	254	-	(22)	-	232
Property, plant and equipment	196,281	(20)	(5,659)	(15,327)	175,274
	160,495	2,899	(5,952)	(17,530)	139,913

The deferred tax liability that is expected to be settled within the next twelve months for the economic entity is \$7.3m (2015: \$7.9m).

Note 21. Share Capital

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 July: ordinary shares each fully paid	102,850	100,000	102,850	100,000
Shares fully paid and issued during year	850	2,850	850	2,850
At 30 June: ordinary shares each fully paid	103,700	102,850	103,700	102,850

Hunter Water Corporation's two shareholders at 30 June 2016 were:

- The Minister for Finance, Services and Property; 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. Shares issued and fully paid at 30 June 2016 total 103,700,000 (2015: 102,850,000).

During the reporting period, an additional 850,000 shares had been issued by the Corporation due to an equity cash contribution from shareholders of \$850,000. The shares have been issued and fully paid during the reporting period. The equity injection relates to the NSW Government's Housing Acceleration Fund 2 scheme.

Note 22. Reserves and Retained Profits

	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
A. Reserves				
Asset revaluation	390,887	512,264	390,887	512,264
	390,887	512,264	390,887	512,264
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets and assets held for sale, as described in Accounting Policy Note 1.				
Movement in Reserves				
Asset revaluation				
Balance at beginning of year	512,264	555,937	512,264	555,937
Fixed asset revaluation increments/(decrements) from revaluations				
System assets	(166,893)	(48,343)	(166,893)	(48,343)
General support	-	-	-	-
Buildings	65	(142)	65	(142)
Land	(1,691)	(2,710)	(1,691)	(2,710)
	(168,519)	(51,196)	(168,519)	(51,196)
Tax effect - deferred tax liability on revaluation reserve	44,839	14,559	44,839	14,559
Tax effect of assets held for sale	6,780	768	6,780	768
	51,618	15,327	51,618	15,327
Transfer of reserve on disposal	(4,476)	(7,804)	(4,476)	(7,804)
	390,887	512,264	390,887	512,264

B. Retained Profits

Retained profits at 1 July 2015	687,781	665,842	695,003	670,050
Net profit	39,052	39,879	39,058	43,618
Transfer from revaluation reserve to retained earnings	6,388	7,804	6,388	7,804
Net income/(loss) recognised direct in equity	(22,620)	(4,415)	(37,162)	(5,139)
Dividends	(37,300)	(21,330)	(37,300)	(21,330)
Retained profits at 30 June 2016	673,301	687,781	665,987	695,003

Note 23. Statement of Cash Flows - Operating Activities

	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities:				
Net profit for the year from operations	39,052	39,879	39,058	43,618
Net superannuation (income)/expense	2,978	3,459	2,978	3,173
Revaluation decrement	1,471	23,896	1,471	23,896
Depreciation and amortisation	49,896	41,775	49,896	41,473
(Profit)/loss on sale of non-current assets	3,558	(3,435)	3,558	1,592
Capital asset (non-cash) contributions	(26,536)	(25,945)	(26,536)	(25,945)
Net exchange differences	-	(23)	-	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	(6,551)	3,714	(6,576)	1,602
(Increase)/decrease in inventories	(218)	(23)	(218)	(23)
(Increase)/decrease in other operating assets	522	(113)	522	(638)
(Increase)/decrease in work in progress	-	1,227	-	-
Increase/(decrease) in trade creditors	(2,335)	10,093	(2,314)	7,890
Increase/(decrease) in other operating liabilities	5,229	(8,004)	5,216	(7,651)
Increase/(decrease) in provision for income taxes payable	3,233	(12,000)	2,462	(11,337)
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)	15,350	(4,258)	16,121	(3,373)
(Increase)/decrease in capitalised borrowing costs	(3,605)	(3,394)	(3,605)	(3,394)
Increase/(decrease) in other provisions	(437)	(5,262)	(437)	(1,667)
Net cash inflow from operating activities	81,605	61,585	81,596	69,216

Note 24. Contractual Commitments

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Capital Commitments				
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable within one year	38,837	33,845	38,837	33,845
Payable later than one year but not later than five years	3,972	1,090	3,972	1,090
Payable later than five years	-	-	-	-
	42,809	34,935	42,809	34,935

GST component of total contractual commitments for the Economic Entity at 30 June 2016 totals \$3.9m (2015: \$3.2m).

Note 25. Lease Expenditure Commitments

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Operating lease commitments in relation to operating leases not provided for and payable:				
Within one year	4,414	4,230	4,414	4,230
Later than one year but not later than five years	13,291	12,259	13,291	12,259
Later than five years	8,903	11,674	8,903	11,674
	26,607	28,164	26,607	28,164
Representing:				
Cancellable operating leases	4,719	3,922	4,719	3,922
Non-cancellable operating leases	21,888	24,242	21,888	24,242
	26,607	28,164	26,607	28,164

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. An additional operating lease for fleet vehicles was entered into in December 2014 for a five year period within which time the original leased vehicles will be transferred to the new operator.

In July 2014 Hunter Water Corporation's head office on Honeysuckle Drive was sold. A 10 year operating lease on the head office building commencing on 16 July 2014.

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. GST component of total commitments for the Economic Entity at 30 June 2016 totals \$2.4m (2015: \$2.6m).

Note 26. 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 Entity also contributes to the plans.

In July 2015 the Controlled Entity's defined benefit fund was combined into the Parent Entity's defined benefit fund. This consolidation had no impact on the Economic Entity and was as a result of the intention to liquidate the Controlled Entity.

The Parent Entity contributes 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).

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

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

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS)*. The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed at 30 June 2018.

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

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

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

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

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

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.

B. Reconciliation of the Net Defined Benefit Liability/(Asset)

Economic Entity at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of the year	23,725	6,430	74,622	104,777
Current service cost	753	262	174	1,189
Net Interest on the net defined benefit liability/(asset)	711	191	2,255	3,156
Actual return on Fund assets less Interest income	14	23	(130)	(93)
Actuarial (gains)/losses arising from changes in demographic assumptions	1,399	(77)	7,734	9,055
Actuarial (gains)/losses arising from changes in financial assumptions	5,547	466	26,551	32,564
Actuarial (gains)/losses arising from liability experience	987	57	329	1,374
Employer contributions	(647)	(305)	(414)	(1,367)
Net defined benefit liability/(asset) at end of period	32,488	7,047	111,121	150,656

Economic Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of the year	23,413	6,054	65,727	95,194
Current service cost	991	316	823	2,129
Net Interest on the net defined benefit liability/(asset)	813	211	2,336	3,359
Actual return on Fund assets less Interest income	(2,319)	(97)	(7,069)	(9,486)
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,132	233	13,695	16,060
Actuarial (gains)/losses arising from liability experience	291	96	255	643
Employer contributions	(1,302)	(313)	(567)	(2,182)
Effects of transfers in/out due to business combinations and disposals	(607)	(113)	-	(720)
Net defined benefit liability/(asset) at end of period	23,725	6,430	74,622	104,777

Parent Entity at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of the year	22,835	6,078	68,732	97,645
Current service cost	753	262	174	1,189
Net Interest on the net defined benefit liability/(asset)	711	191	2,255	3,156
Actual return on Fund assets less Interest income	14	23	(130)	(93)
Actuarial (gains)/losses arising from changes in demographic assumptions	1,399	(77)	7,734	9,055
Actuarial (gains)/losses arising from changes in financial assumptions	5,547	466	26,551	32,564
Actuarial (gains)/losses arising from liability experience	987	57	329	1,374
Employer contributions	(647)	(305)	(414)	(1,367)
Effects of transfers in/out due to business combinations and disposals	890	352	5,890	7,132
Net defined benefit liability/(asset) at end of period	32,488	7,047	111,121	150,656

Parent Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of the year	22,103	5,675	59,353	87,131
Current service cost	848	284	762	1,895
Net Interest on the net defined benefit liability/(asset)	771	198	2,109	3,078
Actual return on Fund assets less Interest income	(2,120)	(100)	(6,116)	(8,337)
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,084	233	12,168	14,485
Actuarial (gains)/losses arising from liability experience	14	(5)	1,592	1,601
Employer contributions	(1,012)	(232)	(556)	(1,800)
Effects of transfers in/out due to business combinations and disposals	(167)	(19)	-	(186)
Net defined benefit liability/(asset) at end of period	22,835	6,078	68,732	97,645

C. Reconciliation of the Fair Value of Fund Assets

Economic Entity at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	26,420	721	94,357	121,497
Interest income	764	18	2,771	3,552
Actual return on Fund assets less interest income	(14)	(23)	130	93
Employer contributions	647	305	414	1,367
Contributions by participants	359	-	331	690
Benefits paid	(3,061)	(841)	(6,358)	(10,261)
Taxes, premiums and expenses paid	(358)	(43)	176	(226)
Fair value of fund assets at end of the year	24,756	136	91,820	116,713

Economic Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	31,080	1,786	89,774	122,640
Interest income	1,079	62	3,110	4,250
Actual return on Fund assets less interest income	2,319	97	7,069	9,486
Employer contributions	1,302	313	567	2,182
Contributions by participants	434	-	356	790
Benefits paid	(9,018)	(1,307)	(7,001)	(17,326)
Taxes, premiums and expenses paid	1,009	(31)	482	1,460
Transfers in/out due to business combinations and disposals	(1,784)	(200)	-	(1,984)
Fair value of fund assets at end of the year	26,420	721	94,357	121,497

Parent Entity at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	26,631	1,020	82,483	110,134
Interest income	764	18	2,771	3,552
Actual return on Fund assets less interest income	(14)	(23)	130	93
Employer contributions	647	305	414	1,367
Contributions by participants	359	-	331	690
Benefits paid	(3,061)	(841)	(6,358)	(10,261)
Taxes, premiums and expenses paid	(358)	(43)	176	(226)
Transfers in/(out) due to business combinations and disposals	(211)	(299)	11,874	11,363
Fair value of fund assets at end of the year	24,756	136	91,820	116,713

Parent Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	27,366	1,439	77,643	106,447
Interest income	945	48	2,688	3,681
Actual return on Fund assets less interest income	2,120	100	6,116	8,337
Employer contributions	1,012	232	556	1,800
Contributions by participants	395	-	351	746
Benefits paid	(5,547)	(711)	(5,281)	(11,538)
Taxes, premiums and expenses paid	965	(22)	409	1,352
Transfers in/out due to business combinations and disposals	(624)	(67)	-	(691)
Fair value of fund assets at end of the year	26,631	1,020	82,483	110,134

D. Reconciliation of the Defined Benefit Obligation

Economic Entity at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of period	50,145	7,151	168,979	226,275
Current service cost	753	262	174	1,189
Interest cost	1,475	208	5,025	6,708
Contributions by fund participants	359	-	331	690
Actuarial (gains)/losses arising from changes in demographic assumptions	1,399	(77)	7,734	9,055
Actuarial (gains)/losses arising from changes in financial assumptions	5,547	466	26,551	32,564
Actuarial (gains)/losses arising from liability experience	987	57	329	1,374
Benefits paid	(3,061)	(841)	(6,358)	(10,261)
Taxes, premiums and expenses paid	(358)	(43)	176	(226)
Present value of defined benefit obligations at end of the year	57,245	7,183	202,941	267,369

Economic Entity at 30 June 2015

Present value of defined benefit obligations at beginning of period	54,493	7,840	155,501	217,834
Current service cost	991	316	823	2,129
Interest cost	1,891	272	5,446	7,610
Contributions by fund participants	434	-	356	790
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,132	233	13,695	16,060
Actuarial (gains)/losses arising from liability experience	291	96	255	643
Benefits paid	(9,018)	(1,307)	(7,001)	(17,326)
Taxes, premiums and expenses paid	1,009	(31)	482	1,460
Transfers in/out due to business combinations and disposals	(2,391)	(312)	-	(2,703)
Present value of defined benefit obligations at end of the year	50,145	7,151	168,979	226,275

Parent Entity at 30 June 2016

Present value of defined benefit obligations at beginning of period	49,466	7,098	151,215	207,779
Current service cost	753	262	174	1,189
Interest cost	1,475	208	5,025	6,708
Contributions by fund participants	359	-	331	690
Actuarial (gains)/losses arising from changes in demographic assumptions	1,399	(77)	7,734	9,055
Actuarial (gains)/losses arising from changes in financial assumptions	5,547	466	26,551	32,564
Actuarial (gains)/losses arising from liability experience	987	57	329	1,374
Benefits paid	(3,061)	(841)	(6,358)	(10,261)
Taxes, premiums and expenses paid	(358)	(43)	176	(226)
Transfers in/(out)	679	53	17,764	18,496
Present value of defined benefit obligations at end of the year	57,245	7,183	202,941	267,369

Parent Entity at 30 June 2015

Parent Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of period	49,468	7,114	136,995	193,578
Current service cost	848	284	762	1,895
Interest cost	1,716	247	4,797	6,760
Contributions by fund participants	395	-	351	746
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,084	233	12,168	14,485
Actuarial (gains)/losses arising from liability experience	14	(5)	1,592	1,601
Benefits paid	(5,547)	(711)	(5,281)	(11,538)
Taxes, premiums and expenses paid	965	(22)	409	1,352
Transfers in/out due to business combinations and disposals	(791)	(86)	-	(877)
Present value of defined benefit obligations at end of the year	49,466	7,098	151,215	207,779

E. Reconciliation of the Effect of the Asset Ceiling

Economic Entity at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-
Parent Entity at 30 June 2016				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

F. Fair Value of Fund Assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset Category	Total (A\$'000)	Level 1 (A\$'000)	Level 2 (A\$'000)	Level 3 (A\$'000)
Short term securities	2,050,414	2,044,454	5,960	-
Australian fixed interest	2,720,590	2,724	2,717,865	-
International fixed interest	834,374	(1,358)	835,731	-
Australian equities	9,720,877	9,171,767	549,087	24
International equities	12,093,667	9,026,207	2,078,766	988,694
Property	3,650,267	1,113,253	618,946	1,918,068
Alternatives	7,115,949	470,130	3,122,185	3,523,634
Total	38,186,138	21,827,178	9,928,540	6,430,420

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

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

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

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

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

As at	30 June 2016
Short term securities	5.4%
Australian fixed interest	7.1%
International fixed interest	2.2%
Australian equities	25.5%
International equities	31.7%
Property	9.6%
Alternatives	18.6%
Total	100.0%

G. Fair Value of Fund Assets

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

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets include as at 30 June 2016 of \$189.6 million (2015: \$209.2m) in NSW government bonds.

H. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2016
Discount rate	1.99% pa
Salary increase rate (excluding promotional increases)	2.50% pa 2016/2017 to 2018/2019; 3.50% pa 2019/2020 to 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	1.50% pa 2015/2016; 1.75% pa 2016/2017; 2.25% pa 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% Discount Rate	Scenario B +1.0% Discount rate
Discount rate	1.99%	0.99%	2.99%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	267,368,771	311,781,579	232,063,158
	Base Case	Scenario C +0.5% rate of CPI Increase	Scenario D -0.5% rate of CPI Increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	267,368,771	285,992,788	250,546,516
	Base Case	Scenario E +0.5% salary Increase rate	Scenario F -0.5% salary Increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	267,368,771	269,391,317	265,428,077
	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (A\$)	267,368,771	264,760,411	271,866,862

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

I. Funding Arrangements

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken at 30 June 2015.

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 (SSS)	1.60x (multiple of member contributions)
State Superannuation Scheme (SASS)	1.90x (multiple of member contributions)
State Authorities Non-Contributory Superannuation Scheme (SANCS)	2.5% (% 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 7.8% pa (2015: 8.3% pa);
- Expected rate of return on fund assets backing other liabilities of 6.8% pa (2015: 7.3% pa);
- Expected salary increase rate of 3.0% pa (2015: 2.7% pa);
- Expected rate of CPI increase of 2.5% pa (2015: 2.5% pa).

Expected Contributions

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected employer contributions for the Economic Entity	683	219	530

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

Maturity Profile of Defined Benefit Obligation

The weighted average duration of the defined benefit obligation for Parent Entity is 14.7 years (2015: 13.4 years).

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 2016), and a deficit of \$19.2m (2015: \$5.5m) was reported for the Economic Entity.

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
2016			
Accrued benefits	35,825	4,776	95,270
Net market value of fund assets	(24,756)	(136)	(91,820)
Net (surplus)/deficit	11,069	4,640	3,450
2015			
Accrued benefits	34,987	4,764	87,227
Net market value of fund assets	(26,420)	(721)	(94,357)
Net (surplus)/deficit	8,568	4,043	(7,130)

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 27. Consultancies

The total amount paid or payable to consultants engaged by the Parent Entity during the reporting period was \$2.3m (2015: \$2.3m). No fees were paid by the Controlled Entity during the year.

Note 28. Contingent Liabilities

The Economic or Parent Entity do not have any contingent liabilities at balance date. Limited warranty claims in relation to the Controlled Entity's asset sale are available to the purchasers. No indication of any claims have been made since the sale completion.

No significant claims for damages are being negotiated (2015: nil). This does not include matters covered by insurance.

Note 29. Auditors' Remuneration

Notes	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Audit Office of New South Wales				
Audit review of financial statements	238	254	220	216
Other audit fees	-	5	-	5
	238	259	220	221

Note 30. 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 (2015: 100%). Hunter Water Australia Pty Limited acquired assets and liabilities on 2 March 1998 of the Engineering Consulting, Water Treatment Consulting, Survey and 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Transactions with Controlled Entities				
Sales				
Contracts (insurances, etc)	HWA	-	-	3
Total sales		-	-	3

Purchases

Purchases - consultancy services and contracts	HWA	-	-	8,546
Interest paid	HWA	-	-	29
Dividend received	HWA	-	-	7,000

Payables (excl GST)

Sales and purchases	HWA	-	-	5
Inter-company loan	HWA	-	5,805	3,265
Total payables		-	5,805	3,270

Entity	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000

Other Transaction with Related Parties

Purchases

Consulting Services:				
- AMPControl SWG Pty Ltd	-	3,244	-	3,244
- AMPControl NSW Pty Ltd	11	-	11	-
- PKF Lawler Partners Pty Ltd	1	12	1	12
Recruitment Services:				
- Peoplefusion Pty Ltd	1,077	775	1,077	775
Membership and Subscription Fees:				
- WSAA	319	183	319	183
Sponsorships:				
- Dial B4 You Dig	67	54	67	54
- Hunter Region Botanic Gardens	50	25	50	25
- Hunter Valley Research Foundation	-	14	-	14
- University of Newcastle	88	120	88	120
Self Managed Super Fund:				
- Lawler Superannuation Fund	7	7	7	7
- Kim and Liz Self Managed Super Fund	17	45	17	45
- Backhausen Pty Ltd (SMSF)	15	-	15	-
Entertainment:				
- Newcastle Club	3	4	3	4

Outstanding Balances with Related Parties

Payables:				
- Dial B4 You Dig	13	-	13	-
- Peoplefusion Pty Ltd	78	53	78	53
- University of Newcastle	-	15	-	15

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

Sales were made to related parties of Directors and the Controlled Entities 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 HWA has a term of five years.

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 32.

Note 31. 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.

The international operations and water-related services ceased on 31 December 2014 following the sale of assets.

Note 32. Key Management Personnel Disclosures

A. Directors and Any Director Related Entities

The Directors of Hunter Water Corporation during the financial year were:

Mr T Lawler	Chairman
Mr J Eather	Deputy Chairman
Mr K Wood	Managing Director (to 30 September 2015)
Mr P Dalglish	(to 30 June 2016)
Prof M Gleeson	
Ms R Lavery	
Mr G Clarke	
Mr P Kembrey	Company Secretary

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:

Jeremy Bath	Hunter Water Corporation	Interim Chief Executive Officer (Acting from 27 August 2015)
Jeremy Bath	Hunter Water Corporation	Chief Customer Services Officer (to 27 August 2015)
Victor Prasad	Hunter Water Corporation	Chief Customer Services Officer (Acting from 27 August 2015)
Richard Harris	Hunter Water Corporation	Chief Information Technology Officer (from 30 November 2015)
Joanne Martin	Hunter Water Corporation	Chief Information Officer (to 6 October 2015)
Fiona Cushing	Hunter Water Corporation	Chief Finance Officer
Darren Cleary	Hunter Water Corporation	Chief Operating Officer
Peter Kembrey	Hunter Water Corporation	Executive Manager Corporate and Legal (from 6 October 2015)
Fiona Cushing	Acting General Manager	Hunter Water Australia Pty Limited

C. Key Management Personnel Compensation

	Economic Entity		Parent Entity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Short term employee benefits	2,220	2,210	2,220	2,071
Termination payments	168	495	168	495
Long term employee benefits	24	195	24	190
Post employment benefits	204	218	204	199
	2,616	3,118	2,616	2,955

Note 33. Controlled Entities

Parent Entity

Hunter Water Corporation

Controlled Entities

	Equity Holding	
	2016	2015
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%

Note 34. 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 35. 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.

Financial Instrument categories:

Financial Assets	Note	Category
Cash and cash equivalents	8	N/A
Trade and other receivables	9	Loans and receivables at amortised cost

Financial Liabilities	Note	Category
Borrowings	18	Financial liabilities measured at amortised cost
Trade and other payables	16	Financial liabilities measured at amortised cost

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 weighted average interest rates are shown below:

Economic Entity

2016	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	1.60%	11,957	-	8	11,965
Trade and other receivables	8.00%	-	9,253	31,785	41,038
Other financial assets	n/a	-	-	-	-
		11,957	9,253	31,793	53,003
Financial Liabilities					
Borrowings	4.44%	137,802	933,761	-	1,071,563
Trade and other payables	n/a	-	-	81,715	81,715
		137,802	933,761	81,715	1,153,278

The comparative information with regard to the 2015 year is as follows:

2015	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	1.96%	12,705	-	8	12,713
Trade and other receivables	8.00%	-	7,910	28,184	36,094
Other financial assets	n/a	-	-	-	-
		12,705	7,910	28,192	48,807
Financial Liabilities					
Borrowings	5.05%	137,606	923,425	-	1,061,031
Trade and other payables	n/a	-	-	71,453	71,453
		137,606	923,425	71,453	1,132,484

Parent Entity

2016	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	1.60%	11,957	-	8	11,965
Trade and other receivables	8.00%	-	9,253	31,785	41,038
Other financial assets	n/a	-	-	900	900
		11,957	9,253	32,693	53,903
Financial Liabilities					
Borrowings	4.44%	137,802	933,761	5,805	1,077,368
Trade and other payables	n/a	-	-	81,715	81,715
		137,802	933,761	87,520	1,159,083

The comparative information with regard to the 2015 year is as follows:

2015	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	2.07%	10,163	-	8	10,171
Trade and other receivables	8.00%	-	7,910	27,389	35,299
Other financial assets	n/a	-	-	900	900
		10,163	7,910	28,297	46,370
Financial Liabilities					
Borrowings	5.05%	137,606	926,690	-	1,064,297
Trade and other payables	n/a	-	-	71,432	71,432
		137,606	926,690	71,432	1,135,728

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Economic Entity				
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	66	107	66	107
If Interest rates are 100 basis points lower	(66)	(107)	(66)	(107)
Borrowings				
If Interest rates are 100 basis points higher	(965)	(1,213)	(965)	(1,213)
If Interest rates are 100 basis points lower	965	1,213	965	1,213
Parent Entity				
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	66	69	66	69
If Interest rates are 100 basis points lower	(66)	(69)	(66)	(69)
Borrowings				
If Interest rates are 100 basis points higher	(1,020)	(1,241)	(1,020)	(1,241)
If Interest rates are 100 basis points lower	1,020	1,241	1,020	1,241

(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, previously provided consultancy services to customers in the United States, Fiji and Papua New Guinea. These operations ceased in December 2014 and no future foreign exchange risk exists for this entity as no bank accounts or receivables are held in any foreign currency. There is no exposure to foreign currency risk at reporting date.

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 on both an Economic Entity and Parent Entity basis 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 (2015:\$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 (2015:\$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.

While current liabilities exceed current assets at 30 June 2016 the Economic Entity continues to trade as a going concern. The Economic Entity has sufficient funds to meet its obligations until 30 June 2017.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. Management have assessed the Economic Entity's exposure to liquidity risk as insignificant based on prior period data and current assessment of risk.

Thus, the Economic Entity's financial statements have been prepared on a going concern basis.

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 NSW Treasury Circular NSWTC 11/12: *Payment of Accounts*. NSWTC 11/12 specifies that supplier payments are to be made within 30 days unless an alternative period is provided.

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

Economic Entity

	Carrying Amount	Total Contractual Cash Flows	Maturity Dates			
			Within 1 Year	Within 1-2 Years	Within 2-5 Years	Over 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016						
Trade and other payables	81,715	81,715	81,715	-	-	-
Borrowings	1,071,563	1,323,887	52,836	96,650	446,255	728,147
Total	1,153,278	1,405,602	134,550	96,650	446,255	728,147

2015						
Trade and other payables	71,453	71,453	71,453	-	-	-
Borrowings	1,061,031	1,321,748	151,741	99,719	429,183	641,104
Total	1,132,484	1,393,201	223,194	99,719	429,183	641,104

Parent Entity

	Carrying Amount	Total Contractual Cash Flows	Maturity Dates			
			Within 1 Year	Within 1-2 Years	Within 2-5 Years	Over 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016						
Trade and other payables	81,715	81,715	81,715	-	-	-
Borrowings	1,077,368	1,329,692	52,836	96,650	446,255	733,952
Total	1,159,083	1,411,407	134,550	96,650	446,255	733,952

2015						
Trade and other payables	71,432	71,432	71,432	-	-	-
Borrowings	1,064,297	1,325,784	151,741	99,719	429,183	645,141
Total	1,135,728	1,397,216	223,173	99,719	429,183	645,141

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 any 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 receivables 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	6,806	6,806	-	6,806	6,806	-
> 90 days overdue	2,978	2,594	383	2,978	2,594	383

¹ The ageing analysis excludes statutory receivables and prepayments, 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.

End of audited financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Hunter Water Corporation, Clause 11 of the Public Finance and Audit Regulation 2015, 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 general purpose financial statements exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entity as at 30 June 2016, and its financial performance 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 2015*, the Australian Accounting Standards (which include Australian Accounting Interpretations) 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



J Eather
Deputy Chairman

Dated 25 August 2016
Newcastle



STATISTICAL INFORMATION

Organisational statistics for the 2015-16 financial year.

GENERAL STATISTICS

Water	2011-12	2012-13	2013-14	2014-15	2015-16
Population in area ^{1,2}	567,526	561,549	572,092	578,523	583,659
Population supplied with water ¹	539,909	545,256	550,347	558,390	563,611
Properties where water is available ³	237,164	239,036	242,590	247,355	250,875
Properties connected to water (metered) ³	230,140	232,964	235,835	238,822	242,277
Capacity of major sources (ML)	288,000	288,000	276,686	276,686	276,686
Total supply from sources (ML) ⁴	62,275	68,622	71,750	67,272	68,781
Average day net supply (ML) ⁴	170.2	188	196.6	184.3	187.9
Maximum day net supply (ML) ⁴	240.8	313.9	315.5	277.7	271.1
Maximum week net supply (ML/day) ⁴	212.2	273.3	293.4	251.4	253.8
Minimum day net supply (ML) ⁴	136.2	138.5	142	140	123.7
Average consumption per residential tenement (kl/annum)	162.9	175.8	181.3	167.8	166.3
Five year rolling average consumption ⁵	176.4	175.4	175.7	172.5	170.8
Watermains laid during year (km)	58.3	48.6	65.5	59.1	50.4
Watermains abandoned during year (km)	24	8	21.2	3.5	11.7
Watermain length revisions during the year (km)	-0.9	-150	-2.2	-3.3	0.5
Total watermains in service (km) ⁶	4,930	4,820	4,893	4,945	4,985
Length of watermain per connected property (m)	21.42	20.69	20.75	20.71	20.58
Water supplied free of charge: charitable, public and miscellaneous purposes (kl)	415,704	449,055	458,848	433,560	416,211
Water supplied free of charge: dollar value (\$)	789,838	934,034	977,346	949,497	923,989
Wastewater					
Population supplied with water and sewer ¹	516,726	523,211	527,692	535,010	539,585
Properties where sewer is available ³	227,690	229,938	232,861	235,830	239,308
Properties connected to sewer ³	218,459	221,434	224,326	227,514	230,618
Sewer mains laid during the year (km)	65.1	68.3	54.5	44.3	52.5
Sewer mains abandoned during the year (km)	3.5	1.3	3.5	3.5	5.8
Sewer main length revisions during the year (km)	0.1	-7.0	0.6	-0.3	3.6
Total sewer mains in service (km)	4,792	4,852	4,903.1	4,944.8	4,995.0
Length of sewer main per liable property (m)	21	21.1	21.1	21.0	20.6
Wastewater supplied free of charge: dollar value (\$)	109,205	127,229	144,155	138,048	134,104
Drainage					
Properties liable ³	68,387	68,848	69,287	69,732	69,978

Dissection of Population - June 2016 ¹		2015-16		
Region	Population in Area	Served Water	Served Sewer	
Newcastle	162,541	162,541	161,793	
Lake Macquarie	205,770	203,480	196,192	
Maitland	78,092	76,413	73,751	
Cessnock	56,771	49,946	45,268	
Port Stephens	71,198	67,551	61,545	
Dungog	9,287	3,427	942	
Sub total	583,659	563,358	539,491	
Singleton (Part Branxton)	-	168	94	
Total	583,659	563,526	539,585	

	2011-12	2012-13	2013-14	2014-15	2015-16
Ratio of properties connected to water and sewer, and water only ⁷	95.70%	96.00%	95.90%	95.80%	95.70%

¹ Population figures from 2013-14 have used Estimated Resident Population (ERP) from the Australian Bureau of Statistics.

² Population in area for 2013-14 includes population in Dungog Local Government Area.

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

⁴ Supply and consumption figures are based on Water Year, i.e. 12 months ending 19 April.

⁵ Target is to not exceed 215KL/annum, based on five-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.

⁷ Includes five main local government areas only.

FINANCIAL

Information on the Statement of Financial Position of the Economic Entity

Receivables

Receivables are shown as an asset on the Statement of Financial Position and total \$47.34m.

	June 2016 \$m	June 2015 \$m
Tariff Income - billed	15.82	13.97
Tariff Income - unbilled	22.73	19.45
Sundry Debtors	1.42	1.91
Net GST Receivable from ATO	5.21	3.72
Community Service Obligations	0.81	0.67
Prepayments	1.09	1.62
Miscellaneous Debtors	0.65	0.48
	47.73	41.82
Less Provision for Doubtful Debts	(0.38)	(0.38)
Total Receivables	47.34	41.44

Information regarding the major categories follows.

- A Tariff Income – unbilled:** This item is an estimate of unbilled water and sewer usage 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 2016 (inclusive of accruals) and included in receivables was \$5.21m.
- 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 (CSOs). Claims for reimbursement of CSOs are submitted each year to the relevant government department 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 Industry, Skills and Regional Development. The Parent Entity's CSO claims for 2015-16 were for rebates given to pensioners and exempt properties, for example churches.

The 2015-16 claim and cash received were as follows:

	Amount Claimed \$m	Cash Received \$m	Outstanding (Prepayment) \$m
Pensioner Rebate	12.46	11.74	0.72
Exempt Properties	1.97	1.88	0.08
Total CSO Claim and Cash Received	14.43	13.62	0.81

The amount owing of \$0.807m represents the rebates unclaimed at year end from the month of June 2016.

Investments

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

	June 2016 \$m	June 2015 \$m
Cash at Bank	10.36	6.60
T-Corp Deposits	1.60	6.11
	11.96	12.71
Interest Earned	0.11	0.23
Average Interest (on average monthly investment balance)	1.60%	1.96%

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

Fixed Assets - Property, Plant and Equipment

	June 2016 \$m	June 2015 \$m
Opening WDBV	2,524.18	2,429.69
Less - Depreciation Charge	(41.22)	(35.50)
Less - Disposals	(39.71)	(28.57)
Add - Additions	56.67	209.36
Add - Externally Funded Assets	26.54	25.95
Add - Transfers Between Classes	(17.86)	(23.21)
Revaluation - Increment	0.07	169.35
Revaluation - Decrement	(145.45)	(222.88)
Total Fixed Assets - Property, Plant and Equipment	2,363.20	2,524.18

The total assets of \$2,363m at 30 June 2016 represents an decrease of \$161m on the balance as at 30 June 2015 of \$2,524m.

Intangible Assets

	June 2016 \$m	June 2015 \$m
Opening WDBV	17.65	9.49
Less - Amortisation Charge	(8.68)	(6.28)
Less - Disposals	(0.21)	(0.24)
Add - Additions	11.78	14.95
Add - Transfers Between Classes	0.20	(0.10)
Revaluation - Decrement	(1.09)	(0.18)
Total Intangible Assets	19.65	17.65

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

Borrowings

The Parent Entity has engaged NSW Treasury Corporation (TCorp) to provide a Liability Advisory Role to assist in the management and structuring of the financial liability portfolio. Management of the portfolio is in accordance with the approved parameters.

During 2015-16 the capital value of the Parent Entity's financial liability portfolio increased by \$10.53m.

The average interest yield cost of debt held at 30 June 2016 was 4.44%.

A profile of the Parent Entity's Financial Liability Portfolio is as follows:

	June 2016 \$m	June 2015 \$m
Number of Loans	34	37
Face Value	1,066.35	1,054.48
Net Premium / Discount on Loans	5.22	6.55
Current Capital Value	1,071.56	1,061.03
Market Value	1,194.65	1,159.69
Come and Go Facility	-	-
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	7.38	100.69
Non-Current	1,064.18	960.35
Total Market Value Borrowings	1,071.56	1,061.03
Debt Maturity Profile		
Come and Go Facility	-	-
Within 1 year	-	-
Between 1-5 years	403.25	480.85
Over 5 years	668.31	580.18
	1,071.56	1,061.03

Employee Provisions

At 30 June 2016 the liability for Employee Provisions totalled \$169.87m representing an increase of \$45.44m during the year and comprised:

	June 2016 \$m	June 2015 \$m
Long Service Leave	14.22	14.36
Defined-Benefit Superannuation	150.66	104.78
Accrued Sick / Annual Leave	4.76	4.89
Other	0.24	0.40
	169.87	124.43

These liabilities are split on the Statement of Financial Position into:

	June 2016 \$m	June 2015 \$m
Current	18.64	19.05
Non-Current	151.23	105.38
	169.87	124.43

At 30 June 2016 the Economic Entity's defined benefit superannuation provision was \$150.66m (2015: \$104.78m).

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*.

Material Capital Expenditure Contracts as at 30 June 2016 (GST-Exclusive) (Contracted for at balance date but not provided for)

Contract Number	Contract Description	Committed Amount \$m
CP318610	Burwood Beach WWTW UV Design And Construction	7.20
CP333402	High Voltage Network Upgrade	6.24
CP334203	Switchboard Replacements - Design And Construction	2.51
CP329407	Maitland 14 WPS Upgrade Construction	2.34
CP333006	Construction Of Lochinvar Water Trunk Maintenance	1.99
CP330911	Farley Interim Upgrade Design And Construction	1.74
CP314809	Construction Of Tarro To Beresfield Trunk Watermain Replacement	1.71
CP333702	Access Road Renewel - Tomago Road Design And Construction	1.43
CP319805	Belmont and Cessnock WWTW Inlet Works Remediation	1.31
CP331105	Anna Bay R4 Emergency Storage Upgrade Construction	1.04
CP332606	SCADA Radio Telemetry Upgrade Radio Supply	0.92
CP324309	Belmont 6 Rising Main Replacement Project	0.80
CP331903	Hunter River Estuary Water Quality Model	0.80
CP333102	Bore Wall Construction At Tomago Sandbeds	0.78
CP330804 & CP330905	Raymond Terrace And Farley Storage Ponds Lining Construction.	0.72
CP329004	Nelson Bay WTP Construction	0.62
CP333202	PLC And Telemetry Upgrade Package	0.55
CP334303	Wye Backlog Sewer Scheme Concept Design	0.41
CP323803	Design Construct Commission Shortland WWTW Sludge Upgrade	0.39
CP329806	Beresfield 5 WWPS Upgrade Construction	0.35
CP326500	Cams Wharf, Caves Beach And Dungog Reservoir Roofs Design and Construction	0.34
CP323705	Morpeth WWTW Stage 2 - Hydraulic Upgrade	0.32
CP331503 & CP330303	Swansea Channel Crossing And Hunter River Tunnel Design	0.31
CP332603	SCADA Radio Telemetry Upgrade	0.31
CP325719	Lawes St East Maitland Gravity Sewer Rehabilitation	0.28
CP326510	Stoney Pinch Reservoir Rehabilitation	0.27
CP334702	Salt Ash Water Reticulation System Design	0.23
	Other Commitments Less Than \$0.20	3.02
		38.92

Property Disposals

There were no property transactions with a value greater than \$5,000,000 that did not go to public auction or tender in the 2015-16 financial year.

Breakdown of Landholdings as at 30 June 2016

Code	Description	Number of Properties	Value \$m
1	Land fully utilised as an integral part of the Parent Entity's system.	389	30.74
2	Land partly used with the unused residue required for future integral needs.	1	0.04
3	Land not currently used but fully required for future integral needs.	7	0.96
4	Land partly used, the residue having potential for alternative use.	12	2.09
5	Land with significant potential for alternative use.	37	14.90
6	Land not currently used but potentially required for future integral needs.	11	0.19
Total Breakdown of Landholdings as at 30 June 2016		457	48.92

Landholdings are re-valued and assessed in accordance with the NSW Treasury Accounting Policy (TPP14-01) *Valuation of Physical Non-Current Assets at Fair Value*. The last land revaluation was undertaken during 2015-16.

Land holdings in all codes have been re-valued in accordance with Treasury Guidelines being at Fair Value.

Operating Program

Operating Program 2016 Economic Entity

A summary of actual and budgeted results for 2015-16 and comparisons with 2014-15 results and budget is as follows:

	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000	Budget 2015 \$'000
Income				
Net Tariff Income	293.76	284.28	280.29	283.54
Interest on Investments	0.10	0.15	0.18	0.13
Profit / (Loss) on Sale of Assets	(3.56)	-	(4.75)	2.50
External Sales	-	0.06	3.16	15.12
Contribution from Capital Works	28.60	18.94	34.35	28.10
Other (inc Non-Regulated Income)	8.96	3.02	4.55	3.23
Total Income	327.86	306.46	317.78	332.62
Expenditure				
Operating Expenses	124.26	129.33	129.15	143.55
Superannuation Interest Expense	2.98	4.61	3.17	4.61
Revaluation Expense	1.47	-	23.90	-
Depreciation and Amortisation	49.90	48.19	41.47	50.77
Interest Payable	55.28	53.93	52.49	52.30
Financial Charges	15.28	14.04	15.36	15.20
Total Expenditure	249.17	250.10	265.54	266.43
Profit Before Tax	78.69	56.36	52.24	66.19

Operating Program 2017 Economic Entity

	Budget 2017 \$'000
Income	
Net Tariff Income	293.38
Interest on Investments	0.07
External Sales	0.07
Contribution from Capital Works	19.15
Other (inc Non-Regulated Income)	2.97
Total Income	315.63
Expenditure	
Operating Expenses	131.26
Superannuation Interest Expense	4.73
Depreciation and Amortisation	49.24
Interest Payable	51.54
Financial Charges	15.37
Total Expenditure	252.13
Operating Profit Before Tax	63.50

Five Year Financial Summary and Ratio Analysis

1. Statement of Financial Position (Economic Entity)

	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Current assets					
Cash and cash equivalents	11.97	12.71	7.29	31.64	10.72
Trade and other receivables	46.90	41.01	46.87	45.67	42.19
Inventories	2.48	2.28	2.68	2.67	2.50
Assets held for sale	43.29	26.99	25.21	5.52	13.36
Total current assets	104.63	82.99	82.05	85.50	68.77
Non-current assets					
Fixed assets	2,527.27	2,639.99	2,676.40	2,599.29	2,910.90
Investments / other	0.44	0.42	-	-	-
Total non-current assets	2,527.71	2,640.42	2,676.40	2,599.29	2,910.90
Total assets	2,632.34	2,723.41	2,758.44	2,684.80	2,979.67
Current liabilities					
Trade and other payables	88.08	76.67	77.79	81.80	53.69
Borrowings	7.38	100.69	61.94	1.37	75.07
Provisions	56.14	41.62	62.81	40.79	43.68
Current tax liabilities	4.18	0.95	12.95	9.02	4.80
Other liabilities	4.12	-	-	-	-
Total current liabilities	159.91	219.93	215.49	132.98	177.24
Non-current liabilities					
Borrowings	1,064.18	960.35	969.71	984.72	843.30
Provisions / other	240.37	240.24	251.46	261.32	410.38
Total non-current liabilities	1,304.55	1,200.59	1,221.18	1,246.04	1,253.68
Total liabilities	1,464.46	1,420.52	1,436.66	1,379.02	1,430.92
Net assets	1,167.89	1,302.90	1,321.78	1,305.78	1,548.75
Equity					
Share capital	103.70	102.85	100.00	100.00	100.00
Reserves	390.89	512.26	555.94	557.71	827.86
Retained profits	673.30	687.78	665.84	648.07	620.89
Total equity	1,167.89	1,302.90	1,321.78	1,305.78	1,548.75

2. Income Statement (Economic Entity)

Trading Operations	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m
Revenue					
Tariff	293.76	280.29	282.57	271.65	234.46
Other	7.79	7.71	3.82	23.32	22.42
Less: operating costs	119.62	124.42	114.83	133.77	119.93
Gross margin	181.94	163.58	171.55	161.20	136.95
Other income					
Investments	0.10	0.18	0.26	0.35	0.44
Other expenditure					
Financing charges	70.56	67.85	68.12	73.57	66.23
Depreciation and amortisation	49.90	41.47	40.87	43.93	52.37
Superannuation adjustment	7.62	7.90	7.38	7.69	1.89
Other	3.86	28.65	14.14	34.19	0.44
Profit before contributions for capital works	50.10	17.89	41.31	2.17	16.46
Contributions for capital works	28.60	34.35	23.34	23.19	31.13
Net Profit	78.69	52.24	64.65	25.36	47.59

Note: Movement in superannuation liabilities as advised by Pillar Administration, including actuarial gains / (losses). The superannuation expense was restated for 2013-14 as there was a change to AASB 119 Employee Benefits that became effective from 1 July 2014 which required a retrospective adjustment to prior period results.

3. Financial Ratios

Profit included in calculating ratios is profit before superannuation adjustments and contributions for capital works.

	2016	2015	2014	2013	2012
A - Gross Profit (%)	60.33	56.80	59.90	54.65	53.31
B - Working Capital (ratio)	0.65	0.38	0.38	0.64	0.39
C - Cash Ratio	0.07	0.06	0.03	0.24	0.06
D - Equity to Total Liabilities (ratio)	0.80	0.92	0.92	0.95	1.08
E - Interest Cover (times)	2.21	1.95	2.11	1.90	1.86
F - Return on Equity (%)	7.43	3.26	6.77	0.29	2.28
G - Real Rate of Return (%)	5.15	3.60	4.63	3.44	3.12
H - Return on Total Net Assets (%)	4.94	1.98	3.90	0.75	1.18

Comments on Financial Ratios

For ratios calculated with reference to profit, it is the profit before superannuation adjustments 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. Increase in 2015-16 driven by the increased tariff income whilst operating costs have decreased compared to the previous year.

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. This ratio has marginally increased this year due to a higher level of cash being held due to the timing of payments to creditors.

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 the business as represented by how many times net assets if liquidated would cover total liabilities.

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.

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 2015-16 is 7.43%, which is higher than 2014-15 due to a higher operating profit primarily as a result of the write down of Tillegra assets in 2014-15.

G - Real Rate of Return

Real Rate of Return (RRR) is calculated as operating profit plus net interest and financial charges divided by written down book value of infrastructure assets and works in progress. RRR 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 the State Government by way of dividends or re-investment in the organisation. The current year's result is 5.15%.

H - Return of Total Net Assets

Return on Total Net Assets (RONA) 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. 2015-16 return on total net assets is higher than 2014-15 due to higher net operating profit for the year.

Statement of Corporate Intent

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water and its voting shareholders. These targets are in turn driven down through Hunter Water in divisional budgets.

The SCI performance targets for the 2015-16 financial year and the actual results are as follows:

	Actual 2015-16 (\$m)	Target 2015-16 (\$m)
Operating Profit before Income Tax Expense	78.7	56.4
Income Tax Expense	39.6	17.0
Net Debt	1,059.6	1,068.8

Hunter Water achieved favourable performance for 2015-16 compared to the SCI target due primarily to higher than budgeted water consumption and lower operating costs compared to budget.

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 2016 key statistics on the debt portfolio were as follows:

	Actual 2015-16 (\$m)	Target 2015-16 (\$m)
Current capital value (\$)	1,071.56	1,073.48
Average cost of debt (%)	4.44%	5.19%
Weighted Average Life:		
Inflation linked debt	7.74	
Post-Dec 2010 nominal debt (years)	5.90	

Major Acquisitions Over \$0.5 Million

Project	2015-16 Expenditure (\$m)
Wastewater Treatment Works Upgrade	31.71
Belmont 6 Rising Main Replacement	4.55
Tarro to Beresfield CTGM Renewal	4.46
Maitland 14 Wastewater Pump Station Upgrade	3.39
Maitland North Rothbury Water Supply Upgrade	2.40
Overhead Powerlines Upgrade	2.34
Beresfield 5 Wastewater Pump Station Upgrade	2.23
Fluoridation Systems Upgrade	1.90
Rehabilitation of the Tomago Borefields	1.67
Other Major Acquisitions (mostly made up of replacements in Hunter Water's Water and Sewer Networks)	36.20
Total Expenditure	90.85

Credit Card Certification

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

Consultancies

Consultants \$50,000 and Over

Consultant	Project	Cost \$
Hunter H2O Holdings Pty Ltd	Strategy Studies and Dam Condition Management	590,348
Third Horizon Consulting	Maintenance Services and Productivity Benchmarking	495,147
Amec Foster Wheeler Aust. Pty Ltd	Environmental Investigation Chichester Dam	118,391
N B A Consulting	Dairy Effluent and Stock Water Reports	111,012
Jacobs Group (Australia) Pty Ltd	Wastewater Pump Station Risk Profile Assessment	81,594
AECOM Australia Pty Ltd	Development Of Pressure and Lifting Equipments	81,348
PricewaterhouseCoopers	Accounting and taxation review (numerous)	81,294
Frontier Economics Pty Ltd	Independent review of IPART Wholesale Pricing Discussion Paper	71,100
GHD Pty Ltd	Contaminated Lands Advice Tomago	69,643
Total Consultants		1,699,877

Consultants Less Than \$50,000

Category	Number	Cost (\$)
Corporate	15	241,196
Engineering	12	157,818
Environmental	8	108,409
Finance	3	63,070
Total Consultants	38	570,493

Payment Performance

Invoices Paid on Time Within Each Quarter

Quarter	Total Invoices Paid on Time			Total Invoices Paid Within Quarter
	Target No. %	Actual No. %	Paid on Time	
September	95%	94%	\$76,786,383	\$80,789,248
December	95%	91%	\$78,461,838	\$83,773,981
March	95%	91%	\$76,287,226	\$77,978,120
June	95%	95%	\$90,337,332	\$97,259,798

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	\$76,786,383	\$3,744,995	\$126,060	\$109,851	\$21,959	\$80,789,248
December	\$78,461,838	\$4,408,318	\$774,912	\$58,468	\$70,445	\$83,773,981
March	\$76,287,226	\$1,047,267	\$383,038	\$81,955	\$178,633	\$77,978,120
June	\$90,337,332	\$6,779,299	\$49,357	\$31,341	\$62,469	\$97,259,798

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.

Significant Audit Matters

Hunter Water is required to disclose in the Annual Report as per Section 7 of the *Annual Reports (Statutory Bodies) Act 1984* No 87 a response to any significant matters raised by the external auditor, the Audit Office of NSW. The following significant matters were raised by the Audit Office in its Client Service Report for the year ended 30 June 2016.

Sale of Kooragang Island Advanced Water Treatment Plant

The Corporation reported the Kooragang Island Water Treatment Plant assets at \$35.5 million as assets held for sale in the financial statements at 30 June 2016.

On 21 December 2015, the Corporation contracted to sell this asset for \$35.5 million to an overseas buyer and adjusted its carrying value from \$56.0 million to the agreed sale price.

It adjusted the decrease of \$20.5 million in the assets revaluation reserve.

The sale is conditional upon the buyer obtaining a Network Operator Licence from the Independent Pricing and Regulatory Tribunal (IPART) of New South Wales.

Management expects the sale to be completed during 2016-17. I have reviewed the fair value assessment and the accounting treatment of the asset held for sale and did not identify any exceptions.

Hunter Water's Response

Transaction proceeding as expected. The Audit Office of NSW will be kept updated on the progress of the sale.

Tillegra Land

The Corporation continues to dispose of parcels of Tillegra land.

Sales program from 2013 to 2016 is as below.

Year Ended	Opening Balance (\$ million)	Revaluation Increment/ (Decrement) (\$ million)	Sales (\$ million)	Closing Balance (\$ million)
30 June 2013	90.5	(-28.4)	-	62.1
30 June 2014	62.1	(-7.9)	-	54.2
30 June 2015	54.2	(-26.1)	(-1.1)	27.0
30 June 2016	27.0	-	(18.2)	8.8

The total decrease in value of \$62.4 million was expensed in the past four years in the profit or loss account.

I have reviewed the fair value of the remaining parcel of land at 30 June 2016 and did not identify any issues.

Hunter Water's Response

The final property held at Tillegra reached settlement in September 2016. All Tillegra land and buildings have now been disposed.

EMPLOYEES

Executive Positions at 30 June 2016

Senior Officer	Position	Qualifications
Jeremy Bath	Interim Chief Executive Officer	BCom, BA (Communications)
Victor Prasad	Acting Chief Customer Service Officer	BE (Civil)
Darren Cleary	Chief Operating Officer	BE, ME
Fiona Cushing	Chief Finance Officer	BSc, MAcc, FCPA, GAICD
Richard Harris	Chief Information Technology Officer	BA (Computer Science)
Peter Kembrey	Executive Manager Corporate and Legal	BA, LLB, Dip. Legal Prac.

Average Total Remuneration Package of Executive

Band	Range (\$)	Average Remuneration*		Gender	
		2016 (\$)	2015 (\$)	Female	Male
Band 4	422,501-488,100	488,596	449,500	-	1
Band 3	299,751-422,500	-	-	-	-
Band 2	238,301-299,750	266,972	-	1	2
Band 1	167,100-238,300	220,000	223,625	-	2
Total				1	5

*Including superannuation and performance pay.

In 2015-16, 3.32% of Hunter Water's employee-related expenditure was related to senior executives compared with 2.14% in 2014-15.

Workforce Profile

	2012	2013	2014	2015	2016
Males	326	329	326	314	322
Females	157	148	140	147	134
Total	483	477	466	461	456
Permanent	383	403	405	394	393
Temporary	47	15	3	15	9
Part-time	51	59	58	52	54
Total	481	477	466	461	456
Redundancies	1	7	7	8	13
Recruitment	57	52	24	30	39
Unplanned absences (%)	2	2.4	3.7	3.4	3.1

Employee Safety Performance

	2011-12	2012-13	2013-14	2014-15	2015-16
Lost time frequency rates	0	0	2.8	4.1	5.1
Total hours lost	1,189	1,149	1,079	2,762	3,930
Lost time injuries	0	0	3	4	4
Minor injuries	14	10	27	29	23
Prosecutions	0	0	0	0	0

While the overall Work Health and Safety performance at Hunter Water has been satisfactory during the year, there were four Hunter Water Lost Time Injuries (LTIs). The nature of the LTIs was manual task focused, causing soft tissue injuries to the workers. All of the workers involved in these incidents have been rehabilitated and have been successfully returned to work. The increase in the Lost Time Injury Frequency Rate was due to more diligent reporting.

There were no WorkCover notices issued or prosecutions during 2015-16.

Overseas Travel Commenced During 2015-16

No Hunter Water employees travelled overseas during 2015-16.

Policies and Practices

Policy Category	Policies and Standards
Attraction and Recruitment	Recruitment, Selection and Appointment Policy Recruitment and Selection Standard Non Employee Engagement Standard EEO Standard
Training and Development	Learning and Development Policy Learning and Development Standard Education Assistance Standard Young Professionals Standard
Performance and Reward	Performance Management, Misconduct and Disciplinary Policy Remuneration Policy Performance Management Standard Misconduct and Serious Misconduct Standard Remuneration and Salary Band Review Standard Annual Incentive Standard
General Employment Conditions	Employment Conditions Policy Redundancy and Redeployment Policy Senior Employee Benefits Policy Leave Standard Parental Leave Standard Travel and Accommodation Standard Flexible Work Arrangements Standard Redundancy and Redeployment Standard Drivers and Boat Licence Refund Standard Corporate Uniform Standard
Ethics and Behaviour	Code of Conduct Policy Bullying and Harassment Prevention Policy Grievance Policy Code of Conduct Standard Bullying and Harassment Prevention Standard Grievance Resolution Standard Social Media Standard Employee ID Card Standard Employee Records Standard

LEGISLATION

Right to Information

During 2015-16, Hunter Water received 11 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.

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

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

Hunter Water's education programs cater for Preschool to Year 8 students and cover science, geography and history components of the school curriculum. Hunter Water is committed to helping educate our community, especially students, about the many aspects of water supply, treatment, conservation and the health benefits of drinking water.

Hunter Water proactively releases information on its pollution monitoring program for the EPA. Information is also made publicly available concerning up-to-date water storage levels, current water outages and incidents, major infrastructure projects, and customer charges.

Hunter Water also has an established Twitter account @HunterWater to provide up-to-date information to customers during incidents involving our assets, the environment, customers or employees.

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	Total	% of Total
Media	0	0	0	0	0	0	0	1	1	8%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private sector business	0	1	0	0	0	1	0	0	2	17%
Not for profit organisations or community groups	0	1	0	0	0	0	0	0	1	8%
Members of the public (application by legal representative)	1	3	0	1	0	1	0	0	6	50%
Members of the public (other)	1	1	0	0	0	0	0	0	2	17%
Total	2	6	0	1	0	2	0	1	12	
% of Total	17%	50%	0%	8%	0%	17%	0%	8%		

¹ More 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 Outcome

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information Not Held	Information Already Available	Refuse to Deal With Application	Refuse to Confirm/Deny Whether Information is Held	Application Withdrawn	Total	% of Total
Personal information applications ¹	0	0	0	0	0	0	0	0	0	0%
Access applications (other than personal information applications)	2	6	0	1	0	2	0	1	12	100%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
Total	2	6	0	1	0	2	0	1	12	
% of Total	17%	50%	0%	8%	0%	17%	0%	8%		

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

Invalid Applications

Reason for Invalidity	Number of Applications	% of Total
Application does not comply with formal requirements (section 41 of the Act)	1	100%
Application is for excluded information of the agency (section 43 of the Act)	0	0%
Application contravenes restraint order (section 110 of the Act)	0	0%
Total number of invalid applications received	1	100%
Invalid applications that subsequently became valid applications	1	100%

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

	Number of Times Consideration Used ²
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

² 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 to the table which follows.

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

	Number of Times Consideration Used	% of Total
Responsible and effective government	1	9%
Law enforcement and security	1	9%
Individual rights, judicial processes and natural justice	5	45%
Business interests of agencies and other persons	4	36%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
Total	11	

Timeliness

	Number of Applications	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	10	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
Total	10	

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 ³	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

³ 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
Total	0

Applications Transferred to Other Agencies

	Number of Applications Transferred
Agency-Initiated Transfers	0
Applicant-Initiated Transfers	0
Total	0

Legislative Change

There was no material legislative change during 2015-16.

PUBLIC INTEREST DISCLOSURES

Reporting Period July 2015 to June 2016

Number of public interest disclosures received by Hunter Water	1
Number of public officials who made public interest disclosures to Hunter Water	1
Information on public interest disclosures received:	
- Corrupt conduct	1
- 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 2013) 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 its employee awareness obligations?	Yes
Actions taken to increase awareness include:	
- Inductions for new employees	
- Provision of intranet resources	

RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

Hunter Water has an Enterprise Risk Management Framework. 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	Description	Treatment Actions
Environmental compliance	Business practice outcomes do not meet environmental obligations	<ul style="list-style-type: none"> Implement Environmental Compliance Improvement Strategy Deliver upgrade strategies for wastewater treatment works Implement Environment Management Plan Implement Hazardous Chemicals Management Program Develop Contaminated Land Strategy
Business system failure	Business systems unable to support efficient delivery of core services	<ul style="list-style-type: none"> Implement ISO27001 compliant Information Security Management System Deliver network security enhancements
Service continuity	Imbalance in water supply/demand and wastewater service/demand	<ul style="list-style-type: none"> Annual planning and risk review for water and wastewater networks and water and wastewater treatment works Progress adaptation planning, including vulnerability mapping
Asset failure	Operational asset failure with resultant inability to deliver core services	<ul style="list-style-type: none"> Deliver asset condition assessment program Deliver capital works upgrades
Illegal or unethical behaviour	Sustained and systemic breach of Code of Conduct	<ul style="list-style-type: none"> Review Fraud Control Strategy

ORGANISATIONAL PROFILE

About Us

Hunter Water Australia Pty Limited (Hunter Water Australia) is a fully-owned subsidiary of Hunter Water Corporation that previously operated as an independent commercial enterprise. In June 2014 the Board of Directors of Hunter Water Australia's Parent Company, Hunter Water Corporation resolved to sell the assets of Hunter Water Australia. The asset sale occurred in two transactions in December 2014 and resulted in Hunter Water Australia ceasing operations on 31 December 2014.

Hunter Water Australia previously operated throughout Australia and internationally, providing a range of specialist technical, management and operational services to water agencies, councils and the private sector.

Company Performance

Hunter Water Australia did not operate during 2015-16 as it ceased to trade in December 2014. A net loss of \$6,095 resulted in 2015-16.

Hunter Water Australia paid no dividends during the 2015-16 financial year.

In December 2015 liquidators were appointed by Directors as part of the voluntary liquidation process which also includes wind up and deregistration of Hunter Water Australia. This process is expected to be completed before 30 June 2017.

Significant Audit Matters

Hunter Water Australia Pty Limited is required to disclose in its Annual Report as per section 7 of the *Annual Reports (Statutory Bodies) Act 1984* No. 87 a response to any significant matters raised by the external auditors, the Audit Office of NSW. No significant matters were raised by the Audit Office in its Client Service Report for the year ended 30 June 2016.

HUNTER WATER AUSTRALIA

Hunter Water Australia was a fully-owned subsidiary of Hunter Water Corporation. The Board resolved to dispose of the company's assets/liabilities on 25 September 2014. It is in liquidation.

DIRECTORS' REPORT

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited (the Company) for the year ended 30 June 2016.

The Directors retain powers to approve and sign these audited financial statements as provided by The Liquidators in accordance with the *Corporations Act 2001*.

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 T Lawler Chairman
 Mr J Eather
 Mr P Dalglish (to 30 June 2016)
 Mr K Wood (to 30 September 2015)

Information on Directors

T Lawler B Com, FCA, FAICD, FAIM

Mr Lawler was appointed as the Chairman of the Board in March 2012. Mr Lawler resigned as Chairman on 27 June 2013 and as a Director on 25 July 2013. Mr Lawler was reappointed as Director and Chairman on 27 June 2014. Mr Lawler is also the Chairman of Hunter Water Corporation.

Mr Lawler is Chairman of PKF Lawler Corporate Finance Pty Limited. He is also Chair of Life Without Barriers Limited and Chair of Ampcontrol Group. Mr Lawler is a Director of Powerdown Australia Pty Limited and peoplefusion Pty Limited. He has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Limited and a director of Newcastle Port Corporation.

J Eather B Com, CPA, FGIA, MAICD

Mr Eather was appointed as a Director on 9 June 2009. Mr Eather is also a Director of Hunter Water Corporation.

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 a Director of the Newcastle Permanent Building Society and has previously been Chairman of the University of Newcastle Foundation.

P Dalglish BSc, GDipMktgMgmt, MAICD, GAICD

Mr Dalglish was appointed as a Director on 25 July 2013 and is also a Director of Hunter Water Corporation. On 30 June 2016 Mr Dalglish resigned as a Director of both Hunter Water Corporation and Hunter Water Australia.

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.

K Wood BEng, DipEng, MBA, FIE (Aust), FAIM

Mr Wood was appointed as a Director in February 2012 and resigned on 25 July 2013. Mr Wood was reappointed as a Director on 27 June 2014. Mr Wood was the Managing Director of Hunter Water Corporation until 30 September 2015. On this date Mr Wood also resigned as a Director of Hunter Water Australia.

Mr Wood 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 power and water utilities across Australia. Mr Wood was the inaugural CEO of City West Water and then went on to head the Victorian electricity transmission business, GPU PowerNet. Other CEO roles have included the 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.

Meetings of Directors

Board Meetings

	Number of Meetings Attended	Number of Meetings Held During the Time the Director Held Office
J Eather	2	2
P Dalglish	2	2
T Lawler	2	2
K Wood	1	1

Principal Activities

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

During December 2014 the Company sold all assets relating to business operations and effectively ceased operations at 31 December 2014. The Company began the process of voluntary winding-up and appointing a liquidator in December 2015. It is expected to deregister in the latter part of 2016.

Results and Dividends

The net loss after tax, for the financial year ended to 30 June 2016, was \$6,095 compared to a net profit after tax of \$758,123 for the previous year.

Review of Operations

All business activities ceased on 31 December 2014 following the sale of Company assets.

As a result of the asset sales and the ceasing of operations the financial statements have been prepared on a liquidation basis and not as a going concern. Liquidators were appointed in December 2015.

Subsequent Events

There were no significant reportable events after the reporting date. Activities will focus upon the winding-up and deregistration of the Company.

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.

Directors' Indemnification

The Company has an agreement to indemnify the Directors and Secretary of the Company. 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

During December 2014 completion of sales transactions of the Company's assets occurred. This resulted in the operations of the Company ceasing on 31 December 2014.

The financial statements of the Company are prepared on a liquidation basis as the liquidation of the Company is expected in the foreseeable future. The Company will continue to meet all obligations as they fall due until such time that the Company is dissolved.

True and Fair View

In the opinions of the Directors the financial statements and notes give a true and fair view of the financial position as at 30 June 2016 and the performance for the financial year ended 30 June 2016.

Future Developments

The Company sold all assets and ceased operations in December 2014. Future activities will focus upon deregistration and wind-up of 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 of Hunter Water Australia Pty Limited (in Liquidation).



Mr T Lawler
Chairman



Mr J Eather
Director

Dated 25 August 2016
Newcastle

AUDITOR'S INDEPENDENCE DECLARATION

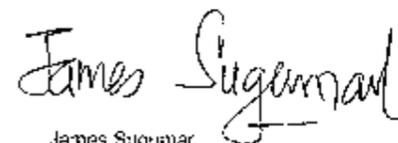


To the Directors
Hunter Water Australia Pty Limited

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 2016, 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

23 August 2016
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

Opinion

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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2016 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 1963* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

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

I am independent of the Company in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- the *Corporations Act 2001*
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code).

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

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of Hunter Water Australia Pty Limited on 23 August 2016, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for preparing 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors must assess the Company's ability to continue as a going concern unless they intend to liquidate the Company or cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.aasb.gov.au/home.aspx>. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Company carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.

James Sugumar
Director, Financial Audit Services

26 August 2016
SYDNEY

FINANCIAL STATEMENTS

Start of audited financial statements.

Statement of Comprehensive Income for the Year Ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Profit for the year from Discontinued Operations	2	(6)	758
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		-	1,044
Income tax on remeasurement of defined benefit plans	11	-	(320)
Other Comprehensive income for the year net of tax		(6)	724
Total Other Comprehensive income for the year		(6)	1,482
Discontinued Operations		(6)	1,482
		(6)	1,482

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	5	-	2,542
Other financial assets	6	5,805	3,265
Trade and other receivables	7	-	23
Total Current Assets		5,805	5,831
Non-Current Assets			
Total Non-Current Assets		-	-
Total Assets		5,805	5,831
Current Liabilities			
Trade and other payables	12	-	20
Superannuation – defined benefit liability	14	-	7,132
Total Current Liabilities		-	7,152
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Total Liabilities		-	7,152
Net Assets		5,805	(1,322)
Equity			
Contributed equity	15	900	900
Retained earnings		4,905	(2,222)
Total Equity		5,805	(1,322)

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the Year Ended 30 June 2016

	Notes	Retained Profits \$'000	Contributed Equity \$'000	Total \$'000
Opening balance at 1 July 2015		(2,222)	900	(1,322)
Profit / (loss) for the year		(6)	-	(6)
Other comprehensive income:				
Total other comprehensive income		-	-	-
Total comprehensive income for the year		(6)	-	(6)
Defined benefit superannuation liability transfer to Parent Entity	14	7,132	-	7,132
Balance at 30 June 2016		4,905	900	5,805

	Notes	Retained Profits \$'000	Contributed Equity \$'000	Total \$'000
Opening balance at 1 July 2014		4,235	900	5,135
Profit for the year		758	-	758
Other comprehensive income:				
Remeasurement of defined benefit plans		1,044	-	1,044
Income tax on remeasurement of defined benefit plans		(320)	-	(320)
Total other comprehensive income		724	-	724
Total comprehensive income for the year		1,482	-	1,482
Transfer from Deferred Tax Assets - Discontinued operations	11	(939)	-	(939)
Transactions with owners in their capacity as owners - dividends paid	4	(7,000)	-	(7,000)
Balance at 30 June 2015		(2,222)	900	(1,322)

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the Year Ended 30 June 2016

Discontinued Operations

	Notes	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		66	23,940
Payments to suppliers and employees (inclusive of GST)		(63)	(24,996)
		3	(1,056)
Interest received		7	52
Income taxes (paid) / refund received		-	1,308
Net cash flows from operating activities	16	10	304
Cash Flows from Investing Activities			
Payments for property, plant and equipment		-	(308)
Proceeds from sale of assets		-	8,032
Loan to Hunter Water Corporation		(2,552)	(641)
Net cash flows from investing activities		(2,552)	7,083
Cash Flows from Financing Activities			
Dividends paid	4	-	(7,000)
Net cash flows from financing activities		-	(7,000)
Net increase / (decrease) in cash held		(2,542)	387
Cash at beginning of financial year		2,542	2,093
Effects of exchange rate changes on cash		-	62
Cash at the end of the financial year	5	-	2,542
Cash Flows from Discontinued Operations		-	2,542

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

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 Entity).

The Company's financial statements for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board on 25 August 2016.

A. Basis of Preparation

These general purpose financial statements have been prepared in accordance with 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 2015*.

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. As a result of the asset sales in December 2014 the financial statements have been prepared on a liquidation basis as the Company is in the process of liquidation including voluntary wind up and deregistration.

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 Superannuation defined benefit liability. Refer to Notes 13 and 14 for details.

Rounding

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

Investment income represents earnings on surplus cash invested in the Company's bank accounts. 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 lodged Income Tax returns in both Canada and the United States. These were nil returns as any assessable income is assessed in the Company's Australian Income Tax in accordance with the relevant tax treaties 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.

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, 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 3.

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.

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.

Trade receivables were required to be settled within 21-28 days.

F. Impairment of Assets

An assessment of impairment was not required at balance date as all assets were sold in December 2014.

G. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which were 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 payable were normally settled within 30 days.

H. Employee Benefits

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

Following asset sales in December 2014 all employees of the Company terminated employment with all associated employee benefits paid. No existing liabilities for salaries, wages, annual leave, sick leave, long service leave or other benefit existed beyond that date.

(ii) Retirement benefit obligations

Employees of the Company were members of either defined benefit superannuation funds or defined contribution superannuation funds.

Defined contribution superannuation schemes

The Company contributed to the defined contribution superannuation schemes. Contributions to these schemes are recognised in the profit or loss as incurred. No liability has existed following asset sales in December 2014.

Defined benefit superannuation schemes

The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Company contributed 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 Company'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 Company'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 Statement 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 Company has disclosed defined benefit superannuation liabilities or assets as current as this reflects when the Company 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.

In July 2015 the defined benefit superannuation liability of the Company was transferred to the Parent Entity (Hunter Water Corporation) through equity as part of the winding up of the Company. As such no liability balance exists at balance date.

I. Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 24 for further disclosures regarding fair value measurements of financial and non-financial assets and liabilities.

J. 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.

K. 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.

L. Accounting Standards and Australian Accounting Interpretations issued but not yet operative

Certain new accounting standards and interpretations applicable to the Company have been published that are not mandatory for the year ended 30 June 2016. As the Company has entered liquidation and intends to voluntarily wind up operations in the foreseeable future, new accounting standards issued but not yet operative have not been included in these statements.

M. Comparatives

When the presentation or reclassification of items in the financial statements is amended in respect of changes in the current year, the comparative amounts are reclassified to enhance comparability unless reclassification is impracticable.

Note 2. Discontinued Operations

A. Description

In July 2014, the Board of Hunter Water Corporation resolved its intention to sell its subsidiary, the Company. The associated assets and liabilities which made up the operations of the Company were sold through two separate transactions. The laboratory assets were sold on 18 December 2014, and the engineering assets were sold on 31 December 2014. Financial information relating to the discontinued operations for the year up to the balance date are set out below. During December 2015 the Company entered liquidation with a view to winding up the Company.

	2016 \$'000	2015 \$'000
Profit from Discontinued Operations		
Revenue	13	14,457
Expenses ¹	19	17,058
Gain on Sale of Assets	-	5,027
Profit before Income Tax	(6)	2,426
Income Tax Expense	-	1,668
Profit from Discontinued Operations	(6)	758
¹ Expenses Include:		
Depreciation and amortisation	-	379
Auditors remuneration for financial statement audit	-	38

Audit fees for 2016 paid by Hunter Water Corporation the Parent Entity.

B. Details of Sale of Discontinued Operations

	2016 \$'000	2015 \$'000
Consideration Received		
Proceeds of sale	-	6,816
less: Costs related to sale	-	(739)
Total disposal consideration	-	6,078
less: Carrying amount of net assets sold	-	(1,051)
Gain on sale before income tax	-	5,027
less: Income tax expense	-	(1,668)
Gain on sale after income tax	-	3,359

Note 3. Income tax

	Notes	2016 \$'000	2015 \$'000
A. Income Tax Expense			
Current tax		-	771
Deferred tax		-	897
		-	1,668

Income tax expense attributed to:

Profit from Continuing Operations	-	-
Profit from Discontinued Operations	-	1,668

B. Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

Profit from discontinued operations before income tax and financial instrument fair value movements	-	2,426
Tax at the Australian rate of 30%	-	728
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	-	940
	-	1,668

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	11	-	(320)
		-	(320)

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 1C. The impact on the income tax expense for the year is disclosed in the tax reconciliation above.

The Company has been fully compensated for deferred tax assets transferred to the Parent Entity on the date of implementation of the legislation. No compensation was due to the Parent Entity from the Company as it did not assume any deferred tax liabilities as a result of implementing the tax consolidation legislation.

The entities also entered into a tax sharing and funding agreement. Under the terms of this agreement, the Company would reimburse the Parent Entity for any current income tax payable by the Parent Entity arising in respect of their activities. The reimbursements were payable at the same time as the associated income tax liability fell due and were therefore recognised as a current tax-related receivable by the Parent Entity (see Note 19). 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 the Parent Entity.

Note 4. Dividends Paid or Provided for

	2016 \$'000	2015 \$'000
Opening balance	-	-
Add: dividend declared	-	7,000
Less: dividend paid	-	(7,000)
	-	-

Under the national tax equivalent regime, the Company is not required to maintain a dividend franking account.

Note 5. Cash and Cash Equivalents

	2016 \$'000	2015 \$'000
Cash at bank and on hand	-	2,542
	-	2,542

Refer to Note 24 for further information regarding fair value measurement and interest rate risk. 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 6. Other Financial Assets

Current	2016 \$'000	2015 \$'000
Loan with Parent Entity	5,805	3,265
	5,805	3,265

The loan terms allow a draw down on the loan given 2 business days notice, and ability to recall the balance in full given 30 days notice. The intercompany loan will be extinguished at the conclusion of the liquidation and company wind-up process.

The Company's exposure to interest rate risk is discussed in Note 24. The maximum exposure to credit risk at the end of the reporting period is the carrying amount mentioned above.

Note 7. Trade and Other Receivables

Current	2016 \$'000	2015 \$'000
Trade debtors	-	23
	-	23

Refer to Note 24 for more information regarding fair value measurement, the risk management policy of the group and the credit quality of the Company's trade receivables. 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.

Note 8. Current Tax Assets / (Liabilities)

Provision for Income Tax Payable	2016 \$'000	2015 \$'000
Opening balance	-	(107)
Less amount paid relating to prior year	-	107
add: amount payable for current year	-	771
less: amount paid relating to current year	-	(771)
	-	-

Note 9. Plant and Equipment

The reconciliation for the year ended 30 June 2015 are disclosed for comparative purposes. Plant and equipment comprise the following at depreciated historical cost, as a surrogate for fair value:

	Total \$'000
At 1 July 2014	
Gross carrying amount	8,306
Accumulated depreciation	(5,175)
Net carrying amount	3,130

At 30 June 2015

Gross carrying amount	-
Accumulated depreciation	-
Net carrying amount	-

	2016 \$'000	2015 \$'000
Reconciliation		
Net carrying amount at start of the year	-	3,130
Additions	-	194
Disposals	-	(3,079)
Depreciation expense	-	(246)
Net carrying amount at end of the year	-	-

Note 10. Intangible Assets

The reconciliations for the year ended 30 June 2015 are disclosed for comparative purposes.

Intangible assets comprise the following at cost:

	Software \$'000	Other \$'000	Total \$'000
At 1 July 2014			
Gross carrying amount	685	129	814
Accumulated amortisation	(500)	(36)	(536)
Net carrying amount	185	93	278

At 30 June 2015

Gross carrying amount	-	-	-
Accumulated amortisation	-	-	-
Net carrying amount	-	-	-

	2016 \$'000	2015 \$'000
Reconciliation		
Net carrying amount at start of the year	-	278
Additions	-	16
Disposals	-	(238)
Amortisation expense	-	(56)
Net carrying amount at end of the year	-	-

Note 11. Deferred Tax Assets

	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Employee Benefits	-	939
	-	939
Amounts transferred to equity		
Deferred tax assets transferred to equity - discontinued operations	-	(939)
	-	(939)
Amounts recognised in other comprehensive income		
Income tax on remeasurement of defined benefit plans	-	(320)
	-	(320)
Movements:		
Opening balance at 1 July	-	3,356
Credited/(charged) to the Income Statement	-	(2,417)
Credited/(charged) to Equity	-	(939)
Closing balance at 30 June	-	-

Note 12. Trade and Other Payables

	2016 \$'000	2015 \$'000
Current		
Trade creditors	-	22
Other creditors	-	(1)
	-	20

Note 13. Provisions

No current or non-current provisions have existed since the asset sales in December 2014 as all provisions at that time were extinguished.

Note 14. Superannuation - Defined Benefit Liability

	2016 \$'000	2015 \$'000
Current		
Superannuation - defined benefit liability	-	7,132
	-	7,132

The defined benefit superannuation liability become a current liability in 2014-15 as the liability was transferred to the Parent Entity as an equity transfer on 1 July 2015 following the approval of the NSW Treasurer.

On 1 July 2015 the defined benefit fund liability of the Company was rolled into the defined benefit fund liability of the Parent Entity as the Company entered liquidation. The rollover of the liability was to ensure member benefits remained following company liquidation and deregistration. No fund liability exists for the Company at 30 June 2016 but 2015 comparatives have been detailed below.

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

A. Superannuation Position

Member Numbers	2016	2015
Deferred benefits	-	2
Pensioners	-	13
Pensions fully commuted	-	5

	2016 \$'000	2015 \$'000
Superannuation Position		
Accrued liability ¹	-	18,496
Estimated reserve account balance	-	(11,363)
Deficit/(surplus)	-	7,132
Net (asset)/liability to be recognised in statement of financial position	-	7,132

¹The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

B. Superannuation Plan**Nature of the benefits provided by the fund**

The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement or withdrawal. Employees contributed to the plans at various percentages of their wages and salaries. The Company also contributed to the plans.

On 1 July 2015, the defined benefit fund liability of the Company was rolled into the defined benefit fund liability of the Parent Entity. No fund liability exists for the Company from this date.

C. Reconciliation**Net Defined Benefit Liability/(Asset)**

	2016 \$'000	2015 \$'000
Net defined benefit liability at start of year	-	8,063
Current service cost	-	235
Net interest on the net defined benefit liability	-	281
Actuarial return on fund assets less interest income	-	(1,149)
Actuarial (gains)/losses arising from changes in financial assumptions	-	1,575
Actuarial (gains)/losses arising from liability experience	-	(958)
Employer contributions	-	(381)
Effects of transfers in/out due to business combinations and disposals	-	(533)
Net defined benefit liability at end of year	-	7,132

Fair Value of Fund Assets

	2016 \$'000	2015 \$'000
Fair value of fund assets at beginning of the year	-	16,193
Interest income	-	569
Actuarial return on fund assets less interest income	-	1,149
Employer contributions	-	381
Contributions by fund participants	-	44
Benefits paid	-	(5,787)
Taxes, premiums and expenses paid	-	108
Transfers in/(out) due to business combinations and disposals	-	(1,293)
Fair value of fund assets at end of the year	-	11,363

Defined Benefit Obligation

	2016 \$'000	2015 \$'000
Present value of defined benefit obligations at beginning of the year	-	24,256
Current service cost	-	235
Interest cost	-	850
Contributions by fund participants	-	44
Actuarial (gains)/losses arising from changes in financial assumptions	-	1,575
Actuarial (gains)/losses arising from liability experience	-	(958)
Benefits paid	-	(5,787)
Taxes, premiums and expenses paid	-	108
Transfers in/(out) due to business combinations and disposals	-	(1,826)
Present value of defined benefit obligations at end of the year	-	18,496

Note 15. Contributed Equity

	2016 \$'000	2015 \$'000
Issued and paid up capital 900,010 ordinary shares each fully paid	900	900

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 16. Statement of Cash Flows - Operating Activities

Reconciliation of profit for the year to the net cash flows from operating activities

	2016 \$'000	2015 \$'000
Profit for the Year	(6)	758
Depreciation and amortisation	-	302
Superannuation Expense	-	287
(Gain)/loss on sale of non-current assets	-	(5,027)
Net exchange differences	-	(23)
(Increase)/decrease in trade debtors	23	5,238
(Increase)/decrease in work in progress	-	2,255
(Increase)/decrease in deferred tax assets	-	2,097
(Increase)/decrease in other operating assets	13	1,306
Increase/(decrease) in trade creditors	(20)	(3,037)
Increase/(decrease) in inter-company tax payable	-	878
Increase/(decrease) in other provisions	-	(4,730)
Net cash flows from operating activities	10	304

Note 17. Contingent Liabilities and Assets

No contingent assets or liabilities exist at balance date. Limited warranty claims in relation to the asset sales are available to the purchasers. No indication of any claims have been made since the sale completion.

No claims for damages are being negotiated as at 30 June 2016 (nil in 2015). This does not include matters covered by insurance.

Note 18. Auditors' Remuneration

Amounts received or due and receivable by the auditors, from the Company

	2016 \$'000	2015 \$'000
Audit of financial reports (exclusive of GST)	18	38
	18	38

Audit fees for 2015 and 2016 were paid for by the Parent Entity.

Note 19. 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 Parent Entity Hunter Water Corporation 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. Parent Entity

	2016 \$'000	2015 \$'000
Transactions with Parent Entity		
Sales		
Contracts and consultancy services	-	8,546
Purchases		
Contracts	-	3
Interest received	-	29
Dividends paid	-	(7,000)
Outstanding Balances at Year End	2016 \$'000	2015 \$'000
Receivables		
Sales and purchases	-	5
Inter-company loan	5,805	3,265
Total receivables	5,805	3,270

B. Related Entity/Party

No related party transactions have been entered into over the past two financial years other than transactions through the intercompany loan account.

Note 20. 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 T Lawler Chairman
 Mr J Eather
 Mr P Dalglish (to 30 June 2016)
 Mr K Wood (to 30 September 2015)

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
Ms F Cushing	Acting General Manager
Mr P Kembrey	Company Secretary

C. Key Management Personnel Compensation

	2016 \$'000	2015 \$'000
Short term employee benefits	-	1,518
Termination benefits	-	205
Long term employee benefits	-	25
Post employment benefits	-	130
	-	1,878

Note 21. Management Consultants' Fees

	2016 \$'000	2015 \$'000
Management consultants paid or payable	-	80

Note 22. Segment Information

The Company operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia. On 31 December 2014 operations of the Company ceased as a result of the asset sales during December 2014.

Note 23. Events Occurring after Balance Date

The Company sold all assets and ceased operations in December 2014. Future activities will focus upon the de-registration and wind-up of the Company.

No other 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, or the state of affairs of the Company.

Note 24. 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. At 30 June 2016 there are no receivables as operations ceased in December 2014.

Investments

The Company limits its exposure to credit risk by only investing in liquid securities and only with the Parent Entity. Management does not expect its counterparty (Hunter Water Corporation) to fail to meet its obligations. The Company also invested with the New South Wales Treasury Corporation (TCorp). All accounts were closed in January 2015 with TCorp following the asset sales in December 2014 as these facilities were no longer required.

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:

	Notes	2016 \$'000	2015 \$'000
Cash and cash equivalents	5	-	2,542
Investments	6	5,805	3,265
Trade Receivables	7	-	23
		5,805	5,831

The Company has entered liquidation with the remaining financial asset being an intercompany loan with the Parent Entity.

B. Fair Value Measurement

Fair Value Compared to Carrying Amount

Financial assets are generally recognised at cost. The amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value.

End of audited financial statements.

DIRECTORS' DECLARATION

Pursuant to section 41C of the *Public Finance and Audit Act 1983* and Section 295A of the *Corporations Act 2001* we state that in the opinion of the Directors of Hunter Water Australia Pty Limited (In Liquidation), the financial statements and notes:

- Exhibit a true and fair view of the financial position of the Company as at 30 June 2016 and its performance as represented by the results of its operation and its cash flows for the year then ended.
- Comply with 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 2015*.

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 of Hunter Water Australia Pty Limited (In Liquidation):



Mr T Lawler
Chairman



Mr J Eather
Director

Dated 25 August 2016
Newcastle

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CONTACT US

The contact details for Hunter Water are:

Telephone

Customer Enquiries

1300 657 657
(Monday – Friday, 8.00am – 5.00pm)

Report a Fault

1300 657 000
(24 hours, 7 days)

Teletypewriter (TTY) Service

131 450
(Monday – Friday, 8.30am – 5.00pm)

Fax

02 4979 9625

Translation Service

131 450
(Monday- Friday, 8.30am - 5.00pm)

In Person

Head Office

36 Honeysuckle Drive
Newcastle NSW 2310
(Monday - Friday, 8.30am-5.00pm)

Postal Address

PO Box 5171
HRMC NSW 2310

Customer Centres

Lake Macquarie Customer Centre

128 Main Road, Speers Point
(Monday - Friday, 8.30am-4.30pm)

Maitland Customer Centre

285 High Street, Maitland
(Monday - Friday, 8.30am-4.30pm)

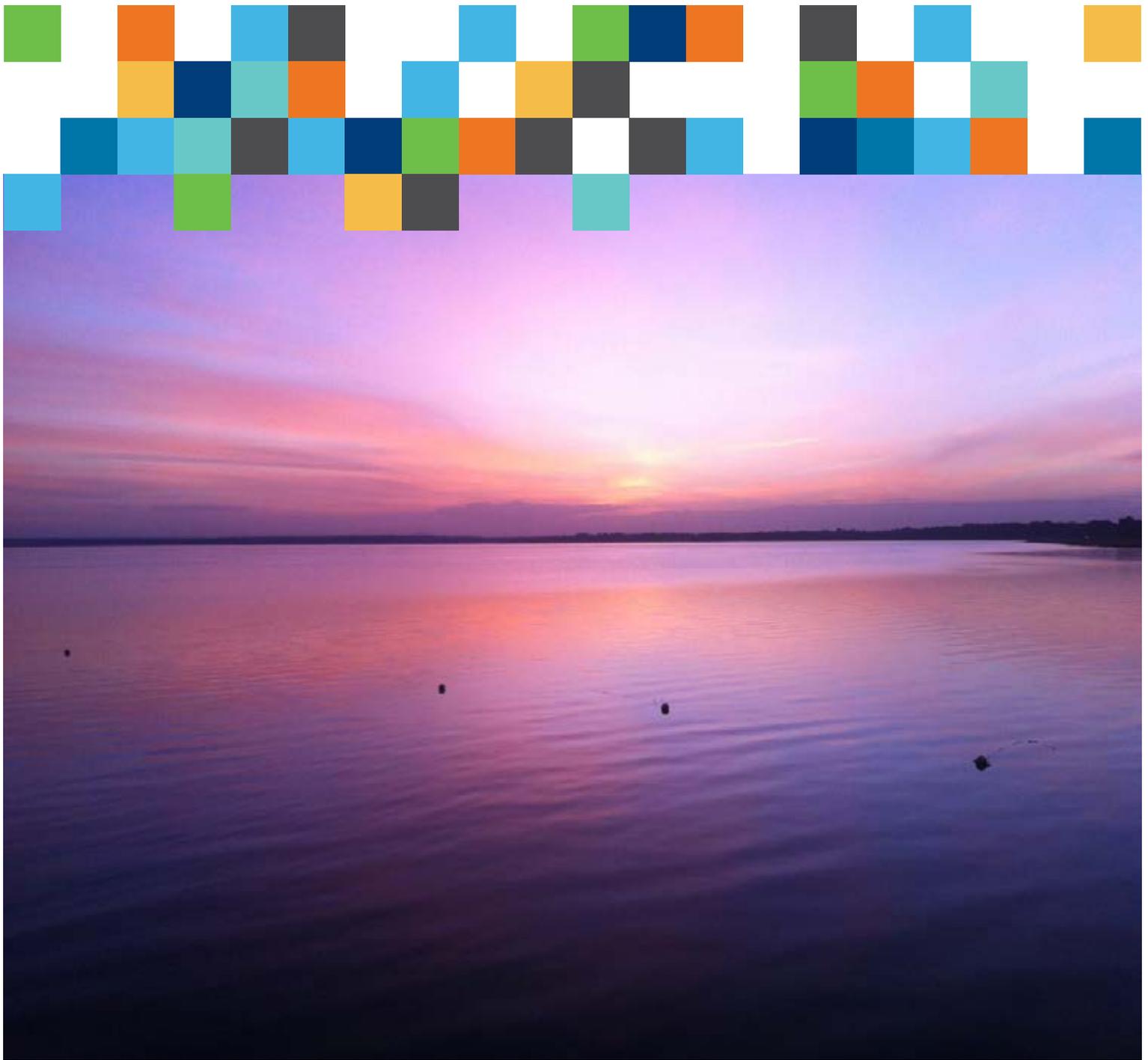
Customer centres are located within Council offices.

Email

enquiries@hunterwater.com.au

Annual Report Availability

hunterwater.com.au/annualreport



36 Honeysuckle Drive
Newcastle NSW 2300
PO Box 5171
HRMC NSW 2310
1300 657 657

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28/10/2016