

1 JULY 2018 - 30 JUNE 2019

# ANNUAL REPORT 2019



## ACKNOWLEDGEMENT OF COUNTRY

Hunter Water operates across the traditional country of the Awabakal, Birpai, Darkinjung, Wonaruah and Worimi peoples. We recognise and respect their cultural heritage, beliefs and continuing relationship with the land, and acknowledge and pay respect to Elders past, present and future.

### ABOUT THIS REPORT

## THE ANNUAL REPORT 2018-19 PROVIDES AN OVERVIEW OF HUNTER WATER'S ACTIVITIES AND PERFORMANCE FOR THE PERIOD 1 JULY 2018 TO 30 JUNE 2019.

It includes our Vision and Purpose, highlights from the year, financial reports, statistical information and the activities of 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.

An online version of this annual report is available at [hunterwater.com.au/annualreport](http://hunterwater.com.au/annualreport).

We welcome feedback on this report. Please email [communications@hunterwater.com.au](mailto:communications@hunterwater.com.au) or write to:

Public Affairs | Hunter Water | PO Box 5171 | HRMC NSW 2310

### LETTER OF SUBMISSION

The Hon. Dominic Perrottet MP  
Treasurer  
52 Martin Place  
SYDNEY NSW 2000

The Hon. Damien Tudehope MLC  
Minister for Finance and Small Business  
52 Martin Place  
SYDNEY NSW 2000

Dear Treasurer and Minister Tudehope

We are pleased to submit the Annual Report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2019 for presentation to the Parliament of New South Wales.

Our Annual Report 2018-19 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 2018-19, 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 AO  
Chairman

Jim Bentley  
Managing Director

Graham Wood  
Acting Chief Executive Officer

THANK YOU



**THANK  
YOU FOR  
LOVING  
WATER  
WITH US**

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# A message from our Chairman, Managing Director and Acting Chief Executive Officer



A key focus of 2018-19 was working with our customers and community to conserve water and implementing our drought response. In response to the severe drought that is affecting NSW, water restrictions were introduced on 16 September 2019; the first time in 25 years.

It has been encouraging to see a 12% reduction in demand following the announcement of restrictions. This followed a 4% reduction in water consumption, achieved through our Love Water campaign.

We will continue to lead by example by reducing leakage within our network. The Commonwealth's National Performance Report shows that we have reduced our network leakage by 20% in the last three years, achieving 10.2GL (billion litres) in water savings by the end of 2018-19.

This was achieved in part due to a substantial increase in active leak detection. This year we surveyed more than 5,344 kilometres of our water network, an increase of 1,000 kilometres per year. To further reduce water loss we have implemented smart network technology in our water network and have trialled Internet of Things (IoT) devices to reduce leakage.

These water savings enabled us to provide support to neighbouring farming communities which have been severely affected by drought. We were proud to partner with local councils to deliver more than 300 tankers (more than 4 million litres) of drinking water to Upper Hunter properties that are not connected to the town supply and needed to top up their rainwater tanks.

We will continue to partner with our customers, communities, government and other water utilities to realise further water savings as we develop our next long term water plan, the Lower Hunter Water Plan. The more time that we can gain in making source augmentation decisions, the more options that will be available, as technology continues to advance within the water sector.

We are working with the NSW Government to develop the next Lower Hunter Water Plan, expected to be released in 2021. It will inform the sustainable water future of the Lower Hunter region and address the impacts of drought and population growth.

To help inform our decision making, we held a series of deliberative forums which engaged a diverse group of our community and sought feedback on different supply and demand options. Further community engagement will occur over the next 12 months.

In 2018-19 we worked with the developer community to improve the timeliness and convenience of our services. More than 75% of development applications are now lodged online, and they are now processed 40% faster. Our new approach to the funding and delivery of growth infrastructure has seen financial commitments of \$28 million to deliver new water and wastewater assets supporting new development in high growth areas such as Maitland and Lake Macquarie.

The safety, health and wellbeing of our employees and contractors remains our number one priority. Together, this year we achieved: a reduction in the Total Reportable

Injury Frequency Rate (TRIFR) which decreased to 7.3; a 43% reduction in lost time injuries; a 42% reduction in medical treatment injuries; and significant improvements in hazard reporting. Listening forums were held across our sites to gain insights from staff and drive a positive safety, health and wellbeing culture.

Staff engagement remains strong, and this year we worked with staff and union representatives to negotiate two new Enterprise Agreements, with 90% of employee votes in favour. These will deliver additional productivity improvements across our business and better ways of working.

We are committed to achieving greater diversity and inclusion. Celebrating Harmony Day, Wear It Purple Day, Movember and International Women's Day provided an opportunity for our staff to learn about the experiences of guest speakers and colleagues.

In 2018-19 we increased female representation in our Board and executive management team to 40%, improved workplace flexibility and sponsored female employees to undertake MBA studies through the University of Newcastle's WiMBA program.

Demonstrating our commitment to improving economic, health and social outcomes for Aboriginal and Torres Strait Islander peoples, we developed our first Reconciliation Action Plan and welcomed two female Aboriginal trainees to our civil maintenance team, the first women to join this area of the business.

To invest in the next generation of leaders, we provided Indigenous education scholarships, an Undergraduate Disability Scholarship and took part in the HunterWISE program, which mentors girls in Science, Technology, Engineering and Mathematics (STEM) subjects. We are also establishing a commitment to sustainable procurement.

In addition to local partnerships, we are working closely with global water utilities to develop new solutions to the existing and emerging challenges facing our sector. In 2018-19 we became a founding member of the World Water Innovation Fund with peer organisations in the United Kingdom, North and South America, and Victoria which will enable us to advance innovation through

testing new technologies and sharing the outcomes and learnings.

We have made good progress on our 2017+3 Strategy, improving our customer service and experience, and have developed a more innovative, delivery focused and productive culture.

Our pricing proposal to the Independent Pricing and Regulatory Tribunal (IPART) was submitted in June, outlining our plans for 2020-25. It reflects our Board, Community and Shareholder's vision for improved services, water efficiency including recycling and reuse, resilience and sustainability, as well as feedback from our customers. We propose to invest in infrastructure, technology and service improvements to support our region's growth, improve customer experience, conserve water and reduce our environmental footprint.

Financially, Hunter Water exceeded its forecasts, with a Net Profit After Tax of \$73.0 million (up from \$55.7m in 2017-18). The increase in income was driven by an increase in service charges (\$161m, up from \$150m) and continued warm, dry weather causing continued high water consumption by our customers (+3.7 GL), and higher asset contributions from developers (\$33.5m, largely consistent with \$32.4m in 2017-18).

The additional income from water usage sales and developer funded infrastructure activity allowed us to bring forward \$6.7m in previously unbudgeted operational projects to help improve water resilience, regulatory compliance, water conservation and community engagement, additional costs associated with high water sales, and actions to reduce business risk. Distributions were paid to our Shareholder, the NSW Government, contributing to the funding of critical services across the Hunter region and the rest of NSW.

As the drought and our water conservation work continues, we expect revenue to decrease in 2019-20. We will continue to provide our customers and consumers with high quality services, and will deliver a new billing system and website that will contribute to improved reliability and ease of doing business.

// Terry Lawler AO, Chairman, Dr Jim Bentley, Managing Director and Graham Wood, Acting Chief Executive Officer



**467**

FULL TIME EQUIVALENT STAFF  
WORKING IN OUR COMMUNITY

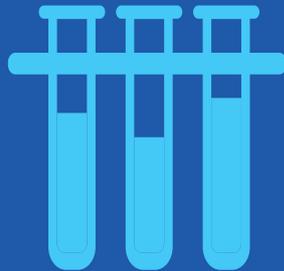
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**127**

YEARS OF LOCAL  
ACHIEVEMENT

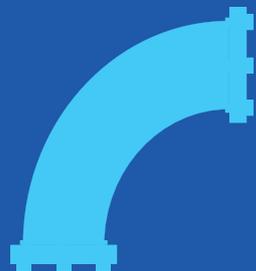
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**20,456**

SAMPLES COLLECTED FOR  
165,757 WATER QUALITY TESTS IN  
THE LABORATORY

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**100%**

OF OUR WATER MAINS WERE  
SURVEYED FOR LEAKS

We aspire to be valued by our partners for the part we play in delivering the aspirations of our region. We are working to enable sustainable growth, and the life our communities desire, by providing high quality, affordable services.

Hunter Water serves a population of almost 600,000 people in homes and businesses across the Lower Hunter region. Our core responsibility is to supply reliable, high quality water and wastewater services to the people in our region. We provide stormwater services to about one third of our water and wastewater customers. We also provide trade wastewater, recycled water and raw water services.

Hunter Water's area of operations is 5,366 square kilometres and includes the local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle, Port Stephens and a small part of Singleton.

We collaborate with stakeholders, advocacy groups, and all levels of government so that together we can achieve value for money customer and community outcomes.

Hunter Water is owned by the NSW Government. The Hunter Water Act 1991 and State Owned Corporations Act 1989 established Hunter Water and set out our principal functions.

Our proud roots go back to the 1880s when water was first delivered to Newcastle from a temporary pumping station on the Hunter River at Oakhampton via the Newcastle No 1 Reservoir.

Like our region, we have grown considerably since then, and we are constantly looking for new ways to provide great services, enable good development and be a thought leader. We are committed to being a great employer that operates in an efficient and productive manner, enhancing the wellbeing of our employees.

The safety of Hunter Water's drinking water is paramount and is confirmed through an extensive monitoring program. We have 68 sampling locations across our drinking water network and routinely test for a wide range of physical, chemical and biological characteristics at all stages of the supply system.

Our employees provide services to our customers by building, operating and maintaining a portfolio of water, wastewater, recycled water and stormwater assets with a value of more than \$2.5 billion. Together we are building our water resilience capabilities and ensuring a sustainable water future for the Lower Hunter.

**OUR VISION:**  
**TO BE A VALUED  
PARTNER IN  
DELIVERING THE  
ASPIRATIONS  
OF OUR REGION.**

Our values define who we are as an organisation and how we behave. We will be successful by embodying them in our actions and decisions.

**OUR VALUES:**  
**WELLBEING**  
**TRUST**  
**INCLUSION**  
**LEADING**  
**LEARNING**



**CHANGING  
CUSTOMER  
BEHAVIOUR**



**REDUCING  
LEAKS**



**HELPING  
MAJOR  
CUSTOMERS  
TO SAVE  
WATER**

## Highlights from 2018-19

### Learning principles helping change customer and community behaviour: 4% reduction in climate corrected community water consumption

Our Love Water community conservation campaign is helping our customers learn new ways to reduce their water consumption.

Climate corrected water consumption data indicates that our community has reduced its water use by 4%.

### 20% reduction in network leakage

In 2018-19 we maintained our focus on reducing leakage and water loss in our water network, including a significant increase in active leak detection, and using new technology such as TaKaDu and internet of things devices.

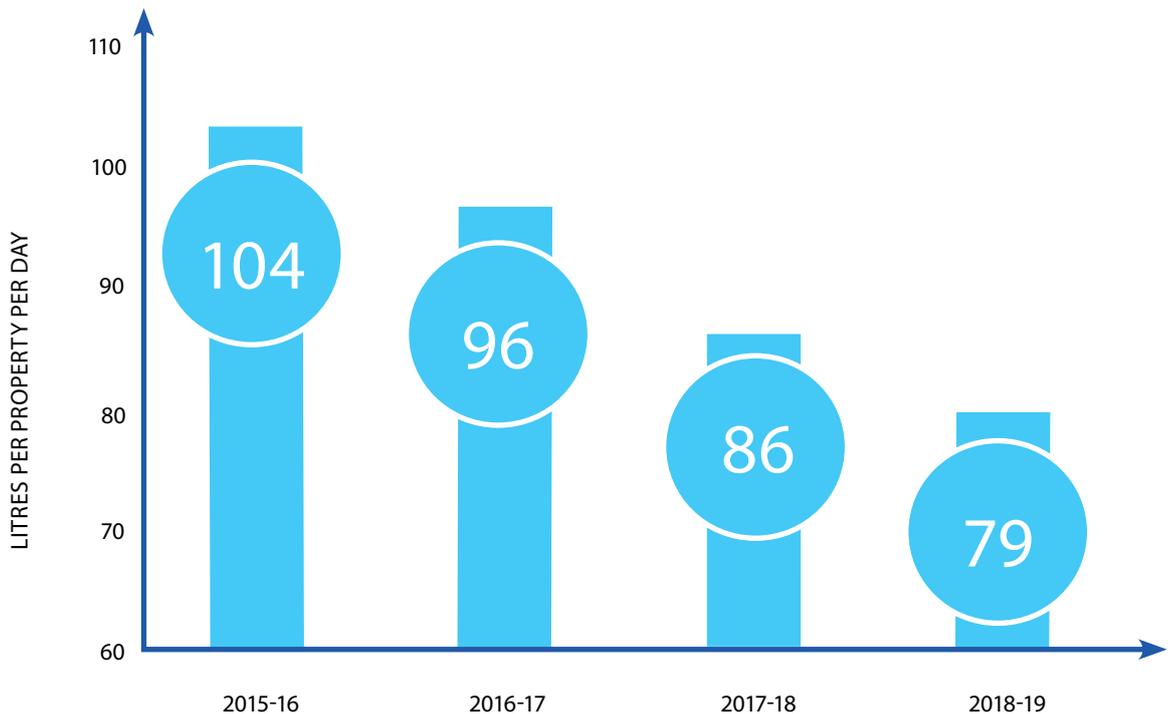
The installation of flowmeters increased the coverage of district metered areas to 25% of the network in 2018-19.

In the last three years, Hunter Water has reduced network leakage by 20%.

### 168 million litres in savings realised by working with major users, including schools, hospitals and councils

Hunter Water worked with local schools, hospitals and councils to find and repair leaks, and improve efficiency. Working with major customers, we helped realise 168 million litres in water savings through improved operational processes, leak repairs and irrigation system improvements.

## // 20% reduction in leakage





## IMPROVING SERVICES TO OUR DEVELOPER COMMUNITY

## DELIVERING WATER TO DROUGHT AFFECTED COMMUNITIES



## UNDERSTANDING COMMUNITY VALUES

Our new education program, Learning Together to Change Our World, challenges students to tackle the real world problem of water scarcity and come up with solutions to help our communities save water through inquiry-based learning. The goal was to engage in collaborative learning journeys where we supporting curiosity, creativity and innovation across the community.

More than 5,000 children learnt about water from our Bubbles and Squirt Water Saving Show that incorporated tips on how to 'love water' and where their water comes from. These shows were performed at primary schools and preschools in Hunter Water's area of operations.

These programs allowed us to engage with 6,500 children about water conservation.

### A further 40% improvement in the development assessment timeframe

We continue to play a key role in the growth of the Lower Hunter, and have been working closely with the developer community to enable good development. We increased the use of digital technology in our development assessment processes, launching an online development assessment portal. We now receive more than 75% of development applications online, saving time and improving the ease of doing business.

Development application processing times improved by more than 40% in the last year, reducing to an average of 8.7 days.

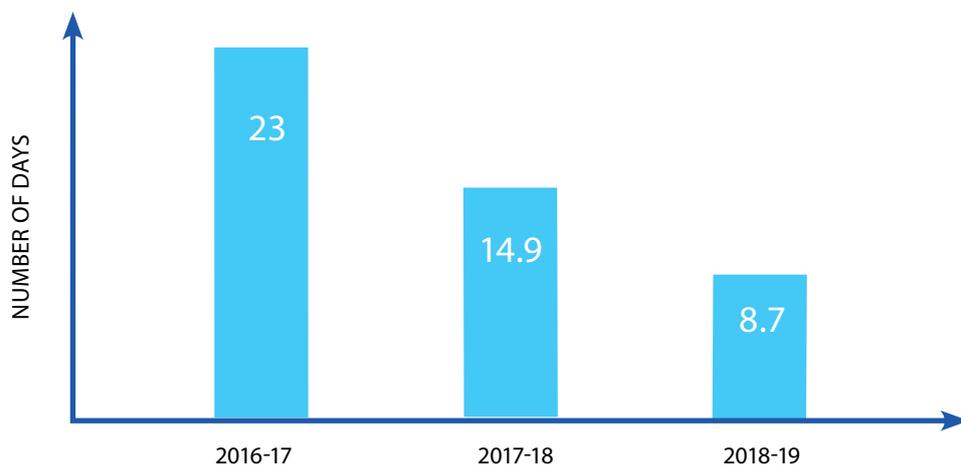
### Partnering with local councils to deliver water to our regional communities

Savings in our customers' water consumption and our leakage reduction work allowed us to play a greater role supporting our broader region. Recognising the impact of drought on neighbouring farming communities, we partnered with Lake Macquarie City, the City of Newcastle, Upper Hunter Shire and Muswellbrook Shire Councils to coordinate the delivery of more than 700 tankers (nearly 4 million litres) of drinking water to support farmers affected by drought.

### Understanding community values to inform our shared water future

During 2018-19, in partnership with the NSW Government, work commenced on a major review of the Lower Hunter Water Plan. The updated plan, which is expected to be released in 2021, will inform the sustainable water future of the Lower Hunter region, addressing the impacts of drought and population growth. As part of the review, Hunter Water held a series of deliberative forums with a statistically representative sample of the Lower Hunter community to understand community values and attitudes to different supply and demand option types. The outcomes of these forums will help to inform decision making processes, with further detailed engagement planned.

## // Development Assessment processing time



An aerial photograph of a coastal city at sunset. The sky is filled with dramatic, orange and yellow clouds. In the foreground, a large, rectangular water treatment facility with a dark pool of water is visible. The city buildings and roads are illuminated by the warm light of the setting sun. The ocean waves are breaking on the shore in the lower right.

# OUR STRATEGIC PRIORITIES

Photograph by Dylan St John, Apprentice Electrician

Our purpose is to enable the sustainable growth of the region, and the life our communities desire, by providing high quality, affordable services.



**THOUGHT  
LEADER**



**GREAT  
SERVICES**



**GOOD  
DEVELOPMENT**



**DIGITAL  
UTILITY**



**LEADING  
PRODUCTIVITY**



**GREAT  
EMPLOYER**

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# THOUGHT LEADER

// To be a thought leader in developing a sustainable and resilient water and wastewater future.



Hunter Water is utilising its thought leadership to create a better, more sustainable and resilient water future for its customers, consumers and communities.

### Planning for our region's long term future

We are working with our community and the NSW Government to plan for the region's long term future, with a review of the Lower Hunter Water Plan underway. The plan is being updated to reflect our community's changing values and priorities, and to ensure there is a sustainable supply of water in the long term, as well as during times of drought.

As part of the review, we held a series of workshop-style deliberative forums in October 2018 and June 2019 to understand our community's values and attitudes to different supply and demand option types.

Preliminary investigations have also begun into a range of option types to better understand the technical feasibility, and their environmental and social aspects, costs and benefits.

The forums and ongoing community and stakeholder engagement will help inform our decision-making process.

The revised Lower Hunter Water Plan will be released in 2021.

### Reducing leakage across our water network

The latest Commonwealth National Performance Report shows that Hunter Water has reduced leakage by 20% in the last three years. This encouraging result has been achieved, in part, by investing in and implementing an aggressive active leak detection program. In 2018-19, the entire water network, of more than 5,000 kilometres, was surveyed, up from an historic norm of about 1,000 kilometres per year.

We are utilising technologies, including flow meters, to let us know if there has been a change in the water network that could be an indication of a water leak or main break. We are also expanding the use of smart software TaKaDu to 25% of the network to identify hidden leaks and help prioritise leak detection work.

Digital innovation is also playing a part in reducing water losses. In April 2019, we began trialling Internet of Things (IoT) devices and data science, as well as acoustic monitoring, at Lake Macquarie and Maitland. The trial has been monitoring water pressure and flow in parts of the network and is having promising

early results in finding and fixing leaks, and predicting water main bursts before they occur. The replacement of an 8-kilometre section of the Chichester Trunk Gravity Main (CTGM) between Tarro and Duckenfield will further reduce our water losses. This section of the 96-year-old pipeline was one of the biggest known point sources of leakage in our network.

### Partnering with our communities and stakeholders

In February 2019, Hunter Water signed a Memorandum of Understanding (MOU) with Sydney Water and Central Coast Council to form the Save Water Alliance. The Alliance aims to provide mutual benefits to the organisations involved and benefits to the communities they serve, by sharing knowledge and learnings, identifying opportunities for joint water saving initiatives and strengthening relationships.

It is through partnerships with key stakeholders such as the University of Newcastle (UON) that we aim to be an industry-leader. We are collaborating with the UON in water conservation research to identify and test the behaviour change barriers and motivations that our customers might have to conserving water at home.

In October 2018, we were the founding sponsor of the UON's 2018 Second Cities: Smaller and Smarter Symposium. Managing Director Jim Bentley featured as a keynote speaker and panel host, providing insight into Hunter Water's expertise and strategy in its role as an enabler of the sustainable development of the Greater Newcastle and Lower Hunter regions.

### Reducing our carbon footprint through sustainable wastewater initiatives

We are committed to increasing our energy efficiency, using renewable energies and reducing our greenhouse gas emissions as we

aspire to become carbon neutral by 2030.

We are focused on using electricity more wisely and looking at different ways to purchase it. In June 2019, the business case for a renewable energy project was approved. Through the use of solar panel installation this project will focus on minimising our grid electricity consumption at a number of our treatment plants and pumping sites, as well as reducing our operating costs and greenhouse gas emissions.

In addition, we have been exploring other avenues for reducing our energy costs and emissions by: undertaking a feasibility study for floating solar on Grahamstown Dam and Edgeworth Wastewater Treatment Works; investigating a lower emission fleet of vehicles; contributing in-kind support to a University of Queensland Water Research Australia PhD project on reducing methane emissions from sludge lagoons; and installing LED lighting during facility upgrades to reduce lighting electricity consumption.

In 2018-19, we also completed a regional waste to energy strategy in collaboration with Resilience Brokers and regional stakeholders. The study identified the benefits of a regional approach to converting waste to energy, including Hunter Water's biosolids. It also highlighted the benefits of moving to a centralised biosolids treatment approach with energy recovery, which will help reduce our biosolids management costs and carbon emissions.

### Promoting conservation and sustainability

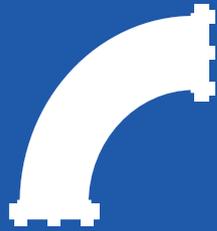
Empowering the next generation is at the heart of creating a more sustainable water future for our region. This was demonstrated best in our first 'Learning Together to Change Our World' education program, where students from four schools showcased their innovative, imaginative and achievable solutions to water challenges.



//01 New Futures Hackathon for Disaster Resilience

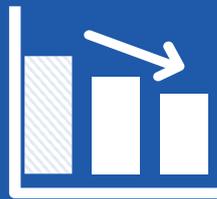
//02 Lower Hunter Water Plan deliberative forum





**100%**

OF OUR NETWORK SURVEYED  
FOR LEAKS, OVER 5,000KM



**20%**

REDUCTION IN LEAKAGE IN  
THE LAST 3 YEARS



**\$341,640**

GIVEN TO COMMUNITY  
ORGANISATIONS



**36**

COMMUNITY  
ORGANISATIONS SUPPORTED



**12%**

LESS GENERAL WASTE AT  
HEAD OFFICE

In particular, Hunter Sports High students impressed our staff and partners in delivering water savings at their school, while identifying and funding new technology to provide safe drinking water to developing countries.

The leadership of our region's young people was also demonstrated in a unique partnership to deliver a new mural on Charlestown Reservoir.

The vibrant artwork was painted by UP&UP, an organisation which works to engage young people in community projects. The mural provides a daily reminder about the precious nature of water and the importance of conserving it. It is highly visible to motorists on the Pacific Highway.

Water conservation and sustainability is also being championed by community and civic organisations across the Lower Hunter. In October 2018, nine organisations received a share in \$50,000 as part of Hunter Water's first Love Water grants program, with the funding supporting a range of community projects and education initiatives. Six community groups at Dungog have also received \$20,000 for similar projects through the Love Water Dungog Community Grants Program.

We continue to partner with organisations that share our values of sustainability and protecting the environment. In early 2019, Hunter Water announced a \$105,000 grant to Port Stephens Koalas, to be provided over a three year period, to protect the local koala population. We continue to provide ongoing sponsorship to other like-minded organisations including the Hunter Region Botanical Gardens.

Closer to home, we are committed to leading by example when it comes to conservation and sustainability. Over the past year, we have implemented a range of new recycling initiatives, including a new four bin system to reduce our environmental footprint. This has

led to a 12% decrease in the amount of general waste at head office, which is an encouraging result.

## Fostering innovation and collaboration

The Lower Hunter is a rapidly developing region, with a vision of being a leading regional economy. By investing in and fostering innovation, we are playing a leading role in our region's growth, development and prosperity.

We are committed to developing an organisation-wide innovation culture, where innovation is celebrated and embedded in our day-to-day practices. To help drive this change, we have implemented initiatives such as Crowdcity, a user-friendly ideas management platform to encourage participation and involvement in selecting innovation projects. We have also enlisted 30 employees to become 'innovation partners' to promote initiatives to all parts of our organisation and empower others to develop their ideas.

An innovation culture is also being fostered through our involvement in and support of the University of Newcastle's New Futures Hackathon on Disaster Resilience, and participation in two innovation initiatives to develop the leadership and collaboration of our staff. This includes WaterAid's Winnovators challenge and GHD's Smart Seeds program, which are engaging staff to find solutions to real-life issues and problems.

On a global scale, in 2019 Hunter Water joined world-leading water utilities to fund, develop and accelerate ground-breaking future technologies as part of the World Water Innovation Fund. While the Fund is only in its infancy, we look forward to the opportunities and learnings that this collaboration will deliver.

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# GREAT SERVICES

// To provide great services to our customers, consumers and communities.



Hunter Water exists to serve the Lower Hunter. Our customers, consumers and communities are diverse in their needs and expectations of us. As our region grows, these needs and expectations will continue to change and grow, and will guide our future thinking.

We care about what our customers think. We are listening to our customers to understand their needs and their feedback on our services. We are ensuring that the voice of the customer feeds into how we make decisions and improve our services.

As well as listening to, learning with, and responding to our customers, we actively participate as a member of our community to foster a culture where we all value water.

### Understanding customer experience so that we can make our services better

Research and direct feedback allows us to understand aspects of our services where customers think we are doing well and where there are opportunities to improve. People can share their views with us in many different ways. From our online channels like Your Voice and social media, to our community engagement

events, to research that looks into customers' experience of accessing Hunter Water services.

### We are ensuring that the voice of the customer feeds into how we make decisions and improve our services.

Our mystery shopping program was launched in February 2018, to evaluate 30 aspects of our customer service and compare the result against other organisations. We have listened and responded to the feedback and improved the service experience for our customers. Since we began the program, we have moved from the middle of the pack to the top 5%. In June 2019, we ranked first out of 24 water authorities participating in the mystery shopping program and fifth out of 150 organisations from a range of industry sectors.

This year, we have started to track customer experience in new ways. We launched weekly email surveys, to provide a deeper understanding of their experience than our after-call surveys. We also started tracking developer experience through a monthly survey. Both these surveys look at ease of doing business with Hunter Water, as well as customer satisfaction.

We have also been contacting customers who have had a poor experience with us to turn it into a positive one, through our 'voice of the customer' initiative.

### Together we can

We continue to partner with our communities to enable their growth and quality of life, and to help shape our decisions. Through our Love Water campaign, we are exploring and realising water savings by using a listening and learning approach. The Love Water campaign repositions the Hunter Water brand to better align with our messages around conservation and sustainability and to help us learn together with our community.

In 2017-18, the Love Water campaign began with its first two stages 'Water is precious' and 'It belongs to all of us'. This year we started introducing action messages through the third stage 'Together we can', which identified simple things that everyone can do to save water, such as shorter showers and waiting for a full load before using the washing machine.

### Learning with our young people

We have been exploring how to achieve water savings in households, our communities and schools. More than 350 students in the Hunter region took part in our unique education program, aimed at empowering the next generation to take action and create solutions for real-life water challenges. Learning Together to Change Our World was the first program of this kind within the Australian water industry, and part of our commitment to learn with our community as we plan for our region's long term water future. Students demonstrated their innovative, imaginative and achievable solutions to water challenges, such as the design of an inflatable pool to capture and recycle water used when washing the car, and a Bluetooth shower head to monitor the length of a shower.

Through our Love Water campaign, we are exploring and realising water savings by using a listening and learning approach. The Love Water campaign repositions the Hunter Water brand to better align with our messages around conservation and sustainability and to help us learn together with our community.

### Engaging with our community to discuss upcoming projects

As we plan and implement new infrastructure, we are working with residents and businesses to consult on these new projects. Our aspirational goal is to achieve full support for all our projects, ensuring that the golden thread of community perspective is woven through our project planning and delivery stages.

On one of our major projects this year, we engaged with 1,100 households in Chisholm and Gillieston Heights to ensure every customer was ready to receive recycled water. We worked with property owners, tenants and real estate agents to inspect every home and check plumbing readiness. The communication campaign included letters and flyers, advertising, media and social media, phone calls, door-knocking and a school presentation.

We also worked with: Williamstown residents to connect properties to our water supply; Mayfield residents to replace a large stormwater culvert in three streets; residents adjacent to the 8 kilometres of the 96 year old Chichester Trunk Gravity Main (CTGM) pipeline which is being replaced; and community members and organisations in Belmont to prepare for the possible future drought response desalination plant.



//01 Handing out 4 minute shower timers and raising awareness about saving water at Surfest 2019

//02 The Learning Together To Change our World program for schools

//03 Spreading the 'Together we can' message at Music in the Podium





**1.3M**

VISITS TO OUR WEBSITE,  
11% MORE THAN LAST YEAR



**176,800**

ENQUIRIES TO OUR  
CONTACT CENTRE



**45 SEC**

AVERAGE SPEED OF ANSWER



**97%**

CUSTOMER SATISFACTION  
WITH CALL TAKERS



**110,800**

PEOPLE ENGAGED WITH US  
AT 30 COMMUNITY EVENTS

We understand that our construction projects sometimes inconvenience community members, and we aim to minimise this as much as possible.

### Fostering a culture where we all value water

Throughout the year, we had a presence at community events, using them as an opportunity to understand our community's views and values about water conservation. Events included the Living Smart Festival, Surfest, Music in the Podium, the Newcastle Show and local community events such as Tastes at the Bay, Santa's arrival in Raymond Terrace and touch football championships.

In October 2018 and June 2019, we held a series of deliberative forums with our community to explore options for a secure water future. This engagement with our community is key to developing our next Lower Hunter Water Plan which will have a 30-40 year horizon.

In 2019, we held a Developer Forum with key stakeholders in the region who work in land development to provide an update on our direction and listen to questions and feedback. You can read more about how we are partnering with developers on pages 31-32.

Your Voice, our online engagement channel complements our other community engagement channels and reaches a broad cross section of our community.

### Making it easier to do business through online services

It is now easier than ever before for our customers and community members to report water leaks, with the launch of a new online reporting tool this year. Via an online form, people can quickly report water leaks and upload photos. This helps us to understand the leak and repair it as quickly as possible. To

date, more than 700 reports have been made using this tool.

We have made it easier to do business with us through new online services. We started accepting online applications from developers in May 2018, and by June 2019 75% of developer applications were made online.

We have also launched online forms for pension rebates, direct debit rebate applications and bill extensions, and a live chat service for our customers during business hours.

Engagement with our community is key to developing our next Lower Hunter Water Plan which will have a 30-40 year horizon.

### Helping our vulnerable community members

We are reaching out to support our customers who are experiencing hardship. We attended the Hunter Homeless Connect Day, along with 100 government and community service providers giving assistance and advice. More than 1,300 community members attended the event, and we provided payment assistance, pension rebates, bill support, and water saving tips to help with affordability.

We also partnered with the Energy & Water Ombudsman NSW (EWON) to bring the 'Bring Your Bills Day' initiative to our region, providing financial support to more than 300 of our most vulnerable community members.

We have also completed an SMS trial to engage earlier with customers to prevent potential collection actions, increase awareness of our support programs and help reduce leaks through water audits.



# GOOD DEVELOPMENT

// *The Hunter Regional Plan 2036* holds the vision of the Hunter being Australia's leading regional economy. Enabling good development is fundamental to achieving this vision.



Mapping water and sewer assets

We are working with the developer and construction sector to achieve good development and have moved from being a compliance centric organisation to one of collaboration, regional partnerships and excellence in customer service.

We have strengthened our investment thinking, and upped our overall investment in growth infrastructure. Our objectives are to provide sustainable services for population growth, deliver efficient and innovative services for new development work with developers and planning authorities, and improve the amenity of our urban areas.

### Partnering with developers

As part of our developer engagement strategy, we have been seeking to collaborate with developers to trial and introduce new technology into developments. The strategy is aligned with Hunter Water's community engagement framework. This year, we have been involving the wider development sector in a more sophisticated and meaningful way to help shape the water future of our region.

In April 2019, we held a Development Forum with our key stakeholders in the region who

facilitate land development, to talk about how we currently work together, our future direction and how we can collaborate better to enable the region to grow. More than 100 people attended. The theme of the event was 'Love Water; it is precious'. We appreciated the willingness of forum participants to provide input regarding our water future, advocate for sustainable growth in the region, and work positively with us to save water. We gathered ideas from the group through discussions and an interactive audience poll, which will help us continue to deliver efficient and innovative development services.

**We held a Development Forum with our key stakeholders in the region who facilitate land development, to talk about how we currently work together, our future direction and how we can collaborate better to enable the region to grow.**

This year we also started holding round table meetings to engage with the development community about specific issues that affect the industry. We held two round table meetings in

2018-19 and plan to expand the program in the next financial year.

In 2018-19, we also started a quarterly newsletter to help us engage with our development community, and link them to Your Voice, our online engagement platform.

### Funding of growth infrastructure

Enabling good development in the Lower Hunter region is a strategic priority for Hunter Water. To help support this objective we will repay developers the cost of qualifying infrastructure. This investment will support more residential developments across the Lower Hunter.

We launched the Funding and Delivery of Growth Infrastructure Policy in January 2018. Our total funding commitments are now \$28m. This covers 20 approved applications, with a quarter being water assets and three quarters sewer assets. Of these approved applications, nine funding deeds were signed in 2018-19, bringing the total to 12 deeds signed. Eight projects are now under construction.

Reflecting regional growth trends, 53% of the residential lots are within the Maitland local government area and 23% in the Lake Macquarie local government area.

### Improving our customer experience

We have improved our processes to make it easier to do business with us. During 2018-19 average development assessment processing times improved by 41% compared to last year, reducing from 14.9 to 8.7 days. We have also made changes to enable our contact centre to ensure developers who call us are getting more questions answered, and more efficiently by the person who takes the call.

**We have improved our processes to make it easier to do business with us. During 2018-19 average development assessment processing times improved by 41% compared to last year, reducing from 14.9 to 8.7 days.**

The improvements we have made to customer experience were confirmed in feedback from developers in our customer research. By the end of the financial year, our developer experience scores were consistently greater than 9 out of 10 which positions Hunter Water as a leader in our industry.

### Utilising digital technology

We have made changes to developer assessment online services and launched online applications in 2018-19. More than 75% of development assessment applications are now lodged online, saving time and effort for the development community.

### Working with planning authorities to support positive economic, social and environmental outcomes

Over the last financial year, we have continued to strengthen partnerships with planning authorities and the development sector. We are part of the Hunter Urban Development Program Committee which aims to improve the sequencing and timing of major infrastructure projects to service growth in the Lower Hunter.

In conjunction with councils and government agencies, we led the development of the Water Sensitive Cities Benchmarking Index, which identifies key actions to support positive economic, social and environmental outcomes.



//01 Our Developer Forum held in April 2019

//02 A recycled water plant





**3,900**

NEW CUSTOMER CONNECTIONS



**2,058**

DEVELOPMENT ASSESSMENT  
APPLICATIONS PROCESSED



**41%**

IMPROVEMENT IN PROCESSING  
TIMES



**8.7**

DAYS AVERAGE TIME TO  
PROCESS



**75%**

OF APPLICATIONS ARE NOW  
LODGED ONLINE

## Integrated water management and stormwater amenity

In 2018-19, Hunter Water progressed with studies to investigate a range of recycled water schemes, stormwater harvesting and stormwater channel amenity improvements. We have been engaging with stakeholders, including councils and the community, about how we value the social, environmental and resilience benefits that these initiatives provide.

We have constructed dual reticulation schemes in Gillieston Heights and Chisholm to service approximately 1,100 homes. High quality recycled water will be supplied to these homes through a purple pipe connected to suitable uses that include toilet flushing, washing machines and watering lawns.

We are also working with the Hunter and Central Coast Development Corporation on an integrated approach to improving amenity around Lower Cottage Creek. We have undertaken design work for amenity improvements to the existing stormwater channel that will help transform the public domain. We continue to investigate further opportunities to improve amenity and naturalise existing stormwater channels with councils.

# DIGITAL UTILITY

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// To realise the benefits that being a digital utility can provide.



Mobile technology in the field

Digital technologies are being used by the utilities sector to transform the way we work and deliver services. We are leveraging digital technology to better deliver outcomes for our customers, community and the environment. Our digital utility strategy is being delivered through four initiatives: service and experience; intelligent networks; field service model; and go digital.

### Providing value to customers through online services

We are improving how we deliver our services to make it easier for our customers to engage with us. Giving our customers the option to use web based services and applications ensures that we are meeting expectations in today's business environment by making their interactions with us easier, faster and smarter.

This year we have launched two new web applications to allow customers to send us information online, rather than using paper. Since February 2019, customers can now submit their tankered waste information online and have reported that the new tool is easy to use. We are now 100% digital, with tankering companies no longer submitting information to us on paper.

The other new web application allows our accredited backflow plumbers to submit their site containment reports online, rather than using paper reports. Early uptake signs are positive, with more than 100 plumbers registered.

Customers can now report a water leak on our website and upload images to help us understand the leak and repair it as quickly as possible. Since launching this tool, more than 700 faults have been reported.

Our operations team can now view a live feed of electronic dockets being submitted, a dashboard of statistics and operational reports. This makes our processes easier and faster.

Our community is the eyes and ears of our water supply network, and it is now easier than ever for our community to report a water leak by using the Hunter Water website. For our customers' convenience, they can now report a water leak on our website and upload images to help us understand the leak and repair it as quickly as possible. Since launching this tool, more than 700 faults have been reported.

This year, we launched online forms for high volume customer activities on our website. These forms allow our customers convenient access wherever they are, at any time they want. We have received more than one third of all direct debit and pension rebate applications online since July 2018.

We also now offer web chat services during business hours, and each month we engage in about 500 chats with our community members. We have found that the most popular topics for web chats are service faults and account enquiries.

We understand that giving customers a choice to receive their bill electronically is now integral in meeting customer expectations and aligning with industry standards. We are working towards electronic billing and seek to offer this choice to customers in 2020.

### Creating intelligent networks

Our intelligent networks program is focused on improving the way we service our customers, community and consumers by reducing risk, improving operational performance and optimising asset investment. The program utilises technological advances in the Internet of Things (IoT), low powered monitoring devices and data analytics.

In early 2018 we started using TaKaDu, an intelligent system that monitors water levels in our reservoirs and the rate of flow through our meters. It lets us know if there was a change in the water network that could be an indication of a water leak or main break. It now covers 25% of the water network. Within the next few years we plan to expand TaKaDu and use it to monitor the whole of the water network. This system will play an important role in helping us to further reduce water loss and identify our leaks in a more cost effective manner.

### A Hunter Water-first digital innovation trial began in January 2019 using IoT devices with data science, and acoustic monitoring technology, to accurately locate leaks and monitor the water pressure and flow in parts of the network at Lake Macquarie and Maitland.

We have progressed with the delivery of the Smart Integrated Pump Scheduling (SIPS) project, an intelligent control system that schedules pump operation, optimising operation costs and improving network performance. This system is expected to be commissioned in February 2020.

A Hunter Water-first digital innovation trial began in January 2019 using IoT devices with data science, and acoustic monitoring technology, to accurately locate leaks and monitor the water pressure and flow in parts of the network at Lake Macquarie and Maitland. IoT technologies and data science will help us better understand the operation of our network and identify incidents faster when they occur.

We are also trialling wastewater monitoring devices in select manholes to monitor various parameters such as flow, velocity and H2S gas levels. This advanced sensing equipment has the potential to minimise or prevent the impact of spills, overflows and flooding to the environment and customers. The trial started in early 2019 and will run through to end of 2019.

We are also participating in a research program with Sydney Water and the NSW Smart Sensing Network, along with a number of other utilities and research bodies. The program focuses on the use of smart sensing for condition assessment and leak detection to prevent catastrophic breaks in critical water infrastructure.



//01 Installing IoT devices at Louth Park

//02 Installing IoT devices at Lake Macquarie





**100%**

OF OUR TANKERING CUSTOMERS  
NOW SUBMIT THEIR INFO ONLINE



**1/3**

OF DIRECT DEBIT &  
PENSION REBATES ONLINE



**500**

WEB CHATS PER MONTH



**25%**

OF OUR NETWORK IS NOW  
MONITORED BY TAKADU

## Improving our workforce safety and field service to customers

Our field service model program is focused on improving work processes in the field to improve workforce safety and service delivery to better serve our customers, community and consumers.

Continuing our strong commitment to improve workforce safety, productivity and efficiency, we are using mobile technologies to develop new ways of working and new approaches to traditional problems. We have developed a new approach to identifying and rectifying hazards which has seen a significant increase in hazard awareness and remediation work.

By giving our workforce access to more information when they are in the field, we help them to make timely decisions. We have introduced new operational dashboards and monitoring to enable our crews to better prioritise maintenance when they are out on jobs, meaning we can fix breaks faster and improve our service to customers.

To further improve our field service performance, we will introduce new technology to improve how we identify, plan, manage and report on maintenance work.

## Improving the way we work, think and learn

We recognise that adopting new digital technology can have a significant positive impact organisation-wide, which is why we have started a program called Go Digital that aims to improve the way we work, think and learn.

The program will deliver solutions focused on improved data analysis (including machine learning and artificial intelligence), learning and collaboration, business workflows and data integration between systems.

By giving our workforce access to more information when they are in the field, we help them to make timely decisions. We have introduced new operational dashboards and monitoring to enable our crews to better prioritise maintenance when they are out on jobs, meaning we can fix breaks faster and improve our service to customers.

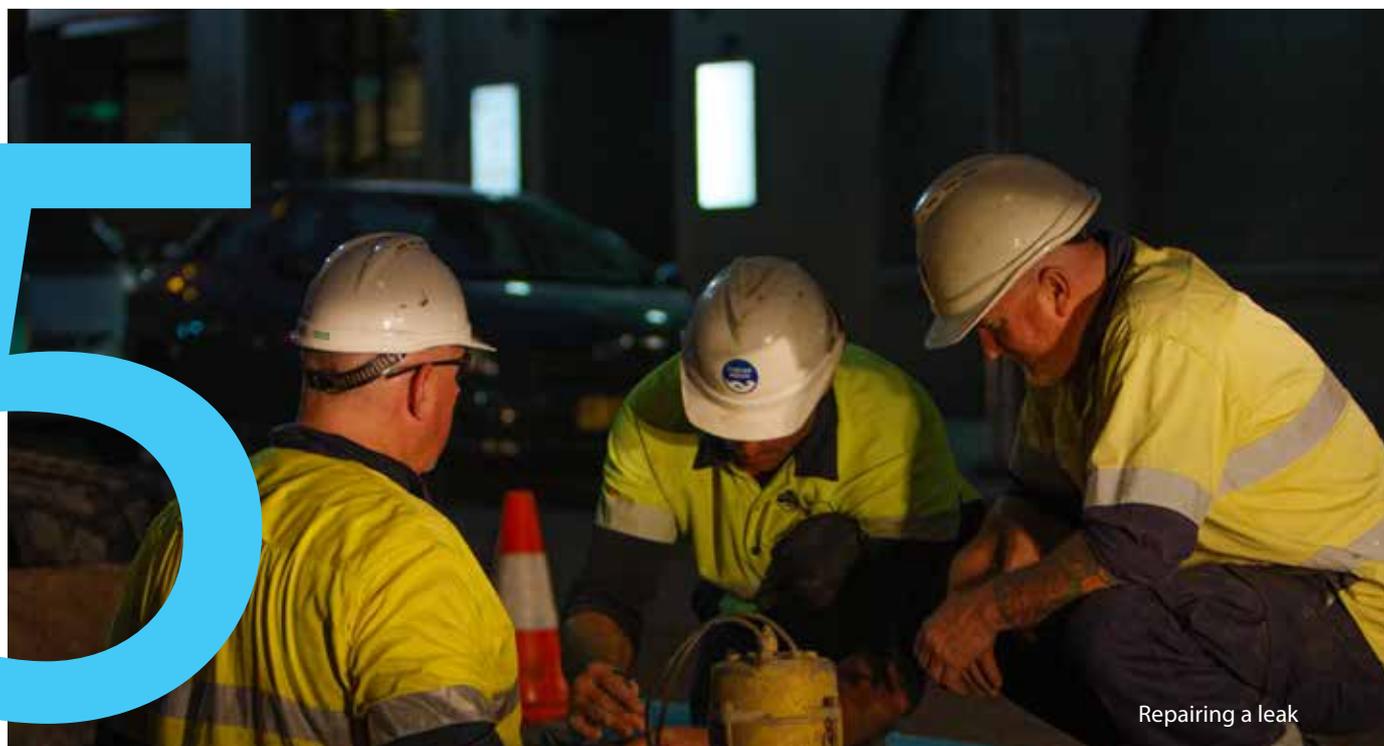
We have identified a range of initiatives where digital technologies can improve business outcomes. These initiatives will improve efficiency by reducing manual processes, and will support compliance. Other benefits include improved decision making through scalable business intelligence platforms and more efficient business processes through systems and data integration.

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# LEADING PRODUCTIVITY

// Efficient operations are essential to both ensuring our pricing remains affordable for our customers and our long term sustainability.

# 5



Repairing a leak

Efficient and productive operations are essential in ensuring our pricing remains affordable for our customers and for our long term sustainability.

Our objectives are: to maintain prices amongst the lowest in the country; to invest prudently and efficiently; and to continuously identify and harvest productivity savings, whilst positioning ourselves for the challenges of the future.

In the last year we have made significant progress in delivering operational efficiencies and productivity improvements, placing Hunter Water in the leading cohort of efficient water utilities in Australia.

### Seeking and delivering efficiencies

As part of our 2017+3 Strategy, we committed to exceeding our efficiency target of \$1.0 million per annum across the life of the strategy. Efficiency savings of \$1.0 million were realised in 2018-19, building on savings of \$1.1 million in 2017-18 and \$1.4 million in 2016-17.

These savings have been achieved while delivering improved service levels, in key areas such as a reduction in response times for

customer reported leaks and breaks.

Productivity savings are allowing for additional investment within the business. We have become an inaugural member of the World Water Innovation Fund, joining utilities from across Australia, Europe and the United States. The World Water Innovation Fund partnership is being funded from the realisation of productivity savings.

### Fair pricing, and understanding customers' willingness to pay

2018-19 saw the development and submission of our Pricing Proposal for consideration by the Independent Pricing and Regulatory Tribunal (IPART). The submission outlines our proposed operational and capital investment program for the five year period commencing 1 July 2020.

Our Pricing Proposal builds on the vision of the 2017+3 Strategy and was developed with extensive public consultation and engagement. This included a willingness to pay survey of a statistically representative group of Hunter Water customers, undertaken in partnership with the Centre for International Economics and Woolcott Research. The survey tool invited customers to indicate their preferred

combination of fixed and variable water charges, and assess alternative pricing structures and the impact on their water bill. Participants were also invited to provide their perceptions on water conservation initiatives and the importance of price stability through time. IPART is currently undertaking a review of Hunter Water's Pricing Proposal, with a decision expected in mid-2020.

### Enterprise Agreements

In 2018-19, Hunter Water re-negotiated its two enterprise agreements. Negotiations were conducted following an interest based approach, encouraging the parties to identify shared interests and agree on approaches to deliver productivity improvements.

Across both agreements clauses were updated to reflect: the organisation's strategic direction; our commitment to meet our WHS obligations; clearer and simpler expressions of the different modes of employment (ongoing, fixed term, full time, part time); a clear redundancy and redeployment clause; and adoption of NSW public sector standards for NAIDOC Aboriginal and Torres Strait Islander leave. Additionally, both new agreements include a new category for domestic violence leave.

As part of the new Engineers and Scientists' Agreement, the organisation and its employees agreed to collaboratively address ways of working to reduce the amount of lower value work and redirect efforts towards higher value activities. The agreement confirms that engagement will continue to improve processes to increase productivity and the effectiveness of our workforce.

Additionally, as part of our commitment to building a 'learning organisation' we committed to engage in a collaborative forum for developing improved performance planning and review processes. We expanded our commitment to supporting professional development, including Registered / Chartered

Professional Engineers recognition and accreditation.

Changes to the operation of the field workforce have been implemented such as upskilling, a late start on-call crew, and variable resourced crew arrangements.

Significant workplace reforms have been achieved through the implementation of refreshed enterprise agreements, with a focus on increasing productivity in service delivery. Changes to the operation of the field workforce have been implemented such as upskilling, a late start on-call crew, and variable resourced crew arrangements. These changes are aimed at increasing operational coverage and improving response times for our customers. In developing our fit-for-the-future workforce, we have ensured that none of this progress has been to the detriment of health, safety and wellbeing.

### Using risk to drive investment decision making

Our Board and Management consistently use risk metrics as a tool in business decision making. This includes the adoption of a comprehensive set of risk appetite statements, endorsed by the Board. This risk based decision approach has improved our investment decision making and prioritisation process, in the wider context of business objectives, and with a holistic view of benefits and costs. This has increased our ability to respond to changes in a dynamic environment.



//01 Our staff at  
Grahamstown Water  
Treatment Plant



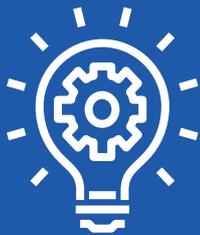
# \$1 MILLION

SAVINGS REALISED



# 91%

VOTED YES IN THE EMPLOYEE  
ENTERPRISE AGREEMENTS



# 93.8%

VOTED YES IN THE ENGINEERS AND  
SCIENTISTS ENTERPRISE AGREEMENTS

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# GREAT EMPLOYER

// Our highest priority is to ensure the safety and wellbeing of everyone who works with and for Hunter Water and the safety of our community.



Identifying safety risks

### Leading a safety-first culture

The safety of Hunter Water's workforce and community is our top priority. To support the continued growth of this culture we have developed a strategic plan focusing on targeted risk reduction programs, investment in infrastructure upgrades, stakeholder engagement and workforce wellness.

Our safety performance indicators, both lag and lead indicators, are continuing to improve. Our Total Recordable Injuries Frequency Rate has dropped from 8 in 2017-18 to 7.30 in 2018-19, and the Lost Time Injury Frequency Rate has reduced from 4.55 to 2.37. We have encouraged and promoted risk assessment, hazard reporting and actions with an emphasis on personal leadership from each employee and contractor.

Risk reduction programs, particularly changes implemented in the field, have played a role in achieving these results. We have taken action to reduce arc flash exposure, replaced quick cut saws with safer alternatives, and improved confined spaces equipment and processes. We have also made significant improvements to our procedures around pipe, hardware and asset-

lifting to reduce the risk of injury to our workers and the community.

**Our safety performance indicators, both lag and lead indicators, are continuing to improve. Our Total Recordable Injuries Frequency Rate has dropped from 8 in 2017-18 to 7.30 in 2018-19, and the Lost Time Injury Frequency Rate has reduced from 4.55 to 2.37.**

Contractors are an important part of our workforce, which is why we have focused on strengthening our partnerships to improve safety performance and management. We have done this by holding contractor forums, regular safety meetings and setting the foundations of an audit program, which is due to begin in late 2019.

## Improving the wellbeing of our people

We have developed and implemented a strategy which addresses the three pillars of wellness: physical wellbeing; social and emotional wellbeing; and occupational health.

All staff have had access to individual health assessments, which were supported by dietitians, exercise physiologists, physiotherapists and other allied health providers. Our preventative skin check-ups were also well utilised and five cases of early stage melanoma were identified as a result of this initiative, with all cases since being resolved and requiring no ongoing treatment.

We again led a 'Month of You' initiative which raised \$1,700 for the suicide prevention charity RUOK, and supported other organisations such as the Hunter Medical Research Institute and Mates in Construction.

Our annual staff engagement survey was completed by 82% of our employees including contractors. It highlighted that our staff are highly engaged and that health and safety is a priority. Health and safety was one area where Hunter Water scored significantly higher than the benchmark figure across all industries.

## Creating an inclusive culture

We strive to create an inclusive environment in which differences are not only recognised but valued and celebrated. By bringing together people from diverse backgrounds and giving each person the opportunity to contribute their different skills, experiences and perspectives, we know we are able to deliver the best solutions to our customers and our community.

We have put in place initiatives to help address gender imbalance and to convey to our organisation how important equality and inclusivity is to us. We are co-sponsoring more female employees than any other participating organisation in the University of Newcastle's Women in MBA program.

Our diversity and inclusion strategy has focused on creating an inclusive culture and promoting greater representation in these six areas:

- Aboriginal and Torres Strait Islander peoples
- Abilities
- Gender Equality
- LGBTQI+
- Generational Diversity and
- Cultural and Linguistic Diversity.

Women and men play an equally important role in the growth and direction of Hunter Water, and it is pleasing that women's leadership representation has improved, with 40% of our Board and executive team now comprised of women.

Over the past year, we have put in place a number of initiatives to help address gender imbalance and to convey to our organisation how important equality and inclusivity is to us. We are co-sponsoring more female employees than any other participating organisation in the University of Newcastle's Women in MBA program. This initiative aims to equip women with the leadership skills and strategic perspectives needed to help them move into senior positions. Last year we also implemented our first women's mentoring program, focused on developing communication skills and building confidence among our current and aspiring female leaders.



//01 Our staff celebrating Harmony Day

//02 Focusing on wellbeing and raising funds for suicide prevention charity RUOK, as part of our Month of You initiative





**40%**

OF OUR BOARD AND EXECUTIVE TEAM ARE NOW WOMEN



**7,590**

HOURS OF TRAINING IN AREAS OF ENVIRONMENT, QUALITY & WHS



**17.5**

HOURS OF TRAINING PER FULL TIME EQUIVALENT EMPLOYEE



**12%**

OF STAFF HAVE FLEXIBLE WORKING ARRANGEMENTS



**94%**

OF STAFF SAY KEEPING HIGH LEVELS OF HEALTH AND SAFETY IS A PRIORITY FOR HUNTER WATER (STAFF SURVEY)

We have developed our first Reconciliation Action Plan (RAP) to build stronger relationships with our Indigenous employees and communities. Our RAP reflects our commitment to create improved economic, health and social outcomes for Aboriginal and Torres Strait Islander peoples. It symbolises our move towards a deeper commitment to reconciliation, and provides a framework to help us focus and coordinate our efforts over the coming year.

This year we welcomed two female Aboriginal trainees to our civil maintenance team. They are the first women to be recruited into this area of the business.

Outside of our organisation, we are supporting Indigenous education scholarships, an annual Undergraduate Disability Scholarship and are helping mentor young girls in Science, Technology, Engineering and Mathematics (STEM) subjects through the HunterWiSE program. We are also driving social responsibility through our purchasing power, establishing a commitment to sustainable procurement where we promote inclusion and diversity outcomes through our contractual relationships. The awarding of our grounds maintenance contract to Hunter Commercial Services, a disability enterprise, is a wonderful example of how we can achieve broader social outcomes.

### Promoting learning and leadership

We aim to build a workforce that embraces learning, innovation and change. Over the past year, we have focused on driving leadership capability across our business by supporting 31 leaders to take part in our leadership development program. This provides our leaders with knowledge and practical pathways to engage in self-directed learning, which is aligned to the shared vision for the future of Hunter Water and its community. It also builds individual and collective leadership capability to collaboratively lead the organisation towards

that vision. An additional 27 leaders will complete the program in 2019-20.

**We are driving social responsibility through our purchasing power, establishing a commitment to sustainable procurement where we promote inclusion and diversity outcomes through our contractual relationships.**

Other initiatives include the rollout of unconscious bias training to more than 60 of our managers and supervisors, and a Certificate III Water Operations Traineeship Program in partnership with TAFE NSW. This supported 12 employees in Civil Maintenance to achieve their water operations qualification. We also launched our new young development network, Source, which aims to build strong personal networks among our younger staff members so that they can engage, support and challenge each other to achieve their career aspirations.

# We are continuing the delivery of our 2017+3 Strategy and turning our thoughts to how we will continue our transformation in the years ahead.

In 2018-19 we developed an Internal Business Plan to support the final year of the 2017+3 Strategy and build a longer term strategic vision. The plan has a three year horizon.

We will continue to be a thought-leading, sustainable, agile, innovative, learning, community enabling organisation over the next three years.

We will achieve this through realising our aspirations in each of the following four strategic areas:

- Engage partners (councils, developers, government agencies) as our advocates
- Deliver exceptional experience, not just transactional services
- Be known for excellence in social licence to operate and corporate social responsibility
- Share our customer learnings throughout our business and make sure the voice of the customer influences our decision making at all levels.

## Our customers



**Our vision:**  
 We enhance our customers' quality of life through the high quality services we provide. We listen to our customers and their experiences and values – this learning is a golden thread that runs throughout our organisation.

- To achieve this we will:
- Earn trust by being honest, respectful and responsive

## Our people



**Our vision:**  
 We are a diverse and inclusive team, focused on delivering a safe, high quality service to our customers. We maintain our strong reputation and community's trust through our consistent performance.

Safety, health and wellbeing are at the heart of our decisions and actions. We are innovative and entrepreneurial, and hungry for change.

To achieve this we will:

- Drive diversity and inclusion
- Be efficient and productive
- Develop the capabilities we need to meet the challenges of the future
- Build a change-ready and transformational skillset
- Develop new, flexible ways of working to enable us to be agile
- Map and improve our processes to make it easier for our people to do their jobs
- Undertake a Graduate Program

## Our environment



Our vision:

We care for our environment and are leaders in sustainability. We embrace the wisdom of indigenous communities.

We look to protect and restore our ecosystems whilst providing affordable, high quality services that are supported by our community and that promote everyone's health and wellbeing.

To achieve this we will:

- Achieve significant gains towards carbon neutrality by improving our energy footprint
- Be the thought leaders across Australia in all areas of sustainability and resilience
- Be in the leading group in Australia for reducing leakage and wastewater overflows
- Understand Indigenous values and learnings (extension of the RAP)
- Understand what would be involved if we were to target zero waste.

## Our organisation



Our vision:

We enable the aspirations of our region and are at the heart of our region's development.

Becoming a more innovative and tech savvy organisation is resulting in resilient, responsive systems which free up more time for further innovation.

Our agile, change-ready approach encompasses everything we do, from long term water planning to adapting to the changing needs of our customers.

To achieve this we will:

- Deliver additional shareholder value by efficient growth
- Explore non-regulated revenue streams without distracting from core operations
- Invest \$1.2 million over three years and share learnings via the World Water Innovation Fund
- Deliver \$1 million in productivity savings per annum
- Develop transformational and change management capability across the business

An aerial photograph showing a large-scale construction project in a rural landscape. A long, narrow trench has been excavated through a green field, with a large pipe being laid along its length. In the background, there are rolling hills and a line of trees under a sky with scattered clouds. The overall scene is bathed in the warm, golden light of late afternoon or early morning.

# THINKING GLOBALLY, ACTING LOCALLY

Photograph of the Chichester Trunk Gravity Main  
by Dylan St John, Apprentice Electrician

## Hunter Water is supporting communities with environmental and social awareness initiatives on a global, regional and local level.

We are partnering with other leading water utilities, local communities and government agencies to improve how we deliver our services and ensure that we are utilising water as a precious resource for our region's long term prosperity.

### Thinking globally

In 2018-19, we started a partnership with world leading water utilities to find, develop and accelerate ground-breaking future technologies. As a member of the World Water Innovation Fund we will invest \$1.2 million over three years in technology trials within our network. By sharing learnings we will benefit from the learnings and outcomes of large scale trials by leading water utilities in the United Kingdom, the United States, Brazil and Australia.

Since July 2018, WaterAid has been our corporate partner and our sole international sponsorship recipient. Our support of this water charity provides communities in developing countries with access to clean water.

We are committed to playing our part in the realisation of the Sustainable Development Goals (SDGs). We are proud to be part of an industry that has made a strong collaborative commitment to progress all 17 objectives.

The SDGs offer a way of thinking that challenges the traditional 'business as usual' approach and with increasing adoption across the globe, will result in better alignment with emerging government policy. They also provide a common framework for engagement with stakeholders across our region and beyond.

We have signed the Water Services Association of Australia's urban water commitment to promote the SDGs across the industry and within our communities in order to build a more sustainable and prosperous future. We are especially well-placed to deliver on Goal 6 in ensuring the availability and sustainable management of water and sanitation for all, and we have commenced work across all 17 goals.

We seek opportunities to further embed them in our operations and the services we provide, with projects like implementing smart technology to reduce energy consumption, reducing our landfill and launching our first residential recycled water scheme.

# SUSTAINABLE DEVELOPMENT GOALS



## Smart technology to reduce water consumption



In 2018-19, we trialled an intelligent control system called Smart Integrated Pump Scheduling (SIPS) to schedule our water pump operations, with the aim of reducing electricity usage and optimising network performance and costs. SIPS monitors and analyses water demand in real-time and learns the behaviour of the network. It then plans how assets need to operate to meet network constraints at the lowest cost.

SIPS is expected to be in place in early 2020 and is estimated to deliver around \$500,000 in electricity savings per year, including a reduction in electricity of around 1,000 MWh/yr. This is equivalent to a greenhouse gas emission reduction of 800 t/CO2/yr.

## Reducing our landfill



The total waste buried in landfill from Hunter Water's head office and depots was reduced from 169 tonnes in 2017-18 to 148 tonnes in 2018-19. This 12% reduction is mostly attributed to our increased recycling efforts. Our key waste minimisation achievements in 2018-19:

- Our head office cut our waste to landfill by one-third through the introduction of recycling streams
- We have nine recycling streams at each of our depots, which means we can now recycle most things, including green waste
- In 2018-19 we recycled 1.5 tonnes of soft plastics across head office and two of our depots.

We are also purchasing green waste that would otherwise go to the Lake Macquarie City Council waste facility for use as top soil in our civil works.

We continue to adopt new practices and look for innovative ways to increase our recycling efforts and minimise our waste.

Our first residential recycled water scheme



More than 1,100 homes in Chisholm and Gillieston Heights were connected to purple pipes that will carry recycled water as part of Hunter Water’s first residential recycled water scheme. It is estimated that each household will use 40% less drinking water, by instead using high quality treated wastewater for a range of non-drinking purposes such as flushing toilets, machine washing clothes and watering the garden. With our state experiencing a severe drought, it is important that we save our precious drinking water.

A purpose-built treatment plant at Morpeth will supply recycled water to 355 homes in Chisholm, and the new Farley treatment plant will supply 772 homes in Gillieston Heights.

### Actions to support our region

Our Upper Hunter neighbours have experienced some of the worst drought conditions in the state. In partnership with Central Coast, Newcastle and Lake Macquarie City Councils, we transported drinking water in tankers to Upper Hunter communities affected by drought. This initiative saw nearly 4 million litres of drinking water delivered to properties which are not connected to a town supply and needed to top up their rainwater tanks. We worked with the Department of Primary Industries, councils and community organisations to deliver water to those who are most in need, free of charge.

We also engaged in projects to support our regional business community. This year we sponsored an award category called ‘Love Water Love Business’ in the Hunter Business Awards. This recognised a water efficient project that demonstrated innovation, water savings, cost effectiveness and the potential for widespread adoption. Entries were received from businesses as diverse as a retirement community in Cessnock, a quarry north of Maitland and Morisset Hospital.

In October 2018, Hunter Water was also the founding sponsor of the University of Newcastle’s 2018 Second Cities: Smaller and Smarter Symposium. This forum explored leading thought in regional planning and development, enabling discussions around building resilience, sustainability and liveability in our region and second cities.

### Local charitable work

We provided more than \$350,000 in charitable grants and sponsorships, including:

- Ongoing sponsorship of the Hunter Region Botanical Gardens
- Support towards the development of a new koala hospital in Port Stephens
- Partnering with the Warners Bay Chamber of Commerce to deliver Music in the Podium, a community social event with the opportunity to highlight the value of water.

A full list of our grants and sponsorships is on page 143-144.

# OUR BOARD

## // At the centre of corporate governance

Under the Hunter Water Act 1991, our Board comprises up to nine members including the Managing Director / Chief Executive Officer, Chairperson and seven independent, non-executive Directors.

The Board oversees our policies, management and performance. It sets the strategic direction and risk appetites for the organisation and ensures Hunter Water achieves its 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.

Our Board is appointed by our voting shareholders, the NSW Treasurer and Minister for Finance and Small Business. Directors, excluding the Managing Director, are appointed for an initial three year term. Upon completion, Directors may be appointed for a further term or terms. 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.

For full profiles of Hunter Water's Directors please refer to the Directors' Report on pages 65-69.

Details about our Board, structure and committees, on pages 65 - 69, are current as at 30 June 2019.



**TERRY  
LAWLER**  
AO BCom FCA  
FAICD FAIM

Chairman since  
1 January 2012.



**CHRISTINE  
FELDMANIS**  
FAICD SFFin TFASFA  
CPA CSA BCom  
MApFin JP

Director since  
8 September 2016.



**JIM  
BENTLEY**  
BSc PhD

Managing Director  
since 28 July 2016.



**ROD  
HARRISON**  
BComm Dr of  
Business (Causa  
Honoris)

Director since  
22 February 2018.



**GRAHAME  
CLARKE**  
BAppSc MEngSc  
GAICD

Director since 23 June  
2014 (retired 22 June  
2017 reappointed 31  
August 2017).



**RUTH  
LAVERY**  
MPH BComm  
GAICD CA SFFin

Director since 23 June  
2014 (retired 22 June  
2017 reappointed 31  
August 2017).



**PETER  
DALGLISH**  
GAICD BSc  
GDipMktgMgmt

Director since  
2 July 2013.



**MICHELLE  
VANZELLA**  
BEc Lib (Hons) MBA  
MAICD

Director since  
22 February 2018.



**JAYNE  
DRINKWATER**  
BEc MBA (with  
merit) GAICD CAHRI

Director since  
21 February 2019.

# OUR STRUCTURE

The Executive Management Team, led by the Managing Director / Chief Executive Officer, oversees the operation of the six divisions at Hunter Water. The Executive Management Team's key responsibilities include accountability for operational safety, providing leadership to employees, delivering Hunter Water's strategic vision, managing operations in keeping with the Board's risk appetites, and ensuring compliance with regulatory frameworks.





## OUR BOARD

TERRY LAWLER, Chairman  
 JIM BENTLEY, Managing Director  
 GRAHAME CLARKE, Director  
 PETER DALGLISH, Director  
 JAYNE DRINKWATER, Director  
 CHRISTINE FELDMANIS, Director  
 ROD HARRISON, Director  
 RUTH LAVERY, Director  
 MICHELLE VANZELLA, Director

## COMMITTEES

AUDIT AND RISK

CORPORATE GOVERNANCE

SCIENCE, ENVIRONMENT  
 AND HUMAN HEALTH

INVESTMENT

## EXECUTIVE MANAGEMENT TEAM

**JIM BENTLEY, Managing Director**

Operational safety, leadership, delivering our strategic vision and direction, overseeing operating activities, capital programs and projects, compliance, managing stakeholder relationships, health and wellbeing, people and culture.

**DARREN CLEARY, Chief Investment Officer**

Science and innovation, infrastructure and planning, asset management, infrastructure delivery, water resilience and sustainable wastewater.

**LAURA HAILS, General Counsel & Company Secretary**

Business services including legal, governance, audit and assurance, facilities, property management, fleet, corporate projects, environment and sustainability.

**RICHARD HARRIS, Chief Information and Technology Officer**

Digital utility transformation, strategy, planning, governance, enterprise architecture, project services, business systems, information security and operations.

**JENNIFER HAYES, Chief Financial Officer**

Regulatory and economic policy, financial control and compliance, corporate accounting and analysis, procurement and Treasury and business performance reporting.

**VICTOR PRASAD, Executive Manager Customer Strategy and Retail**

Customer strategy, community experience, community engagement, retail services, development services, water efficiency and revenue services.

**CLINT THOMSON, Executive Manager Service Delivery for Customers**

Intelligent networks, capability engineering, environmental operations, water operations and maintenance delivery.

## The Board has established four committees to provide strategic guidance and to strengthen corporate governance.

### Audit and Risk Committee

To assist the Board in fulfilling its oversight responsibilities for the financial reporting process, system of internal control, the risk management framework and risk profile, the audit process and the Corporation's process for monitoring compliance with laws, regulations and Corporation policy.

Members  
 Christine Feldmanis (Chair)  
 Terry Lawler  
 Ruth Lavery  
 Rod Harrison  
 Jim Bentley (ex officio)  
 Frequency  
 At least four meetings per year

### Corporate Governance Committee

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

Members  
 Terry Lawler (Chair)  
 Peter Dalglish  
 Christine Feldmanis  
 Rod Harrison  
 Jim Bentley  
 Frequency  
 At least four meetings per year

### Science, Environment and Human Health Committee

To assist the Board with advice on scientific, environmental science and human health matters and assessment of scientific innovations affecting the current and future operations of Hunter Water and its social and natural environment.

Members  
 Grahame Clarke (Chair)  
 Michelle Vanzella  
 Jayne Drinkwater  
 Jim Bentley  
 Frequency  
 At least four meetings per year

### Investment Committee

To assist the Board in fulfilling its responsibilities in relation to investment of funds, governance, composition and delivery performance of allocated funds.

Members  
 Peter Dalglish (Chair)  
 Terry Lawler  
 Grahame Clarke  
 Ruth Lavery  
 Michelle Vanzella  
 Jayne Drinkwater  
 Jim Bentley  
 Frequency  
 At least four meetings per year

## 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 the Governor on the recommendation of our Portfolio Minister. We have a five year Operating Licence which came into effect on 1 July 2017.

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.

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.

## 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 Government. These licences are issued under the Water Management Act 2000.

## Pricing

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.

IPART is conducting a public review of Hunter Water's prices to apply from July 2020. The review commenced with submission of Hunter Water's pricing proposal on 1 July 2019 and will continue over a period of 12 months. During

IPART's review, there will be several opportunities for members of the public and other stakeholders to have their say on our prices.

A copy of our pricing proposal and information about the price review process can be found on our website and 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.

## Drinking water quality

Hunter Water provides safe and reliable drinking water to more than half a million customers. We take a holistic approach to managing our water quality, ensuring we deliver high quality water to our customers while protecting the environment.

Our drinking water systems are aligned to the framework for management of drinking water quality that is part of the Australian Drinking Water Quality Guidelines – the national reference document for drinking water quality. The framework emphasises a preventive multiple barrier approach to protecting drinking water quality from the catchment to tap. Drinking water supplied by Hunter Water is consistently of a very high standard and is well within the requirements of the Australian Drinking Water Guidelines.

Under our Operating Licence we are required to comply with the Australian Drinking Water Guidelines. Quality is ensured by specifying health based and aesthetic criteria as well as maintaining preventive measures to protect water quality from the catchment to tap. We work closely with NSW Health through a Memorandum of Understanding to ensure that all current and emerging issues associated with drinking water quality are identified and assessed.

# FINANCIAL STATEMENTS AND STATISTICAL INFORMATION

# 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 2019.

## 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
Dr J Bentley	Managing Director
Prof M Gleeson	(retired on 13 December 2018)
Mr P Dalglish	
Ms R Lavery	
Mr G Clarke	
Ms C Feldmanis	
Ms M Vanzella	
Dr R Harrison	
Ms J Drinkwater	(from 21 February 2019)

## Company Secretary

Ms L Hails

## Auditors

Audit Office of New South Wales

## Bankers

Commonwealth Bank of Australia

## Information on Directors

### T LAWLER AO, B COM, FCA, FAICD, FAIM

Terry Lawler was appointed as Chairman of Hunter Water Corporation on 1 January 2012. Mr Lawler is also Chair of Life Without Barriers Limited and a member of Ampcontrol Group. Mr Lawler is also a Director of Powerdown Australia Pty Limited and peoplefusion Pty Limited. Mr Lawler has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Limited, Ampcontrol Group and a Director of Newcastle Port Corporation.

### J BENTLEY BSC, PHD

Dr Bentley was appointed as Managing Director of Hunter Water Corporation on 27 July 2016. Dr Bentley has more than 20 years' experience in the infrastructure sector, much of it in water and wastewater working with Thames Water in the UK, Turkey and Middle East, Metrowater in Auckland, and as Director of the Centre for Infrastructure Research at the University of Auckland. On 1 July 2019 Jim commenced as the NSW Government's Chief Executive Officer – Water within the Department of Planning, Industry and Environment.

### M GLEESON OAM, BSC, PHD, FAICD

Professor Gleeson was appointed as a Director on 1 January 2013 and retired on 13 December 2018. Professor Gleeson has held leadership positions in health services, medical research and government. Previously she was the Executive Director of the Hunter Medical Research Institute (HMRI) and is currently a Director of the Central Coast Local Health District Board, NSW Health Pathology Board and the Hunter Research Foundation. 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. In 2011 she was awarded a Member of the Order of Australia (OAM) for her community work and role in medical research with HRMI.

### P DALGLISH BSC, GDIPMKTGMGMT, GAICD

Mr Dalglish was appointed as a Director on 2 July 2013 and retired on 1 July 2016. Mr Dalglish was reappointed as a Director on 8 September 2016. Mr Dalglish is a water industry specialist with over 40 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 Strathfield Golf Club who 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, Philippines, Iraq and Vietnam.

## Information on Directors continued

### **R LAVERY MPH, B COMM, GAICD, CA SFFIN**

Ms Lavery was appointed as a Director on 23 June 2014 and retired as a Director on 22 June 2017. Ms Lavery was reappointed on 31 August 2017. Ms Lavery has a finance and economics background. Ms Lavery was 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 and retired as a Director on 22 June 2017. Mr Clarke was reappointed on 31 August 2017. 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.

### **C FELDMANIS FAICD, SFFIN, TFASFA, CPA, CSA, BCOM, MAPPFIN, JP**

Ms Feldmanis was appointed as a Director of Hunter Water 8 September 2016. Ms Feldmanis has more than 30 years of experience in the financial arena, spanning both the government and private sectors. She has extensive experience in investment management, finance, accounting and risk management, legal & regulatory compliance, governance and business building, in both the listed and unlisted financial products markets. Ms Feldmanis formerly held senior executive positions with firms including Deloitte, Elders Finance, Bankers Trust, NSW TCorp and Treasury Group. She was previously an independent non-executive director of Delta Electricity from 2012 until 2016, chairing the Audit & Risk, and Environment, Workplace, Health & Safety Committees. She is currently a non-executive director and Chair of the Audit and Risk Committees of Perpetual Equities Investment Company Ltd (ASX: PIC), IMF Bentham Ltd (ASX: IMF) non-executive director of FIIG Securities Ltd and Chair of Bell Asset Management Ltd.

### **M VANZELLA BEC LLB (HONS), MBA, MAICD**

Michelle Vanzella was appointed as a Director on 15 March 2018. Ms Vanzella has an extensive combination of customer, marketing, digital, data and commercial legal skills built up across multiple industries including technology, retail, property and financial services. Michelle practiced Corporate & Commercial law at Allens and has held senior executive positions with iconic Australian brands including Westfield, Suncorp and AAMI. She was previously an independent non-executive director of Canteen Australia and Chair of the People & Performance Committee. She is currently a non-executive director of Abbotsleigh School and Chair of the Strategic Planning Committee and an independent non-executive director of Collaborate Corporation (ASX:CL8). Michelle brings to the Board expertise in strategic growth and innovation, customer strategy and analytics, consumer marketing and public brand management and the application of existing & emerging technologies to business growth.

### **R HARRISON B COMM DR OF BUSINESS (CAUSA HONORUS)**

Dr Rod Harrison was appointed a Director on 15 March 2018. Dr Harrison has over 40 years' experience in Industrial Relations. Based in Newcastle he has been involved in the Ship building, Ship Repair, Major Civil and Mechanical Construction and held senior roles at a Regional, State and National level in the Australian Coal Industry with operational and Policy responsibilities including oversight and coordination of the Hunter valley Coal Chain, Industry Representative to the United Nations agencies IMO and UNCTAD Committee on Shipping. In 28 years as Judicial Officer Dr Harrison held a dual commission as Deputy President of the NSW Industrial Relations Commission and the Fair Work Commission and an Occasional appointment to the Tasmanian Industrial Commission and is widely recognised for an innovative and collaborative approach to workplace improvement. Dr Harrison was the inaugural Chair of the University of Newcastle Human Resources, Employment Relations and Management Industry Advisory Group. He was a member of the Establishment Board of the University of Newcastle Foundation, Chair of an Advisory Committee to the Newcastle Knights Ltd and works with Australian Business Lawyers & Advisors.

## Information on Directors continued

### J DRINKWATER BEC MBA (WITH MERIT) GAICD CAHRI

Jayne Drinkwater was appointed as a Director on 21 February 2019. She is also a Non-Executive Director of Greater Bank, Greater Charitable Foundation and CBHS Corporate Health. Ms Drinkwater has extensive experience as a Senior Executive in the financial services and banking sectors across operations, IT, customer service and marketing. She was previously employed as Interim CEO New Zealand, Chief Marketing Officer and Chief Operating Officer at nib Health Funds. Prior experience includes senior roles with Citibank, Commonwealth Bank, Westpac and ANZ.

Ms Drinkwater is an experienced Non-Executive Director and Committee Chair and is currently a member of the Greater Bank Board Audit Committee, Board Risk Committee, Remuneration Committee, Succession Planning Committee and Greater Investment Services. Prior experience includes Non-Executive Director of the Newcastle Anglican Church Corporation, Hunter Economic Development Corporation, Hunter Sporting Venues Authority, Trustees of Church Property Anglican Diocese of Newcastle and Bishop Tyrrell Anglican College.

### GRAHAM WOOD BE (HONS), MIM, DIP MGT

Graham Wood was appointed as Acting Chief Executive Officer in July 2019 having previously worked extensively with Hunter Water in an advisory capacity. Graham is an internationally experienced water executive. He has worked in the water sector for over 25 years holding senior positions in both the private and public sector. His experience includes managing businesses in Australia, Singapore and the USA. Graham has a Bachelor of Engineering (Honours), a Master of Infrastructure Management and a Post Graduate Diploma in Management Studies.

## Meetings of Directors

	Board Meetings		Committee Meetings							
			Audit and Risk		Corporate Governance		Science, Environment and Human Health		Board Investment	
	A	B	A	B	A	B	A	B	A	B
T Lawler	10	12	3	4	5	5	*	*	4	5
P Dalglish	11	12	*	*	5	5	*	*	5	5
R Lavery	12	12	4	4	*	*	*	*	5	5
G Clarke	12	12	*	*	*	*	4	4	5	5
C Feldmanis	11	12	4	4	5	5	*	*	2 <sup>c</sup>	*
M Vanzella	12	12	*	*	*	*	4	4	5	5
R Harrison	10	12	2	4	4	5	*	*	1 <sup>c</sup>	*
M Gleeson <sup>a</sup>	6	6	2	2	*	*	2	2	1 <sup>c</sup>	*
J Drinkwater <sup>b</sup>	5	5	*	*	*	*	1	1	0	0
J Bentley	12	12	4 <sup>c</sup>	*	5	5	4	4	5	5

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.

a = Director Gleeson retired 13 December 2018

b = Director Drinkwater appointed 21 February 2019 and commenced as a member of subcommittees from May 2019

c = Attended subcommittee meetings as an ex officio member during the year.

\* = Not a member of the relevant committee.

## Principal Activities

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

## Results and Dividends

The operating profit for continuing operations before income tax for the year ended 30 June 2019 was \$96.3m compared with \$94.3m for the previous year. An annual dividend of \$144.4m has been declared for the year ended 30 June 2019.

## 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 \$9.8m primarily due to higher than budgeted water consumption.

## Subsequent Events

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

## Directors' Indemnification

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

The indemnity relates to:

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

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

## Change in State of Affairs

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2019.

## 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:

Ms	C Feldmanis	Director, Committee Chair
Mr	T Lawler	Director, Chairman
Prof	M Gleeson	Director (retired on 13 December 2018)
Ms	R Lavery	Director
Dr	R Harrison	Director
Mr	G Wood	Acting Chief Executive Officer (ex officio member)

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 Corporation provides an effective and ethical framework within which the Board and Management address their respective responsibilities. The Committee advises the Board on remuneration policy in accordance with the *NSW Treasury Commercial Policy Framework: Guidelines for Boards of Government Businesses* and all matters concerning the evaluation of Board performance including the composition of the Board and the skills required of individual Directors.

The Committee's main objectives are to:

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

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

Mr	T Lawler	Chairman, Committee Chair
Mr	P Dalglish	Director
Ms	C Feldmanis	Director
Dr	R Harrison	Director
Mr	G Wood	Acting Chief Executive Officer

## Directors' Benefits

During or since the end of the year 30 June 2019 no Director of the Economic Entity has received or become entitled to receive a benefit 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 AO**  
Chairman



**Rod Harrison**  
Director

Newcastle  
29 August 2019

# 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 Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income for the year ended 30 June 2019, the Consolidated Statement of Financial Position as at 30 June 2019, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information. 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 as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

#### Basis for Opinion

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

I am independent of the Corporation in accordance with the requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing non-audit services.

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

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Report and Directors' Declaration.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations or have no realistic alternative but to do so.

## Auditor's Responsibilities 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services  
Delegate of the Auditor-General for New South Wales

30 August 2019  
SYDNEY

# FINANCIAL STATEMENTS

Start of audited financial statements.

## Consolidated Income Statement for the Year Ended 30 June 2019

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Revenue</b>			
Services	2	375,478	367,927
Other income	2	94	194
<b>Total Revenue</b>		<b>375,572</b>	<b>368,121</b>
<b>Expenses</b>			
Operational expenses	3	(147,952)	(140,719)
Depreciation and amortisation	4(a)	(58,064)	(59,080)
Finance costs	4(b)	(64,397)	(64,548)
Superannuation expense	4(c)	(7,530)	(8,315)
Asset revaluation increment/ (decrement)	4(d)	(451)	70
Other	4(e)	(915)	(1,193)
<b>Total Expenses</b>		<b>(279,309)</b>	<b>(273,785)</b>
<b>Profit Before Income Tax</b>		<b>96,264</b>	<b>94,337</b>
Income tax expense	5(a)	(23,258)	(38,639)
<b>Profit after Income Tax</b>		<b>73,006</b>	<b>55,697</b>
<b>Profit for the Year</b>		<b>73,006</b>	<b>55,697</b>
Profit is attributable to:			
Owners of Hunter Water Corporation		73,006	55,697
		<b>73,006</b>	<b>55,697</b>

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

## Consolidated Statement of Other Comprehensive Income for the Year Ended 30 June 2019

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Profit for the Year</b>		<b>73,006</b>	<b>55,697</b>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to income statement:			
Net increase in assets revaluation reserve	20(a)	(51,332)	1,206
Income tax effect relating to net (increase)/decrease in asset revaluation reserve	20(a)	15,419	458
Re-measurement of defined benefit superannuation liability		(22,071)	50,208
Income tax effect relating to remeasurement of defined benefit superannuation liability		1,910	(15,062)
Other comprehensive income for the period, net of tax		(56,074)	36,810
<b>Total Comprehensive Income for the Year</b>		<b>16,932</b>	<b>92,507</b>
Total comprehensive income for the year is attributable to:			
Owners of Hunter Water Corporation		16,932	92,507
		<b>16,932</b>	<b>92,507</b>

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

## Consolidated Statement of Financial Position as at 30 June 2019

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	8	4,966	33,203
Trade and other receivables	9	53,738	45,936
Inventories	10	2,625	2,665
<b>Total Current Assets</b>		<b>61,329</b>	<b>81,804</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	11	2,698,993	2,655,474
Intangible assets	12	33,051	25,547
Other non-current assets	9	480	439
<b>Total Non-Current Assets</b>		<b>2,732,524</b>	<b>2,681,459</b>
<b>Total Assets</b>		<b>2,793,854</b>	<b>2,763,264</b>
<b>Current Liabilities</b>			
Trade and other payables	14	99,206	100,717
Current tax liabilities	15	1,395	3,916
Borrowings	16	209,676	72,863
Provisions	17	162,433	64,418
<b>Total Current Liabilities</b>		<b>472,709</b>	<b>241,914</b>
<b>Non-Current Liabilities</b>			
Borrowings	16	983,487	1,056,503
Provisions	17	88,174	68,199
Deferred tax liabilities	18	108,270	127,997
<b>Total Non-Current Liabilities</b>		<b>1,179,931</b>	<b>1,252,699</b>
<b>Total Liabilities</b>		<b>1,652,641</b>	<b>1,494,613</b>
<b>Net Assets</b>		<b>1,141,213</b>	<b>1,268,651</b>
<b>Equity</b>			
Share capital	19	116,539	116,539
Reserves	20(a)	352,451	388,428
Retained earnings	20(b)	672,224	763,684
<b>Total Equity</b>		<b>1,141,213</b>	<b>1,268,651</b>

The Consolidated 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 2019

Economic Entity		Share Capital	Reserves	Retained Earnings	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2018</b>		<b>116,539</b>	<b>388,428</b>	<b>763,684</b>	<b>1,268,651</b>
Profit for the year		-	-	73,006	73,006
Transfer from revaluation reserve to retained earnings on disposal	20	-	(64)	64	-
Other comprehensive income		-	(35,913)	(20,161)	(56,074)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(35,977)</b>	<b>52,910</b>	<b>16,932</b>
<b>Transaction with owners in their capacity as owners:</b>					
Distributions to owners:					
Dividends provided for or paid	7	-	-	(144,370)	(144,370)
Contributions from owners:					
Equity Injections		-	-	-	-
<b>Balance at 30 June 2019</b>	<b>19 &amp; 20</b>	<b>116,539</b>	<b>352,451</b>	<b>672,224</b>	<b>1,141,213</b>
<b>Balance at 1 July 2017</b>		<b>112,193</b>	<b>389,497</b>	<b>713,349</b>	<b>1,215,038</b>
Profit for the year		-	-	55,697	55,697
Transfer from revaluation reserve to retained earnings on disposal	20	-	(2,733)	2,733	-
Other comprehensive income		-	1,664	35,146	36,810
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(1,069)</b>	<b>93,577</b>	<b>92,507</b>
<b>Transaction with owners in their capacity as owners:</b>					
Distributions to owners:					
Dividends provided for or paid	7	-	-	(43,240)	(43,240)
Contributions from owners:					
Equity Injections		4,346	-	-	4,346
<b>Balance at 30 June 2018</b>	<b>19 &amp; 20</b>	<b>116,539</b>	<b>388,428</b>	<b>763,684</b>	<b>1,268,651</b>

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 2019

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Cash flows from Operating Activities</b>			
Receipts from customers (inclusive of goods and services tax)		348,153	338,202
Payments to suppliers and employees (inclusive of goods and services tax)		(179,761)	(157,296)
		<b>168,392</b>	<b>180,906</b>
Interest received		138	151
Proceeds from environmental levy and developers		8,870	5,992
Borrowing costs		(53,257)	(54,390)
Income taxes paid		(28,176)	(27,143)
<b>Net cash flows from operating activities</b>	<b>21</b>	<b>95,967</b>	<b>105,516</b>
<b>Cash Flows from Investing Activities</b>			
Purchases of property, plant and equipment		(130,346)	(94,426)
Proceeds from sales of property, plant and equipment		28	32,140
<b>Net cash flows from investing activities</b>		<b>(130,318)</b>	<b>(62,286)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		122,253	103,106
Repayment of borrowings		(72,899)	(87,547)
Equity contribution	19	-	4,346
Dividends paid	7	(43,240)	(41,600)
<b>Net cash flows from financing activities</b>		<b>6,114</b>	<b>(21,695)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(28,237)</b>	<b>21,536</b>
Cash and cash equivalents at beginning of the year		33,203	11,667
<b>Cash and cash equivalents at end of the year</b>	<b>8</b>	<b>4,966</b>	<b>33,203</b>

The Consolidated 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 and through the notes to the financial statements. These policies have been consistently applied to both years presented, unless otherwise stated. The financial statements include the Economic Entity consisting of Hunter Water Corporation and its wholly-owned subsidiary Hunter Water Australia Pty Limited (the Controlled Entity). The Controlled Entity was fully liquidated and deregistered through the Australian Securities & Investments Commission (ASIC) on 14 May 2019.

In the process of preparing the consolidated financial statements for the Economic Entity, consisting of the Controlling and Controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The Economic Entity's financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 August 2019.

### A. Basis of Preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with applicable Australian Accounting Standards (and Interpretations), mandates issued by NSW Treasury and other 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.

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 fair value;
- 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.

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 13;
- Provisions refer to Note 17;
- Employee Benefits (Superannuation) refer to Note 24.

All amounts contained in this report have been rounded to the nearest thousand dollar and are expressed in Australian Dollars.

### B. 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.

### C. Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

## Note 1. Summary of Significant Accounting Policies continued

### D. Australian Accounting Standards and Interpretations Issued but Not Yet Effective

Certain new accounting standards and interpretations applicable to the Economic Entity have been published that are not mandatory for 30 June 2019 reporting periods. NSW Treasury has mandated that the Economic Entity may not early adopt any of these new standards and interpretations.

The Economic Entity assessment of the impact of these new standards and interpretations which may impact the Economic Entity are set out below:

Standard/Interpretation	Issued Date	Applicable to Periods beginning on or after	Applicable Reporting Period
AASB 16 Leases	February 2016	1 January 2019	2019-2020
AASB 17 Insurance Contracts	July 2017	1 January 2021	2021-2022
AASB 1059 Service Concession Arrangements: Grantors	July 2017	1 January 2019	2019-2020
AASB 2017-4 Amendments to Australian Accounting Standards - Uncertainty over Income Tax Treatments	July 2017	1 January 2019	2019-2020
AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	December 2017	1 January 2019	2019-2020
AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle	February 2018	1 January 2019	2019-2020
AASB 2018-2 Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement	March 2018	1 January 2019	2019-2020
AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements	August 2018	1 January 2019	2019-2020
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	December 2018	1 January 2019	2019-2020
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material	December 2018	1 January 2019	2019-2020
Interpretation 23 Uncertainty over Income Tax Treatment	July 2017	1 January 2019	2019-2020

The above Accounting Standards are not expected to have a material impact on the financial results of the Corporation in the reporting period when they become operative, with the exception of AASB 16 Leases.

AASB 16 Leases (Effective for Reporting Periods Commencing on or after 1 January 2019): this standard 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.

Operating leases will need to be recognised in a similar way to finance leases on the Statement of Financial Position (if greater than a 12 month term and of a material nature). An asset will be recognised (right-of-use asset) and depreciated whilst a lease liability will exist representing the lease obligations. Lease expenses in the Income Statement will be replaced by depreciation expense and also interest expense similar to finance leases. Expenditure in the Income Statement would have no material impact on the current treatment. Leases that would require to be recognised on the Statement of Financial Position would be determined at the time the standard becomes effective (approximately \$30m).

## Note 1. Summary of Significant Accounting Policies continued

### E. Newly effective Australian Accounting Standards

New accounting standards applicable to the Economic Entity for 30 June 2019 reporting include AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 9 Financial Instruments (AASB 9). On transition there is no material impact on applying the new standards. The Corporation has no other transactions that would be affected by the newly effective standards and the accounting policies of the Corporation are already consistent with the new requirements.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the Corporation expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118, revenue recognition is based on when risks and rewards are transferred.

On implementation of AASB 15 there is no impact on the financial results of the Economic Entity. The standard results in the identification of separate performance obligations however these do not change the timing of recognition for the Corporation's revenues, including revenues relating to sales of goods and services. The Economic Entity has applied disclosure requirements under AASB 15 including disaggregation of revenue streams. Disaggregation of revenue streams disclosed in Note 2 as required under AASB 15 is consistent with prior year's disaggregation.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. On implementation of AASB 9 there is no impact on the financial results or disclosure requirements of the Economic Entity, including on expected credit losses. Accounting policies adopted under the new standard are otherwise consistent with those applied previously under AASB 139.

## Note 2. Revenue

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Services - Regulated</b>			
Tariff - service charges		161,031	150,006
Tariff - usage charges		145,752	144,996
Environmental charge		7,714	5,957
Other revenue		5,520	5,600
		<b>320,017</b>	<b>306,559</b>
<b>Gain/(Loss) on disposal of assets</b>		<b>(12)</b>	<b>(362)</b>
Unregulated Revenue		1,777	3,049
		<b>1,765</b>	<b>2,687</b>
Developer contributions – cash		1,129	3
Developer contributions – assets		32,402	32,407
		<b>33,531</b>	<b>32,410</b>
<b>Government Grants - rebates</b>		<b>16,322</b>	<b>15,333</b>
Other		3,843	10,938
		<b>20,165</b>	<b>26,271</b>
		<b>375,478</b>	<b>367,927</b>
<b>Other Income</b>			
Interest income		94	194
		<b>94</b>	<b>194</b>
		<b>375,572</b>	<b>368,121</b>

## Note 2. Revenue Recognition continued

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 recognised for the major business activities as follows:

### (i) Service Revenue

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). Regulated revenue is revenue received from our regulated services as declared under the *IPART Order 1997*.

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

### (ii) Unregulated Revenue

Unregulated revenue relates to the revenue raised through the provision of recycled water services.

### (iii) Developer Contributions

Contributions from developers can be in the form of both monetary and non-monetary assets. In accordance with AASB 15 *Revenue from Contract with Customers*, where physical asset contributions are received in return for connection to a service delivery network, contributions are recognised as revenue and assets at fair value 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) Government Grants

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

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.

### Note 3. Operational Expenses

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
Employee Related		47,369	44,262
Maintenance		21,960	20,293
Operations		40,451	41,152
Regulatory		6,940	5,690
Corporate		30,468	28,582
Other		764	740
		<b>147,952</b>	<b>140,719</b>
<b>Operational Expenses Relating to Maintenance</b>			
Employee related expenses		13,089	11,216
Other		22,389	20,931
		<b>35,478</b>	<b>32,147</b>

#### Recognition and measurement

Expenses are recognised in profit or loss when incurred or as part of ordinary course of business.

### Note 4. Expenses

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Profit before income tax includes the following specific net gains and expenses:</b>			
<b>(a) Depreciation and Amortisation</b>			
Amortisation	12 (a) and (b)	5,509	8,727
Depreciation	11 (b) and (c)	52,555	50,353
<b>Total depreciation and amortisation expense</b>		<b>58,064</b>	<b>59,080</b>
<b>(b) Finance Costs</b>			
Amortisation of discount / (premium) on loans		13,805	11,824
Long term borrowings - interest		32,824	34,521
Short term borrowings - interest		141	327
Net (Gain) / Loss on borrowings refinanced		417	387
Other interest expense		221	238
Government guarantee fee		20,651	19,504
Capitalised finance costs		(3,662)	(2,253)
		<b>64,397</b>	<b>64,548</b>
<b>(c) Superannuation Expense</b>			
Superannuation expense - defined benefit funds		2,675	3,025
Superannuation expense - contributions		4,855	5,290
		<b>7,530</b>	<b>8,315</b>
<b>(d) Asset Revaluation Decrement/(Increment)</b>		<b>451</b>	<b>(70)</b>
<b>(e) Net (Gain) / Loss on Disposal of Property, Plant and Equipment</b>		<b>915</b>	<b>1,193</b>
<b>(f) Expenses Include:</b>			
Restoration provision expenses		-	-
Other charges against assets - Bad and doubtful debts	9(a)	(59)	(105)
Rental expenses - Minimum lease payments		4,858	4,747

#### Recognition and measurement

Interest and other borrowing costs are expensed as incurred unless they relate to the capitalisation of borrowing costs in which case they are capitalised as part of the cost of those assets.

The government guarantee fee represents the fee paid by the Corporation to NSW Treasury in relation to the Corporation's borrowings.

## Note 5. Income Tax

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>A. Income Tax Expense</b>			
Current tax		26,499	28,115
Deferred tax	18	2,409	(722)
Under/(over) provided in prior years		(5,650)	11,246
		<b>23,258</b>	<b>38,639</b>
<b>Income tax expense is attributed to:</b>			
Continuing Operations		23,258	38,639
		<b>23,258</b>	<b>38,639</b>
<b>Deferred income tax revenue/(expense) included in income tax expense comprises:</b>			
Decrease/(increase) in deferred tax liabilities		(7,499)	895
(Decrease)/increase in deferred tax assets		5,090	(173)
<b>Income tax expense is attributed to:</b>			
Profit from Continuing Operations		96,264	94,337
<b>B. Reconciliation between Income Tax Expense and Profit before Income Tax</b>			
<b>Profit before income tax excluding dividend</b>		<b>96,264</b>	<b>94,337</b>
Tax rate of 30% (2018 - 30%)		28,879	28,301
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>			
Entertainment non-deductible expenses		2	4
Non-deductible expenses		35	62
Sundry Temporary Differences		-	(807)
Australian owned Research and Development concession claim		(8)	(17)
		<b>28,908</b>	<b>27,542</b>
Deferred tax not recognised on capital loss		-	(150)
Under/(over) provision in prior years		(5,650)	11,246
<b>Income Tax Expense</b>		<b>23,258</b>	<b>38,639</b>
<b>C. Tax Expense/(Income) Relating to Items of Comprehensive Income</b>			
Net increase/(decrease) in property plant and equipment revaluation reserve	18	(15,400)	458
Actuarial gains/(losses) on defined benefit funds	18	(1,511)	15,062
		<b>(16,911)</b>	<b>15,520</b>
<b>D. Income Tax</b>			

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.

## Note 5. Income Tax continued

### E. Tax Consolidation Legislation

Hunter Water Corporation and its former wholly-owned Australian controlled entity, Hunter Water Australia Pty Limited (HWA) decided to implement the tax consolidation legislation as of 1 July 2003. 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. The wholly-owned entity was 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.

HWA ceased its operations and was sold in December 2014. The Controlled Entity was fully liquidated and deregistered through the Australian Securities & Investments Commission (ASIC) on 14 May 2019 (refer Note 6). As a result of deregistration all tax obligations on the Controlled Entity have ceased.

## Note 6. Discontinued Operation - Controlled Entity

In July 2014, the Board of Hunter Water Corporation resolved its intention to sell the assets and business of 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 in December 2014 and effectively ceased operations. The Company began the process of voluntary winding-up and appointing a liquidator in December 2015.

HWA was fully liquidated and deregistered through the Australian Securities & Investments Commission (ASIC) on 14 May 2019. No profit or loss was generated for the period ended 14 May 2019 as the company has ceased operations.

A final set of financial statements was prepared for HWA for the period 1 July 2018 to 14 May 2019. For wind-up transactions refer to Note 16 in relation to the final intercompany loan distribution and refer to Note 28 for related party disclosures.

## Note 7. Dividends Paid or Provided for

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
Opening Balance		43,240	41,600
Add: dividend declared at 123.9 cents per share (2018: 37.1 cents per share)	17(a)	144,370	43,240
Less: dividend paid at 37.1 cents per share (2018: 37.1 cents per share)		(43,240)	(41,600)
		<b>144,370</b>	<b>43,240</b>

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	
		2019 \$'000	2018 \$'000
Cash at bank and on hand		4,966	3,073
Deposits at call		-	30,130
		<b>4,966</b>	<b>33,203</b>

Deposits at call are bearing interest rates between 0.75% and 1.20% (2018: 1.45% and 1.80%).

### A. Reconciliation to Cash at the End of the Year

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

Cash and cash equivalents (per Statement of Financial Position)	4,966	33,203
<b>Cash and cash equivalents (per Statement of Cash Flows)</b>	<b>4,966</b>	<b>33,203</b>

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.

Refer Note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

## Note 9. Trade and Other Receivables

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Current</b>			
Trade debtors		29,162	23,612
Allowance for Impairment on other debtors		(183)	(242)
Accrued revenue - unbilled water usage		22,344	20,590
		<b>51,323</b>	<b>43,960</b>
Prepayments		2,415	1,976
		<b>2,415</b>	<b>1,976</b>
<b>Total Current</b>		<b>53,738</b>	<b>45,936</b>
<b>Non-current</b>			
Stock Receivable		480	439
<b>Total Non Current</b>		<b>480</b>	<b>439</b>

### A. Movement in the Allowance for Impairment

Balance at beginning of the year		242	347
Amounts written off during the year		2	(2)
Amounts recovered during the year		(139)	(132)
Increase/(decrease) in allowance recognised in Income Statement		78	29
<b>Balance at end of year</b>		<b>183</b>	<b>242</b>

Details regarding market risk, liquidity risk and credit risk, including financial assets that are either past due or impaired, are disclosed in Note 31.

### B. 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 uncollectable are written off. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. All customer debts, other than those provided for, are considered collectable.

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

## Note 10. Inventories

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Current</b>			
Consumable stores at cost		2,625	2,665
		<b>2,625</b>	<b>2,665</b>

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.

## Note 11. Property, Plant and Equipment

### A. Property, Plant and Equipment

Economic Entity	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Work in Progress \$'000	Total \$'000
<b>At 1 July 2017 Fair Value</b>						
Cost	-	-	-	-	91,142	91,142
Fair value - market valuation	-	-	6,124	4,124	-	10,247
Fair value - income approach	2,466,288	7,417	-	-	-	2,473,705
	<b>2,466,288</b>	<b>7,417</b>	<b>6,124</b>	<b>4,124</b>	<b>91,142</b>	<b>2,575,094</b>
<b>At 30 June 2018 - Fair Value</b>						
Cost	-	-	-	-	109,012	109,012
Fair value - market valuation	-	-	6,324	5,763	-	12,087
Fair value - income approach	2,523,268	11,107	-	-	-	2,534,375
	<b>2,523,268</b>	<b>11,107</b>	<b>6,324</b>	<b>5,763</b>	<b>109,012</b>	<b>2,655,474</b>
<b>At 1 July 2018 - Fair Value</b>						
Cost	-	-	-	-	109,012	109,012
Fair value - market valuation	-	-	6,324	5,763	-	12,087
Fair value - income approach	2,523,268	11,107	-	-	-	2,534,375
	<b>2,523,268</b>	<b>11,107</b>	<b>6,324</b>	<b>5,763</b>	<b>109,012</b>	<b>2,655,474</b>
<b>At 30 June 2019 - Fair Value</b>						
Cost	-	-	-	-	158,212	158,212
Fair value - market valuation	-	-	7,972	5,821	-	13,793
Fair value - income approach	2,514,787	12,201	-	-	-	2,526,988
	<b>2,514,787</b>	<b>12,201</b>	<b>7,972</b>	<b>5,821</b>	<b>158,212</b>	<b>2,698,993</b>

### 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 2018	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
<b>Net carrying amount 1 July 2017</b>	2,466,288	7,417	6,124	4,124	2,483,952
Additions	105,252	6,310	202	2,004	113,769
Disposals	(1,235)	(5)	(2)	(83)	(1,325)
Revaluation increments/(decrements)	<b>418</b>	-	-	-	418
Depreciation expense	(47,455)	(2,615)	-	(282)	(50,352)
<b>Net carrying amount 30 June 2018</b>	<b>2,523,268</b>	<b>11,107</b>	<b>6,324</b>	<b>5,763</b>	<b>2,546,462</b>

### 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 2019	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
<b>Net carrying amount 1 July 2018</b>	2,523,268	11,107	6,324	5,763	2,546,462
Additions	93,600	4,828	80	525	99,033
Disposals	(723)	(23)	(5)	-	(750)
Revaluation increments/(decrements)	3,819	-	1,573	93	5,485
Impairment increments/(decrements)	(56,868)	-	-	(25)	(56,893)
Depreciation expense	(48,309)	(3,711)	-	(535)	(52,555)
<b>Net carrying amount 30 June 2019</b>	<b>2,514,787</b>	<b>12,201</b>	<b>7,972</b>	<b>5,821</b>	<b>2,540,781</b>

Refer to Note 13(B) and (D) for further information on the valuation process.

## Note 11. Property, Plant and Equipment continued

### D. Property, Plant and Equipment

#### Acquisitions and Capitalisation

All items of property, plant and equipment are recognised initially at cost. Subsequent to initial recognition, certain classes of assets are revalued in accordance with the Economic 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 Economic 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 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 5.68% (2018: 5.45%).

#### Fair Value

The Economic 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 on a stand-alone basis.

For each asset subject to valuation, revaluation increments are credited to the asset revaluation reserve through the Consolidated Statement of Other 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 Consolidated 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 Consolidated 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 13 for details of fair value assessment and non-current asset disclosures.

## Note 11. Property, Plant and Equipment continued

### 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 Economic 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 the cost of 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 relining technologies, as well as in respect of civil components of some other assets.

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)
<b>System Assets</b>	
<b>Sewer</b>	
- Sewermains	80-120
- Sewer Pump Stations	10-50
- Wastewater Treatment Works	10-100
<b>Water</b>	
- Watermains	80-150
- Water Chlorinators	15-100
- Water Pump Stations	10-121
- Water Resources	20-150
- Water Treatment Works	10-100
- Meters	15-20
- Recycled Water	80-150
<b>Stormwater</b>	100-150
<b>General Support</b>	
- Fleet	5-15
- <b>General equipment</b>	3-50
<b>Buildings</b>	25-100

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

## Note 12. Intangible Assets

Economic Entity	Easements \$'000	Software External \$'000	Environmental Credits \$'000	Other \$'000	Work in Progress \$'000	Total \$'000
<b>At 1 July 2017 - Fair Value</b>						
Cost	-	-	-	-	3,053	3,053
Fair value - income approach	2,364	11,285	-	2,888	-	16,537
	<b>2,364</b>	<b>11,285</b>	<b>-</b>	<b>2,888</b>	<b>3,053</b>	<b>19,590</b>
<b>At 30 June 2018 - Fair Value</b>						
Cost	-	-	-	-	8,597	8,597
Fair value - market approach	-	-	3,491	-	-	3,491
Fair value - income approach	2,997	5,962	-	4,500	-	13,459
	<b>2,997</b>	<b>5,962</b>	<b>3,491</b>	<b>4,500</b>	<b>8,597</b>	<b>25,547</b>
<b>At 1 July 2018 - Fair Value</b>						
Cost	-	-	-	-	8,597	8,597
Fair value - market approach	-	-	3,491	-	-	3,491
Fair value - income approach	2,997	5,962	-	4,500	-	13,459
	<b>2,997</b>	<b>5,962</b>	<b>3,491</b>	<b>4,500</b>	<b>8,597</b>	<b>25,547</b>
<b>At 30 June 2019 - Fair Value</b>						
Cost	-	-	-	-	18,979	18,979
Fair value - market approach	-	-	3,102	-	-	3,102
Fair value - income approach	3,205	4,167	-	3,599	-	10,971
	<b>3,205</b>	<b>4,167</b>	<b>3,102</b>	<b>3,599</b>	<b>18,979</b>	<b>33,051</b>

Refer to Note 12(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 2018	Easements \$'000	Software External \$'000	Environmental Credits \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2017	2,364	11,285	-	2,888	16,537
Additions	654	2,546	3,262	2,695	9,157
Disposals	(21)	(225)	-	-	(246)
Revaluation increments/(decrements)	-	-	229	-	229
Amortisation expense	-	(7,644)	-	(1,083)	(8,727)
<b>Net carrying amount 30 June 2018</b>	<b>2,997</b>	<b>5,962</b>	<b>3,491</b>	<b>4,500</b>	<b>16,950</b>

### 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 2019	Easements \$'000	Software External \$'000	Environmental Credits \$'000	Other \$'000	Total \$'000
Net carrying amount 1 July 2018	2,997	5,962	3,491	4,500	16,950
Additions	208	1,812	26	1,001	3,047
Disposals	-	-	-	-	-
Revaluation increments/(decrements)	-	-	(415)	-	(415)
Amortisation expense	-	(3,607)	-	(1,901)	(5,509)
<b>Net carrying amount 30 June 2019</b>	<b>3,205</b>	<b>4,167</b>	<b>3,102</b>	<b>3,599</b>	<b>14,073</b>

## Note 12. Intangible Assets continued

### C. Intangible Assets

Intangible assets consist of easements, software, environmental credits 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. Environmental credits are intangible assets and not amortised as they are deemed to have an indefinite useful life. Software is also classified as an intangible asset and is amortised (generally over five years).

Intangible assets including purchased environmental credits are initially recognised at cost. All other environmental credits are initially recorded at fair value. After initial recognition all intangible assets with the exception of environmental credits are carried at fair value in accordance with AASB 13 Fair Value Measurement using the income approach. After initial recognition environmental credits are carried at fair value using the market approach.

Refer to Notes 11 and 13 for details on fair value assessment.

Refer to Notes 11 and 13 for details of fair value non-current asset disclosures.

## Note 13. Fair Value Measurement of Non-Financial Assets

### A. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three approaches to calculating fair value:

- the market approach, where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- the income approach, where fair value is determined by converting future cash flows to a single current (i.e. discounted) amount; and
- the cost approach, where fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

Fair value measurement is classified into three levels of a hierarchy based on the inputs used:

- Quoted prices in active markets (level 1);
- Other observable inputs (level 2); and
- Unobservable inputs (level 3).

Economic Entity 2019	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000
System assets	-	2,514,787	2,514,787
Land and buildings	13,793	-	13,793
General support	-	12,201	12,201
Environmental Credits	3,102	-	3,102
Other Intangibles	-	10,971	10,971
	<b>16,895</b>	<b>2,537,959</b>	<b>2,554,854</b>

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.

## Note 13. Fair Value Measurement of Non-Financial Assets continued

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

Economic Entity 2018	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000
System assets	-	2,523,268	2,523,268
Land and buildings	12,087	-	12,087
General support	-	11,107	11,107
Environmental Credits	3,491	-	3,491
Other Intangibles	-	13,459	13,459
	<b>15,578</b>	<b>2,547,834</b>	<b>2,563,412</b>

### 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. No active market exists for these assets.
	Income approach adopted based on future cash-flows.	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 external expert valuations undertaken in 2018-19 which Hunter Water assesses as being materially accurate. 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 external expert revaluation based on market conditions in an active market occurred in 2018-19. Hunter Water has assessed these amounts are materially accurate.	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.
	Income approach adopted based on future cash-flows.	Level 3 input
Environmental Credits	At initial recognition fair value is based on a market approach with the exception of purchased environmental credits which are initially recorded at cost.	Market approach is based on the environmental credit market. An active market exists in the region. Valuation based on market prices from observable inputs from comparable assets.
	Valuation based on an active market and similar assets (not identical).	Level 2 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 2019 for recurring fair value measurements:

Economic Entity 2019	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Fair Value at 30 June 2018	2,523,268	11,107	13,459	2,547,834
Additions	93,600	4,828	3,021	101,449
Disposals	(723)	(23)	-	(746)
Revaluation increments/(decrements)	3,819	-	-	3,819
Impairment increments/(decrements)	(56,868)	-	-	(56,868)
Depreciation/amortisation	(48,309)	(3,711)	(5,509)	(57,529)
<b>Fair Value at 30 June 2019</b>	<b>2,514,787</b>	<b>12,201</b>	<b>10,971</b>	<b>2,537,960</b>

## Note 13. Fair Value Measurement of Non-Financial Assets continued

### Transfer Between Level 2 and 3 Measurements

There was no transfers between level 2 and level 3 measurements during 2018-19.

(ii) The following table represents the changes in level 3 items for the year ended 30 June 2018 for recurring fair value measurements:

Economic Entity 2018	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Fair Value at 30 June 2017	2,466,288	7,417	16,537	2,490,242
Additions	105,252	6,310	5,895	117,458
Disposals	(1,235)	(5)	(246)	(1,486)
Depreciation/amortisation	(47,455)	(2,615)	(8,727)	(58,798)
Revaluation increment/(decrement) recognised in other comprehensive income	418	-	-	418
<b>Fair Value at 30 June 2018</b>	<b>2,523,268</b>	<b>11,107</b>	<b>13,459</b>	<b>2,547,834</b>

### Transfer Between Level 2 and 3 Measurements

There was no transfers between level 2 and level 3 measurements during 2017-18.

### 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 2019
	\$'000
System Assets	2,514,787
Other fixed assets	12,201
Intangibles	10,971

Unobservable Input item	30 June 2019 Calculation of Fair Value	Relationship of Unobservable Inputs to Fair Value
Time Period	Forecast cash flows for a five year period with the Regulated Asset Base (RAB) as the terminal value in year five.	The terminal value reflects the ability of the CGU to operate into perpetuity.
Real Discount Rate	Post-tax real discount rate: 3.1% (2018: 3.6%)	The higher the discount rate, the lower the fair value.
Estimates of Future Revenues	<p>Estimates of future revenue streams have been based on the 2019-20 Business Plan &amp; SCI.</p> <p>This calculates annual revenue requirements on:</p> <ul style="list-style-type: none"> <li>• Full cost recovery on estimated operating expenditure relating to infrastructure assets</li> <li>• A return on RAB which includes all capital expenditure to ensure that the maximum allowable revenue can be derived.</li> <li>• A weighted average cost of capital return of 4.9% for 2019-20; and 4.1% for the period 2020-21 to 2023-24 (consistent with the Business Plan &amp; SCI)</li> </ul>	The higher the discounted future revenues, the higher the fair value.
Estimates of Future Expenditure	Operating expenditure from the 2019-20 Business Plan & SCI forecasts.	Changes in expenditure have little effect on asset values as it has been assumed that future expenditure will be recovered in future IPART pricing determinations.
	All capital expenditure as per the 2019-20 Business Plan.	The higher the discounted future expenditure, the lower the fair value.

## Note 13. Fair Value Measurement of Non-Financial Assets continued

i) Hunter Water adopts the income approach to determine the fair value of its property, plant and equipment under AASB13 (Fair Value Measurement). The income approach is a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the asset. This approach is used as there is no active market in which Hunter Water's asset base could be readily valued against. The fair value has been estimated using a 5 year discounted cash flow (DCF) analysis, with the RAB as the terminal value in year five. Significant assumptions underpinning the modelling process have been based on the 2019-20 Business Plan & SCI. Estimates of future cash-flows have been discounted to present value at a real post-tax discount rate of 3.1%.

Outcomes from Hunter Water's fair value model are sensitive to variations in the forecast expenditure and expected rate of return and as such, revaluation outcomes can vary. In 2018-19 Hunter Water's fair value model calculated a valuation decrement of \$57m (2018: \$38m decrement) being the difference between the written down value of the entity's fixed assets and the present value of cash flows. This adjustment was made to the asset carrying amounts.

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. The results of this analysis with all other inputs remaining unchanged is summarised below. After assessment of the sensitivity analysis it was determined that if these movements did occur there would be no material impact on the Income Statement.

	Change in Valuation	
	2019 \$m	2018 \$m
Revenue cashflows (25 basis point increase change in WACC)	22	149
Discount rate (25 basis point increase change)	40	238
	<b>18</b>	<b>89</b>

ii) There is not an open market for the sale of infrastructure assets owned by the Economic Entity. It is not envisaged that there will be significant variation in the assumptions noted above.

## Note 14. Trade and Other Payables

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Current</b>			
Trade creditors		13,209	9,153
Deposits received for services		15,557	13,748
Accrued expenses		70,440	77,816
		<b>99,206</b>	<b>100,717</b>

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 is not material.

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

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 31.

## Note 15. Current Tax Liabilities

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Provision for Income Tax Payable</b>			
Opening Balance		3,916	3,688
Under/(over) provision for income tax in prior year		(844)	(743)
Amount paid relating to prior year		(3,072)	(2,943)
Amount payable for current year	5	26,499	28,115
Amount paid relating to current year		(25,104)	(24,200)
		<b>1,395</b>	<b>3,916</b>

Current 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.

## Note 16. Borrowings

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
Overdraft		9,354	-
Other loans		1,183,809	1,129,366
		<b>1,193,163</b>	<b>1,129,366</b>
Represented By:			
Current		209,676	72,863
Non-current		983,487	1,056,503
		<b>1,193,163</b>	<b>1,129,366</b>

Hunter Water 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 Hunter Water's debt portfolio.

Borrowings are classified as current when they are due to be settled within 12 months from reporting date.

Hunter Water has an overdraft facility with NSW TCorp of \$30m (2018: \$30m) of which \$9.35m was used at 30 June 2019 (2018: nil)

Hunter Water has a contingent loan facility with Commonwealth Bank of Australia of \$0.1m which was not drawn down at 30 June 2019 and a purchase card facility with National Australia Bank of \$1.0m at 30 June 2019. The borrowings are classified as non-trading liabilities and are unsecured.

The Treasurer approved funding of up to \$1,600m with NSW TCorp for the three year period until 30 June 2021 (2018: \$1,600m), of which \$1,184m was used at 30 June 2019 (2018: \$1,129m).

The intercompany loan (2018: \$5.8m) between Hunter Water Corporation (Parent Entity) and Hunter Water Australia Pty Limited (Controlled Entity) was settled in full by way of distribution to the Parent Entity. Hunter Water Australia Pty Ltd was fully liquidated and deregistered through the Australian Securities & Investments Commission (ASIC) on 14 May 2019.

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 31.

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.

All borrowings are held at fair value.

## Note 17. Provisions

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Current</b>			
Dividends	7	144,370	43,240
Restoration		367	3,962
Other		31	424
Employee benefits - short term		723	640
Employee benefits - long term*		16,942	16,152
		<b>162,433</b>	<b>64,418</b>
<b>Non-Current</b>			
Employee benefits		88,128	68,199
Other		47	-
		<b>88,174</b>	<b>68,199</b>
*Employee benefits expected to be settled after 12 months		10,758	10,294

(a) Movements in Dividends Provision 2019	Economic Entity Current
<b>Carrying amount 1 July 2018</b>	<b>43,240</b>
Less: dividend paid	(43,240)
Add: dividend declared	144,370
<b>Carrying amount at 30 June 2019</b>	<b>144,370</b>

(b) Movements in Restoration Provision 2019	Economic Entity Current
<b>Carrying amount 1 July 2018</b>	<b>3,962</b>
Additional provisions recognised	31
Amount used	(3,626)
<b>Carrying amount at 30 June 2019</b>	<b>367</b>

(c) Movements in Other Provisions 2019	Economic Entity Current
<b>Carrying amount 1 July 2018</b>	<b>424</b>
Additional provisions recognised	15
Amount used	(408)
<b>Carrying amount at 30 June 2019</b>	<b>31</b>

(d) Movements in Other Non Current Provisions 2019	Economic Entity Non Current
<b>Carrying amount 1 July 2018</b>	<b>-</b>
Additional provisions recognised	47
<b>Carrying amount at 30 June 2019</b>	<b>47</b>

### A. Dividends

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

### B. Restoration Provisions

Restoration and 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.

At 30 June 2018, a provision of \$4.0m was recognised for restoration costs at Stockton Beach. The provision relates to an exposed landfill incident which occurred during the financial year 2018. The Economic Entity is undertaking works to restore the site and works are to be completed by 30 June 2020.

## Note 17. Provisions continued

### C. Other Provisions

Other provisions relate to customer refunds from charges made in error for Environmental Improvement and Stormwater Drainage charges from 2006 onwards. The provision has been estimated based on historical information and management assessment of probable outcomes. The total provision recognised for these potential customer refunds is \$0.08m (2018: \$0.4m). The provision relates to that customers that no longer reside at the property, these charges in error were made and all reasonable efforts will be made to refund these amounts.

Refer to Note 26 for details of the associated contingent liabilities. The provision and contingent liability will be assessed at future reporting dates until settled.

### D. 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 18-13 *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% (2018: 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 high quality corporate bond rate.

##### (iii) 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.

## Note 17. Provisions continued

### (iv) 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.

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.

Refer to Note 24 for more details of Hunter Water's defined benefit superannuation schemes.

## Note 18. Deferred Tax Liabilities

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
Amounts recognised in profit or loss:			
Stock on hand		931	931
Accruals		(405)	406
Borrowing costs		2,258	1,344
Provisions		(16,808)	(14,510)
Prepayments		239	227
Property, plant and equipment		(15,569)	(14,937)
		<b>(29,354)</b>	<b>(26,538)</b>
Amounts recognised in the Statement of Comprehensive Income			
Superannuation actuarial gains/(losses)		(15,941)	(14,430)
Revaluation of property, plant and equipment		153,565	168,965
		<b>137,624</b>	<b>154,535</b>
<b>Total</b>		<b>108,270</b>	<b>127,997</b>

## Note 18. Deferred Tax Liabilities continued

Economic Entity 2019	Opening Balance at 1 July 2018	Prior Year (Under)/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2019
<b>Movements</b>					
Stock On Hand	931	-	(0)	-	931
Accruals	406	(812)	1	-	(405)
Borrowing costs	1,344	-	914	-	2,258
Provisions (including doubtful debts)	(28,939)	(4,219)	1,922	(1,511)	(32,748)
Prepayments	227	-	12	-	239
Property, plant and equipment	154,028	(193)	(440)	(15,400)	137,995
	<b>127,997</b>	<b>(5,225)</b>	<b>2,409</b>	<b>(16,911)</b>	<b>108,270</b>

Economic Entity 2018	Opening Balance at 1 July 2017	Prior Year (Under)/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2018
<b>Movements</b>					
Tax bases without an asset carrying amount	(980)	980	-	-	-
Stock On Hand	882	-	49	-	931
Accruals	(397)	-	803	-	406
Borrowing costs	1,490	-	(146)	-	1,344
Provisions (including doubtful debts)	(43,222)	-	(780)	15,062	(28,939)
Prepayments	218	-	9	-	227
Property, plant and equipment	144,134	10,094	(658)	458	154,028
	<b>102,124</b>	<b>11,074</b>	<b>(722)</b>	<b>15,520</b>	<b>127,997</b>

The deferred tax liability that is expected to be settled within the next twelve months for the Economic Entity is \$2.4m (2018: \$0.7m deferred tax asset).

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. The current tax rate is 30% and this is used to calculate the deferred tax amounts.

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.

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.

## Note 19. Share Capital

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
At 1 July: ordinary shares each fully paid		116,539	112,193
Shares fully paid and issued during year		-	4,346
<b>At 30 June: ordinary shares each fully paid</b>		<b>116,539</b>	<b>116,539</b>

Hunter Water Corporation's two shareholders at 30 June 2019 were:

- The Minister for Finance and Small Business; 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 2019 total 116,539,000 (2018: 116,539,000).

## Note 20. Reserves and Retained Earnings

	Economic Entity	
	2019 \$'000	2018 \$'000

### A. Reserves

Asset revaluation	352,451	388,428
	<b>352,451</b>	<b>388,428</b>

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets and assets held for sale. Refer to Note 11.

#### Movement in Reserves

Asset revaluation		
<b>Balance at beginning of year</b>	<b>388,428</b>	<b>389,497</b>
Asset revaluation increments/(decrements) from revaluations		
System assets	(56,893)	418
Buildings	229	-
Land	5,309	-
Environmental Credits	23	229
	<b>(51,332)</b>	<b>647</b>
Tax effect - deferred tax liability on revaluation reserve	15,419	458
Tax effect of assets held for sale	-	-
	<b>15,419</b>	<b>458</b>
Transfer of reserve on disposal	(64)	(2,174)
Transfer to fixed assets	-	-
	<b>352,451</b>	<b>388,428</b>

### B. Retained Earnings

<b>Retained earnings at 1 July</b>	<b>763,684</b>	<b>713,349</b>
Net profit	73,006	55,697
Transfer from revaluation reserve to retained earnings	64	2,733
Net income/(loss) recognised direct in equity	(20,161)	35,145
Dividends	(144,370)	(43,240)
<b>Retained earnings at 30 June</b>	<b>672,224</b>	<b>763,684</b>

## Note 21. Statement of Cash Flows - Operating Activities

	Economic Entity	
	2019 \$'000	2018 \$'000
<b>Reconciliation of profit after income tax to the net cash flows from operating activities:</b>		
Net profit for the year from operations	73,006	55,697
Net superannuation (income)/expense	2,675	2,962
Revaluation (increment)/decrement	451	(70)
Depreciation and amortisation	58,063	59,080
(Profit)/loss on sale of non-current assets	927	1,555
Capital asset (non-cash) contributions	(32,402)	(32,407)
<b>Change in operating assets and liabilities:</b>		
(Increase)/decrease in trade debtors	(7,349)	(1,843)
(Increase)/decrease in inventories	41	(93)
(Increase)/decrease in other operating assets	(495)	(702)
Increase/(decrease) in trade creditors	3,233	4,854
Increase/(decrease) in other operating liabilities	16,755	11,153
Increase/(decrease) in provision for income taxes payable	(610)	228
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)	(4,308)	11,267
(Increase)/decrease in capitalised borrowing costs	(3,661)	(2,253)
Increase/(decrease) in other provisions	(10,358)	(3,912)
<b>Net cash inflow from operating activities</b>	<b>95,967</b>	<b>105,516</b>

## Note 22. Contractual Commitments

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:</b>			
Payable within one year		43,247	39,348
Payable later than one year but not later than five years		26,105	431
Payable later than five years		677	-
		<b>70,029</b>	<b>39,779</b>

GST component of total contractual commitments for the Economic Entity at 30 June 2019 totals \$6.4m (2018: \$3.6m).

## Note 23. Lease Expenditure Commitments

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Operating lease commitments in relation to operating leases not provided for and payable:</b>			
Within one year		5,439	5,127
Later than one year but not later than five years		16,883	16,554
Later than five years		135	6,930
		<b>22,458</b>	<b>28,611</b>
<b>Representing:</b>			
Cancellable operating leases		6,340	6,188
Non-cancellable operating leases		16,118	22,423
		<b>22,458</b>	<b>28,611</b>

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.

The Economic Entity has a cancellable operating lease for fleet vehicles that commenced in December 2014. 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.

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 2019 totals \$2.0m (2018: \$2.6m).

## Note 24. Superannuation

### A. Superannuation Plan

All employees are entitled to benefits on retirement, disability or death. The defined benefit superannuation schemes 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 Economic Entity also contributes to these schemes.

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 Economic Entity contributes to the following defined benefit superannuation schemes which are held in trust within the NSW public sector Pooled Fund. These defined benefit 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 with at least a component of the final benefit being 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 these schemes are now 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*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation 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 2018. The next actuarial investigation will be performed at 30 June 2021.

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.

During the year ended 30 June 2019 there were no fund amendments, curtailments or settlements during the year.

## Note 24. Superannuation continued

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

Economic Entity at 30 June 2019	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2019	Total \$'000 2018
<b>Net Defined Benefit Liability/(Asset) at beginning of the year</b>	<b>20,521</b>	<b>4,217</b>	<b>42,280</b>	<b>67,017</b>	<b>117,948</b>
Current service cost	513	186	200	899	1,259
Net Interest on the net defined benefit liability/(asset)	786	146	1,743	2,675	3,025
Actual return on Fund assets less Interest income	(1,165)	(68)	(3,809)	(5,042)	(7,182)
Actuarial (gains)/losses arising from changes in demographic assumptions	27	6	(59)	(25)	1,749
Actuarial (gains)/losses arising from changes in financial assumptions	5,231	354	20,985	26,570	(41,827)
Actuarial (gains)/losses arising from liability experience	1,463	142	(721)	883	(2,947)
Employer contributions	(3,364)	(1,410)	(968)	(5,741)	(5,007)
<b>Net Defined Benefit Liability/(Asset) at end of the year</b>	<b>24,011</b>	<b>3,574</b>	<b>59,650</b>	<b>87,236</b>	<b>67,017</b>

### C. Reconciliation of the Fair Value of Fund Assets

Economic Entity at 30 June 2019	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2019	Total \$'000 2018
<b>Fair value of Fund assets at beginning of the year</b>	<b>29,206</b>	<b>1,335</b>	<b>98,257</b>	<b>128,797</b>	<b>123,094</b>
Interest income	1,198	65	3,970	5,234	3,136
Actual return on Fund assets less Interest income	1,165	68	3,809	5,042	7,182
Employer contributions	3,364	1,410	968	5,741	5,007
Contributions by participants	355	-	188	543	673
Benefits paid	(3,526)	(749)	(5,996)	(10,271)	(10,273)
Taxes, premiums & expenses paid	(366)	(188)	502	(52)	(22)
<b>Fair value of Fund assets at end of the year</b>	<b>31,396</b>	<b>1,940</b>	<b>101,698</b>	<b>135,034</b>	<b>128,797</b>

### D. Reconciliation of the Defined Benefit Obligation

Economic Entity at 30 June 2019	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000 2019	Total \$'000 2018
<b>Present value of defined benefit obligations at beginning of the year</b>	<b>49,727</b>	<b>5,551</b>	<b>140,536</b>	<b>195,814</b>	<b>241,043</b>
Current service cost	513	186	200	899	1,259
Interest cost	1,984	212	5,713	7,909	6,161
Contributions by participants	355	-	188	543	673
Actuarial (gains)/losses arising from changes in demographic assumptions	27	6	(59)	(25)	1,749
Actuarial (gains)/losses arising from changes in financial assumptions	5,231	354	20,985	26,570	(41,827)
Actuarial (gains)/losses arising from liability experience	1,463	142	(721)	883	(2,947)
Benefits paid	(3,526)	(749)	(5,996)	(10,271)	(10,273)
Taxes, premiums & expenses paid	(366)	(188)	502	(52)	(22)
<b>Present value of defined benefit obligations at end of the year</b>	<b>55,407</b>	<b>5,514</b>	<b>161,349</b>	<b>222,270</b>	<b>195,814</b>

### E. Reconciliation of the Effect of the Asset Ceiling

Economic Entity at 30 June 2019	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
<b>Adjustment for effect of asset ceiling at beginning of the year</b>	-	-	-	-
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
<b>Adjustment for effect of asset ceiling at end of the year</b>	-	-	-	-

## Note 24. Superannuation continued

### 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	4,042	2,136	1,907	-
Australian Fixed Interest	2,295	5	2,290	-
International Fixed Interest	1,968	7	1,952	9
Australian Equities	8,369	7,818	548	3
International Equities	11,387	8,795	2,592	0
Property	3,588	699	717	2,173
Alternatives	10,558	327	5,758	4,473
<b>Total</b>	<b>42,208</b>	<b>19,787</b>	<b>15,764</b>	<b>6,657</b>

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

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

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

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

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

As at	30 June 2019
Short Term Securities	9.6%
Australian Fixed Interest	5.4%
International Fixed Interest	4.7%
Australian Equities	19.8%
International Equities	27.0%
Property	8.5%
Alternatives	25.0%
<b>Total</b>	<b>100.0%</b>

### 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 as at 30 June 2019 include \$99.5m (2018: \$97.7m) in NSW government bonds.

## Note 24. Superannuation continued

### H. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2019
Discount rate	2.95%
Salary increase rate (excluding promotional increases)	3.2% pa
Rate of CPI increase	1.75% for 2018/19 and 2019/20; 2.00% for 2020/21; 2.25% for 2021/22 and 2022/23; 2.50% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 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 2019 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 2019.

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	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	222,270	253,787	196,472
	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	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	222,270	236,097	209,637
	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	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation (A\$)	222,270	223,478	221,105
	Base Case	Scenario G Lower Mortality <sup>1</sup>	Scenario H Higher Mortality <sup>2</sup>
Defined benefit obligation (A\$)	222,270	225,406	220,178

<sup>1</sup> Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023

<sup>2</sup> Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2019 to 2023

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

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

## Note 24. Superannuation continued

### 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 2018.

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

- Expected rate of return on fund assets backing current pension liabilities of 7.4% pa (2018: 7.4% pa)
- Expected rate of return on fund assets backing other liabilities of 6.4% pa (2018: 6.4% pa)
- Expected salary increase rate of 3.2% pa (2018: 2.7% pa)
- Expected rate of CPI increase of 2.2% pa (2018: 2.2% pa).

### Expected Contributions

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected employer contributions for the Economic Entity	3,105	1,301	968

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 the Economic Entity is 12.3 years (2018: 12.6 years). In accordance with AASB 1056 Superannuation Entities, 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 30 June 2019 and a deficit of \$1.1m (2018: \$5.7m) was reported for the Economic Entity.

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
<b>2019</b>			
Accrued benefits	38,891	4,199	93,016
Net market value of fund assets	(31,396)	(1,940)	(101,698)
<b>Net (surplus)/deficit</b>	<b>7,495</b>	<b>2,259</b>	<b>(8,683)</b>
<b>2018</b>			
Accrued benefits	39,045	4,541	90,926
Net market value of fund assets	(29,206)	(1,335)	(98,257)
<b>Net (surplus)/deficit</b>	<b>9,839</b>	<b>3,206</b>	<b>(7,331)</b>

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

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

## Note 25. Consultancies

The total amount paid or payable to consultants engaged by Hunter Water during the reporting period was \$4.1m (2018: \$3.4m). No fees were paid by the Controlled Entity during the year.

## Note 26. Contingent Liabilities

A contingent liability of \$0.5m exists at 30 June 2019 in relation to customer refunds from charges made in error for Environmental Improvement and Stormwater Drainage charges from 2006 onwards. A provision has been established for amounts the Economic Entity expects is probable (refer Note 17) to be refunded based on management assessment of identifying, locating and engaging with customers these charges relate to. The contingent liability is in relation to customers that no longer reside at the property these charges in error were made and all reasonable efforts will be made to refund these amounts. The provision and contingent liability will be assessed at future reporting dates until settled.

No significant claims for damages are being negotiated (2018: nil). This does not include matters covered by insurance.

## Note 27. Auditors' Remuneration

	Notes	Economic Entity	
		2019 \$'000	2018 \$'000
<b>Audit Office of New South Wales</b>			
Audit review of financial statements		235	235
		<b>235</b>	<b>235</b>

## Note 28. Related Party Disclosures

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

### A. Controlled Entities

There are no shares held by the Parent Entity in the Controlled Entity at the reporting date (2018: \$0.9m). Shares previously held by the Parent Entity in the Controlled Entity (\$0.9m) were distributed to the Parent Entity on liquidation of the Controlled Entity during the period ended 14 May 2019.

The intercompany loan that existed between the Parent Entity and Controlled Entity at 30 June 2018 was fully repaid to the Parent Entity on liquidation (\$5.8m). This fully repaid loan included the shares held in the Controlled Entity. The Controlled Entity has ceased operations and deregistration occurred on 14 May 2019.

The Controlled Entity was incorporated in Australia.

### B. The Following Related Party Transactions Occurred During the Financial Year

Entity	Economic Entity	
	2019 \$'000	2018 \$'000
<b>Purchases</b>		
<b>Services Received</b>		
- Peoplefusion Pty Ltd	1,057	993
- Learning Emergence / JEARNI	136	240
<b>Purchase of goods</b>		
- Global Valve Technology Ltd	-	257*
<b>Outstanding balances with Related Parties</b>		
Payables		
- Peoplefusion Pty Ltd	62	68

\* Global Valve Technology Ltd was not a related party of Hunter Water in 2018-19 but Hunter Water made payments to Global Valve Technology Ltd totaling \$0.4m. The related party relationship ceased in 2017-18.

The Economic and Parent Entity also transacted with NSW Treasury Corporation under normal commercial terms. Sales were made to related parties of Directors under normal commercial terms and conditions no more favourable than those available to other parties and in accordance with the principles of good governance.

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

## Note 28. Related Party Disclosures continued

### C. Key Management Personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Compensation is shown in F. for the Directors and the senior executive managers only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Corporation.

### D. Directors and Any Director Related Entities

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

Mr Terry Lawler	Chairman
Dr Jim Bentley	Managing Director (to 30 June 2019)
Prof Maree Gleeson	(retired on 13 December 2018)
Mr Peter Daghish	
Ms Ruth Lavery	
Mr Grahame Clarke	
Ms Christine Feldmanis	
Ms Michelle Vanzella	
Dr Rod Harrison (Causa Honoris)	
Ms Jayne Drinkwater	(from 21 February 2019)

### E. 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:

Dr Jim Bentley	Hunter Water Corporation	Managing Director (to 30 June 2019)
Mr Victor Prasad	Hunter Water Corporation	Executive Manager Customer Strategy and Retail
Mr Richard Harris	Hunter Water Corporation	Chief Information and Technology Officer
Mr Darren Cleary	Hunter Water Corporation	Chief Investment Officer
Mr Clint Thomson	Hunter Water Corporation	Executive Manager Service Delivery for Customers
Ms Laura Hails	Hunter Water Corporation	General Counsel and Company Secretary (from 4 February 2019)
Mr Peter Kembrey	Hunter Water Corporation	Executive Manager Corporate and Legal (to 21 December 2018)
Ms Jennifer Hayes	Hunter Water Corporation	Chief Financial Officer (from 25 July 2018)
Mr Stephen Dunkerley	Hunter Water Corporation	Interim Chief Financial Officer (to 24 July 2018)
Mr Peter Kembrey	Hunter Water Australia Pty Limited	Acting General Manager (to 21 December 2018)
Ms Jennifer Hayes	Hunter Water Australia Pty Limited	Acting General Manager (from 22 December 2018)

Dr Jim Bentley finished in his role as Managing Director on 30 June 2019. In the interim Mr Darren Cleary was appointed as Acting Chief Executive Officer from 1 July to 21 July 2019, and from 22 July 2019 Mr Graham Wood was the Acting Chief Executive Officer.

Jennifer Hayes was Acting Company Secretary from 22 December 2018 to 3 February 2019.

## Note 28. Related Party Disclosures continued

### F. Key Management Personnel Compensation

	Economic Entity	
	2019 \$'000	2018 \$'000
Short term employee benefits	2,466	2,378
Termination payments	156	153
Long term employee benefits	-	-
Post employment benefits	214	214
	<b>2,836</b>	<b>2,745</b>

During the year the entity incurred \$0.03m (2018: \$0.1m) in key management personnel services that were provided by a separate entity, Watermark Search International.

Ms Fiona Cushing finished in her role as Chief Financial Officer on 30 April 2018. Information relating to her compensation is included in the 2018 comparative data in section F, Key Management Personnel Compensation.

## Note 29. Segment Information

The Economic Entity operates in the water industry as one business segment in the provision of water and water-related services to its customers in Australia. It operates predominantly in the one geographical segment of NSW in Australia.

## Note 30. Controlled Entities

### Parent Entity

Hunter Water Corporation

### Controlled Entities

	Equity Holding	
	2019	2018
Hunter Water Australia Pty Limited (incorporated in Australia)	0%	100%

No shares held by the Parent Entity in the Controlled Entity at the reporting date (2018: \$0.9m).

During the financial year a final distribution of \$5.8m including shares previously held by the Parent Entity in the Controlled Entity (\$0.9m) was made to the Parent Entity as a resolution of the liquidator. The controlled entity did not have any other operational transactions during the financial year.

Hunter Water Australia Pty Limited was fully liquidated and deregistered through the Australian Securities & Investments Commission (ASIC) on 14 May 2019.

## Note 31. 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.

Price risk is the potential for the decline in the price of an asset or security relative to the rest of the market. Exposure to other price risk primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than operational purposes. The Economic Entity did not hold any investments with NSW TCorp Investment Facilities during the financial year.

Cash investments are held by Hunter Water at fair value - refer to Note 13 for details on fair value approaches and the fair value hierarchy. All borrowings are held at fair value - refer to Note 16 for details.

## Note 31. Financial Instruments continued

### 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	16	Financial liabilities measured at amortised cost
Trade and other payables	14	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 is provided assistance with treasury management functions via an external specialist (currently NSW TCorp). TCorp act as an advisor to the Economic Entity and provide assistance in the management of the Economic Entity's debt portfolio.

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 2019	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1.00%	4,958	-	8	4,966
Trade and other receivables	5.25%	-	12,013	32,426	44,439
		4,958	12,013	32,434	49,405
<b>Financial Liabilities</b>					
Borrowings	2.47%	-	1,193,163	-	1,193,163
Trade and other payables	n/a	-	-	89,989	89,989
		-	1,193,163	89,989	1,283,152

The comparative information with regard to the 2018 year is as follows:

Economic Entity 2018	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1.33%	33,195	-	8	33,203
Trade and other receivables	5.50%	-	10,060	28,454	38,514
		33,195	10,060	28,462	71,717
<b>Financial Liabilities</b>					
Borrowings	2.80%	-	1,129,366	-	1,129,366
Trade and other payables	n/a	-	-	91,799	91,799
		-	1,129,366	91,799	1,221,165

## Note 31. Financial Instruments continued

### 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.

Economic Entity	Increase/(decrease) to Post-tax Profit		Increase/(decrease) to Equity	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Cash and Cash Equivalents</b>				
If Interest rates are 100 basis points higher	57	174	57	174
If Interest rates are 100 basis points lower	(57)	(174)	(57)	(174)
<b>Borrowings</b>				
If Interest rates are 100 basis points higher	(818)	(1,105)	(818)	(1,105)
If Interest rates are 100 basis points lower	818	1,105	818	1,105

### 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 that incorporate future projections for a period of at least 10 years.

As part of its neutral benchmark debt portfolios the Economic Entity has also established the specific target for when total debt exceeds more than \$50m (2018: \$50m), that no more than 25% 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 the Board for endorsement the proposed financial accommodation that will be required for the coming years (this is then required to be approved by the Treasurer of NSW).

In order to further manage liquidity risk, the Economic Entity has a \$30m (2018: \$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 2019 the Economic Entity continues to trade as a going concern. The Economic Entity has sufficient funds to meet its obligations until 30 June 2020.

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 2019	Carrying Amount \$'000	Total Contractual Cash Flows \$'000	Maturity Dates			
			Within 1 Year \$'000	Within 1-2 Years \$'000	Within 2-5 Years \$'000	Over 5 Years \$'000
Trade and other payables	89,989	89,989	89,989	-	-	-
Borrowings	1,193,163	1,381,939	238,639	88,498	518,129	536,673
<b>Total</b>	<b>1,283,152</b>	<b>1,471,928</b>	<b>328,628</b>	<b>88,498</b>	<b>518,129</b>	<b>536,673</b>
<b>Economic Entity 2018</b>						
Trade and other payables	91,799	91,799	91,799	-	-	-
Borrowings	1,129,366	1,327,293	104,367	225,397	459,965	537,564
<b>Total</b>	<b>1,221,165</b>	<b>1,419,091</b>	<b>196,165</b>	<b>225,397</b>	<b>459,965</b>	<b>537,564</b>

## Note 31. Financial Instruments continued

### 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 Corporation (NSW 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		
	Total <sup>1</sup>	Past Due but Not Impaired <sup>1</sup>	Considered Impaired
	\$'000	\$'000	\$'000
30- 90 days overdue	9,291	9,291	-
> 90 days overdue	2,723	2,540	183

<sup>1</sup> 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.

## Note 32. Events Occurring After Balance Date

Due to the current drought affecting Hunter Water storage levels, in August 2019 the Minister for Water, Property and Housing, announced the introduction of Level 1 water restrictions commencing mid-September 2019. It is also possible that Level 2 and Level 3 water restrictions will be triggered through the 2019-20 financial year. The financial impact of the drought on the Economic Entity is relatively unknown and does not affect the results of the Economic Entity for the financial year ended 30 June 2019.

No other matters or circumstances other than those noted above 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.

### End of Audited financial statements

## Directors' Declaration

In accordance with a resolution of the Directors of Hunter Water Corporation and pursuant to Section 41C(1B) and 41C(1C) of the *Public Finance and Audit Act 1983*, in the opinion of the Directors the accompanying financial statements:

- a) Exhibit a true and fair view of the financial position of Hunter Water Corporation as at 30 June 2019, and its financial performance for the year then ended.
- b) Comply 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).
- c) There are reasonable grounds to believe that Hunter Water Corporation 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.



**Terry Lawler AO**  
Chairman



**Rod Harrison**  
Director

Dated 29 August 2019  
Newcastle

# ADDITIONAL INFORMATION

// More about our business - further information about our Directors and committees, employees, financial performance and legislation.

## DIRECTORS AND COMMITTEES

### Board of Directors

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

For details about the current Directors refer to the Directors' Report in the Financial Statements.

### Committees and Memberships

Committee and Membership	Meeting Frequency	Purpose
<b>Audit and Risk</b> C Feldmanis (Chair) T Lawler M Gleeson (retired 13 December 2018) R Lavery R Harrison G Wood (ex officio member)	Four meetings per year and as required	To assist the Board in fulfilling its oversight responsibilities for the financial reporting process, system of internal control, the risk management framework and risk profile, the audit process and the Corporation's process for monitoring compliance with laws, regulations and Corporation policy.
<b>Corporate Governance</b> T Lawler (Chair) P Dalglish C Feldmanis R Harrison G Wood	Four meetings per year and as required	To ensure effective corporate governance within Hunter Water and to advise the Board on remuneration policy and matters concerning Board evaluation and composition.
<b>Science, Environment and Human Health</b> M Gleeson (Chair) (retired 13 December 2018) G Clarke (Chair) (from 14 December 2018) M Vanzella G Wood	Four meetings per year	To assist the Board with advice on scientific, environmental science and human health matters and assessment of scientific innovations affecting the current and future operations of Hunter Water and its social and natural environment.
<b>Board Investment</b> Peter Dalglish (Chair) T Lawler G Clarke R Lavery M Vanzella G Wood	Four meetings per year	To assist the Board in fulfilling its responsibilities in relation to investment of funds, governance, composition and delivery performance of allocated funds.

## Customer and Community Advisory Group (CCAG) Membership and Attendance

Representative	Organisation	Attendance at Meetings Held	
		A	B
Cr Paul Le Mottee (Chair)	Port Stephens Council	4	4
Cr Brian Adamthwaite	Lake Macquarie City Council	3	4
Cr Robert Aitchison <sup>a</sup>	Maitland City Council	1	3
Mr Rick Banyard	Property Owners Association	4	4
Mr David Beins		0	4
Ms Ange Bevan <sup>b</sup>	Hunter Commercial Services	1	2
Ms Linda Bowden	Save the Williams River Coalition	4	4
Ms Thea Bray <sup>c</sup>	Public Interest Advocacy Centre	0	4
Ms Camila Cowley	Local Land Services	2	4
Cr Melanie Dagg	Cessnock City Council	2	4
Cr Mark Lyons	Cessnock City Council – Alternate Representative		
Mr Geoff Dingle <sup>d</sup>	Medowie Progress Association	0	4
Ms Sue Hirsch	Medowie Progress Association – Alternate Representative		
Cr Jason Dunn	City of Newcastle	0	4
Dr Troy Gaston	University of Newcastle	2	4
Dr Craig Evans	University of Newcastle – Alternative Representative		
Mr James Hopson <sup>e</sup>	Williams River Water Users Association	1	1
Ms Suzanne Johns <sup>f</sup>	National Seniors Association Newcastle Branch	2	2
Ms Amy De Lore	Hunter Business Chamber	2	3
Mr Jon Novoselac	Hunter Business Chamber – Alternate Representative		
Mr William Lennox	Maitland Masonic Centre	4	4
Ms Jean McGarry	Lake Macquarie Sustainable Neighbourhood Alliance	4	4
Mayor Tracey Norman	Dungog Shire Council	2	4
Cr Kate Murphy	Dungog Shire Council – Alternate Representative		
Mr Joe Popov <sup>g</sup>	Community Disability Alliance Hunter	1	1
Ms Joan Lambert <sup>h</sup>	Newcastle Older Women's Network	0	1

A = Number of meetings attended.

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

a = Cr Aitchison was appointed to the CCAG in November 2018.

b = Ms Bevan was appointed to the CCAG in March 2019.

c = Ms Bray was granted a leave of absence from the CCAG.

d = Mr Dingle was granted a leave of absence from the CCAG.

e = Mr Hopson advised of his retirement from the CCAG in November 2018.

f = Ms Jones was appointed to the CCAG in March 2019.

g = Mr Popov was appointed to the CCAG in June 2019.

h = Ms Lambert advised of her retirement from the CCAG in August 2018.

In 2018-19, the CCAG considered a range of issues, including those recommended by Hunter Water, and self-generated topics that are of interest to members of the Group. This included discussion on:

#### Strategic role of the Customer and Community Advisory Group

In May 2018 the CCAG adopted a series of actions associated with a review undertaken by the University of Technology Sydney. In 2018-19, Hunter Water progressed agreed actions with the CCAG, including formalising agreed outcomes with the adoption of a new CCAG Charter in September 2018. The updated Charter improves the operation of the Group, modifying chairing protocols (with the appointment of an independent chairperson, Cr Paul Le Mottee), restructuring the CCAG agenda to increase its strategic focus, improving communications through use of an online web portal (Your Voice) and increasing the frequency of meetings to quarterly.

Additionally, in considering the outcomes of the Hayne Royal Commission, Hunter Water's Board has proposed to increase the line of sight between community representatives and Board decision making, by adding a formal joint CCAG/Board session to the CCAG calendar each year.

#### Hunter Water's Strategic Direction (including corporate performance)

At each meeting Hunter Water provided an update on corporate performance, including against the 2017+3 Strategic Direction. Performance reported in the Commonwealth's National Performance Report criteria was also considered and reported. Members encouraged Hunter Water to continue to focus on leakage reduction.

#### Drought

At each meeting Hunter Water provided an update on current water storage levels, and drought impacts, both within its area of operations and across the broader region. This included discussion about the drought tankering program with local councils.

#### Water Resilience Program (including Lower Hunter Water Plan, and the Greater Hunter Regional Water Strategy)

Presentations were provided at each meeting on Hunter Water's Water Resilience Program, including updates on progress in the development of the review of the Lower Hunter Water Plan. Members considered and provided feedback on Hunter Water's approach to community engagement. Hunter Water invited an external representative from the Department of Industry to its March 2019 meeting to provide a briefing on the Greater Hunter Regional Water Strategy.

#### Hunter Water's Price Submission

Hunter Water submitted its pricing proposal (price submission) to IPART on 30 June 2019. Throughout the proposal's development, Hunter Water provided updates to the CCAG. This included on the pricing process itself, the overall principles that were applied in the proposal's development, and outlining the proposed community engagement approach.

## EMPLOYEES

### Average Total Remuneration Package of Executives at 30 June 2019

Band	Average Remuneration		Gender 2019		Gender 2018	
	2019 (\$)*	2018 (\$)*	Female	Male	Female	Male
Band 4	570,381	546,739	-	1	-	1
Band 3	-	-	-	-	-	-
Band 2	293,188	282,005	-	2	-	2
Band 1	258,083	257,876	2	2	-	3
<b>Total</b>			2	5	-	6

\* Including superannuation and performance pay.

Note: As a SOC Hunter Water does not use the NSW Public Service Senior Executive Remuneration Framework.

In 2018-19, 4.15% of Hunter Water's employee-related expenditure was related to senior executives compared with 3.29% in 2017-18.

## Executive Positions at 30 June 2019

Senior Officer	Position	Qualifications
Jim Bentley	Managing Director	BSc (Chemical Engineering), PhD
Victor Prasad	Executive Manager Customer Strategy & Retail	BE (Civil)
Darren Cleary	Chief Investment Officer	BE, ME
Richard Harris	Chief Information Officer	BA (Computer Science)
Clint Thomson	Executive Manager Service Delivery for Customers	Grad Dip MEM, BE (Mech)
Jennifer Hayes	Chief Finance Officer	MBA, BBus (Accounting), CPA, GAICD
Laura Hails	General Counsel & Company Secretary	B Finance, B Law/Dip Legal Practice, Grad Dip Applied Corporate Governance

\* Graham Wood commenced as the Acting Chief Executive Officer on 22 July 2019.

## Workforce Profile

	2019	2018	2017	2016	2015	2014
Males	309	316	325	322	314	326
Females	158	143	141	134	147	140
<b>Total</b>	<b>467</b>	<b>459</b>	<b>466</b>	<b>456</b>	<b>461</b>	<b>466</b>
Permanent	403	394	406	393	394	405
Temporary	8	8	5	9	15	3
Part-time	56	57	55	54	52	58
<b>Total</b>	<b>467</b>	<b>459</b>	<b>466</b>	<b>456</b>	<b>461</b>	<b>466</b>
Redundancies	7	4	2	13	8	7
Recruitment	53	34	46	39	30	24
Unplanned absences (%)	3.5	2.8	3.2	3.1	3.4	3.7

Permanent: Full Time Employees, who are either ongoing or fixed term >3 years

Temporary: Fixed Term <3 years and Apprentices

Part Time: Part Time Employees, who are either ongoing or fixed term >3 years

## Human Resources Policies and Practices

Policy Category	Policies and Standards
Attraction and Recruitment	<ul style="list-style-type: none"> <li>Recruitment, Selection and Appointment Policy</li> <li>Recruitment and Selection Standard</li> <li>EEO Standard</li> </ul>
Training and Development	<ul style="list-style-type: none"> <li>Learning and Development Policy</li> <li>Learning and Development Standard</li> <li>Education Assistance Standard</li> <li>Young Professionals Standard</li> </ul>
Performance and Reward	<ul style="list-style-type: none"> <li>Performance Management, Misconduct and Disciplinary Policy</li> <li>Remuneration Policy</li> <li>Performance Management Standard</li> <li>Misconduct and Discipline Standard</li> <li>Remuneration and Salary Band Review Standard</li> <li>Annual Incentive Standard</li> </ul>
General Employment Conditions	<ul style="list-style-type: none"> <li>Redundancy and Redeployment Policy</li> <li>Redundancy and Redeployment Standard</li> <li>Senior Employee Benefits Policy</li> <li>Leave Standard</li> <li>Parental Leave Standard</li> <li>Community Service Leave Standard</li> <li>Travel and Accommodation Standard</li> <li>Flexible Work Arrangements Standard</li> <li>Conflict of Interest Standard</li> <li>Corporate Device Policy</li> <li>Damage to Loss of Personal Effects Policy</li> <li>Dress Code Standard</li> <li>Fee/Licence Fee Standard</li> <li>Head Office Parking Standard</li> <li>Human Resources Policy Framework</li> <li>Internal Reporting Standard</li> <li>Organisation Security Policy</li> </ul>
Ethics and Behaviour	<ul style="list-style-type: none"> <li>Bullying and Harassment Prevention Policy</li> <li>Bullying and Harassment Prevention Standard</li> <li>Grievance Resolution Policy</li> <li>Code of Conduct Standard</li> <li>Code of Conduct Policy</li> <li>Grievance Resolution Standard</li> <li>Social Media Standard</li> <li>Employee Identification Card Standard</li> <li>Employee Records Standard</li> <li>External Notification Standard</li> <li>Diversity &amp; Inclusion Policy</li> <li>Diversity &amp; Inclusion Standard</li> <li>Fraud and Corruption Control Standard</li> <li>Gifts and Benefits Standard</li> </ul>

## Trends in the Representation of EEO Groups<sup>1,2</sup>

### Equal Employment Opportunity (EEO) Target Groups:

	Benchmark/Target	% of Total					
		2019	2018	2017	2016	2015	2014
Women	50	34.1	29.3	28	29	30	29
Aboriginal and Torres Strait Islander peoples	2.6	2.1	1.7	1.1	0.6	0.6	0.6
People whose first language was not English	19	5.1	4.5	4.3	4.6	4.8	4.5
People with a disability	N/A	2.1	1.7	2.2	5	3.7 <sup>3</sup>	5.4
People with a disability requiring work-related adjustment	1.5	1.5	1.3	1.9	4.1	4.6 <sup>3</sup>	4.5

<sup>1</sup> Employee numbers are as at 30 June 2019.

<sup>2</sup> Excludes casual employees.

<sup>3</sup> 2015 result has been adjusted.

Note: The significant variation in participation of people with a disability and people with a disability requiring adjustment from 2016 to 2017 is due to an audit and review of employee data. The review included a move to employees self identifying.

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.

## Trends in the Distribution of EEO Groups<sup>1,2,3</sup>

### Distribution Index:

	Benchmark/Target	2019	2018	2017	2016	2015	2014
Women	100	89	91	91	89	88	88
Aboriginal and Torres Strait Islander peoples	100	74	72	66	N/A	N/A	N/A
People whose first language was not English	100	109	101	103	101	105	103
People with a disability	100	97	90	85	95	91	98
People with a disability requiring work-related adjustment	100	90	82	84	93	90	96

<sup>1</sup> Employee numbers are as at 30 June 2019.

<sup>2</sup> Excludes casual employees.

<sup>3</sup> 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 ODEOPE. N/A displayed where there are less than 20 employees in a particular EEO group.

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.

## Multicultural Policies and Services Program (previously EAPS)

We strive to cater for the needs of all employees, customers and stakeholders, including those from culturally and linguistically diverse (CALD) backgrounds to ensure there is genuine equality of access to our corporate services. Providing opportunities and supporting our CALD employees and community members is an important component of our Diversity and Inclusion strategy. We have a target to increase the number of our CALD employees from 8% to 16% by 2022. We rely on these diverse perspectives to drive innovation and collaboration, to deliver the best outcomes for our customers and communities. We strongly encourage those from CALD backgrounds to apply for job vacancies at Hunter Water and we support our current CALD employees in seeking development and progression opportunities.

We have previously celebrated Harmony Day in March in our offices and will continue to do so. We celebrate the day by asking staff members from culturally and linguistically diverse backgrounds to present to other staff members on their native culture and heritage. This has been a fantastic initiative to highlight to diversity we have within the business by promoting understanding and tolerance of those from different backgrounds. At Hunter Water we firmly believe in Harmony Day's message 'Everyone belongs'.

For our customers from culturally and linguistically diverse backgrounds, we continue to work with Northern Settlement Services which assists migrants and refugees in their settlement into Australian life. We assist approximately 100 customers per year through these services which include:

- Payment Assistance credit – this financial assistance allows them to set up smaller more regular payments to avoid the stress of having to pay a large lump sum at once
- Affordable arrangements
- Interest holds
- Educational sessions and information on water savings

Translation services are also available for customers from a non-English speaking background through our Customer Service Centres.

## Our Commitment to Diversity and Inclusion

At Hunter Water we believe that diversity is about acceptance and respect of each individual's unique capabilities, experiences and characteristics. We strive to create an inclusive environment in which differences are not only recognised but valued and celebrated. By bringing together people from diverse backgrounds and giving each person the opportunity to contribute their different skills, experiences and perspectives, we believe we are able to deliver the best solutions to our customers and the community and to any challenges we face as a business.

The Diversity and Inclusion strategy has focused on creating an inclusive culture and promoting greater representation of six equity groupings namely; indigenous, abilities, gender equity, LGBTIQ, generational diversity and cultural & linguistic diversity. Implementation of the Diversity and Inclusion Strategy has to date produced a number of outcomes and benefits including progression towards several of the diversity targets.

### Age Diversity

We have established the 'Source' - Hunter Water's Young Development Network. This group provides networking, mentoring and training opportunities for the young, young at heart and new to the water industry (and anyone who wants to be involved).

### Cultural Diversity

8% of our workforce was born overseas and 9% identify as non-Australian.

We celebrate Harmony Day each year at Hunter Water which is an observance day to acknowledge and raise awareness of the cultural diversity that exists in Australia and foster the message that everyone belongs.

## Gender Equality

### WiMBA – Women in Masters of Business Administration

For the second year in a row we have sponsored two female employees with leadership aspirations to undertake their MBA through the University of Newcastle's WiMBA scholarship program. Hunter Water strongly supports this program which is designed to correct the gender imbalance in Executive and Board positions by equipping women with the tools and skills they need to step into leadership roles.

Jayne Drinkwater recently joined Hunter Water as a non-executive Board Director. Her appointment means that 4 out of 9 positions of Hunter Water's Board are now held by women. We have recently also appointed Laura Hails to the position of General Counsel which means now 2 out of 6 Executive positions at Hunter Water are held by women.

For a third year in a row, Hunter Water has sponsored the University of Newcastle's Hunter Women in Science, Technology, Engineering, Maths (STEM) and Entrepreneurship or HunterWiSE outreach program. This is a targeted school program for girls focused on the development of technical skills applied to science, engineering and entrepreneurship through technology. The initiative works to positively influence how school aged girls perceive STEM careers and thereby increase participation in STEM education and career choices by young women in the Hunter region.

## Abilities

Hunter Water has sponsored a student with a disability from the University of Newcastle and we have committed to this sponsorship annually on an ongoing basis. The scholarship runs for three years and includes paid work experience at Hunter Water.

We have continued our silver membership with the Australian Network on Disability which is a member-based for-purpose organisation that supports organisations to advance the inclusion of people with a disability in all aspects of business. We have undertaken an access and inclusion assessment to gain insights into our strengths and the maturity of our journey to be accessible and inclusive to people with disability.

## LGBTIQ+

Hunter Water's customer service centres in Honeysuckle, Maitland and Lake Macquarie have been registered as Welcoming Places with ACON. As a registered Welcoming Place we receive a sticker to display in our windows to let people know that LGBTIQ+ diversity is welcomed and celebrated in our business. We celebrate 'Wear It Purple Day' annually in August and distribute communications internally and external on our social media platforms, and have sponsored the Newcastle Pride Festival.

## Flexibility

12% of our workforce works part-time or takes up other flexible working arrangements.

## Aboriginal and Torres Strait Islander Peoples

2.1% of our workforce identify as Aboriginal or Torres Strait Islander which is an increase from last year when this was at 1.7. In October 2018 we recruited the first two Indigenous females into our civil maintenance team. We continue to offer two Indigenous scholarships this year. These scholarships run for 3 years and include paid work experience at Hunter Water.

Our inaugural Reconciliation Action Plan (RAP) launched in July 2019 and is a reflection of our commitment to create improved economic, health and social outcomes for Aboriginal and Torres Strait Islander people. Over the past few years we have been working to improve relationships with our Aboriginal and Torres Strait Islander communities, increase the number of our Aboriginal and Torres Strait Islander suppliers and improve employment opportunities and outcomes for our Aboriginal and Torres Strait Islander employees. Our RAP builds on that journey in a real way and symbolises our move towards a deeper commitment to reconciliation. It provides a framework and plan to help us focus and coordinate our reconciliation efforts over the next 12 months.

## Employee Safety Performance

	2018-19	2017-18	2016-17	2015-16	2014-15
Lost time frequency rates	2.4	4.5	1.3	5.1	4.1
Total hours lost	577	370	1,053	3,930	2,762
Lost time injuries	4	7	1	5	4
First Aid injuries	28	40	7	35	45
Medical Treatment Injuries	7	12	7	25	22
Prosecutions	0	0	0	0	0

The most positive aspects in WHS performance has been the reduction in the Lost Time Injury Frequency rate from 4.5 to 2.4. There has been an increased focus on preventative injury management and increased engagement of supervisors to provide their workers with early intervention health services. There has been particular focus on managing all injuries, including non-work related injuries, in a pro-active manner. This has had a positive impact on safety culture and combined with the increasing focus on treating musculoskeletal injuries early, there has been a positive impact on injury rates.

### Overseas Travel Commenced During 2018-19

In 2018-19 there were four Hunter Water overseas trips that received Ministerial approval:

4/03/2019 to 12/03/2019 - Stuart Horvath (Manager Investment & Asset Planning) travel to Nepal to participate in the Australian Water Partnership between Kathmandu Upatyaka Khanepani Limited and the Water Services Association Australia. Travel funded by the Australian Water Partnership.

8/06/19 to 17/06/19 - Jim Bentley (Managing Director) travel to the United States to attend the inaugural meeting of the World Water Innovation Fund Steering Group, and the American Water Works Association (AWWA) Annual Conference. Travel funded by Hunter Water.

3/02/19 to 7/02/19 - Jim Bentley (Managing Director) travel to New Zealand with a Hunter Business Chamber delegation. Travel funded by Hunter Water.

14/10/18 to 16/10/18 - Jim Bentley (Managing Director) travel to New Zealand to deliver a key note address at the Winsborough Future Trends Conference. Travel funded by Winsborough.

## CUSTOMER AND SERVICE PERFORMANCE

### Customer Base

Customer	Number of Properties 2018-19	Income Raised 2018-19 \$m Actual
Residential	191,192	216.8
Multi-Residential <sup>1</sup>	47,027	39.5
Commercial	10,108	32.6
Industrial	1,239	12.1
Bulk Supply	2	4.9
Other <sup>2</sup>	4,653	18.0
<b>Total</b>	<b>254,221</b>	<b>323.9</b>

<sup>1</sup> Includes total number of individual flats.

<sup>2</sup> Includes some Hunter Water properties from which no revenue is raised.

## Rainfall Received (Millimetres) - 12 Months Ending 19 April for Each Year<sup>1</sup>

Year	Newcastle	Grahamstown	Chichester
2014-15	990	901	1,133
2015-16	1,369	1,635	1,615
2016-17	1,037	982	1,239
2017-18	750	826	955
2018-19	856	977	991
Long Term Average	1,115	1,043	1,261
Years of Record	154	52	92

<sup>1</sup> Hunter Water reports on water supply and water consumption information for the water year period 20 April 2018 to 19 April 2019. 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<sup>1</sup>

Source	2019	2018	2017	2016	2015
Chichester	24,847	21,843	23,026	19,606	23,580
Tomago	1,235	1,269	1,255	5,993	0
Grahamstown	44,711	46,758	43,057	39,837	40,702 <sup>4</sup>
Total Major Sources	70,793	69,869	67,337	65,437	64,282 <sup>4</sup>
Anna Bay <sup>2</sup>	1,279	1,786	1,931	2,195	1,941
Lemon Tree Passage	787	867	834	828	792
Total <sup>3</sup>	72,858	72,522	70,102	68,460	67,015

<sup>1</sup> 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.

<sup>2</sup> Above figures for Anna Bay include water supplied from the Glovers Hill and the Anna Bay Water Treatment Plants.

<sup>3</sup> Total includes losses from Dungog Water Treatment Plant and process water used at Grahamstown Water Treatment Plant.

<sup>4</sup> Grahamstown sourced water and Total Major Sources for 2015 has been updated.

## Water Consumption (Megalitres) - 12 Months Ending 19 April for Each Year<sup>1</sup>

	2019		2018		2017		2016		2015	
	ML	(%)								
Domestic	41,273	56%	42,737	58%	39,834	57%	37,936	55%	37,723	56%
Non-Domestic	17,875	24%	19,374	26%	19,062	27%	18,171	26%	18,572	28%
Bulk Supply	3,663	5%	516	1%	487	1%	484	1%	380	0%
Total Consumption	62,811	86%	62,627	86%	59,383	84%	56,591	82%	56,675	84%
Authorised (HWC own use)	2,264	3%	2,051	3%	1,924	3%	2,450	4%	2,045	3%
Apparent Losses	1,277	2%	1,340	2%	1,272	2%	1,225	2%	1,225	2%
Real Losses	6,751	9%	7,177	10%	7,917	11%	8,514	12%	7,327	11%
Gross Non-Revenue Generating	10,291	14%	10,569	14%	11,113	16%	12,189	18%	10,597	16%
Total Supply	73,102		73,196		70,496		68,780		67,272	

<sup>1</sup> 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 System Incidents

Incident / Solution	2018-19	2017-18	2016-17	2015-16	2014-15
Poor pressure	140	123	66	80	76
Pump problem	4	7	4	14	40
Seepage	202	132	198	296	234
Main flush	1,516	1,846	2,211	2,185	1,264
Main repair	1,383	1,522	1,248	1,335	1,431
Hydrant defect	1,168	1,066	1,038	911	905
Valve defect	309	269	230	290	229
Repair pathcock/maincock	3,772	3,179	3,080	3,160	2,793
Meter defect	686	544	651	740	994
Service defect repaired by Hunter Water	2,654	2,517	2,367	2,035	1,958
Service defect repaired by private plumber	716	705	746	806	899
Complaint unconfirmed	399	397	398	459	416
Other	1,404	1,366	1,439	1,537	1,519
Tap rewashers	27	27	30	59	26
Trunkmain repairs	433	847	1,325	2,463	2,856
<b>Total</b>	<b>14,813</b>	<b>14,547</b>	<b>15,031</b>	<b>16,370</b>	<b>15,640</b>

## Water Transport System Reliability

	2018-19	2017-18	2016-17	2015-16	2014-15
Main breaks per 100kms main - trunkmains included in length of mains	27.0	30.0	24.8	26.8	28.9
Discoloured water complaints per 1,000 properties connected (tenancy)	2.1	3.5	3.8	3.6	2.7

## Wastewater System Incidents

Incident/Solution	2018-19	2017-18	2016-17	2015-16	2014-15
Chokage cleared - main	2,212	2,464	2,374	2,024	2,515
Chokage cleared - branch	2,424	2,315	2,129	1,917	2,205
Private plumbers job <sup>1</sup>	393	424	449	532	586
House drains cleared	8	4	6	5	4
Storm overflow	124	224	60	436	460
Gravity sewer break	67	51	56	43	46
Rising main break	28	32	30	29	45
Pump Station malfunction	5	3	3	9	66
Vacuum Sewer Jobs	65	8	40	36	46
Pump Effluent Line	11	10	5	14	12
No work required	137	109	128	122	112
Complaint unconfirmed	266	278	281	379	244
Charge job <sup>2</sup>	0	1	0	1	1
Other	637	578	609	743	1,219
<b>Total</b>	<b>6,377</b>	<b>6,501</b>	<b>6,170</b>	<b>6,290</b>	<b>7,561</b>

<sup>1</sup> Problem in customer's private drains or fittings.

<sup>2</sup> Completed by Hunter Water and customer billed.

## Wastewater Transport System Reliability 2018-19

	Number of Main Breaks and Chokes	Length of Sewermain (km)	Ratio of Main Breaks/Chokes Per 100km of Main
Total	2,358	5,249	44.9

	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1,000 Properties
Total	2,487	242,000	10.3

## General Statistics

Water	2018-19	2017-18	2016-17	2015-16	2014-15
Population in area	601,172	591,192	589,955	583,659	578,523
Population supplied with water	586,951	577,856	571,389	563,611	558,390
Properties where water is available <sup>1</sup>	263,086	259,533 <sup>5</sup>	255,016	250,875	247,355
Properties connected to water (metered) <sup>1</sup>	254,221	250,314	246,011	242,277	238,822
Capacity of major sources (ML)	276,686	276,686	276,686	276,686	276,686
Total supply from sources (ML) <sup>2</sup>	73,102	73,196	70,496	68,780	67,272
Average day net supply (ML) <sup>2</sup>	191.0	198.7	192.1	187.9	184.3
Maximum day net supply (ML) <sup>2</sup>	287.8	330.0	299.7	271.1	277.7
Maximum week net supply (ML/day) <sup>2</sup>	264.6	290.4	263.1	253.8	251.4
Minimum day net supply (ML) <sup>2</sup>	140.9	132.3	132.3	123.7	140
Average consumption per residential tenement (kl/annum)	171.7	181.2	172.0	166.3	167.8
5 year rolling average consumption <sup>3</sup>	171.8	173.7	172.6	170.8	172.5
Watermains laid during year (km)	67.5	71.5	67.5	50.4	59.1
Watermains abandoned during year (km)	17.8	22.0	22.6	11.7	3.5
Watermain length revisions during the year (km)	-1.2	-8.5	1.4	0.5	-3.3
Total watermains in service (km)	5,120	5,072	5,031	4,985	4,945
Length of watermain per connected property (m)	20.14	18.33	18.18	20.58	20.71
Water supplied free of charge: charitable, public and miscellaneous purposes (kl)	470,790	441,900	399,487	416,211	433,560
Water supplied free of charge: dollar value (\$)	1,082,817	1,016,369	898,846	923,989	949,497
Wastewater	2018-19	2017-18	2016-17	2015-16	2014-15
Population supplied with water and sewer	563,155	556,021	546,348	539,585	535,010
Properties where sewer is available <sup>1</sup>	251,279	247,694 <sup>5</sup>	243,244	239,308	235,830
Properties connected to sewer <sup>1</sup>	242,189	238,559	234,376	230,618	227,514
Sewermain laid during the year (km)	64.0	70.6	53.7	52.5	44.3
Sewermain abandoned during the year (km)	6.1	6.1	4.5	5.8	3.5
Sewermain length revisions during the year (km)	72.4	6.7	3.7	3.6	-0.3
Total sewermain in service (km)	5,249	5,119	5,048	4,995	4,945
Length of sewermain per liable property (m)	20.6	20.5	20.5	20.6	21.0
Wastewater supplied free of charge: dollar value (\$)	161,273	154,433	137,136	134,104	138,048
Drainage	2018-19	2017-18	2016-17	2015-16	2014-15
Properties liable <sup>1</sup>	71,737	71,392 <sup>5</sup>	70,620	69,978	69,732

Dissection of Population - June 2019		2018-19	
Region (Local Government Area)	Population in Area	Served Water	Served Sewer
Newcastle	165,731	165,731	164,969
Lake Macquarie	206,326	206,326	200,328
Maitland	85,357	85,032	82,090
Cessnock	60,641	54,316	49,240
Port Stephens	73,618	71,866	65,492
Dungog	9,499	3,427	942
<b>Sub Total</b>	<b>601,172</b>	<b>586,698</b>	<b>563,061</b>
Singleton (Part Branxton)	-	253	94
<b>Total</b>	<b>601,172</b>	<b>586,951</b>	<b>563,155</b>

	2018-19	2017-18	2016-17	2015-16	2014-15
Ratio of properties connected to water and sewer, and water only <sup>4</sup>	95.95%	95.88%	95.60%	95.70%	95.80%

<sup>1</sup> Property numbers have been revised: includes Hunter Water properties.

<sup>2</sup> Supply and consumption figures are based on Water Year, i.e. 12 months ending 19 April.

<sup>3</sup> Target is to not exceed 215KL/annum, based on five-year rolling average.

<sup>4</sup> Includes five main local government areas only.

<sup>5</sup> 2017-18 figures have been amended.

## Waste Statement

Hunter Water is committed to recycling waste from all of its operational activities and construction projects wherever possible. During 2018-19 a total of 35,596 tonnes of solid waste was generated, of which 56% was reused or recycled, which is an increase of 6.5% from 2017-18. Legacy waste from a historic landfill on Hunter Water land at Stockton was taken to a licenced facility during the year due to its potential exposure to coastal erosion, which accounted for a large volume of the waste generated. As part of a recent upgrade of waste streams, Hunter Water's Head Office and depots have reduced the amount of general waste to landfill by 12%. The organisation continues to investigate innovative solutions for limiting waste generation for future projects and supply chains with the aim to increase the percentage of waste recycled to 80% over the next five years.

## Consumer Response

Overall in 2018-19 there was a 12% increase in complaints compared to 2017-18. Meter reading (billing) and damage claims from water main breaks (asset) are the primary drivers of this increase.

Meter reading complaints trended downward from February 2019. This improvement was attributed to changes made to internal systems, by the meter reading provider, and the implementation of a new meter reading system which also improved read quality checks.

Complaints related to major breaks at Cardiff, Maitland and Wallsend contributed to an increase in water service asset complaints during the year. Sewer odour complaints are on par with last year. Most odour complaints are related to the operation of the gravity sewer system which was affected by dry weather up to May 2019.

The average number of outstanding complaints for 2018-19 was 87 which is on par with last year's result of 82. This level of outstanding complaints was maintained during a period where complaint volumes increased by 12%. This result was below our target of 100 outstanding complaints.

## Water Quality

The following initiatives are being implemented to reduce the incidents of water quality complaints in the future:

- 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 dirty water
- Enhanced maintenance programs such as the use of 'ice pigging' to clear blocked mains.

## Water Pressure and Community

The volume of these complaint categories remained the same as last year.

## Sewer Overflow and Odour

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.

## Billing

The number of billing complaints reduced by 10%. This reduction is attributed to the provision of account assistance options for customers, including referral to welfare support agencies, reducing the number of complaints lodged. Hunter Water also provided the option of bill smoothing to reduce the instances of billing complaints.

## External 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.

## Commitment Tracker

In March 2019 the commitment tracker was relaunched to ensure longer term commitments to replace poor performing system assets were being met by Hunter Water as another strategy to reduce the number of aged complaints. Since its launch, 62% of outstanding commitments have been resolved, resulting in a reduction from 63 to 31 by the end of June 2019.

## Total Number of Complaints

Table 1. Total Number of Complaints (Excluding EWON)

	2018-19	2017-18	2016-17	2015-16	2014-15
Total Water and Sewer Complaints	966	872	764	1,160	1,506
Per 1,000 Properties	3.5	3.5	3.2	4.8	6.3

Table 2 - Main Features of Complaints by Category

	2018-19	2017-18	2016-17	2015-16	2014-15
Water quality	175	169	221	407	708
Per 1000 properties	0.7	0.7	0.9	1.7	3
Water services	33	21	4	13	15
Per 1000 properties	0.1	0.1	0	0.05	0.1
Sewer services	311	300	247	247	233
Per 1000 properties	1.3	1.2	1	1	1
Drainage	0	0	1	5	9
Per 1000 properties	0	0	0	0.02	0.04
Billing	447	382	291	488	541
Per 1000 properties	1.8	1.6	1.2	2	2.3

Table 3 - EWON Complaints

	2018-19	2017-18	2016-17	2015-16	2014-15
EWON	90	100	103	126	120

## 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 \$54.22m.

	June 2019 \$m	June 2018 \$m
Tariff Income - billed	19.52	15.12
Tariff Income - unbilled	22.34	20.97
Sundry Debtors	1.28	1.23
Net GST Receivable from ATO	7.36	5.88
Community Service Obligations	0.81	0.76
Prepayments	2.42	1.98
Miscellaneous Debtors	0.67	0.67
	54.40	46.62
Less Provision for Doubtful Debts	(0.18)	(0.24)
<b>Total Receivables</b>	<b>54.22</b>	<b>46.38</b>

Information regarding the major categories follows.

<b>A</b>	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>B</b>	Net GST Receivable from ATO: The Economic Entity is liable to pay GST on all taxable acquisitions. For the Economic Entity GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant Accounting Standards and NSW Treasury Circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Economic Entity are GST-free, but its purchases predominantly include GST, the Economic 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 2019 (inclusive of accruals) and included in receivables was \$7.36m.
<b>C</b>	Community Service Obligations: The Economic Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant 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 Planning, Industry and Environment. The Economic Entity's CSO claims for 2018-19 were for rebates given to pensioners and exempt properties, for example churches. The 2018-19 claim and cash received were as follows:

	Amount Claimed \$m	Cash Received \$m	Outstanding (Prepayment) \$m
Pensioner Rebate	13.89	13.21	0.69
Exempt Properties	2.16	2.06	0.10
Pensioner Assistance Scheme	0.12	0.11	0.01
Facilitation Costs	0.15	0.14	0.01
<b>Total CSO Claim and Cash Received</b>	<b>16.32</b>	<b>15.52</b>	<b>0.81</b>

## 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 2019 \$m	June 2018 \$m
Cash at Bank	4.97	3.07
T-Corp Deposit Accounts	-	30.13
	4.97	33.20
Interest Earned	0.09	0.19
Average Interest (on average monthly investment balance)	1.00%	1.33%

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

## Fixed Assets - Property, Plant and Equipment

	June 2019 \$m	June 2018 \$m
Opening WDBV	2,546.46	2,483.95
Less - Depreciation Charge	(52.56)	(50.35)
Less - Disposals	(0.75)	(1.32)
Add - Additions	66.63	81.36
Add - Externally Funded Assets	32.40	32.41
Revaluation - Increment/(Decrement)	(51.41)	0.42
Total Fixed Assets - Property, Plant and Equipment	2,540.78	2,546.46

The total assets of \$2,541 million at 30 June 2019 represents a decrease of \$5 million on the balance as at 30 June 2018 of \$2,546m.

## Intangible Assets

	June 2019 \$m	June 2018 \$m
Opening WDBV	16.95	16.54
Less - Amortisation Charge	(5.51)	(8.73)
Less - Disposals	-	(0.25)
Add - Additions	3.05	9.16
Revaluation - Increment/(Decrement)	(0.42)	0.23
Total Intangible Assets	14.07	16.95

The Economic Entity's intangible assets consist of easements (a right of access to property), software, environmental credits and other intangible assets.

## Borrowings

NSW Treasury Corporation (TCorp) is Hunter Water's Liability Advisor and assists in the management and structuring of the debt portfolio. Management of the portfolio is in accordance with NSW Treasury requirements and Board approved parameters.

During 2018-19 the capital value of the Economic Entity's financial liability portfolio increased by \$63.80m.

The average interest yield cost of debt held at 30 June 2019 was 2.57%. A profile of the Economic Entity's Financial Liability Portfolio is as follows:

	June 2019 \$m	June 2018 \$m
Number of Loans	35	34
Face Value	1,268.44	1,200.96
Net Premium / Discount on Loans and Indexation	(75.28)	(71.59)
<b>Current Capital Value</b>	<b>1,193.16</b>	<b>1,129.37</b>
Market Value	1,289.66	1,189.37
Come and Go Facility	9.35	-
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	209.68	72.86
Non-Current	983.49	1,056.50
<b>Total Market Value Borrowings</b>	<b>1,193.16</b>	<b>1,129.37</b>
Debt Maturity Profile		
Within 1 year	209.68	72.86
Between 1-5 years	515.14	705.53
Over 5 years	468.35	350.98
<b>Current Capital Value</b>	<b>1,193.16</b>	<b>1,129.37</b>

## Employee Provisions

At 30 June 2019 the liability for Employee Provisions totalled \$105.79 million representing an increase of \$20.80 million during the year.

	June 2019 \$m	June 2018 \$m
Long Service Leave	13.09	12.82
Defined-Benefit Superannuation	87.59	67.37
Accrued Sick / Annual Leave	5.12	4.80
	<b>105.79</b>	<b>84.99</b>

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

	June 2019 \$m	June 2018 \$m
Current	17.66	16.79
Non-Current	88.13	68.20
	<b>105.79</b>	<b>84.99</b>

At 30 June 2019 the Economic Entity's defined benefit superannuation provision was \$87.59 million (2018: \$67.37 million)

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.

## Breakdown of Landholdings as at 30 June 2019

Code	Description	Number of Properties	Value \$m
1	Land fully utilised as an integral part of the Parent Entity's system	390	26.54
2	Land partly used with the unused residue required for future integral needs	3	0.39
3	Land not currently used but fully required for future integral needs	7	1.47
4	Land partly used, the residue having potential for alternative use	21	6.16
5	Land with significant potential for alternative use	28	5.73
6	Land not currently used but potentially required for future integral needs	11	0.39
<b>Total Breakdown of Landholdings as at 30 June 2019</b>		<b>460</b>	<b>40.69</b>

Landholdings are 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 valuation was undertaken during 2018-19.

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

## Property Disposals

There were no property transactions with a value greater than \$5 million that did not go to public auction or tender in the 2018-19 financial year.

## Material Capital Expenditure Contracts as at 30 June 2019 (GST-Exclusive)

**(Contracted for at balance date but not provided for)**

Contract Number	Contract Description	Committed Amount \$m
CP3425	Complex Capital Works - Dungog Wastewater Treatment Plant Upgrade - Construction	27.34
CP3408	CTGM Replacement Tarro to Duckenfield Construction	22.54
CP3424	Dungog Water Treatment Plant Upgrade	7.03
CP3322	Supply and Installation of Customer Billing System	4.46
CP3458	Hunter Water to Singleton Council Potable Interconnection	0.38
CP3303	Hunter River Trenchless Crossing Construction	0.36
CP3317	Tillegra Riparian Improvement Project	0.33
CS0935	Cisco Spark upgrade	0.26
	Other Commitments less than \$0.25m	0.97
		<b>63.66</b>

## FINANCIAL SUMMARY AND RATIO ANALYSIS OF THE ECONOMIC ENTITY

### Operating Program 2019

#### Economic Entity

A summary of actual and budgeted results for 2018-19 and comparisons with 2017-18 results and budget is as follows:

	Actual 2019 \$m	Budget 2019 \$m	Actual 2018 \$m	Budget 2018 \$m
<b>Income</b>				
Net Tariff Income	336.34	326.05	321.89	308.41
Interest on Investments	0.09	0.05	0.19	0.06
Profit / (Loss) on Sale and Disposal of Assets	(0.93)	-	(1.56)	-
External Sales	1.78	0.49	3.05	0.41
Contribution from Capital Works	33.53	35.00	32.41	23.55
Other (inc Non-Regulated Income)	3.84	3.03	10.94	3.00
<b>Total Income</b>	<b>374.65</b>	<b>364.62</b>	<b>366.93</b>	<b>335.43</b>
<b>Expenditure</b>				
Operating Expenses	152.82	145.03	146.02	141.12
Superannuation Interest Expense	2.67	3.82	3.02	3.75
Revaluation Increment / (Decrement)	0.45	-	(0.07)	-
Depreciation & Amortisation	58.06	61.24	59.08	57.59
Interest Expense	44.72	45.01	45.52	46.36
Financial Charges	19.68	19.41	19.02	19.41
<b>Total Expenditure</b>	<b>278.39</b>	<b>274.52</b>	<b>272.59</b>	<b>268.24</b>
<b>Profit Before Tax</b>	<b>96.26</b>	<b>90.10</b>	<b>94.34</b>	<b>67.19</b>

### Operating Program 2020

#### Economic Entity

	Budget 2020 \$m
<b>Income</b>	
Net Tariff Income	344.47
Interest on Investments	0.05
Profit / (Loss) on Sale and Disposal of Assets	(1.23)
External Sales	-
Contribution from Capital Works	27.67
Other (inc Non-Regulated Income)	5.73
<b>Total Income</b>	<b>376.70</b>
<b>Expenditure</b>	
Operating Expenses	151.90
Superannuation Interest Expense	3.39
Depreciation & Amortisation	65.14
Interest Expense	51.35
Financial Charges	23.96
<b>Total Expenditure</b>	<b>295.75</b>
<b>Operating Profit Before Tax</b>	<b>80.95</b>

## FIVE YEAR FINANCIAL SUMMARY AND RATIO ANALYSIS

### 1. Statement of Financial Position (Economic Entity)

	2019	2018	2017	2016	2015
	\$m	\$m	\$m	\$m	\$m
<b>Current assets</b>					
Cash & Cash Equivalents	4.97	33.20	11.67	11.97	12.71
Trade & Other Receivables	53.74	45.94	43.46	46.90	41.01
Inventories	2.63	2.67	2.57	2.48	2.28
Assets held for sale	-	-	30.83	43.29	26.99
<b>Total current assets</b>	<b>61.33</b>	<b>81.80</b>	<b>88.53</b>	<b>104.64</b>	<b>82.99</b>
<b>Non-current assets</b>					
Fixed assets	2,732.04	2,681.02	2,594.68	2,527.27	2,639.99
Investments / other	0.48	0.44	0.37	0.44	0.42
<b>Total non-current assets</b>	<b>2,732.52</b>	<b>2,681.46</b>	<b>2,595.05</b>	<b>2,527.71</b>	<b>2,640.42</b>
<b>Total assets</b>	<b>2,793.85</b>	<b>2,763.26</b>	<b>2,683.58</b>	<b>2,632.34</b>	<b>2,723.41</b>
<b>Current liabilities</b>					
Trade and Other Payables	99.21	100.72	79.50	88.08	76.67
Borrowings	209.68	72.86	88.01	7.38	100.69
Provisions	162.43	64.42	59.24	56.14	41.62
Current Tax Liabilities	1.40	3.92	3.69	4.18	0.95
Other Liabilities	-	-	4.12	4.12	-
<b>Total current liabilities</b>	<b>472.71</b>	<b>241.91</b>	<b>234.57</b>	<b>159.91</b>	<b>219.93</b>
<b>Non-current liabilities</b>					
Borrowings	983.49	1,056.50	1,013.34	1,064.18	960.35
Provisions / other	196.44	196.20	220.63	240.37	240.24
<b>Total non-current liabilities</b>	<b>1,179.93</b>	<b>1,252.70</b>	<b>1,233.98</b>	<b>1,304.55</b>	<b>1,200.59</b>
<b>Total liabilities</b>	<b>1,652.64</b>	<b>1,494.61</b>	<b>1,468.54</b>	<b>1,464.46</b>	<b>1,420.52</b>
<b>Net assets</b>	<b>1,141.21</b>	<b>1,268.65</b>	<b>1,215.04</b>	<b>1,167.89</b>	<b>1,302.90</b>
<b>Capital and retained earnings</b>					
Share capital	116.54	116.54	112.19	103.70	102.85
Reserves	352.45	388.43	389.50	390.89	512.26
Retained profits	672.22	763.68	713.35	673.30	687.78
<b>Total equity</b>	<b>1,141.21</b>	<b>1,268.65</b>	<b>1,215.04</b>	<b>1,167.89</b>	<b>1,302.90</b>

## 2. Income Statement (Economic Entity)

Trading Operations	2019	2018	2017	2016	2015
	\$m	\$m	\$m	\$m	\$m
Revenue					
Tariff	320.02	306.56	279.13	275.04	280.29
Other	21.93	28.96	23.22	26.51	7.71
Less: operating costs	147.95	140.72	122.55	119.62	124.42
<b>Gross margin</b>	<b>194.00</b>	<b>194.80</b>	<b>179.80</b>	<b>181.94</b>	<b>163.58</b>
Other income					
Investments	0.09	0.19	0.06	0.10	0.18
Other expenditure					
Financing charges	64.40	64.55	62.85	70.56	67.85
Depreciation and amortisation	58.06	59.08	51.99	49.90	41.47
Superannuation adjustment	7.53	8.32	7.99	7.62	7.90
Other	1.37	1.12	7.93	3.86	28.65
<b>Profit before contributions for capital works</b>	<b>62.73</b>	<b>61.93</b>	<b>49.11</b>	<b>50.10</b>	<b>17.89</b>
Contributions for capital works	33.53	32.41	33.16	28.60	34.35
<b>Net Profit</b>	<b>96.26</b>	<b>94.34</b>	<b>82.27</b>	<b>78.69</b>	<b>52.24</b>

## 3. Financial Ratios

Profit included in calculating ratios is Profit before Superannuation Adjustments and Contributions for Capital Works.

	2019	2018	2017	2016	2015
A - Gross Profit (%)	56.73	58.06	59.47	60.33	56.80
B - Working Capital (ratio)	0.13	0.34	0.38	0.65	0.38
C - Cash Ratio	0.01	0.14	0.05	0.07	0.06
D - Equity to Total Liabilities (ratio)	0.69	0.85	0.83	0.80	0.92
E - Interest Cover (times)	2.50	2.50	2.32	2.21	1.95
F - Return on Equity (%)	8.91	7.98	6.92	7.43	3.26
G - Real Rate of Return (%)	5.04	5.12	4.69	5.15	3.60
H - Return on Total Net Assets (%)	6.16	5.54	4.70	4.94	1.98

### 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. Performance for 2018-19 was consistent with prior year trends.

#### 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. This ratio has decreased due to the increased level of debt reaching maturity within the next 12 months along with the increase in the end of year dividend provision at 30 June 2019.

## 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 decreased for the year as a result of decreased cash held at 30 June 2019 compared to previous years.

## 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. This ratio has decreased slightly compared to prior years due to the increase in the end of year dividend provision at 30 June 2019.

## E - Interest Cover

Interest Cover is calculated as funds from operations adjusted for by non-cash items (depreciation, non-cash contributions, etc.) divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments from operating profits. This ratio shows that Hunter Water is achieving operating 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 2018-19 is 8.91%, which is higher than the previous year due to the increased operating profit for the year.

## 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 capital work-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 5.04%.

## 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. The 2019 return on total net assets is higher than 2018 primarily due to increased operating profit for the year.

## 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. IPART conducted a public review of Hunter Water's prices for water, sewerage, stormwater and other services throughout 2015-16. IPART's Final Determination of prices applies for the four-year period from 1 July 2016 to 30 June 2020.

## Water

Water Service Charge (\$) Filtered and Unfiltered (Metered and Unmetered)		2018-19	2017-18	2016-17	2015-16	2014-15
Residential Properties		\$75.01	\$51.12	\$25.69	\$17.75	\$17.51
Non-Residential Properties Meter Size (mm)	Meter Equivalent <sup>1</sup>	2018-19	2017-18	2016-17	2015-16	2014-15
20mm standalone		\$75.01	\$51.12	\$25.69	\$17.75	\$17.51
20mm	1.00	\$78.52	\$56.12	\$30.17	\$18.54	\$18.30
25mm	1.56	\$122.68	\$87.68	\$47.13	\$28.97	\$28.59
32mm	2.56	\$201.02	\$143.68	\$77.23	\$47.47	\$46.83
40mm	4.00	\$314.08	\$224.48	\$120.67	\$74.17	\$73.17
50mm	6.25	\$490.76	\$350.75	\$188.55	\$115.89	\$114.33
65mm	10.56	\$829.37	\$592.77	\$318.67	\$195.86	\$193.24
80mm	16.00	\$1,256.33	\$897.92	\$482.67	\$296.67	\$292.69
100mm	25.00	\$1,963.01	\$1,402.99	\$754.18	\$463.55	\$457.33
150mm	56.25	\$4,416.79	\$3,156.74	\$1,696.91	\$1,042.99	\$1,028.99
200mm	100.00	\$7,852.05	\$5,611.97	\$3,016.71	\$1,854.20	\$1,829.32
250mm	156.25	\$12,268.75	\$8,768.75	\$4,714.06	\$2,897.00	\$2,859.00
300mm	225.00	\$17,667.00	\$12,627.00	\$6,788.25	\$4,171.68	\$4,116.96
350mm	306.25	\$24,046.75	\$17,186.75	\$9,239.56	\$5,678.12	\$5,603.64
Unmetered		\$496.62	\$464.63	\$430.69	\$418.01	\$412.40

<sup>1</sup> Meter Equivalent Rate applicable from 2016-17.

Water Usage Charge (Metered Properties Only) (\$/kL)	2018-19	2017-18	2016-17	2015-16	2014-15
Tier 1 (≤ 50,000 kL)					
Filtered water	\$2.34	\$2.30	\$2.25	\$2.22	\$2.19
Unfiltered water	\$2.10	\$2.02	\$1.92	\$1.86	\$1.79
Tier 2 - Filtered Water (> 50,000 kL)					
Kurri Kurri	\$2.32	\$2.27	\$2.22	\$2.20	\$2.17
Lookout	\$2.19	\$2.14	\$2.10	\$2.03	\$2.01
Newcastle	\$2.13	\$2.09	\$2.05	\$1.98	\$1.96
Seaham - Hexham	\$1.94	\$1.90	\$1.86	\$1.72	\$1.70
South Wallsend	\$2.23	\$2.18	\$2.14	\$2.08	\$2.05
Tomago - Kooragang	\$1.89	\$1.85	\$1.81	\$1.67	\$1.65
Dungog - charges only for water sourced from Chichester Dam within Shire	\$1.89	\$1.85	\$1.81	\$1.67	\$1.65
All other locations	\$2.34	\$2.30	\$2.25	\$2.22	\$2.19
Water Usage Charge for Central Coast Council (\$/kL)	\$0.69	\$0.67	\$0.66	\$0.65	\$0.64

## Sewer

Sewer Service Charge (\$) (Metered and Unmetered)	2018-19	2017-18	2016-17	2015-16	2014-15
Residential Properties:					
Houses	\$635.85	\$618.89	\$604.34	\$593.58	\$585.61
Multi Premises (Residential) - i.e. Flats and Units					
Per each residential property located in a multi premises (minimum charge) <sup>1</sup>	\$508.67	\$479.63	\$453.25	\$430.34	\$409.93

Non-residential Properties <sup>1,2</sup>	Meter Equivalent	2018-19	2017-18	2016-17	2015-16	2014-15
Meter Size (mm)						
20mm stand alone		\$809.28	\$774.94	\$743.81	\$593.58	\$585.61
20mm	1.00	\$944.21	\$1,033.63	\$1,180.28	\$1,179.58	\$1,163.74
25mm	1.56	\$1,436.70	\$1,583.00	\$1,818.74	\$1,843.09	\$1,818.35
32mm	2.56	\$2,310.06	\$2,557.24	\$2,950.95	\$3,019.71	\$2,979.18
40mm	4.00	\$3,570.82	\$3,963.64	\$4,585.41	\$4,718.30	\$4,654.97
50mm	6.25	\$5,540.79	\$6,161.17	\$7,139.27	\$7,372.34	\$7,273.38
65mm	10.56	\$9,316.47	\$10,373.13	\$12,034.20	\$12,459.26	\$12,292.02
80mm	16.00	\$14,077.26	\$15,683.74	\$18,205.97	\$18,873.19	\$18,619.86
100mm	25.00	\$21,957.09	\$24,473.81	\$28,421.39	\$29,489.36	\$29,093.53
150mm	56.25	\$49,317.62	\$54,994.89	\$63,891.58	\$66,351.07	\$65,460.45
200mm	100.00	\$87,622.34	\$97,724.38	\$113,549.85	\$117,957.46	\$116,374.14
250mm	156.25	\$136,870.24	\$152,663.20	\$177,396.79	\$184,308.53	\$181,834.59
300mm	225.00	\$197,062.93	\$219,809.95	\$255,431.48	\$265,404.28	\$261,841.81
350mm	306.25	\$268,199.74	\$299,165.20	\$347,654.29	\$361,244.72	\$356,395.80

<sup>1</sup> Assumes a discharge factor of 100%. Sewer service charge = (meter connection charge x discharge factor) + deemed usage.

<sup>2</sup> Service charge is determined as the higher of the calculated charge using the charge above or the calculated charge using the 'Residential Properties' prices above.

Sewer Usage Charge (\$/kL) (Metered only)	2018-19 <sup>1</sup>	2017-18	2016-17	2015-16	2014-15
Non-residential only	\$0.67	\$0.67	\$0.67	\$0.67	\$0.67

<sup>1</sup> Discharge allowance in a meter reading period 0.281 kL/day.

## Stormwater

Stormwater Service Charge (\$)	2018-19	2017-18	2016-17	2015-16	2014-15
Residential (Not Within a Multi Premise)	\$77.90	\$75.71	\$73.47	\$71.86	\$79.05
Residential Multi Premise and Mixed Multi Premise	\$28.83	\$28.01	\$27.19	\$26.59	\$29.24
Non-residential					
Small (< 1,000m <sup>2</sup> ) or low impact	\$77.90	\$75.71	\$73.47	\$71.86	\$79.05
Medium (1,001 - 10,000m <sup>2</sup> )	\$219.36	\$183.90	\$153.96	\$129.90	\$142.90
Large (10,001 - 45,000m <sup>2</sup> )	\$1,395.11	\$1,169.59	\$979.16	\$826.21	\$908.90
Very Large (> 45,000m <sup>2</sup> )	\$4,432.60	\$3,716.05	\$3,111.02	\$2,625.07	\$2,887.78

## Recycled Water (Mandatory Schemes)

Gillieston Heights	2018-19	2017-18	2016-17	2015-16	2014-15
Service charge (20mm base \$/year)	\$22.71	\$22.28	\$21.82	\$21.64	\$21.35
Usage charge ( \$/kL)	\$2.04	\$2.00	\$1.96	\$1.93	\$1.90
Chisholm	2018-19	2017-18	2016-17	2015-16	2014-15
Service charge (20mm base \$/year)	\$22.71	\$22.28	\$21.82	\$21.64	\$21.35
Usage charge ( \$/kL)	\$2.04	\$2.00	\$1.96	\$1.93	\$1.90

## Backlog and Other Sewerage Services

	2018-19	2017-18	2016-17	2015-16	2014-15
Environmental Improvement Charge (EIC) (\$):					
(Same for Hunter Water and Dungog)	\$40.46	\$39.69	\$38.87	\$38.37	\$37.86
Clarence Town Sewer Charge (\$) (Dungog Only)	\$44.82	\$43.95	\$43.05	\$78.26	\$77.21

## Exempt Service

	2018-19	2017-18	2016-17	2015-16	2014-15
Charged Proportion	20%	20%	20%	20%	20%
Water Service - Exempt					
Residential Properties:					
House	\$15.00	\$10.22	\$5.14	\$3.55	\$3.50
Unit/flat	\$15.00	\$10.22	\$5.14	\$3.55	\$3.50
Non-residential Properties:					
Non-residential Stand Alone	\$15.00	\$10.22	\$5.14	\$3.55	\$3.50
20mm	\$15.70	\$11.22	\$6.03		
25mm	\$24.54	\$17.54	\$9.43	\$5.79	\$5.72
32mm	\$40.20	\$28.74	\$15.45	\$9.49	\$9.37
40mm	\$62.82	\$44.90	\$24.13	\$14.83	\$14.63
50mm	\$98.15	\$70.15	\$37.71	\$23.18	\$22.87
65mm	\$165.87	\$118.55	\$63.73	\$39.17	\$38.65
80mm	\$251.27	\$179.58	\$96.53	\$59.33	\$58.54
100mm	\$392.60	\$280.60	\$150.84	\$92.71	\$91.47
150mm	\$883.36	\$631.35	\$339.38	\$208.60	\$205.80
200mm	\$1,570.41	\$1,122.39	\$603.34	\$370.84	\$365.86
250mm	\$2,453.75	\$1,753.75	\$942.81		
300mm	\$3,533.40	\$2,525.40	\$1,357.65		
350mm	\$4,809.35	\$3,437.35	\$1,847.91		

Sewer Service - Exempt	2018-19	2017-18	2016-17	2015-16	2014-15
Residential Properties:					
House	\$127.17	\$123.78	\$120.87	\$118.72	\$117.12
Unit/flat	\$101.73	\$95.93	\$90.65	\$86.07	\$81.99
	Sewer	Sewer	Sewer	Sewer	Sewer
	service	service	service	service	service
Non-residential Properties	charge x				
	20%	20%	20%	20%	20%
Pensioner Rebate	\$307.00	\$294.00	\$281.00	\$274.00	\$271.00

Note: 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:

- 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 Height 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 Kooragang Industrial Water Scheme (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.

Hunter Water has advised IPART of a non-compliance with the 2016 Determination under clause 1.8 of Hunter Water's 2017-22 Operating Licence. This non-compliance relates to stormwater charges which have been incorrectly applied to some of our customers. Hunter Water is taking corrective action through issuing refunds or account credits to overcharged customers.

## 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 aligned down through Hunter Water in divisional budgets. The SCI performance targets and actual results for the 2018-19 financial year are as follows:

	Actual 2019 \$m	SCI Target 2019 \$m
Operating Profit before Income Tax Expense	96.26	90.10
Income Tax Expense	23.26	26.94
Net Debt	1,188.20	1,193.58

Hunter Water achieved favourable operating performance for 2018-19 compared to the SCI target due primarily to higher than budgeted customer water consumption as well as lower depreciation and amortisation charges. These favourable variance were slightly off-set by higher operating expenditure compared to budget.

## Liability Management Performance

Hunter Water engages the services of an external specialist (NSW TCorp) to assist in managing the Entity's debt portfolio. At 30 June 2019 the key statistics on the debt portfolio were as follows:

	Actual 2019 \$m	SCI Target 2019 \$m
Current capital value (\$)	1,193.16	1,197.51
Average cost of debt (%)	2.57%	
Weighted Average Life:		
Inflation Indexed Debt (years)	4.76	
Nominal Debt (years)	4.66	

## Major Acquisitions over \$0.5m

Project	2018-19 Expenditure \$m
Duckenfield to Tarro Chichester Trunk Gravity Main (CTGM) Replacement	25.81
Dungog Water Treatment Upgrade	7.14
Billing System Refresh	5.63
Chisholm & Gillieston Heights Recycled Water Schemes	5.52
Mayfield (Albert St - Bourke St) Culvert	4.92
PLC and Telemetry Upgrade	3.97
Dungog Waste Water Treatment Upgrade	3.70
Stockton Beach - Exposed Landfill	3.63
Wyee Backlog Sewer Scheme	2.28
Maitland 14 Waste Water Pump Station Upgrade	1.81
Central Coast Inter-Regional Transfer	1.69
Tillegra Riparian Improvement Project	1.27
Tanilba Bay Waste Water Treatment Upgrade	1.26
Developer Delivered Infrastructure-Water	1.13
Kurri Kurri WWTW Upgrade - Stage 3	0.92
Williamstown Water Reticulation Scheme	0.85
Campvale Culvert Renewal	0.84
Overhead Powerlines Upgrade	0.77
Smart Integrated Pump Scheduling	0.73
Network Guarding Compliance Improvement	0.62
CTGM Hunter River Tunnel Renewal	0.59
Farley Waste Water Treatment Stage 3B Upgrade	0.56
SCADA Radio Network Replacement	0.52
Other Major Acquisitions (mostly made up of replacements in Hunter Water's Water and Sewer Networks)	41.00
<b>Total Expenditure</b>	<b>117.14</b>

## Consultancies

### Consultants \$50,000 and over

Consultant	Project	Cost \$
AECOM Australia Pty Ltd	Various Consultancy Services	883,065
Hunter H2O Holdings Pty Ltd	Various Consultancy Services	338,357
GHD	Various Consultancy Services	320,738
University of Newcastle	Various Research & Consultancy Services	201,642
KPMG	Business Process Review	187,223
Jacobs Group (Australia) Pty Ltd	Business Case Processes	183,919
Schneider Electric Systems Australia	Technical Support	142,349
Jearni Ltd	Learning Advisor	135,749
Wiser Analysis Pty Ltd	Pipe Strategy Review	133,281
Marsden Jacob Associates	Various Research & Consultancy Services	104,887
PricewaterhouseCoopers	Financial Advice & Audit Services	100,543
Douglas Partners Pty Ltd	Geological Investigations	95,723
Topfer & Associates Pty Ltd	Various Consultancy Services	90,000
Alluvium Consulting Aust. Pty Ltd	Water Management and Design Consultancy	78,061
Stantec Australia Pty Ltd	Various Consultancy Services	66,696
Four P International Ltd	Various Consultancy Services	62,405
Strada Associates	GIS Development	59,053
I.N Concepts Pty Ltd	Various Consultancy Services	54,533
<b>Total Consultants</b>	<b>18</b>	<b>3,238,223</b>

### Consultants Less Than \$50,000

Category	Number	Cost (\$)
Corporate	28	391,167
Engineering	31	424,597
Finance	2	44,900
<b>Total Consultants</b>	<b>61</b>	<b>860,664</b>

## Research and Development

During 2018-19, Hunter Water participated in research and development (R&D) on projects covering water quality, wastewater, asset management, ecology and catchment management subjects. This research was conducted with research partners such as University of Newcastle, Global Centre of Environmental Remediation, and Water Research Australia. Hunter Water's R&D program aims to identify critical knowledge gaps, provide the right knowledge to improve decision making, take advantage of new opportunities, and address emerging challenges.

## Collaborative Research and Development Projects with Expenditure in 2018-19

Project	Partners	Funding \$'000
Recreational Access in Drinking Water Catchments	WaterRA	20
Zero Emissions Sludge Lagoon (PhD study)	WaterRA	20
Waste to Energy Study	Resilience Brokers	91
Water Conservation Behaviour - Potential Barriers and Motivators	University of Newcastle	93
Critical Underground Pipe Sensing Research Program	University of Technology Sydney	55
Consolidation of Helminth Risk Management for Recycled Water	WaterRA	5
Value of Research – Tools and Standards	WaterRA	5
Understanding the Occurrence, Fate and Behaviour of Microplastic in Wastewater Treatment Plants	University of Newcastle	15
Freshwater Endocrine Disrupting Chemicals Assay Research	NSW Fisheries and University of Newcastle	18
National Wastewater Drug Monitoring Pilot Program - Newcastle	University of Queensland	7
Benthic Cyanobacteria	Water RA	15
LMCC - Environmental Research Grants	Lake Macquarie City Council and University of Newcastle	6
PFAS in Biosolids – Fate and Transport, and Removal Options	University of Newcastle	10
Community and Organisational Resilience (three PhD Studies)	University of Newcastle and University of Auckland	52
Economics Post-Doctoral Research – Agent Based Model for Behaviour Change at Scale	University of Newcastle	100
<b>Total</b>		<b>512</b>

## Funds Granted to Non-Government Community Organisations

Organisation(s)	Project	Purpose of Project	Target	Type	Amount
Hunter Region Botanic Gardens	Bio Banking Botanic Gardens	Ongoing sponsorship of the Hunter Region Botanic Gardens (funded by Bio Banking of Hunter Water land that is leased by Botanic Gardens)	Wider Community	Community Partnership	\$50,000
Port Stephens Koalas	Koala hospital	Support towards the development of a new koala hospital in Port Stephens, and integrated conservation based community education program	Wider Community	Community Partnership	\$35,000
Renew Newcastle	The Station - Renew Newcastle sponsorship	Community partnership with Renew Newcastle supporting the activation of The Station, including installation of drinking water stations and support for community activations	Wider Community	Community Partnership	\$30,000
Dungog Shire Council	Love Water Grants	Partnering with Dungog Council to delivery water conservation grants to community specific projects	Wider Community	Community Partnership	\$25,000
Water Aid	Water Aid partnership	Contribution to partnership with water charity enabling clean water in developing countries	Wider Community	Sponsorship	\$20,000
Warners Bay Chamber of Commerce	Music in the Podium	Partnered to deliver a community social event with the opportunity to highlight the value of water	Wider Community	Community Partnership	\$15,000
Foundation for Rural & Regional Renewal	Support for drought affected farmers	Partnership with 7 other local businesses to collaboratively fund drought capacity building projects	Wider Community	Community Partnership	\$15,000
Surfest	Surfest	Sponsorship of a free local surfing and community event that highlights our clean beaches	Wider Community	Event Sponsorship	\$10,000
Medowie Little Athletics	Medowie Water Savers	Rain water harvesting for water efficient irrigation system for little athletic field	Wider Community	Sustainability Grant	\$10,000
Up and Up	Charlestown Reservoir improvement project	Working with disadvantage youths to paint Charlestown reservoir	Wider Community	Community Partnership	\$9,000
Merewether Heights Public School	Water Audit & Refill station	Education program for students to learn about fixing leaks in existing bubblers and the value of water, to be used as a precious resource	Wider Community	Sustainability Grant	\$8,900
The Good Seed	The Good Seed Community Garden	Grant to fund specialised high raised community gardens to grow fresh produce for community	Wider Community	Sustainability Grant	\$8,550
Compass Housing	Affordable Living in Sustainable Cities	Sponsor of the World Congress held in Newcastle	Wider Community	Event Sponsorship	\$8,000
Newcastle Pride	Newcastle Pride Festival 2019	Sponsorship of the 2019 Newcastle Pride Festival	Wider Community	Community Partnership	\$7,500
Lake Macquarie City Council	Frenchman's Beach Shower	Grant to support the installation of a water efficient beach shower at Frenchman's Beach	Wider Community	Community Partnership	\$7,260
Islington Public School	Self Watering School Gardens	Funding to educate the students about water efficient gardens to be used for sustainable food production	Wider Community	Sustainability Grant	\$7,000
Australian Water Association	AWA NSW Conference	Sponsorship of the water industry conference	Business Community	Sponsorship	\$6,800
Hunter Business Chamber	Love Water Love Business Awards	A business award for a water efficient project judged on innovation, water savings, cost effectiveness and appeal for widespread adoption in the region	Business Community	Sustainability Grant	\$6,000
University of Newcastle	Warlga Ngurra and Wandalyi Community centre	Water efficient garden and outdoor area refurbishment designed to enhance and accommodate the social outreach programs at the centre	Wider Community	Community Partnership	\$5,065

## Funds Granted to Non-Government Community Organisations continued

Organisation(s)	Project	Purpose of Project	Target	Type	Amount
Dungog Festival 2018	Dungog Festival	Support for the 2018 Dungog Festival which is one of the largest events in the community	Wider Community	Event Sponsorship	\$5,000
Newcastle Show	Newcastle Regional Show	Support for the Newcastle Regional Show which brings the city and regional communities together	Wider Community	Event Sponsorship	\$5,000
Zara's House	Zara's House Partnership	Financial support to provide a hot water system for this house which is a safe place of women in need	Wider Community	Community Partnership	\$5,000
University of Newcastle	Second Cities Symposium	Partnering with The University of Newcastle to support discussion around building resilience, sustainability and liveability in second cities.	Business Community	Sponsorship	\$5,000
University of Newcastle	HunterWISE Partnership	Partnering with the University of Newcastle to deliver STEM education into local high schools - particular focus on mentoring young women in science, technology, engineering and mathematics	Students	Community Partnership	\$5,000
Maitland City Council	Efficient vs Inefficient program	Council residents educated about the benefits of water efficient devices and appliances from water savings to cost benefits	Wider Community	Sustainability Grant	\$5,000
Rotary Club of Dungog	Dungog Pedalfest	Sponsorship of the Dungog Pedalfest	Dungog Community	Event Sponsorship	\$5,000
Uphold and Recognise	NAIDOC week event	Sponsorship of Uphold and Recognise's NAIDOC week event	Wider Community	Community Partnership	\$5,000
Macquarie Hills Community Preschool	Rainwater used in bathrooms	The centres toilets will be retro fitted to enable grey water from the roof to be used to flush the toilets	Wider Community	Sustainability Grant	\$4,765
Camp Quality	1,000km for Kids and charity support	Support for the charity and an employee participating in charity fundraiser for a better life for every child living with cancer	Wider Community	Charity event	\$2,500
Port Stephens Suicide Prevention Network	Labyrinth Walk	Support for the Port Stephens Suicide Prevention Network Labyrinth Walk	Wider Community	Community Partnership	\$2,500
Hunter Medical Research Institute	Hunter Medical Research Institute	Support for ground breaking medical research projects	Wider Community	Charity event	\$2,000
Hunter Multicultural Communities	Community garden best practice guide	Upgrade the water conservation systems and irrigation systems that serve the community garden and to produce water conservation materials and information booklets in multiple languages	Wider Community	Sustainability Grant	\$2,000
Landcare Obelisk	RoofWater Collection for Native Plants and Animals	Enhance the biodiversity of Arcadia Park by collecting rainwater from roof to be used on garden	Wider Community	Sustainability Grant	\$1,800
Office of Environment and Heritage	Biodiversity Day Blue Gum Hills	Children's education day highlighting the importance of keeping our catchments healthy	Students	Event Sponsorship	\$1,000
Hunter Region Botanic Gardens	International Women's Day Breakfast	Sponsorship of International Women's Day Breakfast in Port Stephens	Business Community	Event Sponsorship	\$500
Wallsend Chamber of Commerce	Wallsend Winter Fair	Sponsorship of Wallsend community event	Wider Community	Event Sponsorship	\$500
<b>Total</b>					<b>\$341,640</b>

## Payment Performance

### Invoices Paid on Time Within Each Quarter

Quarter	Total Invoices Paid on Time			Total Invoices Paid within Quarter
	Target %	Actual %	Paid on Time	
September	95%	95%	\$71,061,156	\$72,546,966
December	95%	95%	\$74,896,993	\$77,352,895
March	95%	94%	\$58,447,577	\$61,091,157
June	95%	96%	\$84,602,707	\$86,806,266

The invoice payment report is based on quantity of invoices paid on time as a percentage and not based on a dollar amount. Hunter Water across the year met the NSW Treasury target of 95% of invoice payments being on time.

### 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	\$71,061,156	\$1,296,673	\$150,570	\$26,470	\$12,096	\$72,546,966
December	\$74,896,993	\$1,918,016	\$216,555	\$232,736	\$88,595	\$77,352,895
March	\$58,447,577	\$2,270,941	\$226,589	\$102,729	\$43,320	\$61,091,157
June	\$84,602,707	\$1,588,454	\$518,478	\$48,586	\$48,040	\$86,806,266

## Cost of Producing Annual Report

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

## Significant Audit Matters

No significant audit matters were identified by the Audit Office of NSW during the external audit for 2018-19.

## LEGISLATION

### Right to Information

During 2018-19, Hunter Water received 13 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 wherever possible. A formal application is not required if the volume of and ease of access to the information required to satisfy the request is not labour intensive.

Hunter Water's education programs cater for Preschool to Tertiary 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.

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
- Facebook, Twitter, Instagram and LinkedIn
- 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 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 social media accounts 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 Outcome<sup>1</sup>

	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	0	0	0%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private sector business	1	3	0	2	0	2	0	0	8	38%
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0	0%
Members of the public (application by legal representative)	1	1	0	1	0	0	0	0	3	14%
Members of the public (other)	5	1	1	3	0	0	0	0	10	48%
<b>Total</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>21</b>	
<b>% of Total</b>	<b>33%</b>	<b>24%</b>	<b>5%</b>	<b>29%</b>	<b>0%</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>		

<sup>1</sup> 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<sup>1</sup>

	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*	0	0	0	0	0	0	0	0	0	0%
Access applications (other than personal information applications)	7	5	1	6	0	2	0	0	21	100%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>21</b>	
<b>% of Total</b>	<b>33%</b>	<b>24%</b>	<b>5%</b>	<b>29%</b>	<b>0%</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>		

\* A 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)	0	0%
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	0	0%
Invalid applications that subsequently became valid applications	0	0%

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

	Number of Times Consideration Used <sup>2</sup>	% of Total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal Professional Privilege	1	100%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%

<sup>2</sup> 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 <sup>2</sup>	% of Total
Responsible and effective government	2	25%
Law enforcement and security	0	0%
Individual rights, judicial processes and natural justice	5	63%
Business interests of agencies and other persons	1	13%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
<b>Total</b>	<b>8</b>	

## Timeliness

	Number of Applications	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	13	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
<b>Total</b>	<b>13</b>	

## 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 <sup>3</sup>	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>3</sup>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
<b>Total</b>	<b>0</b>

## Applications transferred to other agencies

	Number of Applications Transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0
<b>Total</b>	<b>0</b>

## Legislative Change

### Modern Slavery Act 2018 (NSW) – not yet in force

The Modern Slavery Act 2018 (NSW) was assented to in June 2018, but as at the end of FY2018/2019 it has not yet commenced. Once in force, the Modern Slavery Act 2018 (NSW) will require commercial organisations with an annual turnover of \$50 million or more to produce an annual Modern Slavery Statement containing the steps taken to ensure that their goods and services are not a product of supply chains in which modern slavery is taking place. Government agencies (including Hunter Water as a State Owned Corporation) are exempt from reporting, however are subject to a number of provisions directed to the incidence of modern slavery in the procurement of goods and services by NSW government agencies.

Specifically, the Modern Slavery Act 2018 (NSW) will insert a new provision into the Public Works and Procurement Act 1912 (NSW) mandating that government agencies must take reasonable steps to ensure that the goods and services they procure are not the product of modern slavery. Furthermore, any government agency that fails to comply with the NSW Procurement Board's directions concerning the procurement of goods and services that are the product of modern slavery will be identified in the Anti-slavery Commissioner's public register.

### Building and Construction Industry Security of Payment Amendment Act 2018 (NSW) – commencing 21 October 2019

Amendments to the Building and Construction Industry Security of Payment Amendment Act 2018 (NSW) were assented to on 28 November 2018 and will commence on 21 October 2019. The amendments will apply to construction contracts entered into on and after 21 October 2019, and form part of the review of the Building and Construction Industry Security of Payment Act 1999 (NSW) (SOPA) which commenced in 2015.

The amendments remove the need for progress payments to be triggered by a 'reference date', instead claimants can make a payment claim at least once per month for work and make a final claim if a contract is terminated.

### Crown Land Management Act 2016 (NSW) - in effect

When the Crown Land Management Act 2016 (NSW) came into effect on 1 July 2018, the previous 11 Acts comprising the old Crown Land regime (including the Crown Lands Act 1989 (NSW)) were repealed.

The Crown Land Management Act 2016 (NSW) allows local Councils to take direct ownership of Crown land that has local value and simplifies the processes for Councils managing Crown land in the future. It also includes an objective 'to facilitate the use of Crown land by the Aboriginal people of New South Wales ... and, where appropriate, to enable the co-management of dedicated or reserved Crown land'.

## Public Interest Disclosures

### Reporting Period July 2018 to June 2019

Number of public interest disclosures received by Hunter Water	5
Number of public officials who made public interest disclosures to Hunter Water	5
<b>Information on public interest disclosures received:</b>	
- Corrupt conduct	5
- Maladministration	0
- Serious and substantial waste of public money	0
- Government information contravention	0
- Local government pecuniary interest contravention	0
<b>Number of public interest disclosures (received since 1 Jan 2013):</b>	
That have been finalised in this reporting period	5
Has Hunter Water established an internal reporting policy?	Yes
Has Hunter Water taken action to meet its employee awareness obligations?	Yes
<b>Actions taken to increase awareness include:</b>	
- Inductions for new employees	
- Provision of intranet resources	
- Training	

## 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. The Board of Directors have approved a suite of Risk Appetite Statements enabling articulation of their expectations and providing clear direction in organisational decision making. As part of its ongoing risk identification, assessment and management activities Hunter Water continues to establish and refine risk mitigation treatment actions and controls which reduce the impact and likelihood of adverse events. Key risks have been identified and mitigating controls and management strategies established. Details of key risks assessed with a high controlled risk and associated treatment actions are outlined in the table below.

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
Asset failure	Examines identified structural deficiencies of key assets and the impact on ability to deliver core services should failure occur	Deliver asset condition assessment programs Deliver capital works upgrades
Environmental compliance	Reviews business practice outcomes that do not meet environmental obligations	Implement Environmental Compliance Improvement Strategy Deliver upgrade strategies for wastewater treatment works Implement Environmental Management Plan Implement Hazardous Chemicals Management Program Develop climate change adaptation strategy
Unsafe work environment/ behaviours	Reviews work practices that do not sufficiently ensure the safety of employees and the community	Implement Fatal Risk Program Implement Manual Task Program Health and Wellbeing Program

## Major Capital Works in Progress

Project	Cost	Commenced	Status
Central Coast Transfer Capacity Upgrade	8,673,000	May-17	Complete
Chichester Trunk Gravitational Main Construction - Duckenfield to Tarro Replacement	34,568,000	Jul-17	Underway
Dungog Water Treatment Plant Upgrade	7,947,000	Aug-18	Underway
Dungog WWTW Upgrade	4,919,000	May-17	Underway
Farley WWTW Stage 3B Upgrade	1,092,000	Jun-18	Underway
Gillieston Heights and Chisholm Recycled Water Treatment Plant	9,649,000	Mar-18	Complete
Maitland 14 WWPS Upgrades (Housing Acceleration Fund HAF2 Upgrades)	7,674,000	Jun-17	Underway
Mayfield Culvert Renewal	5,117,000	Jul-18	Complete
Network Chemical Dosing Unit Upgrade	302,000	Apr-18	Underway
SCADA Radio Network Replacement	8,307,000	Mar-17	Complete
Stockton Beach Exposed Landfill	5,394,000	Mar-18	Complete
Telemetry System Upgrade 2018-2020	3,532,000	Jun-18	Underway
Tillegra Riparian Improvement Project	3,121,000	May-17	Underway
Waratah West Wastewater Upgrade	4,687,000	Dec-16	Complete
Water and Sewer Relocation Program	4,123,000	Jul-16	Underway
Wyee Sewer Scheme	3,042,000	Feb-17	Underway

Note: Status is at 30 June 2019.

### Definitions

Underway: Design and/or construction commenced.

Complete: Practical completion achieved, in operation/implemented.

# HUNTER WATER AUSTRALIA

(LIQUIDATED)

FINANCIAL STATEMENTS FOR THE  
PERIOD ENDED 14 MAY 2019

## ORGANISATIONAL PROFILE

### About Us

Hunter Water Australia Pty Limited (Hunter Water Australia) was 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 was fully liquidated and deregistered on 14 May 2019.

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 the financial period ended 14 May 2019 as it ceased operations in December 2014. No profit or loss was generated for the financial period ended 14 May 2019.

In December 2015 liquidators were appointed by the Directors as part of the voluntary liquidation process which also includes windup and deregistration of Hunter Water Australia. The Company was deregistered through the Australian Securities & Investments Commission (ASIC) on 14 May 2019.

## 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 period ended 14 May 2019.

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 P Dalglish

### Information on Directors

#### **T Lawler AO, B Com, FCA, FAICD, FAIM**

Mr. Lawler was appointed as Chairman of the Board and Chairman of Hunter Water Corporation on 1 January 2012. Mr. Lawler is also Chair of Life Without Barriers Limited and Chair of Ampcontrol Group. Mr. Lawler is also a Director of Powerdown Australia Pty Limited and Peoplefusion Pty Limited. Mr. Lawler has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Limited and a Director of Newcastle Port Corporation.

#### **P Dalglish BSc, GDipMktgMgmt, GAICD**

Mr. Dalglish was appointed as a Director on 2 July 2013 and is also a Director of Hunter Water Corporation. Mr. Dalglish is a water industry specialist with over 40 years' experience in all facets of the industry including management of large-scale wastewater treatment operations and infrastructure projects, corporate planning and system performance review. Mr. Dalglish is currently a Director of Chester Consulting Pty Ltd and has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

### Meetings of Directors

No Board meetings were held during the financial period as the company has been placed into liquidation.

### Principal Activities

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. The final distribution was made in March 2019 as a resolution of the liquidator. The Company was deregistered on 14 May 2019.

### Results and Dividends

No profit or loss was generated for the financial period ended 14 May 2019 as the company has ceased operations. As a resolution of the liquidator, a final distribution of \$5,804,607 was paid to the Parent Entity Hunter Water Corporation on 15 January 2019.

### 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 and the Company was formally deregistered through ASIC on 14 May 2019.

### Subsequent Events

There were no significant reportable events after the reporting date 14 May 2019. These will be the final set of financial statements prepared for Hunter Water Australia Pty Limited.

### Directors' Indemnification

No liability has been reported during or since the financial period. The Company was formally deregistered through ASIC on 14 May 2019.

## 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. The company was deregistered on 14 May 2019.

## 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 14 May 2019 and the performance for the financial period ended 14 May 2019.

## Future Developments

The Company sold all assets and ceased operations in December 2014. The Company was deregistered through ASIC on 14 May 2019.

## 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 155.

## Directors' Benefits

During or since the financial period 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 AO**

Chairman



**Mr P Dalglish**

Director

Dated 29 August 2019

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 period ended 14 May 2019, 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.

A handwritten signature in blue ink that reads "Karen Taylor".

Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 August 2019  
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 Comprehensive Income for the period 1 July 2018 to 14 May 2019, the Statement of Financial Position as at 14 May 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the period 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 14 May 2019 and its performance for the period ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are 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 requirements of the:

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

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing non-audit services.

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Company on 28 August 2019, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

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

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## Emphasis of Matter – liquidation basis

I draw attention to Note 1A. Basis of Preparation in the financial statements, which state the Company was deregistered on 14 May 2019 and the financial statements have been prepared on a liquidation basis. My opinion is not modified in respect on this matter.

## Other Information

The Company's annual report for the period ended 14 May 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Company are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Director's Report.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## Directors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

## INDEPENDENT AUDITOR'S REPORT CONTINUED

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 it may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 August 2019  
SYDNEY

# FINANCIAL STATEMENTS

Start of audited financial statements.

## Statement of Comprehensive Income for the period ended 14 May 2019

	Notes	2019 \$'000	2018 \$'000
Profit for the period from Discontinued Operations	2	-	-
Income Tax		-	-
<b>Profit for the period net of tax</b>		-	-
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income for the period</b>		-	-

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

## Statement of Financial Position as at 14 May 2019

	Notes	2019 \$'000	2018 \$'000
<b>Current Assets</b>			
Other financial assets	3	-	5,805
<b>Total Current Assets</b>		-	5,805
<b>Total Non-Current Assets</b>		-	-
<b>Total Assets</b>		-	5,805
<b>Total Current Liabilities</b>		-	-
<b>Total Non-Current Liabilities</b>		-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		-	5,805
<b>Equity</b>			
Contributed equity	4	-	900
Retained earnings		-	4,905
<b>Total Equity</b>		-	5,805

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

## Statement of Changes in Equity for the period ended 14 May 2019

	Notes	Retained Earnings \$'000	Contributed Equity \$'000	Total \$'000
Opening balance at 1 July 2018		4,905	900	5,805
<b>Profit / (loss) for the period</b>		-	-	-
<b>Total comprehensive income for the period</b>		-	-	-
<b>Transaction with owners in their capacity as owners</b>		-	-	-
Distribution on liquidation to Parent Entity	3&4	(4,905)	(900)	(5,805)
<b>Balance at 14 May 2019</b>		-	-	-

	Notes	Retained Earnings \$'000	Contributed Equity \$'000	Total \$'000
Opening balance at 1 July 2017		4,905	900	5,805
<b>Profit / (loss) for the year</b>		-	-	-
<b>Total comprehensive income for the year</b>		-	-	-
Transactions with owners in their capacity as owners		-	-	-
<b>Balance at 30 June 2018</b>		<b>4,905</b>	<b>900</b>	<b>5,805</b>

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

## Statement of Cash Flows for the period ended 14 May 2019

### Discontinued Operations

	Notes	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities		-	-
<b>Net cash flows from operating activities</b>	<b>5</b>	-	-
Cash Flows from Investing Activities		-	-
<b>Net cash flows from investing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	-
<b>Cash at the beginning of the financial period</b>		-	-
<b>Cash at the end of the financial period</b>		-	-

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 financial statements are for Hunter Water Australia Pty Limited (the Company) which prior to deregistration was a fully owned subsidiary of Hunter Water Corporation (the Parent Entity).

The Company's financial statements for the period ended 14 May 2019 were authorised for issue in accordance with a resolution of the Board on 29 August 2019.

#### 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*, the *Public Finance & 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. The Company was deregistered on 14 May 2019.

The financial statements have been prepared on an accruals basis using the historical cost convention.

#### Rounding

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

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.

#### 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 and its Parent Entity decided to implement the tax consolidation from 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.

#### D. 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.

Refer Note 3 for further disclosures regarding fair value measurements of financial and non-financial assets and liabilities.

#### E. 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.

#### F. 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.

Cash flows of GST are included in the Statement of Cash Flows on a gross basis.

#### G. Accounting Standards & 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 financial year 2019 and beyond. As the Company's financial statements have been prepared on the liquidation basis, the impact of new accounting standards issued but not yet operative are not material as assessed by management.

## Note 2. Discontinued Operations

### 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. The Company was deregistered on 14 May 2019. Financial information relating to the discontinued operations for the period up to the balance date are set out below.

	2019 \$'000	2018 \$'000
<b>Profit from Discontinued Operations</b>		
Revenue	-	-
Expenses	-	-
<b>Profit before Income Tax</b>	-	-
Income Tax Expense	-	-
<b>Profit from Discontinued Operations</b>	-	-

Audit fees for 2019 of \$4,600 (2018: \$4,500) were paid by the Parent Entity.

Liquidation fees for 2019 of \$7,874 (2018: \$13,936) were paid by the Parent Entity.

## Note 3. Other Financial Assets

	2019 \$'000	2018 \$'000
Current		
Loan to Parent Entity	-	5,805
	-	5,805

The intercompany loan is interest free and unsecured. It is measured at amortised cost. During the financial period ending 14 May 2019 a final distribution of \$5,804,607 was made to the Hunter Water Corporation as a resolution of the liquidator.

### Fair Value Hierarchy

The loan to the Parent Entity is measured under the fair value hierarchy as a level 3 input.

## Note 4. Contributed Equity

	2019 \$'000	2018 \$'000
Issued and paid up capital 900,010 ordinary shares each fully paid	-	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. During the financial period ending 14 May 2019 a payment of \$900,010 was made to Hunter Water Corporation as a resolution of the liquidator.

## Note 5. Statement of Cash Flows - Operating Activities

There were no cash flows for the company during the financial years 2018 or 2019.

## Note 6. Contingent Liabilities and Assets

During July 2018 a legal matter regarding an outstanding claim with HWA was resolved. There are no new outstanding claims made against HWA. The Company was deregistered on 14 May 2019. Management do not expect to incur any cash outflows relating to this matter.

No other contingent assets or liabilities identified at balance date (Nil at 30 June 2018).

## Note 7. Auditors' Remuneration

	2019 \$'000	2018 \$'000
Audit of financial reports (exclusive of GST)	5	5
	5	5

Audit fees for 2019 and 2018 were paid by the Parent Entity.

## Note 8. 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 owned 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.

During the financial year 2019, a final distribution of \$5,804,607 was made to the Parent Entity Hunter Water Corporation as a resolution of the liquidator.

### A. Parent Entity

Outstanding Balances at Year End	2019 \$'000	2018 \$'000
<b>Receivables</b>		
Inter-company loan to Parent Entity	-	5,805
<b>Total receivables</b>	-	<b>5,805</b>

### B. Related Entity/Party

No related party transactions have been entered into over the past two financial years other than the final distribution made as a result of the liquidation resolution.

## Note 9. Key Management Personnel Disclosures

### A. Directors and Any Director Related Entities

The Directors of Hunter Water Australia Pty Limited during the financial period were:

Mr T Lawler AO                      Chairman

Mr P Dalglish

All Directors of Hunter Water Australia Pty Limited were also Directors of the Parent Entity, Hunter Water Corporation during the period.

### B. Other Key Management Personnel

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

Name	Position
Mr P Kembrey	Acting General Manager (from 1 May 2018 to 21 December 2018) Company Secretary
Ms J Hayes	Acting General Manager (from 22 December 2018)

### C. Key Management Personnel Compensation

No compensation has been paid to Key Management Personnel since operations ceased in December 2014.

## Note 10. Events Occurring After Balance Date

No matters or circumstances have arisen since the balance sheet date of 14 May 2019 which significantly affect or may affect the operations of the Company, the results, or the state of affairs of the Company.

**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:

- a) Exhibit a true and fair view of the financial position of the Company as at 14 May 2019 and its performance as represented by the results of its operation and its cash flows for the period then ended.
- b) 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 AO**

Chairman



**Mr P Dalglish**

Director



Dated 29 August 2019

Newcastle

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## Contact us

### Customer enquiries

1300 657 657  
(Weekdays 8.00am - 5.00pm)

### Report a fault

1300 657 000  
(24 hours, 7 days)

### Translation service

131 450  
(Weekdays 8.30am - 5.00pm)

### Head Office

36 Honeysuckle Drive, Newcastle  
(Weekdays 8.30am-5.00pm)  
PO Box 5171, HRMC NSW 2310

### Lake Macquarie Customer Centre

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

### Maitland Customer Centre

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

Customer centres are located within Council offices.

### Email

enquiries@hunterwater.com.au

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