HUNTER WATER

2009-10 ANNUAL REPORT

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our people
OUR FUTURE

CHAPTER 1

ALLANNA RYAN,
MANAGER FINANCE

OVERVIEW

Hunter Water's vision is to be the leader in sustainable water services and utility solutions for our customers. This is achieved through the hard work of dedicated and highly capable people striving to deliver superior customer service while enhancing the environment through operational excellence.

Over 600 people worked with Hunter Water during the 2009-10 year to deliver a range of great results for the communities of the lower Hunter. These included staff, contractors, alliance members, stakeholders, community and board members, working side by side to ensure a sustainable water future for the lower Hunter region.

The framework for our business operations comes from two key instruments.

The first is the NSW Government's regulatory framework for metropolitan water utilities, which protects consumers and the environment through a set of licences and other controls.

The second is the Statement of Corporate Intent (SCI), which sets out the strategic objectives and business performance targets that are agreed to with shareholders, the NSW Government. These objectives and business performance targets are incorporated in our Strategic Business Plan (SBP).

The water industry has faced many changes over the past decade and Hunter Water has adapted to embrace these challenges. Our SBP, which focuses on four key areas of customers, environment, operational excellence and performance culture, provides clear direction for our future.

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

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

We are proud of our long history of service to the local community, our environmental stewardship, our record of leadership in water industry reform and the individual and collective contribution and achievements of our staff and partners.

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L-R: KEVIN YOUNG, MANAGING DIRECTOR & RON ROBSON, CHAIRMAN

managing director and **CHAIRMAN'S REPORT**

This annual report is titled 'Our People – Our Future'. The water industry has moved into an era of unprecedented change with competition, drought, technology, structural reform and climate change driving reform.

Change produces a more dynamic environment with significant challenges but also offers tremendous opportunities to improve industry efficiency and effectiveness and to break through historical impediments. We see a more sustainable future ahead and the heart of this change is our people.

Our team at Hunter Water comprises a dedicated group of in house professionals together with our private sector industry partners. Our strategic vision is built around four main pillars of operational excellence, performance culture, customer service and environment.

This year saw us invest further in our people. Some highlights include:

- Leadership Safety Training commenced in 2010 for all managers and OHS Committee members with a focus on behavioural change to reduce incidents and injuries.
- The Directors' Awards were expanded and an impressive 33 nominations were received across the categories of Safety, Sustainability, Business Improvement and Customer STAR Service.
- We further invested in a constructive culture with a real focus on behaviours and values measured through a roll out of new achievement plans.
- One of the most successful development programs through the year was the Management and Leadership Workshops for Field Supervisors. To deliver this, we partnered with Hunter TAFE to design a program that provided all team leaders and supervisors within the Systems Operation division with supervisor skills.

We made good progress in this year with the development of a sustainable workforce, and our price path approved by IPART delivered pricing increases for sustainable finances. We are using this funding to invest in our assets for the longer term and prepare for significant growth. This investment brings with it a focus on meeting higher customer and environmental standards and while there is more to be done, we are seeing real improvements.

Higher investment does mean higher prices and customer affordability is a real issue for the future. Our typical bills in the lower Hunter are lower than all of surrounding areas including Sydney. We are fortunate that we have an option such as Tillegra Dam in the lower Hunter to supply water security not just for now but for generations to come. It will help us have lower bills than the alternative which is desalination. Our energy bills will also be lower and more sustainable with this option.

In 2009-10 we made some excellent steps to increase recycling and we committed $90 million to this area. Major recycling schemes for industry use the same technology as desalination plants and are expensive to construct and run but where we have industry close to the wastewater treatment facilities we can make this work.

Hunter Water customers have always been good at water conservation with one of the lowest unrestricted water consumption rates per household in the country. This will continue through work we undertook in 2009-10 covering dual flush toilets replacement programs, the Hunter Business Water Savers Award, showerhead exchanges and education programs.

We delivered a record $178 million of capital works with great progress in our alliance contract which will deliver major upgrades to our wastewater treatment plants. We want to ensure the beaches in the Hunter remain the cleanest in the State and we have sustainable inland water ways.

We achieved high to full compliance with our operating licence system performance standards for the 2008-09 year, with the results for the 2009-10 year still to come. Water quality results were at an all time high.

Safety results for the year were disappointing and we must do better. We had an increase in lost time injuries. Our review indicated that our safety procedures and processes are of a high quality with our real area of improvement being on safety behaviour. The subsequent safety leadership training that has been rolled out across the organisation has been beneficial and it allowed in-depth discussion on the best ways forward.

Looking forward, the uncertain impacts of climate change, major population growth and the long-term introduction of a carbon abatement scheme will provide major challenges. The water industry is not alone in meeting these challenges and it is clear that we will need to work together with other sectors to achieve better outcomes for our cities.

It is also clear that over the next 50 years we will be living in different cities meeting different challenges but water will remain the key ingredient for a healthy life. Hunter Water has served our region for more than 100 years. We look forward to serving this community for a further 100 years.

KEVIN YOUNG
Managing Director

RON ROBSON
Chairman

DAVID DAVIES, MANAGER CIVIL MAINTENANCE

corporate GOVERNANCE

Corporate governance describes the system by which the organisation is directed and managed. It includes how we define and achieve our objectives, as well as how we manage our relationships with our shareholders and other stakeholders including our customers, employees, regulators and suppliers.

Hunter Water believes that good corporate governance encourages the business to create value through achieving its objectives, while providing accountability and control systems that are appropriate to the risks involved in its business.

Corporate governance involves three elements of the Director's role:

1. Providing strategic direction for the company's survival and prosperity; in 2009-10 the board of Hunter Water was actively involved in strategy formulation including an annual strategic planning session.
2. Providing supervision of the key executive performance and business results;
3. Being accountable for the company's affairs to its shareholders, employees, suppliers, investors, Governments and to the community as a whole.

This statement outlines the main corporate governance practices in place throughout the financial year.

BOARD MANAGEMENT

Under the Hunter Water Act 1991, the Board is comprised of up to nine members. A Chairperson is appointed by the Voting Shareholders of the Corporation and the Managing Director, together with the seven Directors.

All Non-Executive Directors are appointed for their expertise across a range of fields, with the Managing Director the only Non-Independent Director, appointed in accordance with our Constitution and *State Owned Corporation Act 1989* upon the recommendation of the Board.

The overall role of the Board is to enable Hunter Water to satisfy its primary function by setting corporate direction and goals, overseeing the plans of management to achieve these goals and reviewing progress at regular intervals.

Our Board of Directors for 2009-10 were Mr Ron Robson, Chairman, Mr Kevin Young, Managing Director, Mr Gary Kennedy, Ms Barbara Crossley, Mr Richard Alan Chappel, Ms Jann Gardner, Professor Adrian Page and Mr Jeff Eather. In addition, Stephen Phillips, General Manager Customers and Commercial Development was the Company Secretary.

The board receives advice from a number of different channels, one of which is the Board committees. There are seven committees that each operate to a separate charter.

Audit and Risk Committee

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

The Internal Auditor, the external auditors, the Managing Director and other management are invited to attend Audit and Risk Committee meetings at the discretion of the Chair of the Committee.

The NSW Audit Office is Hunter Water's statutorily appointed external auditor. In 2007-08 the Audit Office outsourced our audit to Prosperity Advisors for a period of four years.

The responsibilities of the Audit Committee include:

- Reviewing the annual financial statements for recommendation to the Board. This includes new or significant changes to accounting policies to ensure compliance with Australian Accounting Standards and reviewing significant accounting estimates and the results of the external audit.
- Reviewing the effectiveness of the risk management framework.
- Assessing and monitoring the performance and objectivity of the internal audit function and approving the annual internal audit plan.
- Ensuring fraud risks are properly identified and effective preventative and detective controls are in place to manage these risks.
- Monitoring processes to ensure compliance with regulatory requirements.

Risk management is an ongoing process essential to the vast majority of tasks performed at Hunter Water.

Our Enterprise Risk Framework is designed to provide a corporate risk profile that is dynamic and readily able to indentify the key risks facing the business as a whole at any point at time.

Hunter Water has in place a system of internal controls to mitigate the risks faced by our business. The Audit and Risk Management Group works to a risk based internal audit plan designed to ensure that these controls operate continuously and effectively. The Group provides regular reports to this

committee on the results of audits performed and facilitates quarterly updates on the risk profile to the Committee.

Capital Works Committee

The Committee assists the Board in providing direction to, and the monitoring of, the capital works and research and development programs.

The responsibilities of the Capital Works Committee include:

- Provision of a strategic overview of the longer term Capital Program of Hunter Water Corporation (HWC) up to 20 years out. This overview will include:
  - The major components of likely capital expenditure.
  - The major determinants of that expenditure - in particular the strategic issues such as growth, the Department of Climate Change (DECC), HWC's Operating Licence and the Independent Pricing And Regulatory Tribunal (IPART).
  - The criteria on which items of capital expenditure are assessed.
- To consider the annual Capital Budgets prior to their presentation to the full Board.
- Monitoring of progress with major items of capital works as they are undertaken.
- Monitoring of post-completion reviews of capital projects, assessing the effectiveness of their imposition and whether the advantages claimed for them are being realised.
- To consider Strategic/ Research and Development issues as they relate to the capital works program and to the broader business.

Major Customers Committee

This committee assists the Board in providing direction on strategic and commercial parameters associated with business dealings for major customers.

Out of Session Committee

This committee allows the Board to delegate authority for reviewing and approving recommendations on matters such as inviting or awarding consultancies, tenders or contracts outside the normal Board meeting schedule.

Remuneration Committee

This committee considers strategies for succession planning of key management roles and overall remuneration and performance pay strategy.

Tillegra Dam Committee

To provide strategic oversight of the program of works including preconstruction activity and communication strategies associated with the delivery of Tillegra Dam.

Corporate Governance Committee

Corporate Governance concerns the directing of the company as distinct from the managing of the company. It involves the overseeing and contributing of the executive functions of management. Hunter Water Corporation has voluntarily complied with the principles and recommendations of the ASX Corporate Governance Council in the most recent edition of its ASX Corporate Governance Principle's and Recommendations (ASX Principles), where appropriate and relevant in Hunter Water's circumstances.

Community, Environment and Sustainability Committee

To assist the Board in providing direction to, and monitoring of, strategic plans and initiatives as these may affect the sustainable use of resources and delivery of services arising from the operations of Hunter Water in the context of its trading, social and natural environment.

Consultative Forum

The Consultative Forum was established in 1989 and meets quarterly to discuss Hunter Water's activities with relevant local councils and community representatives to provide two way communication with important stakeholders.

The Forum consists of representatives from five local councils, major customers and environmental and community groups.

Hunter Water uses the Forum to give information and seek advice on issues related to our activities in the region. Community representatives can use the Forum to provide important feedback to Hunter Water and raise any issues they may have about our activities.

PROMOTION OF ETHICAL BEHAVIOUR

Key to our sustainability is an ethical culture. The primary means of creating this culture is the Code of Conduct, which sets out principles governing the conduct and behaviours of Hunter Water employees.

We encourage employees to report suspected fraud, corruption, maladministration or serious or substantial waste and have a range of avenues and methods for reporting, all in compliance with the requirements of the NSW Protected Disclosures Act 1994.

RECORDS MANAGEMENT

Hunter Water has an established Records Management program that complies with the State Records Act 1998 and its regulations. We currently use TRIM as our electronic document management system and hard copy records are stored at head office as well as offsite storage. Staff actively apply our approved disposal authorities to destroy obsolete records and preserve those that are of State significance.

In the spirit of the new Government Information (Public Access) Act, as of July 1 2010, we will make all information, to which the public has a right to access, freely available and endeavour to proactively release a wide range of information to make our actions transparent and provide further accountability for our decision making.

organisational **STRUCTURE**

BOARD COMMITTIES
- Audit & Risk
- Capital Works
- Community, Environment & Sustainability
- Corporate Governance
- Major Customers
- Remuneration
- Tillegra Dam

BOARD
- **Ronald Robson** OAM, FAIM, FAICD, JP
- **Kevin Young** B Eng, MBA, FIE Aust, CPENG, FAICD
- **Barbara Crossley** B.Nat.Res.(Hons), MEIA, MAICD
- **Richard Chappel** BE (Civil), Dip T & RP, Hon FIE Aust, FTSE
- **Gary Kennedy**
- **Proffessor Adrian Page** ASTC, BE, PhD ,FTSE ,Hon FIEAust, CPEng
- **Jann Gardner** BA, LLB, MBA
- **Jeff Eather** B.Com, CPA, FCIM

JIM KEARY
BE, MBA, FIE Aust, CPEng, FAICD

General Manager
Hunter Water Australia

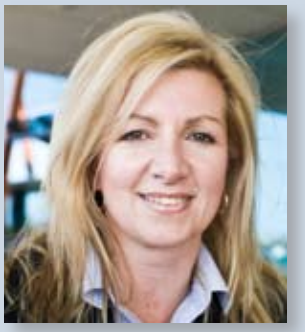
KEVIN YOUNG
B Eng, MBA, FIE Aust, CPEng, FAICD

Managing Director
Hunter Water Corporation

PETER DENNIS
B Eng (Chem), MEnvStud, GradDipMgmt, FIE Aust, CPEng

General Manager System, Strategy & Sustainability
- Assets Management
- Environment & Sustainability
- System Planning
- Water Resources

SHARON SMITH
B Comm, ACA, ASIA, GAICD



General Manager Business Strategy & Communication
- Audit & Risk
- Business Strategy & Economics
- Communication
- Media & Government Relations
- Community Consultation

CHRIS TURNBULL
B Eng, DipMgmt, CPEng, FIE Aust

General Manager Infrastructure Delivery
- Program Office
- Tillegra Dam Delivery Team
- Network Delivery Team
- Treatment Delivery Team

STEPHEN PHILLIPS
ADipEng, GradDipMgmt, MBA, MComLaw, MCLA, FAICD, JP

General Manager Customers and Commercial Development
Company Secretary
- Business Operations
- Customer Services
- Product and Business Development
- Service Development
- Strategic Projects
- Secretariat

JOHN O'HEARN
B Comm, FCPA, GAICD

General Manager Business Services
- Corporate Services
- Finance
- Information & Communication Technology

JOANNE MARTIN
B Bus

General Manager People & Change
- Occupational, Health & Safety
- Human Resources
- Organisational Development
- Continuous Improvement

DEAN TAYLOR
B Com, MEBM, CPA, OMIE Aust, MAICD

General Manager System Operations
- Civil Services
- Electrical/Mechanical Services
- Network Operations
- Treatment Operations
- Technical Information

regulatory FRAMEWORK

The NSW Government regulates Hunter Water's operations through a number of regulatory instruments, including an Operating Licence.

Other regulators and their roles are:

- the Independent Pricing and Regulatory Tribunal (IPART), advises the Minister for Water on the conditions for the Corporation's Operating Licence and arranges an annual audit of the Corporation's performance in meeting the conditions of the licence. IPART also sets the prices we charge for water, recycled water, sewer and drainage services,
- the NSW Department of Environment, Climate Change and Water (DECCW) licences the operations of our wastewater pipe network and wastewater treatment plants.
- the NSW Office of Water (NOW) licenses the extraction of water from natural surface and groundwater sources for supply to Hunter Water's customers; and
- NSW Health, through a Memorandum of Understanding, establishes the scope of the Corporation's drinking water monitoring plan and procedures for communicating results of water quality monitoring programs.

OPERATING LICENCE

The licence sets out Hunter Water's operating responsibilities and establishes performance standards indicators and frameworks for drinking water quality, infrastructure operations, customer relations, environmental management and the management of water supply and demand.
The NSW Minister for Water administers the Operating Licence. Performance against the Operating Licence is outlined throughout this report.

The Minister also has powers to direct Hunter Water in certain matters of public interest.

Hunter Water delivers services under an Operating Licence granted by the NSW Government.

The licence protects consumers by prescribing minimum standards of service that Hunter Water must meet in relation to:

- drinking water quality - supplying customers with safe drinking water,
- water continuity - providing customers with a reliable supply of water,
- water pressure - providing customers with water at acceptable pressure for everyday use; and
- wastewater transport - providing the reliable transport of sewage.

The Operating Licence also sets out conditions relating to:

- community consultation
- customer and consumer rights
- customer complaint and dispute handling
- managing water demand and supply
- environmental management
- publication of environmental and ESD indicators; and
- annual independent auditing of operational performance.

Hunter Water's current Operating Licence came into operation on 1 July 2007. The NSW Government amended the licence in 2008 to include Dungog Shire in Hunter Water's area of operations. Further amendments have been made to update the performance standards for water continuity, water pressure and the wastewater transport system. These new standards apply from July 2010.

A full copy of the Operating Licence is available on our website.

Each year, an independent audit of Hunter Water's operations is conducted to assess the Corporation's compliance with the Operating Licence. The audit assesses our performance in meeting the service standards and other conditions of the licence.

IPART is responsible for the annual operational audit and periodic reviews of our Operating Licence. IPART appointed an auditor for the 2009-10 audit in August 2010. IPART will make the results of the audit available to the community once it is complete.

WASTEWATER SYSTEMS

The NSW Department of Environment, Climate Change and Water issues licences under the Protection of the Environment Operations Act 1997 for Hunter Water's 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 three years under the legislation. The licences also specify operational controls and performance reporting for the wastewater pipe network and pumping stations.

ACCESS TO WATER

Hunter Water extracts water from the Williams, Paterson and Allyn Rivers as well as groundwater sources under stringent conditions set out in licences issued by the NSW Office of Water (NOW) under the Water Act 1912 and Water Management Act 2000. Further information about the water access licensing arrangements can be obtained from NOW's website, www.water.nsw.gov.au

NOW can direct Hunter Water to carry out remedial work should water extraction activities be determined by NOW to have caused any adverse environmental impacts.

GOVERNING LEGISLATION	• *State Owned Corporations Act 1989* • *Hunter Water Act 1991*
PRINCIPAL REGULATORY CONTROLS	• Operating Licence (NSW Government through IPART) • Prices for water, sewer and drainage services (set by IPART) • Wastewater Systems (Department of Environment, Climate Change and Water) • Extraction of water from natural sources (NSW Office of Water) • Drinking Water Quality (NSW Department of Health)
OBLIGATION TO CUSTOMERS	• Operating Licence (IPART) • Customer Contract (IPART)
OBLIGATION TO SHAREHOLDERS	• Statement of Corporate Intent
OPERATIONAL MANAGEMENT	• Board of Directors • Managing Director • Staff

BACK ROW L-R: STEPHEN PHILLIPS, BARBARA CROSSLEY, RICHARD CHAPPEL, JEFF EATHER, ADRIAN PAGE. FRONT ROW L-R: KEVIN YOUNG, RON ROBSON, JANN GARDNER. ABSENT: GARY KENNEDY

board REPORT

Hunter Water's Board oversees the organisation's policies, management and performance. It sets strategic direction and ensures we achieve our business and regulatory objectives.

Hunter Water's subsidiary company, Hunter Water Australia (HWA) operates autonomously and has its own Board.

Hunter Water has a strong corporate governance program that underpins our strategic objectives and commitment to our customers, shareholders and the community. The Board's Corporate Governance and its Audit and Risk committees play a key role in setting our corporate governance culture (see page 11-12 for more).

As part of the Boards commitment to fostering a High Performance Culture at Hunter Water, the Directors Awards program was expanded during 2009-10 to encompass achievements linking to all of the key areas of our Strategic Business Plan. The awards now include:

SAFETY (PERFORMANCE CULTURE)
The objective of this award is to acknowledge outstanding initiative and individual contributions in considering and playing an active part in the area of safety improvement and injury prevention across the entire organisation.

ENVIRONMENT (ENVIRONMENT)
The objective of this award is to encourage employees from all parts of the corporation to consider and more clearly recognise the role they each play in sustainability across the entire organisation, both in operations and other areas.

BUSINESS IMPROVEMENT (OPERATIONAL EXCELLENCE)
The objective of this award is to encourage employees from all parts of Hunter Water to consider and more clearly recognise the role they each play in identifying and acting on changes that could lead to business improvements.

CUSTOMER FOCUS (CUSTOMER)
The objective of this award is to encourage employees from all parts of the corporation to consider and more clearly recognise the role they each play in the value chain of delivering service to our customers.

This new awards program has demonstrated the importance of reward and recognising individuals and teams across the business who have delivered above and beyond their daily tasks to deliver value.

our BOARD

Hunter Water's Board comprises the Managing Director and seven independent Directors, one of whom is the Chairperson, appointed by the Shareholders.

Our Board of Directors for 2009-10 were Mr Ron Robson, Chairman, Mr Kevin Young, Managing Director, Mr Gary Kennedy, Ms Barbara Crossley, Mr Richard Alan Chappel, Ms Jann Gardner, Professor Adrian Page and Mr Jeff Eather, with Stephen Phillips, General Manager Customers & Commercial Development as Company Secretary.

The Board oversees the organisation's policies, management and performance. It sets strategic direction for the organisation and ensures Hunter Water achieves its business and regulatory commitments.

RONALD ROBSON OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 1 August 1995 and previously held the position of Director since 1 January 1992. Mr Robson is Chairman of Hunter Water Australia Pty Limited (Hunter Water's subsidiary company).

He is also a Director of the Hunter Development Corporation Pty Ltd, a Director of Robson Health Care Pty Limited, Chairman of Australian Film and Pipe Pty Limited, Chairman of Banlaw Pipeline Pty Ltd, Chairman of Cromford Pty Ltd, Chairman of Copper Chem Limited and Patron of Newcastle/Hunter Valley Rugby Union.

KEVIN YOUNG B Eng, MBA, FIE Aust, CPENG, FAICD

Mr Young was appointed Managing Director on 19 July 2004 and is also a Director of Hunter Water Australia Pty Limited. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities.

He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets. Mr Young is the Chairperson of the Water Services Association of Australia.

He is also a Director of Together Today, the Hunter Valley Research Foundation and a member of the Advisory Board for the Faculty of Business and Law at the University of Newcastle and a member of the Community Engagement Advisory Committee at the University of Newcastle.

BARBARA CROSSLEY B.Nat.Res. (Hons), MEIA, MAICD

Ms Crossley was appointed as a Director on 1 February 2004. Ms Crossley is a Director of Umwelt, a local environmental consultancy firm and is a former Chairperson of Hunter Environment Institute.

She has extensive knowledge of local environmental issues, has managed numerous major project approvals and has a business and marketing focus.

RICHARD ALAN CHAPPEL BE (Civil), Dip T & RP, Hon FIE Aust, FTSE

Mr Chappel was appointed as a Director on 1 February 2004 and is a Director of Hunter Water Australia Pty Ltd. Mr Chappel is a former Managing Director of Connell Wagner and former Chairman of the Australian Underground Construction & Tunnelling Association.

He has vast experience in managing large technical projects involving water and wastewater.

GARY KENNEDY

Mr Kennedy was appointed as a Director on 1 January 2006. Mr Kennedy is the Secretary of Newcastle Trades Hall Council and currently serves on the Hunter Economic Development Corporation. He is part of the Hunter Development Corporation, Chairman of Newcastle and Cardiff Panthers and a Director on the Group Board of the Penrith Panthers. Mr Kennedy holds positions on the Industry Development Centre (IDC) and Disability Advocacy Services Hunter and is the Chair of the IDC Human Resource Committee.

He was previously the NSW President of the Communications Workers Union and has extensive experience in the communications area.

PROFESSOR ADRIAN PAGE
ASTC, BE, PhD, FTSE, Hon FIEAust, CPEng

Professor Page was appointed as a Director on 1 July 2008. He is an Emeritus Professor in Civil Engineering at the University of Newcastle and has held a range of senior university management positions including Deputy Vice-Chancellor (Research) and Pro Vice-Chancellor (Engineering and Built Environment).

He is currently a Director of NUSport and the Shortland Alpine Club. He has previously served as a Director on several Australian Research Council Co-operative Research Centres and other research organisations including the Board of the University of Newcastle Research Associates (TUNRA) and the Hunter Medical Research Institute.

JANN GARDNER
BA, LLB, MBA

Ms Gardner was appointed as a Director on 1 July 2008. Ms Gardner is the Newcastle Managing Partner of Sparke Helmore Lawyers and previously sat on the National Board of that firm. Previously she headed the Statutory Schemes Business Unit, was the Chair of the Promotions Committee and sat on the Board of Tornaydo Pty Ltd, a defined benefits superannuation company.

She is the Vice-President of the Women's Network (Hunter NSW). She has wide experience in the operational and strategic management of a successful professional services business.

JEFF EATHER
B.Com, CPA, FCIM

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

Mr Eather is Chairman of The University of Newcastle Foundation and is a Director of the Mayumarri Trust, a healing centre for survivors of child abuse.

BACK ROW L-R: CHRIS TURNBULL, STEPHEN PHILLIPS, PETER DENNIS, JOHN O'HEARN
FRONT ROW L-R: KEVIN YOUNG, SHARON SMITH, JOANNE MARTIN, DEAN TAYLOR

general management
TEAM REPORT

The 2009-10 year was particularly challenging for the operational divisions of Hunter Water.

Good progress was made in all areas of the Strategic Business Plan whilst delivering both our operations and the highest ever Capital Works Program in line with budget.

The new seven divisional structure introduced last year has strengthened our focus on operational excellence and business improvements to provide even better value for customers and the environment.

PEOPLE AND CHANGE

People and Change developed a revised OHS Strategy for the organisation, underpinned by Behavioural Changes and Safety Leadership Training for all supervisors and managers.

Corporate Health and Wellbeing Programs are also contributing to a better workplace.

A Leadership Competency Framework and new Achievement Plan process was implemented for building on the performance culture we are aspiring to.

SYSTEM STRATEGY AND SUSTAINABILITY

The Division continued its strategic focus on planning and setting the sustainability direction for the organisation in the future for our customers and the environment.

In water resource management, the strategies include unprecedented recycling, new water efficiency measures and the planning for the proposed Tillegra Dam.

The Division successfully secured $8.5M in Federal Grant funding to provide renewable energy for our recycling projects in the Hunter and implemented over 20 energy efficiency initiatives that will result in annual power and cost savings of $0.5m per annum.

CUSTOMERS AND COMMERCIAL DEVELOPMENT

Customer and Commercial Development maintained a focus on increasing the competiveness and value delivered to the community.

A new approach for our developers was launched at the Annual Developer Forum and the customer service teams undertook customer management/complaint resolution coaching sessions, enhancing our customer service capabilities.

SYSTEM OPERATIONS

The System Operations team has undertaken a range of improvements in each of the operational and maintenance areas.

New technologies, including GPS, are being rolled out to further improve our customer service response, asset management capability, and to enhance worker's safety.

BUSINESS STRATEGY AND COMMUNICATIONS

Business Strategy and Communication completed a range of activities during 2009-10 including a review of our Customer Contract which was submitted to IPART for consideration.

The Contract proposes a range of innovative measures to support customers in hardship, clarify roles and responsibilities, and proposes a new rebate scheme. IPART will consider the proposed contract and seek public comment over the next year.

The Communications Team has been strengthened with a dedicated Water Efficiency Coordinator providing the community with educational and other programs.

BUSINESS SERVICES

Business Services undertook a range of initiatives throughout the year including restructuring of our ICT team to create focussed Strategic Planning, Delivery and Operational Teams. Specifically, a project team was formed to work with the business in identifying opportunities for transforming business processes and systems around our major information systems such as procurement, Human Resources, financial, contract and asset management to deliver further efficiencies.

Business Services also contributed to our sustainability efforts with the introduction of recycling bins throughout Head Office as well as working on options for reducing paper and consumables consumption.

Our Finance team ensured we delivered on our financial management and statutory requirements.

INFRASTRUCTURE DELIVERY

Infrastructure Delivery continued with a strong safety focus and achieved a good result, during a record year with the delivery of $179 million in infrastructure.

They are on track to deliver the remainder of our four year $1 billion program. The projects delivered are designed to achieve the best possible benefits for our customers and the environment.

Community consultation was also given high priority this year to ensure successful outcomes are achieved through working collaboratively with the community.

financial HIGHLIGHTS

In 2009/10 a net profit before tax of $66m was achieved.

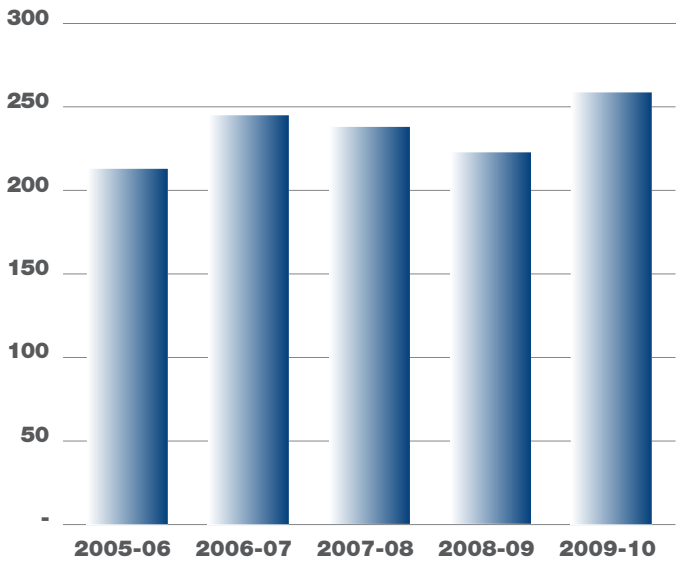
Real operating expenditure slightly increased from $91m in 2008/09 to $100m in 2009/10, this increase reflects higher input costs.

Hunter Water made a record capital investment in 2009/10 of $179m. This included $68m of expenditure on water and wastewater networks and $80m on wastewater treatment plant upgrades.

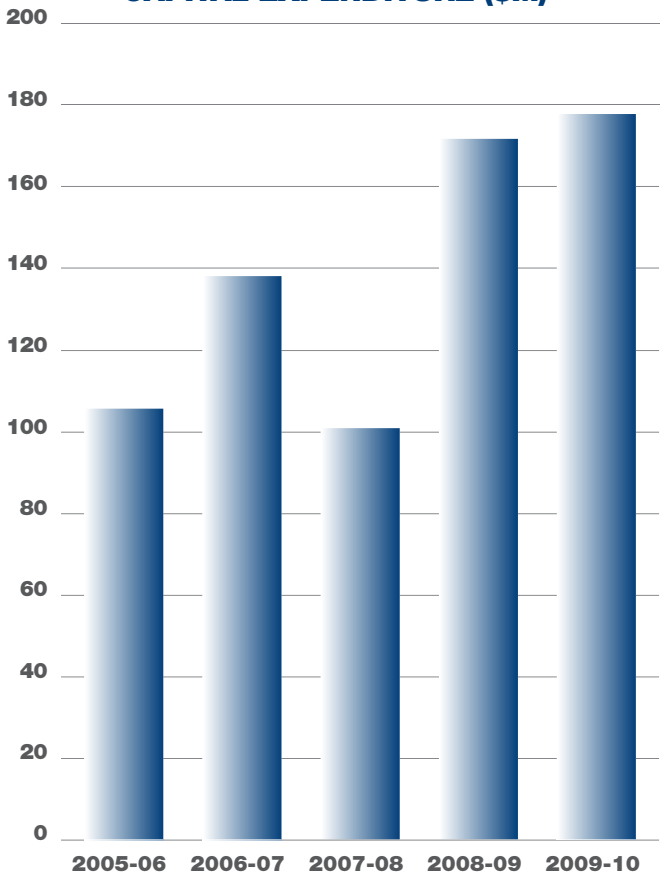
Total assets at the end of 2009/10 were valued at $2,896m, this was an increase of $245m from the previous year.

New borrowings of $137m were required in 2009/10 to deliver the increased capital works program.

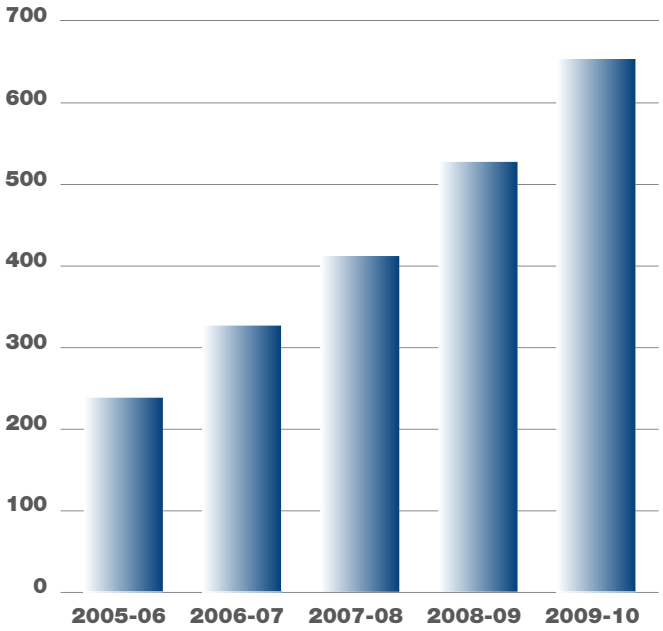
TOTAL INCOME ($M)



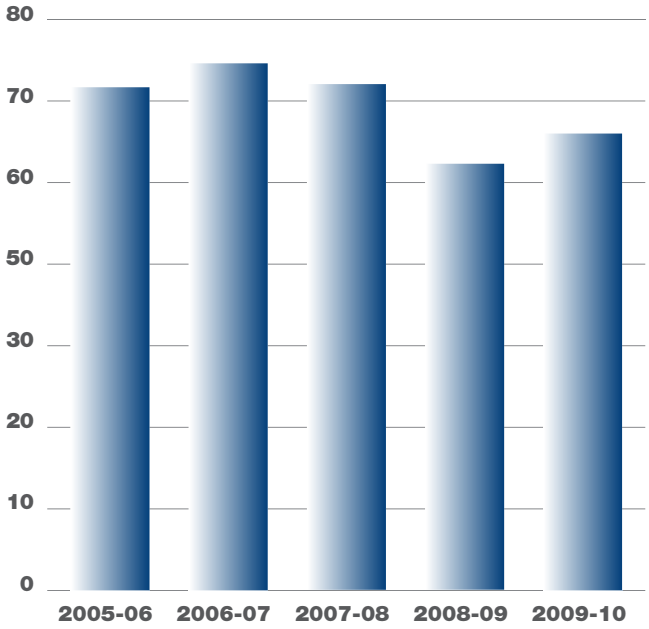
CAPITAL EXPENDITURE ($M)



TOTAL DEBT ($M)

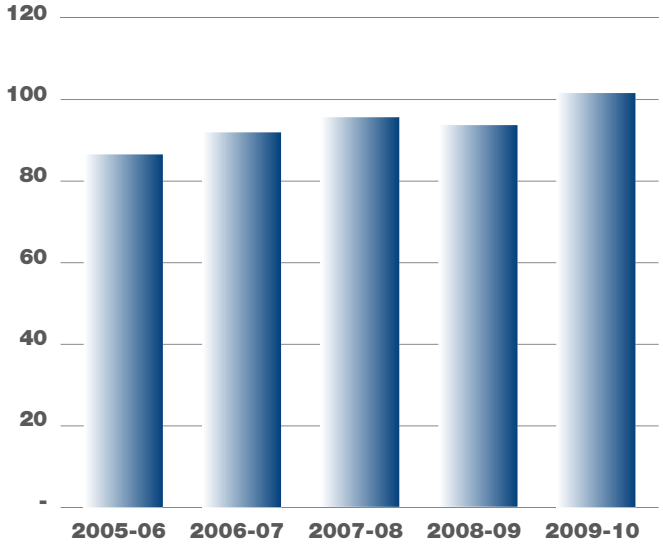


PROFIT BEFORE TAX ($M)



* Superannuation actuarial gains / losses have been excluded from prior years for comparison purposes.

OPERATING EXPENDITURE (REAL $M)



* Adjusted for subsidiary wind up in 2007/08 for comparison purposes.

JULY 09
$1 billion capital investment program begins (page 42)

JULY 09
Introduction of new prices set by IPART.
Over $280,000 in Community Funding announced for community groups throughout the lower Hunter.

JANUARY 10
Issue Management System launched (Page 46)

OCTOBER 09
Safety Week held (page 49)

OCTOBER 09
Established a Customer Panel with over 400 members, comprising of customers who have volunteered to participate in online surveys to share their views on our business activities. (Page 25)

OPERATIONAL

HIGHLIGHTS

FEBRUARY 10
Hunter Water a part of the consortium that put in the successful bid for Smart City, Smart Grid

FEBRUARY 10
Hunter Business Water Savers Program launched (Page 34)

MARCH 10
First Call Plumbing launched (Page 27)

MARCH 10
Annual Developer Forum held.

MARCH 10
One year anniversary of the Hunter Treatment Alliance (page 44)

APRIL 10
New achievement plans rolled out across the organisation.

MAY 10
Partnership finalised with The Vintage Golf Club to deliver the first scheme under the Lower Hunter Recycled Water Initiative. (Page 36)

JUNE 10
Achieved 94% customer satisfaction for the second month in a row.

JUNE 10
Directors' Awards closed with a total of 33 nominations across four categories.

CHAPTER 2

CUSTOMERS

PICTURED IS LONG TIME HUNTER WATER CUSTOMER STAN

OVERVIEW

Hunter Water's prime purpose is as a service provider to its customers. We aim to be regarded by all customers as their supplier of choice.

We recognise that providing quality service and safe and reliable water supply to our customers is critical to our business success, particularly as we move forward from our history as a monopoly provider into a new and evolving commercial environment.

During 2009-10, our Customers and Commercial Development team has succeeded in generating superior outcomes for customers as a result of consistent commitment to customer service excellence. New people, processes, products and initiatives implemented throughout the year have been geared to communicating and collaborating effectively with customers.

Customer service highlights for 2009-10 year included:

- Our call volumes increased 10% this year and we succeeded in improving on customer satisfaction overall.
- In May and June we achieved 94% customer satisfaction, with the overall annual average of 90% an improvement of 6% on 2008-09 results. This is our highest ever result recorded for customer satisfaction.
- Our first call resolution increased by 3% to 88% with a last quarter result of 92%.
- 70% of average calls were answered within 30 seconds.

Continuing our commitment to customer service excellence, an important initiative undertaken this year was a major review of Hunter Water's Customer Contract. The review was embarked upon to better reflect our current business practices and provide a contract more relevant to customer and the busineses needs. The contract is subject to review and approval by the Independent Pricing and Regulatory Tribunal (IPART) and will be effective 1 July 2011.

In an effort to better understand and address the individual needs and wants of customers we also implemented a new customer research program. The program focused on clearly understanding and listening to our customers, as the ongoing measurement of customer satisfaction and perception is an important component of the research. As part of the program we also established a Customer Panel during 2009-10 with over 400 members, comprising of customers who have volunteered to participate in online surveys to share their views on our business activities. The results emerging from this research will continue to be reviewed at quarterly workshops, creating an opportunity for Hunter Water to determine appropriate action and initiatives.

CONTENTS PAGE

resolving customer **CONCERNS**

During 2009-10 we achieved significant improvement in turn-around times to close complaints with an average of 97% of complaints responded to within 10 days - an improvement of 3% on the 2008-09 year.

During 2009-10 Hunter Water continued to focus on improving complaint handling performance by identifying opportunities to improve service and continuing to develop those people in our organisation responsible for this critical area.

Our aim is to achieve first call resolution on all customer enquiries, key improvements implemented this year to enable this included:

- Training and coaching our people - we have invested substantially in specialised education and training for our Case Handlers. The NSW Ombudsman's office conducted skills training for key staff. Additional individual coaching sessions were provided, focusing on skills required to effectively resolve and manage difficult customer issues.
- Allocated case managers - to further enhance the customer experience, new procedures were implemented to ensure a single case manager follows through on each complaint, from initial contact to final resolution.

providing a better **RESPONSE**

Developing our peoples' skills is an important part of delivering superior customer service.

During 2009-10 a number of key divisions across the organisation took part in our personal coaching sessions on complaint handling.

Leadership Development Advisor Loretta Tolnai led the coaching sessions during February through to May, following staff attending the NSW Ombudsman's Complaint Handling Workshops.

The individual coaching sessions were 90 minutes in duration and provided the opportunity for participants to identify and discuss a difficult or challenging customer scenario to practice the skills they had learned in the Ombudsman training sessions.

Depending on individual objectives, the sessions included skills practice in building rapport, listening and questioning, acknowledging the customer and managing conflict.

The scenarios were filmed and played back during the session for review and feedback. Participants completed an action plan aligning their learning with Hunter Water's Core Behaviours. Loretta said that it was a rewarding experience for all as it provided them with direction and skills on how to handle complex situations. "Obviously if a customer is unhappy about something there is the possibility of the situation escalating," said Loretta.

"So it was important that staff members identify and practice specific strategies for the difficult scenarios to prevent escalation, where possible. Strategies were specific to the person and individuals left the session equipped with practical skills that had immediate workplace application."

COMPLAINT HANDLING TRAINING TEAM

listening and **RESPONDING**

BELINDA SMITH, MULLANE MAINTENANCE GENERAL MANAGER AND CARLA MCENTYRE, PRODUCT DEVELOPMENT ANALYST

This year Hunter Water was proud to launch an offering that enhanced the service we are able to provide to customers, by introducing First Call Plumbing.

Historically when customers contacted us with a private plumbing issue, we advised them to engage a licensed plumber at their convenience.
Customers often expressed their concern and dissatisfaction with this approach, as they often found it difficult to make contact with a licensed plumber, particularly in after-hours and emergency cases.

In December 2009, as a result of customer demand, the Board endorsed a strategy to develop a domestic plumbing referral service. The aim was to provide our customers with access to a convenient and reliable service option for their private plumbing needs.
First Call Plumbing was successfully launched as a 24/7 referral service for an initial trial period of 12 months. Mullane Plumbing was selected as the plumbing partner following a competitive open tender process.

Mullane Maintenance General Manager Belinda Smith said that First Call Plumbing had received over 150 jobs and advisory requests, with a 49% uptake rate, by the end of June 2010.

"This suggests to us that Hunter Water was spot on when they developed and introduced this service," said Belinda.
"This service is filling an important niche in the community for those who are uncertain when it comes to sourcing a plumber."

Research found that 47% of referrals occurred outside of business hours, indicating that the service is frequently used in emergency and/or after hour's scenarios.

consulting our **COMMUNITY**

The Consultative Forum is an advisory body formed by key community representatives from throughout the lower Hunter.

Its purpose is to provide advice on customer and consumer interests, in relation to our Customer Contract and operational performance requirements of our Operating Licence.

The Forum works to a Charter which sets out its role, membership requirements and administrative arrangements, including meeting protocols and the communication of Forum activities to the wider community.

In 2009-10 the Forum provided valuable feedback on key issues facing Hunter Water and its customers, regarding capital infrastructure projects, environmental programs, sustainability, and customers' bills.

Members participated in the biennial Stakeholder Survey and engaged with staff on the new Hunter Water Customer Contract, highlighting potential impacts on various community sectors. Issues raised by Forum members reflected a range of interests including the health and management of waterways and stormwater channels, upgrade and refurbishment plans for infrastructure in public areas and the format of customer bills.

The Forum also conducted a review of its Charter in 2009-10, and will undertake a self-assessment in the first half of 2010-11.

developing the **RELATIONSHIP**

At Hunter Water we recognise the value of an integrated approach to planning in the lower Hunter. We are championing a more collaborative approach to future development by investing in mutually beneficial project partnerships with key commercial customers.

As an organisation we are actively searching for best practice across the industry to guide the formulation of our policies and procedures. We are leveraging our industry leadership to promote an open dialogue between industry associations, regulatory bodies and government organisations with a view to establishing collaboration as the rule and not the exception.

By adopting a proactive approach to engaging our major clients we can fully understand not only the immediate needs and challenges of their business, but also their long range plans.

To facilitate this we introduced an account executive team during 2009-10 to work exclusively with our major developer clients and commercial customers in the identification and tailoring of superior project solutions and cost saving opportunities.

The first event the team held with our major clients was the annual Developers Forum in March 2010. This provided the opportunity for clients to address challenges and solutions 'round table' with our account managers and executives.

Insight to development projections gained in the course of these type of activities will enable us to more effectively factor client requirements into the long term planning equation, fully supported by the development of new policies and procedures.

partnerships with **MAJOR DEVELOPERS**

Malcolm Withers has been working with Hunter Water's major developers for over four years and in that time he has forged successful relationships with key stakeholders throughout the region.

This year saw a different approach taken with the specific challenges and business opportunities of our major development customers actively addressed during 2009-10.

The introduction of experienced account managers, such as Malcolm in the role of Senior Account Executive Major Development, for this customer group and the adoption of a highly proactive approach to engaging with developers early in their planning process resulted in superior project outcomes for both Hunter Water and the customer.

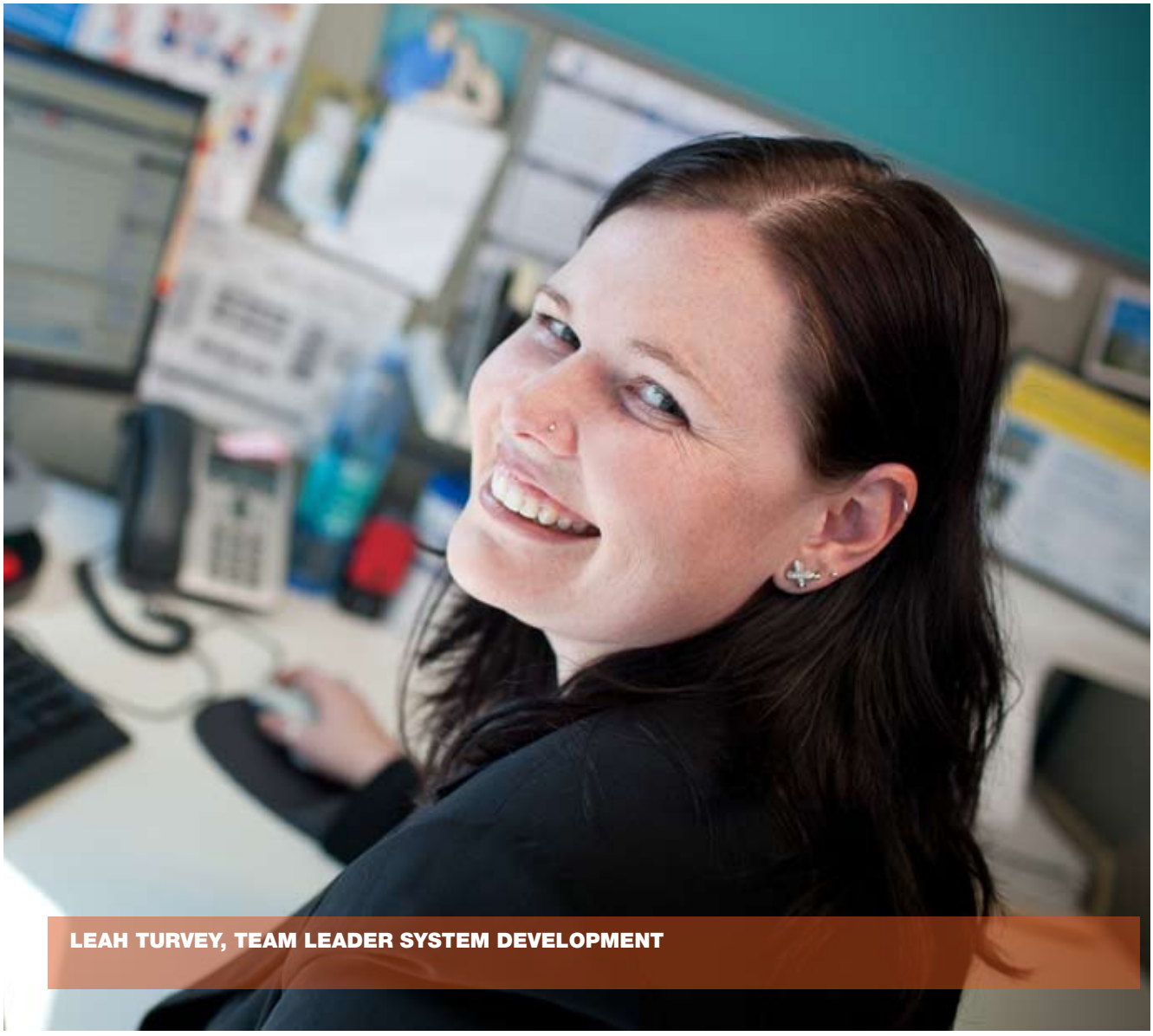
"By taking a proactive approach and facilitating onsite consultation and round table planning sessions with major developers and stakeholders, we are able to gain critical insight into their priorities and servicing needs." said Malcolm.

"The flow-on effect from this is more efficient use of our expertise, resources and infrastructure planning."

Completion of developer applications improved throughout the year with 98% of all applications processed within 30 days. For major works applications an improvement of 17% was made from the beginning of the year, with 93% processed within 30 days.

"Our vision is for this level of communication and collaboration with major developer customers to drive integrated regional development planning, with a view to achieving secure and sustainable water solutions," said Malcolm.

major changes to customer **BILLING SYSTEM**



LEAH TURVEY, TEAM LEADER SYSTEM DEVELOPMENT

The last three years have been a rollercoaster of projects for Team Leader System Development Leah Turvey, but a rewarding experience.

Brought in during 2007, Leah's past experience in change management provided the perfect setting for the intended improvements to the customer billing system CIS.

February 2010 saw the fourth release of CIS, a major upgrade which provided support for new meter reading software, automation of meter maintenance data entry and 11 additional change requests required by the business.

These change requests resolved requirements for regulatory compliance, data accuracy, revenue loss and process efficiency.

"It has been an amazing journey for me over the past three years to see how our team has developed and continues to develop," said Leah.

"I am very lucky to have been provided with the opportunities that I have had here at Hunter Water and am very proud to be part of the team that Service Development has become."

Since Leah began in 2007, the Service Development Team has grown from three people to a team of 11, who have continued to improve our system in order to deliver the best possible service for our customers.

funding our **FUTURE**

Hunter Water's operations and investment in infrastructure are funded by charges for water supply, sewer services, stormwater drainage services and a range of miscellaneous services.

The NSW Independent Pricing and Regulatory Tribunal (IPART) set Hunter Water's prices for these services. IPART is an independent NSW government agency that sets prices for a range of government services including water, public transport and some gas and electricity services.

In 2009 IPART approved new water, sewer and drainage prices for Hunter Water for the next four years, allowing us to move forward with a record investment in water and wastewater infrastructure to cater for population growth and to further improve our services for customers.

LOUTH PARK 500MM MAIN REPAIRS

This resulted in prices being increased in July 2009, which resulted in bills for typical residential customers being 13% higher than in 2008-09.

Even with these price increases, Hunter Water still delivers services at lower prices than our counterpart utilities in Sydney, the Central Coast and in most other major Australian cities, while allowing us to undertake the biggest ever capital program in water and wastewaterinfrastructure - a billion dollar investment over four years, supporting more than 1800 jobs.

BASIC CHARGES	2008-09	2009-10
Water service charge ($/year)	$41.46	$39.94
Water service charge Dungog Shire only ($/year)	$127.53	$112.82
Water usage charge ($/kL)	$1.27	$1.57
Sewer service charge residential ($/year)	$321.17	$462.43
Sewer service charge non-residential base ($/year)[1]	$642.33	$924.86
Sewer usage charge - residential ($/kL)	$0.47	no charge
Sewer usage charge - non-residential ($/kL)	$0.47	$0.62
Stormwater drainage - residential ($/year)	$61.52	$75.42
Environmental improvement charge ($/year)	$54.84	$33.23

[1]Non-residential sewer service charges are subject to a discharge factor. For example, a property with a 20mm water service and 60 per cent discharge factor paid $554.92 ($924.86 X 60%) in 2009-10. Most discharge factors were reduced in 2009-10.

pensioner **REBATE**

In April 2009, the NSW Government announced that it would ensure that the region's 45,000 pensioners receive additional help in paying their water bills when higher prices come into effect from July 2009.

The former rebate received by pensioners was $175 per year and had not increased since the late 1980s.
The Government's announcement meant that Hunter Water was able to offer a higher rebate to assist pensioner customers to manage their water bills.

The new rebate, which is funded by the NSW Government, resulted in a rebate for typical pensioner customers using around 140 kilolitres of water per year of around 30% of their bill.

This meant the rebate increased by $37 to $212 in 2009-10. From 2010-11, rebates will increase each year to maintain the relativity between the rebate and the total bill.

supporting our **COMMUNITY**

As part of our commitment to ensuring there is enough water for our community today and in the future, Hunter Water looks to empower community groups, services and organisations to encourage the integration of water conservation improvements, messages and practices into everyday, sustainable projects that benefit the Hunter community. A key component of achieving this outcome is the delivery of the annual Community Funding Program.

The Community Funding Program seeks to engage a wide range of community and industry related groups to deliver a diverse program across our entire area of operations. It is important that a broad mix of programs is delivered to ensure our communities are exposed to a wide range of practical, yet informative initiatives.

water- **GOOD FOR KIDS**

One of the programs supported during 2009-10 was the Crunch&Sip® program via Good for Kids in partnership with Hunter New England Health.

Crunch&Sip® involves primary schools scheduling a break during class time for children to eat fruit and vegetables and drink water. Hunter Water provided sponsorship money for clear water bottles to be provided to all schools registering for Crunch&Sip® to encourage students to drink water rather than juice or cordial.

Good for Kids. Good for Life. Program Manager, Belinda Rose, said the 30,000 water bottles supplied by Hunter Water had proven popular with students and teachers alike.

“Having a water bottle on each student’s desk makes drinking water throughout the day so easy, and helps to support the message that water is the healthiest drink for kids,” said Belinda.

“It is important for children to develop healthy habits while they are still young - habits that can stay with them for life.”

NEW LAMBTON HEIGHTS INFANTS SCHOOL STUDENTS RECEIVING A HEALTHY HEAD START TO THE DAY WITH THEIR WATER BOTTLES

CHAPTER 3

ENVIRONMENT

PICTURED IS RHYS BLACKMORE, A WATER QUALITY SCIENTIST WITH HUNTER WATER

OVERVIEW

Hunter Water is committed to embedding a sustainability mindset into our work practices and workplace culture. We take very seriously our responsibly as environmental stewards and we want to ensure that our activities and development will meet the needs of the present without compromising the ability of future generations to meet their own needs.

One of the key challenges the organisation faces is ensuring we can create a sustainable approach for urban water management in the lower Hunter. The 2009-10 year has been highlighted with some great achievements in regard to environment and sustainability performance.

Hunter Water's programs in relation to water efficiency and energy efficiency gained significant momentum over the past 12 months. New water efficiency programs with regard to toilet replacements, showerhead exchanges and distribution of do-it-yourself water saving kits created great opportunities for our customers to save water. These programs also play an increased role in public education and awareness in relation to water conservation and securing our water future.

Hunter Water has also worked hard over the past year to bring energy efficiency and energy management to the forefront of its business. We are proud to partner with EnergyAustralia in the groundbreaking Smart Grid, Smart City project which will include the roll out of 1000 smart water meters to raise awareness of water use behaviour and reduce energy use through reduced consumption.

Internally we have taken a corporate-wide approach and established an Energy Efficiency Project Team to steer the many new initiatives and processes through the organisation. This involved the development of new energy efficiency targets and priorities, more readily available funding, and more user-friendly data and monitoring procedures.

The Energy Efficiency Program has seen senior management lead by example, as well as ensuring a broad staff engagement program. The organisation's Energy Management and Greenhouse Gas Policy also commits to no net annual increase in greenhouse gas emissions from 2008-2013.

Over the last few years Hunter Water has begun the implementation of the Australian Drinking Water Guidelines Framework for Management of Drinking Water Quality to effectively manage risks to drinking water quality. This has provided an opportunity to review our approach to catchment management and renew our strategy in this area. In 2009-10 we developed a Catchment Management Plan, a three year water quality improvement plan for the drinking water catchments and water sources of the lower Hunter. This plan provides clear priorities to better protect our catchments and ultimately will enable more effective collaboration with all catchment stakeholders.

Hunter Water's record investment in new infrastructure is presenting opportunities to implement new decision making tools to better incorporate social and environmental considerations into the organisation's decision making processes. We are also taking steps to ensure our construction activities minimise impact on the environment through, earlier identification of risks, implementing environmentally sensitive construction techniques and training of contract managers in terms of dealing and responding to onsite environmental issues when they arise.

Hunter Water recognises and celebrates the long history the organisation has in delivering water, wastewater and stormwater services to the lower Hunter Valley. That history is embodied in our assets, our archives and the knowledge and experience of our staff. During 2009-10 Hunter Water developed a Heritage and Conservation Register that will be submitted to the NSW Heritage Council for endorsement.

CONTENTS PAGE

water efficiency **PROGRAMS**

Hunter Water undertook water efficiency programs that delivered an estimated 637 ML in water savings in 2009-10, an 14% improvement over the previous year.

Key highlights during the year were:

- Launch of the Hunter Business Water Savers Program in partnership with the Hunter Business Chamber. This program improved water efficiency in amenities and commercial kitchens. In total 19 businesses participated with 27 sites identifying savings of 34ML/year.
- Provided over 2000 shower timers and over 400 Do-It-Yourself water saving kits at Hunter Water sponsored community events.
- Continued administrative support for the delivery of the NSW Government rainwater tank rebates. The number of rebates provided was 636, a 31% improvement on the previous year.
- School leakage program was officially launched in June 2010 with 34 new schools participating. The program aims to build on a successful 2009 trial that reduced leakage rates by 70% in the 10 schools in the first trial.
- Undertook a shower exchange trial in partnership with Lake Macquarie City Council
- Launched the 'New Loo for You!' toilet replacement program to target replacement of single flush toilets with new 4 star WELS rated dual flush toilets.

STEPHEN ASKEW WATER QUALITY COORDINATOR & MARTIN CONNER WATER EFFICIENCY COORDINATOR

showerhead **EXCHANGE**

SAM SNEDDON WITH DAUGHTER TAIHLI AT THE EXCHANGE

In June 2010, Hunter Water teamed with Lake Macquarie City Council to run a showerhead exchange program, encouraging residents to replace their old showerheads with a water efficient one.

Lake Macquarie residents were invited to exchange their old inefficient showerhead for a 3 star WELS rate showerhead at two special community stalls held at Toronto Library and Belmont Community Hall.

Two options were provided – a basic model for free and a premium model for $30.

Lake Macquarie resident and Hunter Water Online and Digital Coordinator Sam Sneddon, exchanged her standard showerhead that was using 15 litres of water per minute, for the Methven Satinjet which would decrease her water use to 7.5 litres per minute.

"My family was worried when I brought home the new shower because they thought it wasn't going to feel the same," said Sam. "But the new shower feels just as good, if not better than the old one, and we're using about 15,000 litres of water less per year."

As a result of the program:

- 461 households exchanged 616 showerheads (349 premium and 267 standard).
- An estimated annualised 9ML of water savings achieved plus 300t of CO2-e emissions.

In addition, Hunter Water recycled the old showerheads as scrap metal, raising $916 for the international charity WaterAid.

Hunter Water is planning to work with other councils in our area of operations to offer further shower exchange day programs in 2010-11.

a new throne for **HUNTER HOMES**

REPLACING THE OLD TOILET

'POLLY', THE TOILET DOLLY

As part of our commitment to providing water efficient alternatives to our community a 'New Loo for You!' scheme, a single flush toilet replacement program for residents of the lower Hunter was launched in 2010.

Local couple, Stan and Helen, were the first to replace their trusty old toilet for a new one, after their bathroom was chosen as the 'face' of the program's promotional campaign.

With a new toilet replacement program encouraging Hunter residents to trade in their old single flush loo for a new, dual flush model, it is still hard to imagine saying goodbye to the only throne many of us will ever sit on.

Stan and Helen were blessed with three sons, each two years apart. As was the way in the 70s, this house had only one bathroom, with a separate toilet off the laundry.

Forty years, five family members and just one toilet later, it was with many fond memories that Stan, Helen and the boys whiled away the night before the big event – the removal and replacement of their 40 year old brown and tan toilet!

On a chilly morning in June 2010 their new white dual flush toilet took its place. Stan and Helen are now comfortable knowing that their new water efficient toilet will save them around 24,000 litres of water each year.

recycling for **OUR FUTURE**

The Lower Hunter Recycled Water Initiative is the culmination of several years of work geared toward sustainably managing urban water in the lower Hunter. Following a comprehensive and detailed review of recycled water opportunities in the lower Hunter in 2007, a Recycled Water Strategy Study was developed.

The Plan identified cost effective recycled water opportunities which forms a key component in Hunter Water's 50 year integrated water resources strategy, known as H250 Plan.

In 2009-10 the first recycling projects were realised. In addition to Eraring Power Station, one of the key projects was securing the recycled water supply to The Vintage Golf Club in the Hunter Valley.

supply secured with **PARTNER PROJECT**

The first step in producing one billion litres of recycled water annually was taken this year when The Vintage Golf Club and Hunter Water succeeded in securing a permanent supply of high quality recycled water to the Hunter Valley golf course and lifestyle development.

This scheme is the first under the Lower Hunter Recycled Water Initiative that will deliver 3.7 billion litres of recycled water each year by 2014.

The Vintage Golf Club will use up to 300 million litres of recycled water a year on site on its greens and fairways.

"When our initial strategies to secure supply for our development failed to deliver, the Product and Business Development team at Hunter Water persisted with efforts on our behalf until a sustainable solution was identified," said Ben Johnson, Vintage Project Manager.

"Working together, we were able to break new ground that resulted in a valuable business partnership guaranteeing The Vintage a permanent supply of high-grade recycled water."

Hunter Water Account Executive Melanie Berry said that the partnership demonstrates the value of Hunter Water's collaborative approach to sustainable development for customers.

"It's always satisfying when you can provide a major customer with a solution that will meet their needs, however being able to provide a secure sustainable solution is even better!" said Melanie.

The Vintage recycled water scheme consists of an upgraded wastewater treatment works at Branxton. This new plant will treat sewage using advanced membrane bioreactor technology to produce high quality water suitable for irrigation use in urban areas like golf courses. A recycled water pipeline will be constructed from the Branxton treatment plant to Vintage.

The Branxton Wastewater Treatment Plant will be extremely efficient, turning close to 100% of the wastewater treated by the plant into recycled water for irrigation use.

L-R: KEVIN YOUNG HUNTER WATER MANAGING DIRECTOR, KERRY HICKEY MEMBER FOR CESSNOCK, THE HON. PHILLIP COSTA MINISTER FOR WATER AND STEVE WYLIE THE VINTAGE DIRECTOR OF GOLF

carbon stable **FUTURE**

Hunter Water has adopted a clear position on global climate change, with a commitment to remain carbon stable into the future.

Energy efficiency is firmly embedded in Hunter Water's day to day management. The Energy Efficiency team works with both our Planning and Operational teams to determine energy saving opportunities in general, as well as with Hunter Water Australia to identify energy efficiency opportunities at water and wastewater treatment facilities.

The program has resulted in around 1,705 tonnes of greenhouse gas emissions saved over a 12 month period. The program has resulted in a total of approximately $500,000 in electricity cost savings, a benefit for customers and the environment.

We believe that implementing energy efficiency is everyone's responsibility so the need for understanding, support and motivation among all staff and stakeholders is a key element of the program's success.

Manager Environment and Sustainability, Angus Seberry has been with Hunter Water for six years and thrives on the opportunity to help the environment.

"We've worked hard over the past year to bring energy efficiency and energy management to the forefront of the business with the aim of remaining carbon stable between 2008 and 2013.

While it is simple to explain carbon stable as being no increase in our direct or indirect greenhouse gas emissions, actually meeting that target is anything but simple," said Angus.

"As a consequence of population growth and the tighter regulatory environment facing Hunter Water we have to rely on more energy intensive technologies which is a significant challenge in maintaining a carbon stable position."

"Our core business, providing water and sewage services, consumes large amounts of electricity but it is great to have support and commitment from my team and management to look outside of the square for solutions."

keeping our drinking **WATER CLEAN**

Customers of the lower Hunter are safe in the knowledge that the water from their tap is clean and drinkable.

Catchment management provides the first barrier in the protection of water quality for the customers of Hunter Water. Drinking water catchments include areas that capture water from surface runoff and/or groundwater aquifers.

One of the ways water quality is maintained is through planting seedlings within the catchment areas. Trees stabilise the soil and allow water to seep into the soil, thereby minimising erosion and reducing runoff. During 2009-10, Hunter Water planted over 16,000 seedlings at various locations throughout the lower Hunter. In addition, to inform the community as to the importance of our catchments, we gave out 400 native seedlings to visitors at the Tocal Field Days.

Protection and enhancement of catchment areas is essential to the provision of cost effective treatment and distribution of high quality water. In simple terms the higher the quality of source water the lower the cost of treatment, thereby protecting and enhancing community health and providing an asset for business, industry and a diverse range of domestic requirements.

This year we also developed a Catchment Management Plan that aims to improve the quality of the rivers and groundwater that supply the Hunter's drinking water.

Rhys Blackmore, our Water Quality Scientist, coordinated the construction of this plan. Previously a high school science teacher, Rhys now works to protect and enhance the Hunter's drinking water catchments.

"I believe that the health of the environment and our lifestyle are inseparable," said Rhys.

"Whilst the technology exists to treat the dirtiest water to drinking water standard, this is not sustainable in the long term. To be truly sustainable we must begin to treat rainwater as close to where it falls as possible. This means working to minimise pollution at its source."

The Hunter Water Catchment Management Plan is a document that aims to do this. It sets out how Hunter Water will identify and begin to improve the quality of water in the catchments.

The first step in achieving this goal will be to engage all stakeholders in our catchments, especially the community.

towards **SUSTAINABILITY**

Sustainability can mean different things to different people and definitions usually describe sustainability not just in terms of environmental issues, but instead encompass three interdependent areas: economic growth, social development and environmental protection.

The key is that they are interconnected and should be considered together in decision-making, rather than independently.

Frances Rutledge is an engineer in the Wastewater Treatment Planning section and last year completed a Graduate Certificate in Sustainable Business.

She believes there is no separation between environmental health, community well-being and economic prosperity.

"The three are inherently linked and should be considered together in decision-making," said Frances.

"The principle of sustainability at Hunter Water is about a journey of exploring ways to increase net added value to the environment, our community and our financial stakeholders through good decision making for today's and future generations".

In order to help facilitate the incorporation of sustainability principles into Hunter Water's business decisions, a Sustainable Decision Making Framework (SDMF) was developed.

"The objective of the SDMF is to make sustainability concepts and principles operational for Hunter Water," said Frances.

INTERDEPENDENCY OF THREE AREAS OF SUSTAINABILITY: ENVIRONMENT, SOCIETY, ECONOMY

The framework provides information on how to implement decision-making tools and methodologies to incorporate sustainability (financial, social, environmental and technical factors) into decisions explicitly.

a thorough environmental **ASSESSMENT**

One of Hunter Water's key planning documents is the H250 plan - a long term strategy developed to meet the water supply needs for the lower Hunter. One element of this plan is the proposed Tillegra Dam.

The Environmental Assessment Report (EAR) for Tillegra Dam was submitted to NSW Planning for review on 24 July 2009.

Bob Broadfoot assumed the role of Tillegra Project Manager during the last year, after being a Project Engineer as part of the team.

"The 4000 page Environmental Assessment Report was placed on public exhibition for 60 days at the request of Hunter Water.

"Community Information Sessions were also held during this period at Dungog, Gresford, Tomaree, Maitland, Wallsend, Newcastle, Toronto, Swansea and Charlestown."

NSW Planning received nearly 2700 submissions during public exhibition of which nearly 90% were form letters. On 3 March 2010 Hunter Water lodged the Submissions Report with NSW Planning responding to every issue raised in the submissions.

The Submissions Report also proposed a number of modifications to the proposal as a result of opportunities identified in the submissions or to more specifically address the issues raised. Two important modifications were:

- A 1323ha National Park in lieu of riparian tree planting as an offset for inundation of riparian vegetation bordering the river.
- Improved flows from Seaham Weir including a 2.5GL Environmental Contingency Allowance as a clear environmental benefit to the estuary

"Hunter Water has listened to key stakeholders, including other government departments and the community, and as a result has delivered an enhanced proposal for this important project," said Bob.

The Tillegra Dam project is currently undergoing an independent merit review by the State Government, to be followed by an assessment at the Federal level.

remembering **HERITAGE**

Considering the environment is always top of mind for any project Hunter Water undertakes. One aspect of environmental management that people may not realise we also take into consideration is indigenous heritage.

Indigenous heritage management is a key issue for our capital construction projects.

Environmental Planner John Simpson has been a part of the Hunter Water team for three years and says that we have both legal and social responsibilities to manage Indigenous heritage.

"The location of our assets are often the same locations Indigenous Australians originally occupied or made use of the land," said John.

"Our assets are often located in open space areas such as near creek lines and around wetlands, where other developments are ruled out due to restrictive landscape features."

"Evidence of Indigenous occupation is commonly recorded in these same areas because they provided suitable living areas close to important resources, such as an abundance of food and water."

Indigenous heritage is regulated in NSW under the National Parks and Wildlife Act 1974 and impacts on Indigenous heritage are required to be managed under permits issued by the Dept of Environment, Climate Change and Water (DECCW) under this legislation.

Agency requirements include rigorous consultation with relevant Indigenous community groups when undertaking assessments and preparing permit applications and subsequent construction works often require engagement of Indigenous stakeholders to assist with the management of heritage issues.

Indigenous cultural heritage awareness training was conducted for Hunter Water Infrastructure Delivery Project Managers during May 2010, in partnership with TAFE and local traditional owners.

The training provided staff with an understanding of the following:

- an introduction to Indigenous cultural heritage,
- relevant Indigenous heritage legislation and policy,
- information on different types of Indigenous sites that exist in the area and are protected by law,
- Hunter Water policies and procedures relating to cultural heritage, and
- current best practice consultation in relation to cultural heritage.

keeping kids **WATER WISE**

An innovative partnership between Hunter Water and Ship'O'Fools has spread water efficiency messages to over 55,000 school children throughout the lower Hunter region.

Since 2006, dramatic troupe Ship'O'Fools have performed the Bubbles & Supa Squirt Water Saving Show to primary schools throughout the region, funded by Hunter Water.

Debbie Kelly, Ship'O'Fools owner and performer said the joint venture was a great way to provide important messaging in an entertaining way.

"The partnership with Hunter Water allows us to deliver the performance free for schools, making it much easier for teachers to provide this opportunity to their students," said Debbie.

"By working together with Hunter Water we can ensure that parents aren't asked to fund their child's attendance and more importantly it also means that no child is left out."

STUDENT FROM ST JOSEPH'S PRIMARY SCHOOL, THE JUNCTION WITH BUBBLES AND SUPA SQUIRT!

All children who attend the show also receive a free story and colouring book to reinforce what they learn.

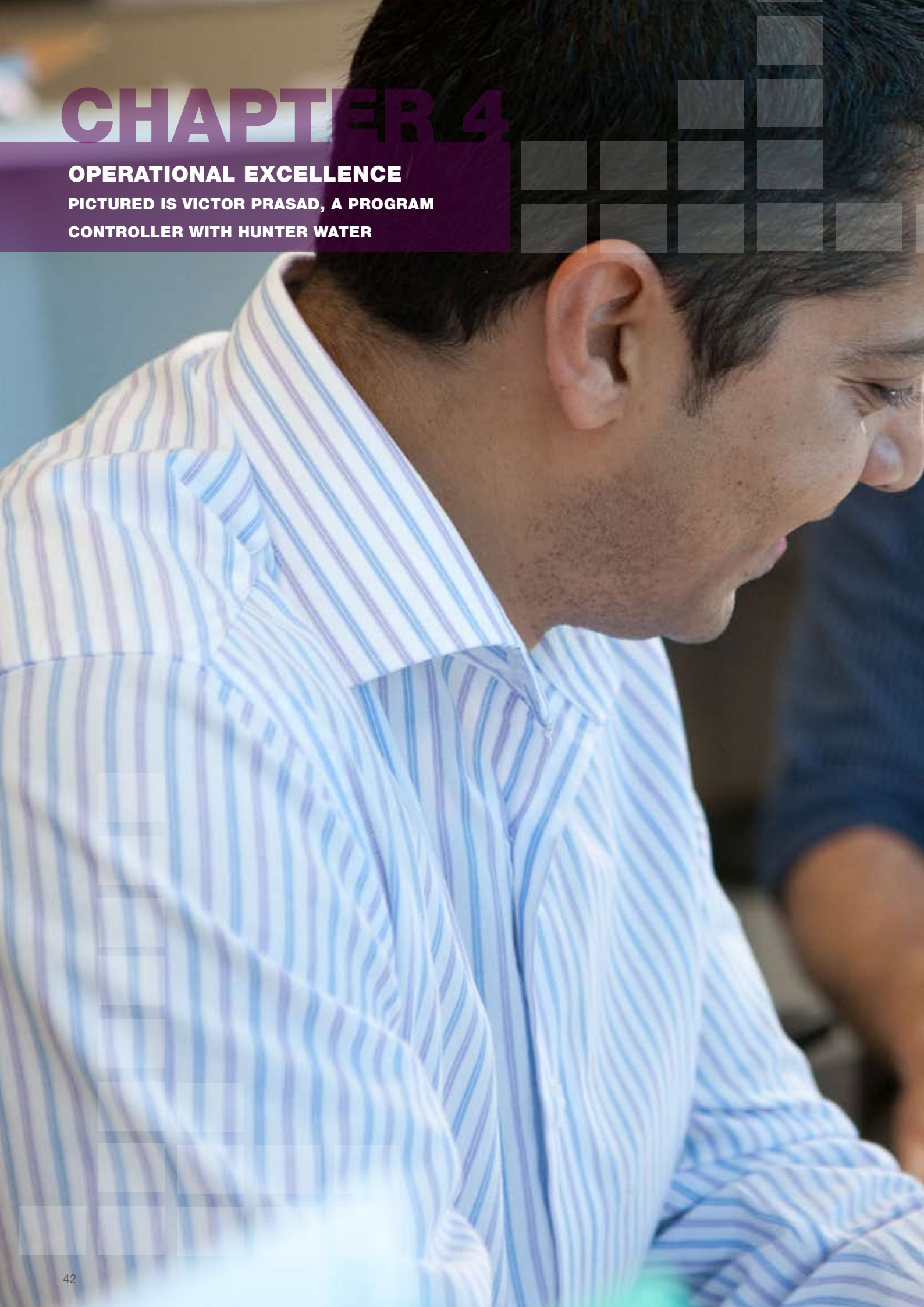
Ship'O'Fools actors explain the water system and its sources to students as well as providing tips on how they can be careful with water, such as turning off the tap while brushing their teeth, or getting their parents to wash their car on the lawn.

"The feedback we get from teachers is always so positive and I think the fact that we are frequently rebooked speaks volumes." said Debbie.

CHAPTER 4

OPERATIONAL EXCELLENCE

PICTURED IS VICTOR PRASAD, A PROGRAM CONTROLLER WITH HUNTER WATER



OVERVIEW

At Hunter Water we strive to meet the dual objectives of providing value for money services to our customers and appropriate returns to our shareholder, the NSW Government.

Our goal is to provide sustainable infrastructure that meets not only our customer and environmental standards but increasingly meets and exceeds customer expectations.

In 2009-10 we continued to deliver our promise to upgrade and replace our existing water and wastewater systems through our capital works program. This will ensure we meet existing customer standards whilst preparing for the future growth of the lower Hunter. It is expected we will need to meet the water and wastewater needs of an extra 160,000 persons over the next 30 years.

To achieve this we continued to drive continual improvements in our business efficiency and effectiveness, through responsible cost control and a focus on business process improvement and new opportunities. We benchmark our key processes against industry best practice to assess our success in this regard.

Some or our achievements during 2009-10 in this key area of our operation included:

- Operational licence compliance for all areas of our operation.
- Completed the year within budget demonstrating a high level of effective project management across the organisation.
- Successful delivery of the capital works program to budget.
- Above target performance for both processing of developer applications within 30 days and the closure of cases within 10 days.
- Conducted a major emergency response exercise and subsequently developed emergency management process improvement for building business resilience.
- Improved systems and approaches developed for the overall asset creation process.
- Improved Electrical Mechanical Services workflow processes to improve maintenance response.

CONTENTS PAGE

capital works **PROGRAM**

BRANXTON WWTW STAGE 3 UPGRADE

CLARENCE TOWN SEWERAGE SCHEME

DUDLEY CHARLESTOWN SYSTEM UPGRADE

CONSTRUCTION OF THE CHICHESTER TRUNK GRAVITY MAIN - TARRO TO SHORTLAND

The community and environment benefited when Hunter Water kicked off its record $1 billion capital investment program across its entire water supply and wastewater network on 1 July 2009.

Following the release of IPART's determination for Hunter Water and sewer prices, we launched into its largest ever capital works program that created over 500 jobs across the region throughout the year.

It was a momentous start to what will create significant benefits to the community and the environment - securing the water future for the lower Hunter as well as providing capacity for a growing population.

Hunter Water is working together with its service providers to ensure an excellent outcome for all customers and the environment is achieved. This supportive relationship is well on track thanks to an innovative five year rolling procurement plan for the delivery of such a large program of work.

The safety of our people, our contractors and the community is our number one priority when we deliver our extensive capital works program.

Hunter Water is making this unprecedented investment to:

- conserve and secure our drinking water supplies
- provide capacity for a growing population
- meet environmental and customer service standards
- reduce operating, maintenance and risk costs and minimise the life cycle costs of our assets
- reduce adverse impacts on our customers and the environment from our wastewater transport assets in wet weather, and
- provide sewerage service to unsewered areas under the NSW Government's Priority Sewerage Scheme and Country Towns Water Supply and Sewerage Program.

The business drivers for the large program include:

- Growth in the region
- Regulatory requirements
- Improved system performance
- New business opportunities

With over $150million worth of contracts awarded in 2009-10, we are well placed to continue to rollout the program for the 2010-11 year and continue to deliver on our record investment.

WASTEWATER

BURWOOD BEACH WWTW UPGRADE STAGE 2

PROJECT	COST	COMMENCED	STATUS
Dora Creek WWTW Upgrade	$32.3	November 2008	Completed
Burwood Beach WWTW Stage 2 Upgrade	$44m	October 2009	Underway
Branxton WWTW Stage 3 Upgrade	$48.3m	November 2009	Underway
Raymond Terrace WWTW Stage 2/3 Upgrade	$12.3m	January 2009	Completed
Cessnock Water Distribution Stage 1 Upgrade	$20.3m	March 2009	Underway
Ash Island Trunk Watermain	$13.7m	March 2009	Completed
Paxton WWTW Stage 2 Upgrade	$19.8m	March 2010	Underway
Millfield & Ellalong Sewerage Scheme	$15.6m	October 2008	Completed
Boulder Bay WWTW Stage 2 Upgrade	$25.5m	May 2010	Underway
Maitland-North Rothbury Water Distribution	$6.2m	December 2008	Underway
Dudley-Charlestown Pressure Assisted Gravity Wastewater Upgrade	$5.7m	December 2008	Completed
Clarence Town Sewerage System	$11.1m	December 2008	Underway
Balickera WPS Upgrade	$16.5m	November 2008	Underway
Mayfield Wet Weather Pump System	$19.8m	Yet to commence	Design underway
Beresfield to Stoney Pinch watermain	$9.9m	June 2010	Pipes bought
Chichester Gravity Trunkmain Upgrade (CTGM)	$20m	May 2010	Underway

a partnership to **BE PROUD OF**

In a first for Hunter Water, a joint venture with CH2M Hill and Abigroup was established called the Hunter Treatment Alliance.

The Alliance was to undertake a program of 13 wastewater treatment plant upgrades with a combined value of approximately $240 million over a five year period.

2010 marked the one year anniversary of The Alliance and was a cause for celebration with construction underway for the Burwood Beach Stage 2 upgrade, Paxton Stage 2, Branxton and Boulder Bay with project budgets being prepared for Shortland and Toronto and concept design activities underway for the Farley upgrade.

A year since its inception, the Alliance's focus on innovation has already delivered significant achievements in the areas of sustainability and energy efficiency.

In addition, one of the initial benefits came through the Alliance's increased buying power, allowing savings of $1 million through procuring equipment.

Alliance Program Manager Paul Mountney said that this delivery method was reaping far reaching benefits.

"By being willing to form the Alliance, Hunter Water is now seeing the payback in this delivery model with unprecedented performance in working on four simultaneous project sites (tracking on time and budget) whilst preparing two detailed project budgets along with a concept design," said Paul. "Working together on the upgrade of Farley WWTW, the Alliance and the Hunter Water Planning section are developing a new method of delivering infrastructure for Hunter Water. This will lead to the delivery of the upgrade two years ahead of normal methods."

"After working on several alliances I can say that Hunter Water are a great Alliance team member and have contributed significantly to the success to date. Together we have formed a great team, which I believe will change the way Hunter Water will deliver infrastructure in the future."

This is the first time we have used the model for delivering a suite of related projects, in an effort to complete complex projects on time, with the high degree of flexibility needed to work on wastewater treatment sites.

EMS processes exceeding **EXPECTATIONS**

The Electrical Mechanical Services (EMS) group maintains Hunter Water's water and sewer assets and to do this, over 1,000 jobs (both planned and unplanned) are issued each month.

In October 2009 a Continuous Improvement (CI) project was launched to improve the job management process used by our staff both in the field and head office.

EMS Field Supervisor Richard Matthews was part of the team who researched the current methods and then determined where the improvements could be made.

"From our side of things I staged the process by using a paper based template to start with and had my guys fax the job management sheet to me," said Richard.

"This allowed me to get a good understanding of the process before rolling it out to key change champions within my team. "

"One of the key changes was field employees directly updating job information into our computer system. After they got the hang of it, we then rolled out the new process to everyone else in the team. "

"We've also seen great teamwork come out of the process – guys are helping each other out which was especially important for some in making the transition to using the computer system. The fitters, electricians and technicians are now teaming up to plan and complete jobs earlier."

Access to current information on work being done has improved the way Hunter Water manages and completes jobs

Jobs are now being closed within three days of work completed (which is a decrease of over 80%), the number of outstanding jobs has halved and there is greater consistency in information entered when raising jobs.

Job data is now more meaningful and up-to-date allowing us to better meet our customers' needs and provide valuable information for asset management. New reporting also allows us to track results easier and manage resources more effectively.

managing risk and value
ALL IN A DAY'S WORK

Managing risk to our community and ensuring our activities continue to provide value to our customers are critical to our capital works program. The projects undertaken as part of this program range in magnitude, but each one has risk and value as a key line of sight to success.

Our Hunter Water project managers understand this only too well and are committed to delivering successful projects with this in mind. One example of such a project during 2009-10 was the Tomago Trunkmain Upgrade project.

working successfully
BEHIND THE SCENES

It was a nail biting day for Hunter Water Project Manager Chris Yates when the Tomago Trunkmain Upgrade project reached its most crucial moment – the shutdown and cut-in to the very large diameter trunk watermains which deliver most of the water to Newcastle and Wallsend.

"Whilst we had planned this aspect of the project in great detail, including contingency planning and an hour by hour construction timeline, we still recognised the risk of interruption to Newcastle's water supply," said Chris.

Chris worked closely with a large team of people to make the Ash Island cut-ins a success, including office and field staff from Hunter Water's Operations and Infrastructure Delivery teams and the construction contractor Diona.

The $15 million upgrade involved constructing a large 1.35 metre diameter, three kilometre long trunk main from north to south on Ash Island, along Ramsar Road, in challenging ground conditions.

"During the upgrade works, all mains across Ash Island were isolated to allow for connection of the new pipeline. This is the first time that a total shutdown of Newcastle's water supply from Grahamstown Dam has been carried out for an extended period," said Chris.
While these pipelines were isolated, Hunter Water relied on the CTGM and reservoirs in and around Newcastle and Lake Macquarie to supply water to residents.

The water supply from Chichester and water in storages was sufficient to supply the region for up to 36 hours while the work took place.

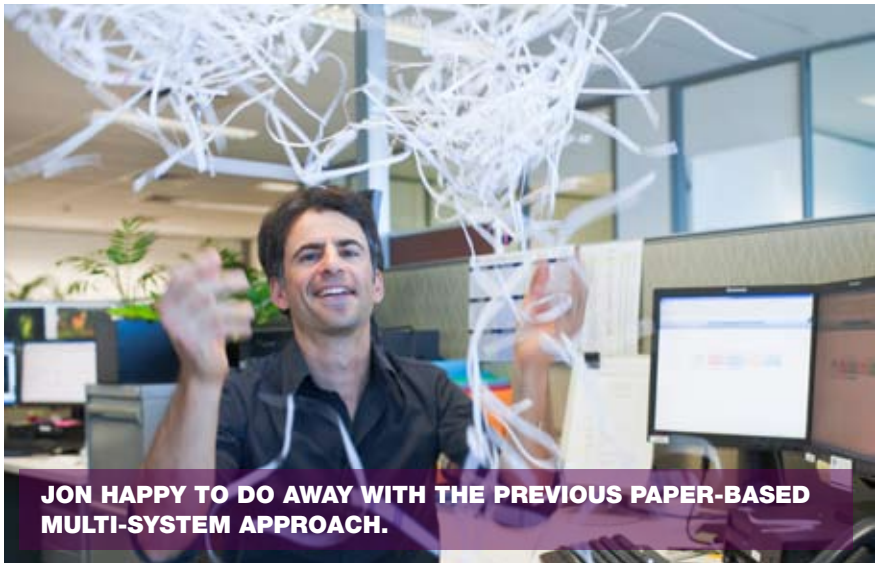
This cut-in had been planned for over a year, and required meticulous preparation to offset the risk of interrupting the area's water supply.

"Despite working throughout the night in rain and deep mud, connection was completed smoothly, quickly and safely.

The water supply to Newcastle was back online almost 12 hours sooner than planned."

CHRIS WITH A DN1350 MILD STEEL CEMENT LINED (MSCL) PIPE FITTING. THIS IS THE LARGEST DIAMETER PIPE SIZE IN THE HUNTER WATER NETWORK. EACH FULL PIPE USED ON ASH ISLAND WAS APPROXIMATELY 13 METRES LONG AND WEIGHS MORE THAN 10 TONNES. THE PIPE IN THE PICTURE IS MUCH SMALLER AND LIGHTER AT AROUND 2 TONNES.

continuously **IMPROVING**



JON HAPPY TO DO AWAY WITH THE PREVIOUS PAPER-BASED MULTI-SYSTEM APPROACH.

Striving for continuous improvement in everything we do is an important mantra for Hunter Water.

Capturing and sharing learnings is an integral part of this process and that is why we have a committed and talented team of individuals in our organisation who are skilled in reviewing our processes and procedures and identifying ways in which they can be improved.

These improvements can lead to significant cost savings, productivity improvements and the delivery of better service to our customers.

One such example of continuous improvement leading to the proactive prevention of safety incidents and the protection of our assets in 2009-10 was the introduction of an Issue Management System.

As the adage goes, 'there's always room for improvement' and this was the case when a review was undertaken of our internal reporting systems for assets and OHS.

It was found that there were a number of systems in place, each with their own intricacies and differences. An opportunity for improvement was identified to upgrade these systems to an online system that meant staff could track what they had reported.

The solution was led by Jon Yearsley, Supervisor Plan Services and is known as the Issue Management System (IMS), which was launched in January 2010.

This one-stop-shop system is used to log asset and OHS issues across the organisation.

One staff member that greatly benefited from the new IMS was Larry Russell - who is almost part of the furniture at Hunter Water, having clocked up an impressive 32 years with the organisation, currently working in the role of an Audit Officer.

Part of Larry's role is to ensure assets that require attention are fixed as soon as possible, to prevent potential injury and keep assets operational.

"Prior to the IMS, issues I raised may have been misplaced or filed which meant they remained generally unresolved," said Larry.

"I therefore had to keep a personal record in order to ensure jobs were completed."

"Now I am confident knowing that any issues I log are kept in a central electronic location. I can go in at any time and check the status of an issue or make further comments."

OHS Manager Andrew Sargent has also been able to see some great improvement and gain some further knowledge into how to prevent OHS issues arising.

"A great feature of the system is that it doesn't just log when something happens, it also logs when something could have happened – an observation we call it," said Andrew.

"This means that we are able to raise awareness amongst staff about the potential dangers that are inherent in any job, from office worker to field worker."

"Since being launched the IMS has seen over 150 OHS observations recorded, providing important data to keep our staff safe."

SOME STATISTICS

- Over 450 Issues raised
- 130+ staff have used the IMS
- 38% Asset Issues
- 16% Asset and OH&S issues
- 46% OH&S issues

planning for THE FUTURE

Reliable technology systems are key to the research and development required to prepare, plan and deliver a water system capable of supporting the growth of our region.

Hunter Water recognises that our systems need to change and improve to allow us to reliably support our water planning.

One of these key systems in our predicative tool box, which we have been improving on during 2009-10, is the Geographic Information System (GIS) that assists us to unify our growth forecasts.

Hunter Water has been moving with improvements in GIS technology since it was first introduced, and continues to integrate data from various sources into our planning decisions.

“For years now, Hunter Water had been studying everything we could get our hands on, to try and accurately plan for the future of this region,” said Greg McHarg, Growth and Planning Opportunity Coordinator.

“The increasing role of GIS within Hunter Water further develops a culture of integrated planning approaches and stakeholder liaison.”

GIS plays an important role in our infrastructure planning, as customers and infrastructure are related through spatially distributed networks.

GIS also unifies other spatial planning data, such as housing and population data from the Australian Bureau of Statistics, Local Environmental Plan (LEP) maps prepared by local Councils, and the Metropolitan Development Program prepared by Department of Planning.

This year the current GIS program was due for a capability review and as a result we faced the choice of upgrading the old system or replacing it with an entirely new program. As a result of this review, an initiative was undertaken to choose a vendor to provide us with a new GIS. The vendor chosen was ESRI Australia.

The project team was then formed with Tony Singh as project manager. The project is currently in a requirements gathering phase working with many users at Hunter Water.

“Key users from across the business have been, and will be involved in the requirements gathering process including our SWIMS team, our Technical Information Team, members of System Planning, Water Resources, Asset Management, Network Operations, Treatment Operations, Electrical and Mechanical Services, CCD and Civil Maintenance.”

Hunter Water as a whole will benefit from a new web interface and mapping system that will be more user-friendly and efficient. It will also have more functionality and place less demand upon system resources.

Our modelling teams will be able to better undertake strategic modelling, covering water and wastewater hydraulics, and establish better integration with asset management, operations and infrastructure delivery.

CHAPTER 5

PERFORMANCE CULTURE

PICTURED ARE THE PEOPLE AND CHANGE DIVISION

OVERVIEW

Our people are our most important asset - without them achievement of our business goals would not be possible. This year we have turned our attention to better understanding our corporate culture and identifying and embedding the behaviours that create a high performance business culture. We want a culture in which our people are motivated, achievement focussed and work cooperatively and collaboratively as 'One Team'. Their ongoing development and safety is a key focus for us.

Our number one focus is always the safety and well being of our people. This year we again participated in Safety Week. Part of Safe Work Australia Week, the initiative calls on all Australians to get involved in National Safe Work Australia Week. Every year, over 135 000 Australians are seriously injured at work and more than 260 die as a result of work-related injuries. This does not include the many more who die as a result of work-related disease.

Participating in Safe Work Australia Week helps Hunter Water learn more about how to keep our workplace safe and raise awareness of the importance of safety among our staff. The simple philosophy of there being no excuse for any injury can only be upheld if everyone demonstrates a strong commitment to workplace safety.

Recognising Hunter Water has strong systems and processes around safety we turned out attention to enhancing safety 'behavioural change'. A two day Safety Leadership program was developed that all Supervisors and Managers will participate in with the view to developing skills to recognise and reinforce positive safety behaviours across the workforce. This program will be rolled out in 2010-11.

During the last year we were proud to assist our employees to further their education by providing financial support for 31 employees, four apprentices and 16 undergraduates (eight Cadets and eight UNISS scholarships) working towards formal qualifications. Qualifications ranged from Chartered Professional Accounting, Environmental and Business Management and Occupational Health and Safety through to technical areas such as Water Resource Management, Project Management, Water Operations and Fluid Power. This was in addition to the many professional development short courses that Hunter Water also provided to our people.

Another area of focus this year was the leadership competency framework, designed to identify the critical success factors that help our leaders to grow a high performance team.

A rigorous process allowed all leaders within the organisation to assess themselves against the success factors, and identify areas where they require further development. Feedback from leaders was extremely positive, indicating the process was insightful and allowed people to have extremely clear information about what was expected of them in their job, as well as those roles that they may strive for in the future.

This year also saw us successfully renegotiate two Enterprise Agreements: one for the Engineering workforce and the second for the remainder of the organisation's professional, business, technical and trades staff.

The negotiations for these Agreements were conducted through uncertain times with the introduction of the new Fair Work Act (Cth), however we were able to achieve all of our bargaining objectives through collaboration with our four Unions. Some of the objectives achieved included an affordable pay outcome for our people, consolidation of a number of old industrial instruments into the two simplified Enterprise Agreements, implementation of safety initiatives such as the introduction of GPS in all fleet vehicles and increased work-life balance initiatives such as additional parental leave entitlements.

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a guide to ACHIEVEMENT

Each and every one of our people contributes every day to making our organisation one to be proud to be a part of.

That is why this year we wanted to focus on how they contribute to the success of Hunter Water and recognise the great work they do in ensuring clean safe drinking water is delivered to your tap each and every day.

The 2009-10 year marked a change in our culture. We developed a revised Achievement Plan tool for all staff that integrated individual objectives with strategic business plan objectives. This helped our staff to identify how their functions and projects fit into the overall strategic objectives of the organisation and how as individuals they contribute to the success of the organisation.

For many years we have had varying 'Achievement Plans' that assist in monitoring staff performance and development needs. These detail not only what the employee achieved that year, but also their short and long-term goals. During 2009-10 a project to review achievement planning was driven by a core team of three people, each from a different area within People and Change (P&C) - Pay and Performance Leader Jackie Priems, Learning and Development Leader Belinda Leck and Manager Continuous Improvement Jason Fisher.

The goal of the new achievement plan was to provide a clearer link to our Strategic Business Plan, with outcome-based goals.

"In addition we wanted to identify the set of behaviours we wanted our people to demonstrate when working together, with our community and our customers" said Jackie.

JACKIE PRIEMS, PAY & PERFORMANCE LEADER

"Our four Core Behaviours; Customer Service, Teamwork, Reliability and Accountability and Adaptability were then incorporate into the Achievement Plans for all employees."

To assist in the rollout of the new Achievement Plan and process, a formal training program was established for all supervisors and managers at Hunter Water.

"Developing a better plan is only part of the job, we needed to ensure that it is utilised effectively by the organisation," said Jason.

The program involved a one-day workshop focusing on:

- The new Achievement Plan tool and the Core Behaviours;
- Setting Key Performance Indicators;
- Establishing Development Plans for employees; and
- Communication skills and providing effective feedback on performance.

"The feedback provided by attendees of the workshops was extremely positive," said Belinda.

"Comments we received showed that the supervisors and managers appreciated the use of workshops to launch the new plan because it meant that they had a clear understanding of how to implement them within their teams."

a ground breaking **PERFORMER**

Born and bred in the Hunter, Water Resources Planning Engineer Dr Brendan Berghout started with Hunter Water as a cadet in 1987 and except for a break to complete his PhD in Civil Engineering, has been with the organisation ever since.

Brendan has pursued a career with Hunter Water of over 22 years because he relishes the chance to help make important decisions that impact on the water future of the lower Hunter.

"I like the idea of being of service to this community and being part of a great team, and this role provides that opportunity," said Brendan.

"My wife, Tricia, and I love being in Newcastle because it is a great place to live and bring up our family of four gorgeous children, Lachlan (1), Matilda (3), Emma (5) and Sophie (7)."

In December 2009, Brendan received the GN Alexander Medal, from Engineers Australia, in recognition for his ground breaking work on drought

DR BRENDAN BERGHOUT, RECIPIENT OF THE GN ALEXANDER MEDAL FOR HYDROLOGY AND WATER

management planning. Based on a scientific paper presented in Adelaide, Brendan examined the performance of Hunter Water's drought plan.

The GN Alexander Medal for Hydrology and Water goes to the author of the best paper in hydrology and water resources in an Engineers Australia publication. A panel appointed by the National Committee on Water Engineering judges the Award.

Selected from more than 300 published papers by the nation's preeminent water scientists and engineers, Brendan considers the accolade to be the highlight of his career in water resources.

"This is a reward for the practical application of science and I'd like to think it will encourage others from the Hunter to consider a career in water engineering," said Brendan.

"This reward demonstrates the ability for people who have made their careers in the Hunter to deliver groundbreaking solutions and receive national recognition".

peer **RECOGNITION**

General Manager Systems, Strategy and Sustainability Peter Dennis has had a long career with Hunter Water and our subsidiary Hunter Water Australia.

Beginning back in 1985 as an Engineering cadet, Peter knew he had found the right job and the right organisation.

"It was such a great time, getting the opportunity to work with so many different people across the organisation," said Peter.

"I was in Wastewater Treatment Operations for about five years and involved in commissioning a lot of the Hunter Sewerage Project plans at the time."

"Hunter Water has great people who are passionate about doing the right thing for our customers and the environment."

In 2009 Peter was awarded the Newcastle Division Professional Engineer of the Year by Engineers Australia. The award is presented annually to a practicing professional engineer and they are judged on their competence and significant achievement in community affairs, as well as their understanding of the role and purpose of the engineering profession within society.

"It is always a great honour to receive an award from your peers, and to be recognised in the community that you live," said Peter.

Peter's enthusiasm and passion have been fundamental to his strategic role in shaping Hunter Water's commitment to a sustainable future.

His leadership in the development of a recycled water strategy for the lower Hunter and his commitment to water efficiency initiatives are all part of the long term planning to secure the region's future water supply.

striking the work **LIFE BALANCE**

A healthy workforce is reliant on staff striking the balance between their personal wellbeing, safety and work satisfaction.

During 2009-10 Hunter Water has taken this balance very seriously encouraging staff to be vigilant about finding this balance and putting their personal safety and that of their work colleagues first. A number of initiatives were rolled out during the year to actively support this intent.

reducing manual **HANDLING INCIDENTS**

The work life balance was highlighted as a clear priority when a continuous improvement project was developed looking at manual handling incidents.

Operations employee Peter Rowett has a young family and said that while he understood the importance of safe manual handling at work, it was the possible effect it could have on his personal life that strengthened the message.

"It's not just about being fit for work, it is about being fit for life!" said Peter. "My kids love playing football and I want to be out there with them, not watching from the sidelines because I hurt my back." Current trends began indicating a steady increase in the instance of manual handling injuries over the last three years; four of our nine lost time injuries for 2009-10 had manual handling as a causal factor.

PETER ROWETT NORTH LAMBTON OPERATIONS & ALAN HEAD TARRO OPERATIONS

As a result Hunter Water commenced a Continuous Improvement (CI) project with a target to reduce manual handling injuries in the Civil Operations Group by 40% by the end of June 2011.

Glen Rigby (Field Supervisor), Neale Mutton (Operations), Alan Head (Operations), Garry Pegler (OHS), Andrew Sargent (OHS, Sonja Misevska (CI), Carli Jackson (CI) and Peter Rowett make up the project team and have been charged with the task of analysing recorded manual handling injuries and to look for ways to prevent these injuries from occurring.

The guys from the project have done an excellent job of speaking with their colleagues about the key root causes identified through the process and raising the awareness of safety in the workplace.

The team is expected to finalise its recommendations for improvements in the first quarter 2010-11.

our health and **WELLBEING**

The health and wellbeing of employees has always been an important priority for Hunter Water. In March 2010 we commenced a corporate plan with The Forum, a local not-for-profit gym provider.

The corporate plan allows employees to use both The Forum venues - The Forum Sports & Aquatic Centre at the University and the Forum Health & Wellness Centre Harbourside.

In addition all employees have access to a complimentary gym induction to learn how to use the equipment safely and get the most out of their gym session.

Over 70 employees are currently signed up to the program and feedback has been extremely positive. Due to the popularity of the program, it is planned to be extended until early 2011.

Consultation Capital Works Coordinator Kate Farmer signed up for the corporate membership and attends three times a week.

“I really enjoy the classes, particularly Fat Burner, as it’s a combination of cardio and low-impact weights,” said Kate

“And because there are a lot of people from work that are members, I can often enjoy the class with other friends, making it a bit more like fun and a little less like exercise!”

“It’s great to see Hunter Water’s real commitment to its employee’s health and wellbeing and introduce a program that encourages staff to take time out, relax and recharge at the gym.”

“I’ve been a member of The Forum since 2008 and visited on and off. Since Hunter Water’s program inception, I have been more consistent in attending, thanks to the motivation from work colleagues and the closeness of the facility.”

recruitment **BEHAVIOURAL TRAINING**

The priority when recruiting for any role is always ensuring the right person for the right role.

During the last financial year Hunter Water moved recruitment in-house. To facilitate the successful selection and hiring of resources a Recruitment and Selection Policy and Procedures Manual was developed to assist all hiring managers and panel members with the new recruitment process.

In addition a recruitment workshop, ‘How to gain the most out of an interview’, was developed for hiring managers and panel members to communicate the new requirements. The workshop has a behavioural-based recruitment focus and aligns with one of Hunter Water’s pillars - Performance Culture.

Attraction and Retention Leader Kerry Devine said that the values of being accountable for one’s own performance and deliverables are embedded into a highly interactive half day session where participants get to practice their interview techniques.

“It was a great way to combine the workshops with the manuals because it gives potential panel members an opportunity to role play,” said Kerry “The Attraction and Retention Team are committed to providing our managers and panel members with the skills to make accurate talent recruitment decisions while creating a positive impression on candidates,”

“We aim to ensure that recruitment and selection processes are fairly and consistently managed across the organisation so the best person is recruited for every position.”

supporting
OUR FAMILIES

26 June 2006 was a day that changed the lives of one of our people's family forever. Scott Sam's daughter Hannah was diagnosed with Leukaemia at the age of three.

Systems Administrator for Accounting with Hunter Water, Scott had previously been a supporter of the Cancer Council, but was not really aware of what The Leukaemia Foundation did.

"In fact I thought Leukaemia was something older people got," said Scott.

"Not young people and especially not my 3-year-old daughter."

"The experience and journey we have had with Hannah really opened my eyes on how leukaemia affects all ages and the widespread number of cases," said Scott.

"After I got my head around what was happening and got a chance to get back to some sort of normal life, I wanted to do all I could to help educate others as I felt there would be many people in the same state of mind as I was before it all happened - not really knowing what leukaemia is and how prevalent it is in all ages."

When Worlds Greatest Shave came around in March 2007 Scott was on a personal mission to rally the troops at Hunter Water.

"I got all the team in Finance involved and asked permission to host a shave event," said Scott.

"My managers were supportive and I then asked our Managing Director Kevin Young for corporate sponsorship and I guess this is where it all started."

"I thought if I could raise a few hundred dollars that would be great . . . but it just took off."

Since that first year it has grown and developed, and Hunter Water now organises the entire Honeysuckle Business Precinct to be involved.

During March 2010, Hunter Water, Sparke Helmore, Hunter Development Corporation, GHD and nib all combined to raise a staggering $20,000 placing the event in the top 20 fundraising sponsors.

"To raise that much money was great, and with the lions share coming from Hunter Water it made me proud to work for this organisation."

GHD OPERATING CENTRE MANAGER TASOS KATOPODIS, SPARKE HELMORE PARTNER GREG GUEST, HDC MANAGING DIRECTOR CRAIG NORMAN AND HUNTER WATER MANAGING DIRECTOR KEVIN YOUNG

EAPS & EEO **STATEMENTS**

ETHNIC AFFAIRS PRIORTITIES STATEMENT

Hunter Water policies and procedures are implemented on a merit based philosophy.

All employees, customers and stakeholders have access to all services where required. In the areas of recruitment, selection, promotion, transfer, training and development and conditions of service, all persons are afforded opportunities on the basis of merit and efficiency. We continue to try to seek ongoing applications from people from culturally and linguistically diverse (CALD) backgrounds.

EQUAL EMPLOYMENT OPPORTUNITY STATEMENT

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

EEO & EAPS STATISTICAL ANALYSIS

Women

Although Hunter Water does not meet the benchmark in the number of women employed, the distribution index shows we have steadily increased our figures over the last five years with an increase of 2% over the past year. The general low number of women in our workforce can partly be explained by the industry we are in and the nature of work we perform ie 25% of our workforce are out in the field and are engaged in physically intensive labour. Statistics indicate that this area of work is not a popular choice for women looking to enter the workforce.

Aboriginal People & Torres Strait Islanders

Given that it is not compulsory to provide this information Hunter Water believes this is not a true representation of the workforce. However we will continue to foster a merit based recruitment and selection process where by people of a Aboriginal and Torres Strait Islander background are encouraged to apply and receive support in their application.

People whose first language was not English

This figure has remained stable for the past five years. We will continue to foster a merit based recruitment and selection process where by people whose first language was not English are encouraged to apply and receive support in their application.

People with a disability

The distribution index shows we have remained favourable.

People with a disability requiring work-related adjustment

An unfavourable trend in this area can be identified. We will continue to adopt our selection based on merit strategy and policy.

CHAPTER 6

HUNTER WATER AUSTRALIA

hunter water australia **PTY LIMITED**

ABOUT US

Hunter Water Australia Pty Limited (HWA) is a subsidiary of Hunter Water Corporation and provides a range of specialist technical and operational services to water agencies, Councils and industry mainly in Australia. The company commenced trading independently in March 1998, although many of HWA's trading activities had been marketed externally for a decade prior to this time from within Hunter Water.

Mr Ron Robson, who is Chairman of Hunter Water Corporation, chairs HWA's Board. Other directors are Mr Alan Chappel, Director, Hunter Water Corporation; Mr Jeff Eather, Director, Hunter Water Corporation (appointed 9 June 2009) and Mr Kevin Young, Managing Director, Hunter Water Corporation. Mr Jim Keary is HWA's General Manager and Ms Andrea Swan is the Company Secretary.

WHAT WE DO

HWA operates in the fields of water, wastewater, stormwater, catchment and environmental issues, specialising in:

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

The company continues to work closely with clients to develop specialist services and support their operational needs.

FINANCIAL PERFORMANCE

The net profit after tax year for ended 30 June 2010 amounted to $4,524,336 which was a very good result in a market that was far more difficult than the more buoyant conditions of the three previous years.

OUR PROJECTS & CAPABILITIES

Whilst many projects were undertaken in 2009-10, the following are examples of the wide range of projects that the company is involved in.

WASTEWATER PROCESS DESIGN

Hunter Water Australia has one of the largest and best wastewater treatment process teams in Australia.

The team is currently working on a range of projects including:

- Upgrade of the Ludmilla wastewater treatment plant to cater for growth in Darwin
- Upgrade of Mt St John sewage treatment plant to provide capacity for ongoing growth in the Townsville region as well as enhanced nutrient removal for increased protection of the Great Barrier Reef
- Commissioning of the new Koorlong sewage treatment plant near Mildura in Victoria for Lower Murray Water which follows on from the detail design work done previously
- Commissioning of the South West Rocks sewage treatment plant upgrade for Kempsey Shire Council to allow for future growth in the area
- Contract management for the new South West Rocks wastewater reclamation plant for Kempsey Shire Council

The team's operational background is highly valued by our clients since it delivers robust and workable designs that meet their ongoing needs.

ENGINEERING

The Engineering group provide a planning, design and construction service in the fields of civil, mechanical, electrical and process control engineering and environmental science.

The majority of our work is in the water industry but the core skills of our group allow the practice to provide an effective service for other industries.

Although there are a number of specialist areas within the practice, the overall objective of the group is to provide a comprehensive service across the asset life cycle.

In that regard we have developed a close relationship with a number of regional Councils where we work across their total range of operations and often manage projects from inception to commissioning.

The Engineering group has increased its set of capabilities and size in the past few years to achieve this goal of having a total capability to deliver projects.

Notable examples of projects:

- The expansion of our Asset Management capabilities. The asset managers and planners can study the total life cycle of physical assets in terms of their function in the system, effectiveness, replacement costs, maintenance costs and thus recommend an overall management strategy.
- The Design group now has extended its capabilities into Construction Management which brings the theoretical skills of our designers on to the site to ensure that the asset is built to achieve the design requirements
- The Electrical group has almost doubled in size in the past 12 months to create a new business in Telemetry and Process Control. This has extended our capability from the traditional power engineering emphasis and brought more sophisticated technology to designs

2010-11 will see a consolidation of this development to a position that allows the group to grow into both a wider client base and more markets.

Treatment Plant Operations, Support and Partnering
Further improvements to water quality and wastewater treatment licence compliance were achieved for HWC treatment plants during 2009-10. HWC also awarded a new, long-term contract to HWA for operation and maintenance of the treatment plants.

The new relationship based contract also features an open book approach and close collaboration between HWC and HWA management to ensure high efficiency and allow ongoing alignment of contract Key Performance Indicators with HWC's performance objectives.

Operational support services to external clients expanded in 2009-10. HWA's first direct operations contract was secured with State Water Corporation

HWA OPERATES A STATE-OF-THE ART LABORATORY WITH SERVICES TARGETED TO MEET THE NEEDS OF THE WATER AND WASTEWATER INDUSTRY

SUSTAINABILITY

During 2009-10, HWA continued its ongoing commitment to providing sustainable infrastructure and technology solutions for clients.

HWA 's recognised experience and expertise in brownfield upgrade projects means that clients can get full service life out of expensive civil assets before embarking on construction of a new facility.

Coupled with our commitment to selecting and recommending solutions based on optimised capital and operating costs, HWA's capabilities in regard to forecasting and minimising greenhouse gas emissions on new projects means that clients are able to select the most appropriate low emission solution to suit their budget and needs.

during the year, which required HWA to operate the Duckmaloi water treatment plant near Oberon for 9 months and assist the client to re-establish internal operations capability. An ongoing operations support contract is now in place.

A new 'Operations Support' department has been created in HWA's Treatment Operations team to further increase capability in this area.

During 2009-10, HWA has developed strategic partnerships with more regional clients. Our focus has been on working closely with these clients to assist with solving their specific problems. Work has ranged from capital works planning and procurements, plant optimisation, asset management, plant audits, operator training, development of operational systems and detail designs for new infrastructure.

HWA's focus has been on working closely with regional Australian communities to assist them in dealing with the many special issues they face. As an extension to this, the team has also been working on providing support to a number of indigenous communities in the Northern Territory.

INTERNATIONAL PROJECTS

Over the years of operation, HWA has established an international reputation for its asset management expertise. During 2009-10, HWA continued to service the needs of Canadian and North American water and wastewater entities.

2010-11: THE YEAR AHEAD

Hunter Water Australia will continue to focus on its core strengths in the year ahead i.e. running treatment plants really well, delivering high class laboratory services and being responsive and innovative about serving the specialist technical and project needs of its clients.

There will be continued recruitment and development amongst our professional staff and more joint activities with the staff of HWC and our regional clients meeting their priorities and business objectives.

Specialist engineers will be designing and involved with delivery of some of the largest and most advanced drinking water and wastewater treatment plants. This includes the delivery of both the Grahamstown and Dungog concept designs and the commissioning of the Mt St John and Koorlong wastewater treatment plants. HWA will also provide significant design and operational input to the large program of water and wastewater treatment infrastructure upgrades by Hunter Water.

The laboratory will expand the testing capability in the organics area whilst continuing to service Hunter and NSW regional clients with MIB and Geosmin testing. The laboratory is also NATA accredited for legionella analysis and is providing services to consultants and businesses in the regional area.

The survey group continues to provide annual dam surveillance surveys as well as the full range of normal survey activities to clients.

Based on our highly efficient operations capabilities for treatment plants, more support will be given to helping municipalities and water agencies achieve gains through use of our advanced knowledge management system for treatment plants and through providing relief operators.

The new premises at Steel River now houses one of the best specialist water and wastewater engineering teams in Australia and they are connected through advanced information technology to clients throughout the world.

CHAPTER 7

HUNTER WATER CORPORATION FINANCIAL STATEMENTS

COMPANY PARTICULAR'S

DIRECTORS

Mr	R	Robson	*Chairman*
Mr	K	Young	*Managing Director*
Ms	B	Crossley	
Mr	R	Chappel	
Mr	G	Kennedy	
Mr	J	Eather	
Prof.	A	Page	
Ms	J	Gardner	

COMPANY SECRETARY

Mr S Phillips

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

CONTENTS

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 2010.

DIRECTORS

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

DIRECTORS			
Mr	R	Robson	Chairman
Mr	K	Young	Managing Director
Ms	B	Crossley	
Mr	R	Chappel	
Mr	G	Kennedy	
Mr	J	Eather	
Prof.	A	Page	
Ms	J	Gardner	

INFORMATION ON DIRECTORS

R ROBSON
OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 1 August 1995 and previously held the position of Director since 1 January 1992. Mr Robson is Chairman of Hunter Water Australia Pty Limited, the Corporation's subsidiary company, and was the Chairman of the Regional Land Management Corporation Pty Ltd prior to it being wound up. He is also a Director of the Hunter Development Corporation, a Director of Robson Health Care Pty Limited, Chairman of Australian Film and Pipe Pty Limited, Chairman of Banlaw Pty Ltd, Chairman of Cromford Pty Ltd, Chairman of Copper Chem Ltd, and Patron of Newcastle/Hunter Valley Rugby Union.

KJ YOUNG
B Eng, MBA, FIE Aust, CPENG, GAICD

Mr Young was appointed Managing Director on 19 July 2004 and is also a Director of Hunter Water Australia Pty Limited. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets. Mr Young is the Chairman of the Water Services Association of Australia (WSAA). He is also a Director of Together Today, the Hunter Valley Research Foundation, a member of the Advisory Board for the Faculty of Business and Law at the University of Newcastle, and a Member of the Community Engagement Advisory Committee at the University of Newcastle.

BL CROSSLEY
B.Nat.Res. (Hons), MEIA, MAICD

Ms Crossley was appointed as a Director on 1 February 2004. Ms Crossley is a Director of Umwelt (Australia) Pty Limited and Umwelt Services Pty Limited, a local environmental consultancy firm. She is a former Chairperson of Hunter Environment Institute, has extensive knowledge of local environmental issues, has managed numerous major project approvals and has a business and marketing focus.

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

Mr Chappel was appointed as a Director on 1 February 2004 and is a Director of Hunter Water Australia Pty Ltd. Mr Chappel is a former Managing Director of Connell Wagner and former Chairman of the Australian Underground Construction & Tunnelling Association. He has vast experience in managing large technical projects involving water and wastewater.

GT KENNEDY

Mr Kennedy was appointed as a Director on 1 January 2006. Mr Kennedy is the Secretary of Newcastle Trades Hall Council and currently serves on the Hunter Economic Development Corporation. He is part of the Hunter Development Corporation, Chairman of Newcastle and Cardiff Panthers and a Director on the Group Board of the Penrith Panthers. Mr Kennedy holds positions on the Industry Development Centre (IDC) and Disability Advocacy Services Hunter and is the Chair of the IDC Human Resource Committee. He was previously the NSW President of the Communications Workers Union and has extensive experience in the communications area.

JR EATHER
B.Com, CPA, FCIM

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

AW PAGE
ASTC, BE, PhD, FTSE, Hon FIEAust, CPEng

Professor Page was appointed as a Director on 1 July 2008. He is an Emeritus Professor in Civil Engineering at the University of Newcastle and has held a range of senior university management positions including Deputy Vice-Chancellor (Research) and Pro Vice-Chancellor (Engineering and Built Environment). He is currently a Director of NUSPORT and the Shortland Alpine Club. He has previously served as a Director on several Australian Research Council Co-operative Research Centres and other research organisations including the Board of the University of Newcastle Research Associates (TUNRA), and the Hunter Medical Research Institute.

JA GARDNER
BA, LLB, MBA

Ms Gardner was appointed as a Director on 1 July 2008. Ms Gardner is the Newcastle Managing Partner of Sparke Helmore lawyers and previously sat on the national Board of that firm. Previously she headed the Statutory Schemes Business Unit, was the Chair of the Promotions Committee and sat on the Board of Tornaydo Pty Ltd, a defined benefits superannuation company. She is the Vice-President of the Women's Network (Hunter NSW). She has wide experience in the operational and strategic management of a successful professional services business.

MEETINGS OF DIRECTORS	BOARD MEETINGS		COMMITTEE MEETINGS			
			Audit &Risk		Corporate Governance	
	A	B	A	B	A	B
R Robson	12	12	4	4	3	3
B Crossley	11	12	4	4	2	3
R Chappel	11	12	*	*	*	*
G Kennedy	8	12	*	*	*	*
K Young	11	12	*	*	3	3
J Gardner	11	12	4	4	3	3
A Page	12	12	*	*	*	*
J Eather	11	12	4	4	*	*

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
*** = Not a member of the relevant committee**

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 after tax for the financial year ended 30 June 2010 was **$49.7m** compared with $49.6m for the previous year.

The dividend declared for the financial year ended 30 June 2010 was **$34.1m** compared with $30.4m for the previous year.

REVIEW OF OPERATIONS

FINANCIAL

The terminology used in reporting the results is as follows:

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

The operating profit result is marginally higher compared to the prior year.

SUBSEQUENT EVENTS

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

DIRECTORS INDEMNIFICATION

Hunter Water Corporation has an agreement to indemnify the Directors and secretary of the Corporation 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 (or above), 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 2010.

AUDIT AND RISK COMMITTEE

Hunter Water Corporation has an Audit and Risk Committee, which meets 4 times per year which (at reporting date) was comprised of:

Mr	J	Eather	Director – Committee Chairman
Mr	R	Robson	Director – Chairman
Ms	B	Crossley	Director
Ms	J	Gardner	Director

The committee's main objectives are to:

- review and assess corporate risk in key areas, assess internal controls and reporting and to review progress against key recommendations arising from audit reports;
- assess gap analyses undertaken by the Audit & Risk Management group to ensure the Corporation's audit / risk program is a dynamic process, which changes as the Corporation changes;
- ensure effective liaison between senior management, internal audit and external audit;
- oversee the internal audit functions undertaken by the Corporation's Audit & Risk Management group;
- assist the Board in ensuring the Corporation meets its compliance requirements across (but not limited to) the areas of financial, safety, environmental and general risk.

CORPORATE GOVERNANCE

The Parent Entity has a Corporate Governance Committee with its primary objective to overview Board strategic direction and business performance.

The Duties and Responsibilities are:

- To ensure that Board Committees terms of reference adequately reflect the corporate risk management responsibilities of each committee.
- To assist in the structure and content of Board strategy sessions.
- To critically evaluate the key points arising from the Board strategy sessions and to ensure follow-up occurs through the normal Board processes.
- To stay abreast of developments in corporate governance issues, changes in relevant legislation and to ensure Directors and Officers of the Corporation are adequately advised in this regard.

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

Mr	R	Robson	Chairman
Mr	K	Young	Managing Director
Ms	B	Crossley	Director
Ms	J	Gardner	Director

DIRECTORS' BENEFITS

During or since the financial year no Director of the Economic Entity 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 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

Hunter Water Corporation 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 Corporation materially complied with all requirements in respect to these licences and associated legislation. Further details of compliance are contained within the Environmental section of this Annual Report.

Signed in accordance with a resolution of the Directors of Hunter Water Corporation.

R ROBSON
Chairman

K YOUNG
Managing Director

Dated: 1 October 2010
Newcastle

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2010, and their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- complies with International Financial Reporting Standards as disclosed in Note 1(a).

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

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *State Owned Corporations Act 1989*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

M T Spriggins
Director, Financial Audit Services

7 October 2010
SYDNEY

income statement
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
REVENUE					
Services	2	253,441	226,484	242,520	215,476
Other income	2	648	745	3,705	4,254
Total Revenue		**254,089**	**227,229**	**246,225**	**219,730**
EXPENDITURE					
Operational costs	3	(100,329)	(91,390)	(95,172)	(87,284)
Depreciation and amortisation	4	(36,455)	(34,712)	(35,781)	(34,091)
Finance costs	4	(47,409)	(32,347)	(47,591)	(32,578)
Superannuation expense	4	(3,573)	(2,802)	(2,985)	(1,836)
Other	4	(323)	(4,008)	(323)	(4,008)
TOTAL OPERATING EXPENDITURE		**(188,089)**	**(165,259)**	**(181,852)**	**(159,797)**
PROFIT BEFORE INCOME TAX EXPENSE		**66,000**	**61,970**	**64,373**	**59,933**
Income tax expense	5(a)	(16,339)	(12,385)	(14,449)	(10,171)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**49,661**	**49,585**	**49,924**	**49,762**
Profit is attributable to:					
Members of the entity		49,661	49,585	49,924	49,762
Minority Interest		-	-	-	-
		49,661	**49,585**	**49,924**	**49,762**

The Income Statement should be read in conjunction with the accompanying notes on pages 78 to 120

statement of comprehensive income
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
PROFIT FOR THE YEAR		**49,661**	**49,585**	**49,924**	**49,762**
OTHER COMPREHENSIVE INCOME					
Net increase/(decrease) in property plant and equipment revaluation reserve		83,774	315,075	83,774	315,075
Income tax relating to net increase/(decrease) in property plant and equipment revaluation reserve	5(d)	(25,135)	(94,447)	(25,135)	(94,446)
Actuarial gains/(losses) on defined benefits fund	25(f)	(7,403)	(37,664)	(6,193)	(33,283)
Income tax relating to actuarial gains/(losses) on defined benefits fund	5(d)	2,220	11,299	1,858	9,985
TOTAL OTHER COMPREHENSIVE INCOME		**53,456**	**194,264**	**54,304**	**197,331**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**103,117**	**243,849**	**104,228**	**247,093**
Total comprehensive income for the year is attributable to:					
Members of the entity		103,117	243,849	104,228	247,093
Minority Interest		-	-	-	-
		103,117	**243,849**	**104,228**	**247,093**

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 78 to 120

statement of financial position
AS AT 30 JUNE 2010

	Notes	ECONOMIC ENTITY 2010 $'000	2009 $'000	2008 $'000	PARENT ENTITY 2010 $'000	2009 $'000	2008 $'000
CURRENT ASSETS							
Cash and cash equivalents	7	9,691	5,190	6,926	7,190	1,913	1,412
Trade and other receivables	8	42,695	39,045	36,233	44,115	41,838	38,617
Investments available for sale		-	-	10,002	-	-	10,002
Inventories	10	2,247	2,302	1,992	2,247	2,302	1,992
Assets held for sale	11	2,867	12	860	2,867	12	860
Other assets	12	1,696	2,249	1,555	1,076	1,680	870
TOTAL CURRENT ASSETS		**59,196**	**48,798**	**57,568**	**57,495**	**47,745**	**53,753**
NON-CURRENT ASSETS							
Other financial assets	9	-	-	-	900	900	900
Other assets	12	10,946	7,489	7,293	10,946	7,489	7,017
Property, plant & equipment	13	2,819,193	2,590,583	2,104,048	2,821,530	2,590,814	2,105,314
Intangible assets	14	6,738	4,222	7,712	6,527	4,039	7,520
TOTAL NON-CURRENT ASSETS		**2,836,877**	**2,602,294**	**2,119,053**	**2,839,903**	**2,603,242**	**2,120,751**
TOTAL ASSETS		**2,896,073**	**2,651,092**	**2,176,621**	**2,897,398**	**2,650,987**	**2,174,504**

statement of financial position
AS AT 30 JUNE 2010 (CONTINUED)

		ECONOMIC ENTITY			PARENT ENTITY		
		2010	2009	1 JUY 2008	2010	2009	1 JULY 2008
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
CURRENT LIABILITIES							
Trade and other payables	15	61,307	57,969	27,766	65,666	61,154	29,826
Current tax liabilities	16	6,370	1,857	1,882	5,470	1,430	1,044
Borrowings	17	145,837	75,211	1,100	145,837	75,211	1,100
Provisions	18	63,336	63,508	58,252	60,261	60,489	55,120
TOTAL CURRENT LIABILITIES		**276,850**	**198,545**	**89,000**	**277,234**	**198,284**	**87,090**
NON-CURRENT LIABILITIES							
Borrowings	17	516,816	446,748	413,497	521,816	451,748	418,497
Provisions	18	52,100	45,900	10,423	47,166	41,896	10,158
Deferred tax liabilities	19	362,282	340,891	258,142	364,697	342,702	259,095
TOTAL NON-CURRENT LIABILITIES		**931,198**	**833,539**	**682,062**	**933,679**	**836,346**	**687,750**
TOTAL LIABILITIES		**1,208,048**	**1,032,084**	**771,062**	**1,210,913**	**1,034,630**	**774,840**
NET ASSETS		**1,688,025**	**1,619,008**	**1,405,559**	**1,686,485**	**1,616,357**	**1,399,664**
EQUITY							
Contributed equity	20	100,000	100,000	100,000	100,000	100,000	100,000
Reserves	21(a)	924,550	865,911	645,282	924,550	865,911	645,282
Retained profits	21(b)	663,475	653,097	660,277	661,935	650,446	654,382
TOTAL EQUITY		**1,688,025**	**1,619,008**	**1,405,559**	**1,686,485**	**1,616,357**	**1,399,664**

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 78 to 120

statement of changes in equity
FOR THE YEAR ENDED 30 JUNE 2010

ECONOMIC ENTITY	Notes	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
AT 1 JULY 2009		**100,000**	**865,911**	**653,097**	**1,619,008**
Net Profit for the Year From Continuing Operations		-	-	49,661	49,661
Other comprehensive income		-	58,639	(5,183)	53,455
Total comprehensive income for the year		**-**	**58,639**	**44,478**	**103,117**
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(34,100)	(34,100)
BALANCE AT 30 JUNE 2010		**100,000**	**924,550**	**663,475**	**1,688,025**
Balance at 1 July 2008		100,000	645,282	647,028	1,392,310
Correction of prior period error	36	-	-	13,249	13,249
RESTATED BALANCE AT 1 JULY 2008		**100,000**	**645,282**	**660,277**	**1,405,559**
Net Profit for the Year From Continuing Operations		-	-	49,585	49,585
Other comprehensive income		-	220,629	(26,365)	194,264
Total comprehensive income for the year		**-**	**220,629**	**23,220**	**243,849**
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(30,400)	(30,400)
BALANCE AT 30 JUNE 2009		**100,000**	**865,911**	**653,097**	**1,619,008**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 78 to 120

statements of changes in equity
FOR THE YEAR ENDED 30 JUNE 2010

PARENT ENTITY	Notes	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
BALANCE AT 30 JUNE 2009		**100,000**	**865,911**	**650,446**	**1,616,357**
Net Profit for the Year From Continuing Operations		-	-	49,924	49,924
Other comprehensive income		-	58,639	(4,335)	54,304
Total comprehensive income for the year		**-**	**58,639**	**45,589**	**104,228**
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(34,100)	(34,100)
BALANCE AT 30 JUNE 2010		**100,000**	**924,550**	**661,935**	**1,686,485**
Balance at 1 July 2008		100,000	645,282	641,133	1,386,415
Correction of prior period error	36	-	-	13,249	13,249
RESTATED BALANCE AT 1 JULY 2008		**100,000**	**645,282**	**654,382**	**1,399,664**
Net Profit for the Year From Continuing Operations		-	-	49,762	49,762
Other comprehensive income		-	220,629	(23,298)	197,331
Total comprehensive income for the year		**-**	**220,629**	**26,464**	**247,093**
Transaction with owners in their capacity as owners:					
Dividends provided for	6		-	(30,400)	(30,400)
BALANCE AT 30 JUNE 2009		**100,000**	**865,911**	**650,446**	**1,616,357**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 78 to 120

statement of cash flows
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		249,774	215,204	237,822	203,315
Payments to suppliers and employees (inclusive of goods and services tax)		(123,535)	(118,225)	(114,494)	(110,306)
		126,239	**96,979**	**123,328**	**93,009**
Dividends received		-	-	3,756	2,854
Interest received		336	578	222	338
Proceeds from environmental levy and developers		5,999	8,223	5,999	8,223
Borrowing costs		(42,357)	(27,835)	(42,566)	(28,050)
Income taxes paid		(13,347)	(12,800)	(11,695)	(10,635)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**22**	**76,870**	**65,145**	**79,044**	**65,739**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(183,010)	(150,379)	(184,408)	(148,729)
Proceeds from sales of property, plant and equipment		349	1,054	347	1,054
Proceeds from investment		-	10,375	-	10,375
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(182,661)**	**(138,950)**	**(184,061)**	**(137,300)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		215,905	108,462	215,905	108,462
Repayment of borrowings		(75,211)	-	(75,211)	-
Dividends paid	6	(30,400)	(35,300)	(30,400)	(35,300)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**110,294**	**73,162**	**110,294**	**73,162**
NET INCREASE / (DECREASE) IN CASH HELD		**4,503**	**(643)**	**5,277**	**1,601**
Cash at beginning of financial period		5,190	5,826	1,913	312
Effects of exchange rate changes on cash		(2)	7	-	-
CASH AT THE END OF THE FINANCIAL PERIOD	**7(a)**	**9,691**	**5,190**	**7,190**	**1,913**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 78 to 120

note 1. summary of SIGNIFICANT ACCOUNTING POLICIES

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

Hunter Water Corporation has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. As a consequence, Hunter Water Corporation has changed the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

The Economic Entity's and Parent Entity's financial statements for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Board on 1 October 2010.

a) Basis of preparation

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

Proper accounts and records for all of the Corporation's operations have been kept as required under Section 41(1) of the Public Finance and Audit Act 2010 .

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with Australian equivalents of International Accounting Standards (AIFRS) ensures that the consolidated financial statements and notes of the Economic Entity and Parent Entity comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

The financial statements have been prepared on an accruals basis using the historical cost convention, except for the non-current physical assets which are shown at valuation.

Rounding to the nearest $000

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

Currency of amounts in report

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

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Parent Entity (Hunter Water Corporation) and the wholly-owned Controlled Entity (Hunter Water Australia Pty Limited) as at 30 June 2010 and the results of the Parent Entity and Controlled Entity for the year then ended. The Parent Entity had the capacity to dominate the decision making in relation to the financial and operating policies of the Controlled Entity so that the Controlled Entity operated with the Parent Entity to achieve its objectives. The Controlled Entity is detailed in note 32 to the accounts.

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

c) Revenue recognition

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

(i) Tariff income

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

Revenue is recognised in respect of these services on an accrual basis as the services are provided. Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by multiplying the number of days since the last reading date to 30 June by the historic average daily consumption for each property.

(ii) Contributions for capital works

Contributions for capital works includes Environmental Levy receipts and contributions from developers.

In accordance with Austalian Accounting Interpretations 18, where physical asset contributions are received from developers in return for connection to a service delivery network, contributions are recognised as revenue and assets at their assessed fair value on receipt.

Cash contributions received from developers are recognised as revenue on receipt. Environmental levy receipts are considered revenue in nature and are shown at their cash value.

(iii) Property sales

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

(iv) Investment income

Represents earnings on surplus cash invested in the Economic Entity's bank accounts, NSW TCorp Deposits or fixed term government bonds.

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

(v) Dividends

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

d) Income tax

Hunter Water Corporation and its wholly-owned Australian Controlled Entity, Hunter Water Australia Pty Limited, 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 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 for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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

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

e) Cash and cash equivalents

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

f) Trade receivables

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

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

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

g) Investments

Investments in marketable securities with a maturity period of greater than 3 months are classified as cash and cash equivalents. Those with a maturity period of greater than 12 months are classified as non-current assets.

Investments are initially recognised at cost and then subsequently are classified as available for sale and as such are recognised at fair value (with the estimate of fair value provided by an external expert). For the entity's long-term investment, any gains or losses arising from its measurement to fair value are recognised as a component of equity (through the available for sale reserve).

h) Inventories

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

External contracts work in progress

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

i) Assets held for sale

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

j) Property, plant and equipment

Acquisitions and Capitalisation

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

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

Items costing greater than $300 individually and having a minimum expected operational life of 3 years are capitalised.

In respect of system assets constructed by the Economic Entity for it's own use, cost includes:
- costs associated with the detailed design of the asset;
- materials used in construction;
- direct labour and an appropriate proportion of overhead costs;
- contractors' services;
- major inspection costs; and
- an estimate where relevant of the costs to dismantle, decommission and remove the assets and restore the site on which it is located.

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

In line with a change in accounting policy AASB 123, the entity has started to capitalise 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 9.06%.

Valuation

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

The Parent Entity's policy is to revalue assets, except land, over a 5 year cycle by selecting assets according to a predetermined schedule of 5 sub asset groups. Other than the asset sub group scheduled for revaluation, the remaining 4 groups are indexed annually to maintain current values.

While the estimated written down current replacement cost is used in the asset revaluation process, the carrying amount of the total asset set is assessed against their net cash inflows. Where the carrying values exceed the recoverable amount, assets are written down. (Refer note 1(l) and note 13D).

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

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

Land owned by the Parent Entity is valued by registered valuers every 3 years. Land, upon which the Parent Entity's system assets are located, is valued at its value in use by the expert valuer, which is considered to be the highest and best use. The written down value of all other property, plant and equipment is considered a surrogate for their fair value.

For each asset subject to valuation, revaluation increments are credited to the asset revaluation reserve within the Statement of Comphrensive Income. Where a revaluation decrement or impairment loss reverse a revaluation increment previously credited to the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve. In other cases the decrement or impairment loss is recognised in the Income Statement.

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

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

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.

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

The estimated useful lives for each class of assets are as follows:

CLASS OF FIXED ASSET SYSTEM ASSETS	USEFUL LIFE (YRS)
Sewer	
Sewermains	80-120
Sewer Pump Stations	10-75
Wastewater Treatment Works	10-60
Water	
Watermains	100-150
Water Chlorinators	15-50
Water Pump Stations	10-60
Water Resources	10-50
Water Treatment Works	10-50
Meters	15
Stormwater	100-150
Recycled Water	80-100
General support	
Fleet	3-10
General equipment	3-15
Buildings	**25-75**

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

k) Intangible assets

Intangible assets consist of easements, software and other intangible assets (including some development projects). Research expenditure is recognised as an expense as incurred. Costs incurred on development projects whereby research findings are applied to the development of substantially new or improved products or processes (for example, relating to the design of new improved systems) are capitalised when it is probable that the project will result in future economic benefits, the project is technically or commercially feasible, its costs can be measured reliably and there are sufficient resources to complete development. If we do have capitalised development costs they are recorded as intangible assets and amortised from the point at which benefits are recognised on a straight-line basis over its useful life which is generally 5 years.

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets and are not amortised. Software is also classified as an intangible asset. Due to a change in tax legislation which requires software to be amortised over 4 years, we have changed our accounting estimate from amortising software over 3 years to amortising it over 4 years. The impact of this change is immaterial.

l) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units). The Economic Entity has assumed that one cash generating unit exists for the purposes of impairment due to the integrated nature of the systems in use. This cash generating unit excludes land & buildings as a market value exists for these assets.

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

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

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

- Time period (the weighted average remaining life of the asset base) 78 years (2009: 74 years);
- Real discount rate (before tax) – 6.90% (2009: 6.96%); and
- Growth rate – 1.01% per annum for a period of 10 years (2009: 1.01% pa).
-

Estimates of future revenues have been based on the final 2009 IPART determination which is applicable up to 30 June 2013 and expected water consumption. Beyond 2013 a level of pricing support has been assumed to ensure the current asset base is maintained with an acceptable weighted average cost of capital return of 7.0%.

Estimates of future expenditure have been based on the draft 2010/11 operating expenditure budget with some anticipated cost increases factored in for future years in line with the entity's Statement of Corporate Intent.

m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

n) Trade and other payables

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

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

o) Borrowings

The Parent Entity borrows through the NSW Treasury Corporation in the form of liquid and marketable TCorp Stocks. As part of its debt management activities, NSW Treasury Corporation is contracted as Liability Adviser to advise on refinancing and restructuring options.

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. Additionally, all borrowing costs that have been assessed as eligible for capitalisation have been capitalised in line with AASB 123.

p) Employee benefits

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

Liabilities for salaries and wages including annual leave and vested sick leave as well as all unconditional employee benefits are recognised as current employee benefits in respect of employees' services up to the reporting date are recognised as current liabilities. They are measured at the nominal undiscounted carrying value. The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993. This requirement to provide for untaken sick leave ceased from 15 February 1993 with amendments to the Industrial Relations Act 1991.

(ii) Long service leave

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

(iii) Superannuation

Employees of the entities within the Economic Entity are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the Statement of Financial Position. It is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any past service cost. Actuarial gains and losses are recognised in equity via the Statement of Comprehensive Income in the year in which they occur. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration.

q) Dividends

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

r) Goods and Services Tax (GST)

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

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

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

s) Foreign Currency Transactions and Balances

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

t) Accounting Standards and Australian Accounting Interpretations Issued but not yet Operative

Certain new accounting standards and interpretations applicable to Hunter Water Corporation and its Controlled Entity have been published that are not mandatory for 30 June 2010 reporting periods. The Economic Entity and Controlled Entity assessment of the impact of these new standards and interpretations are set out below:

(i) AASB 9 Financial Instruments

This is a new standard that will apply from 2013-14. The standard replaces the multiple classification and measurement models in AASB 139 Financial Instruments: Recognition and Measurement with a single model that has only two classifications: amortised cost and fair value. There is no anticipated impact on the Economic Entity as all financial instruments are already recognised at amortised cost or fair value.

(ii) AASB 2009-5 Further amendments arising from the second annual improvements project

This introduces the second round of amendments to accounting standards and applies from 2013-14. It introduces changes to various accounting standards, however the two changes that apply to the entity are:

- AASB 107 Cash flow statements: clarifies only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. It is not anticipated that that the classification of the Economic Entity's cash flows from investing activities will be changed.
- AASB 117 Leases: removed the default classification that the land element in a land and building lease is no longer an operating lease. It is possible it could be classified as a finance lease. There is no anticipated impact on Economic Entity due to this change.

u) Change in Accounting Policy

(i) AASB 123 Borrowing Costs

The Economic Entity has changed its accounting policy with respect to borrowing costs, due to the introduction of AASB 123 Borrowing Costs which is applicable to reporting periods beginning on or after 1 January 2009. This standard requires the Economic Entity to capitalise borrowing costs directly attributable to the acquisition or construction of a qualifying asset. The commencement date for capitalisation of borrowing costs is the date when the entity first meets all of the following conditions:
(a) it incurs expenditure for the asset; (b) it incurs borrowing costs; (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. The economic entity is required to disclose the amount of borrowing costs capitalised during the period and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation. The application of this standard has resulted in a reduction in the interest expense recognised in the Income Statement.

(ii) Property, Plant & Equipment

The Economic Entity has made a voluntary change to its accounting policy on the unit of measure used to define asset classes for disclosure, asset revaluation and impairment testing purposes in relation to its system assets. The previous accounting policy was to define the asset classes at the level of the water, sewerage (including recycled wastewater) and drainage networks. In other words, it regarded these networks as three separate asset classes in the single cash-generating unit containing the Economic Entity's system assets. Based on this definition, the asset revaluation reserve was dissected into these three asset classes and impairments during each reporting period were therefore allocated to the reserve on a pro rata basis to each of these asset classes. This determined whether any impairment was able to be absorbed in the relevant asset class balance of the asset revaluation reserve or whether it needed to be recognised in profit or loss because that particular asset class balance had been exhausted.

Under the change in accounting policy, the Economic Entity has changed the unit of measure and now considers the single cash-generating unit to comprise of one individual asset, rather than the asset classes mentioned above under the previous policy. The one individual asset is now considered to be the entire system asset as a whole, comprising the entire water network regardless of the type of water that the network is managing at the various stages of its cycle.

The rationale for the change in accounting policy is to align the categorisation of our assets with the way the Economic Entity is managed. This new accounting policy is consistent with the way the Economic Entity is managed on a whole of entity basis and how its financial performance is assessed by senior management and its Board, and operationally it is consistent with how the various components of the system assets network operate together to provide a complete water service to customers.

Further in examining the application of the cash-generating unit test for the current reporting period and in forecast models for future reporting periods, an anomaly was identified that showed that a continuation of the previous accounting policy would lead to a number of volatile and illogical accounting outcomes that will significantly distort the financial performance of the Economic Entity and parent in the future.

Specifically, the anomaly occurs in any reporting period when new capital investment taken to completed assets is not equal to the proportional carrying amount of the same types of assets existing within the total value of all system assets at that time. Whilst the overall recoverable amount of system assets is increased as a result of the new capital investment, the allocation of impairment adjustments on a pro rata basis across all assets still results in significant impairment losses being recognised in profit or loss for some asset classes, with increases to the asset revaluation reserve occurring for other asset classes. In simple terms, the previous accounting policy results in some of the increased revenue arising from capital investment to be allocated to assets on which no new investment took place, while those assets where the investment did take place are being impaired to the extent of the revenue being allocated elsewhere.

By changing the accounting policy for the unit of measure to one asset class at the system asset network level as a whole, the above accounting anomaly is eliminated and no illogical impairment losses are created.

Accordingly, the Economic Entity considers that this voluntary change in accounting policy will result in more relevant and reliable information being presented in relation to the Parent Entity's and the Economic Entity's financial performance and financial position in the current and future reporting periods. There is no financial impact this year or in prior years due to the change in accounting policy.

note 2.
REVENUE

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
SERVICES					
Tariff - service charges		113,655	84,424	113,655	84,424
Tariff - usage charges		98,191	85,402	98,191	85,402
Other regulated income		5,720	4,734	5,720	4,734
		217,566	**174,560**	**217,566**	**174,560**
External sales		11,166	11,562	88	251
		11,166	**11,562**	**88**	**251**
Developer contributions - environmental charge		5,594	8,981	5,594	8,981
Developer contributions – cash		580	2,947	580	2,947
Developer contributions – assets		14,791	17,209	14,791	17,209
		20,965	**29,137**	**20,965**	**29,137**
Corporate services		(69)	(148)	101	121
Other		3,813	11,373	3,800	11,407
		3,744	**11,225**	**3,901**	**11,528**
		253,441	**226,484**	**242,520**	**215,476**
OTHER INCOME					
Interest income		332	683	216	443
Dividends		-	-	3,172	3,756
Gain/(loss) on disposal of assets		318	55	317	55
Foreign exchange gain/(loss)		(2)	7	-	-
		648	**745**	**3,705**	**4,254**
Total Revenue		**254,089**	**227,229**	**246,225**	**219,730**

note 3.
OPERATIONAL COSTS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Employee-related costs		**31,666**	**27,123**	**17,553**	**15,779**
Maintenance expense					
Maintenance-related employee expenses		14,094	12,197	14,086	12,174
Other maintenance expenses		20,694	18,730	21,195	19,160
		34,788	**30,927**	**35,281**	**31,334**
Materials		7,054	7,572	3,670	3,756
Energy		8,716	9,862	8,386	9,560
Plant & vehicles		1,740	2,084	1,006	1,117
Contracts, property & other		7,723	5,404	29,112	25,475
Cost of external sales		8,642	8,418	164	263
		33,875	**33,340**	**42,338**	**40,171**
		100,329	**91,390**	**95,172**	**87,284**

note 4.
PROFIT BEFORE INCOME TAX

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Profit before income tax includes the following specific net gains and Net gain on disposal of					
Property, plant and equipment	2	318	55	317	55
Foreign exchange gain/(loss)	2	(2)	7	-	-
		316	**62**	**317**	**55**
Changes in restoration provision		(120)	-	(120)	-
Depreciation and Amortisation					
Amortisation	14 (a)	3,914	5,362	3,867	5,305
Depreciation	13 (c)	32,541	29,350	31,914	28,786
Total Depreciation and Amortisation		**36,455**	**34,712**	**35,781**	**34,091**
Other charges against assets					
Bad and doubtful debts - trade debtors	8	227	190	234	183
Write-down of inventory to net realisable value		-	(38)	-	(38)
		227	**152**	**234**	**145**
Finance Costs					
Amortisation of discount/(premium) on loans		211	1,169	211	1,169
Long term borrowings - interest		35,979	27,677	35,979	27,677
Other interest expense		93	72	275	303
Finance charges		11,145	3,429	11,145	3,429
Capitalised Finance Costs		(19)	-	(19)	-
		47,409	**32,347**	**47,591**	**32,578**
Rental expense relating to operating leases					
Minimum lease payments		2,876	2,873	1,476	1,482
Superannuation Expense/ (Revenue):					
Superannuation revenue - defined benefits funds		(989)	(2,089)	(652)	(1,654)
Superannuation expense - contributions		4,562	4,891	3,637	3,490
		3,573	**2,802**	**2,985**	**1,836**
Other					
Developer contribution refunds		175	3,705	175	3,705
Write-off - decommissioned assets		148	303	148	303
		323	**4,008**	**323**	**4,008**

note 5.
INCOME TAX

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
(a) Income Tax Expense					
Current tax	16	18,642	13,302	16,431	11,551
Deferred tax	19	(1,523)	(131)	(1,280)	(628)
Under/(over) provided in prior years		(780)	(786)	(702)	(752)
		16,339	**12,385**	**14,449**	**10,171**
Deferred income tax (revenue)/expense included in income tax expense comprises:					
(Decrease)/increase in deferred tax liabilities		(3,041)	2,641	(2,748)	2,405
(Decrease)/increase in deferred tax assets		1,518	(2,772)	1,468	(3,033)
(b) Numerical reconciliation of income tax expense to prima facie tax					
Profit before income tax expense		66,000	61,970	64,373	59,933
Subtract inter-company dividend income		-	-	(3,172)	(3,756)
Profit before income tax excluding dividend		**66,000**	**61,970**	**61,201**	**56,177**
Tax at Australian rate of 30% (2009 - 30%)		19,800	18,591	18,360	16,853
Tax effect of amounts which are not deductible/(taxable) in calculating taxable					
Non-deductible expenses		(2,681)	2,346	(2,359)	2,400
Tax consolidation benefit		-	-	(851)	(561)
Non-assessable income		-	(1,751)	-	(1,751)
Non-assessable contributions to capital works		-	(2,469)	-	(2,469)
Sundry items		-	(8)	-	(10)
		17,119	**16,709**	**15,151**	**14,462**
Deferred tax assets acquired		-	(3,538)	-	(3,538)
Under/(over) provision in prior years		(780)	(786)	(702)	(752)
		16,339	**12,385**	**14,449**	**10,171**
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity					
Net deferred tax - debited directly to equity	19	22,914	83,147	23,277	84,461
		22,914	**83,147**	**23,277**	**84,461**

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
(d) Tax expense/(income) relating to items of comprehensive income					
Net increase/(decrease) in property plant and equipment revaluation reserve	21(a)	(25,135)	(94,447)	(25,135)	(94,446)
Actuarial gains/(losses) on defined benefits fund		2,221	11,299	1,858	9,985
		(22,914)	**(83,147)**	**(23,277)**	**(84,461)**

(e) Tax Consolidation Legislation

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

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

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

note 6.
DIVIDENDS PAID OR PROVIDED FOR

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Opening Balance		30,400	35,300	30,400	35,300
Add dividend declared at 34.1 cents per share (2009: 30.4 cents per share)		34,100	30,400	34,100	30,400
Less dividend paid at 30.4 cents per share (2009: 35.3 cents per share)		(30,400)	(35,300)	(30,400)	(35,300)
		34,100	**30,400**	**34,100**	**30,400**

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

note 7.
CASH AND CASH EQUIVALENTS

		ECONOMIC ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Cash at bank and on hand		921	2,591	490	1,313
Deposits at call		8,770	2,599	6,700	600
		9,691	**5,190**	**7,190**	**1,913**

Deposits at call are bearing interest rates between 2.95% and 4.45% (2009: 3.2% and 7.2%)

(a) Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial years as shown in the Statement of Cash Flows as follows:				
Balances as above	9,691	5,190	7,190	1,913
Balances per Statement of Cash Flows	9,691	5,190	7,190	1,913

note 8.
TRADE AND OTHER RECEIVABLES

		ECONOMIC ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Current					
Trade debtors		43,220	39,343	41,469	38,373
Allowance for Impairment		(525)	(298)	(525)	(291)
		42,695	**39,045**	**40,944**	**38,082**
Dividend receivable		-	-	3,171	3,756
		42,695	**39,045**	**44,115**	**41,838**

(a) Movement in the allowance for impairment				
Balance at beginning of year	298	108	291	108
Amounts written off during the year	-	-	-	-
Amounts recovered during the year	-	(61)	-	(61)
Increase/(decrease) in allowance recognised in Income Statement	227	251	234	244
Balance at end of year	**525**	**298**	**525**	**291**

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

note 9.
OTHER FINANCIAL ASSETS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Non-current					
Other (non-traded) investments		-	-	900	900
Shares in controlled entities - at cost		**-**	**-**	**900**	**900**

note 10.
INVENTORIES

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Current					
Consumable stores at cost		2,209	2,264	2,209	2,264
Consumable stores at net realisable value		38	38	38	38
		2,247	**2,302**	**2,247**	**2,302**

note 11.
ASSETS HELD FOR SALE

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Current					
Land held for sale		2,867	12	2,867	12
		2,867	**12**	**2,867**	**12**

note 12.
OTHER ASSETS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Current					
Prepayments		1,435	1,914	1,060	1,660
Accrued Interest		16	20	16	20
Work In Progress		245	315	-	-
		1,696	**2,249**	**1,076**	**1,680**

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Non-current					
Discount on loans		10,946	7,489	10,946	7,489
		10,946	**7,489**	**10,946**	**7,489**

note 13.
PROPERTY, PLANT & EQUIPMENT

	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	WORK IN PROGRESS $'000	TOTAL $'000
(a)						
ECONOMIC ENTITY						
At 1 July 2008						
Cost or fair value	2,298,495	16,636	122,808	39,953	120,956	2,598,848
Accumulated depreciation and impairment	(480,423)	(9,845)	-	(4,532)	-	(494,800)
Net book amount	**1,818,072**	**6,791**	**122,808**	**35,421**	**120,956**	**2,104,048**
At 30 June 2009						
Cost or fair value	2,752,219	19,629	127,745	39,999	212,491	3,152,083
Accumulated depreciation and impairment	(544,681)	(11,259)	-	(5,560)	-	(561,500)
Net book amount	**2,207,538**	**8,370**	**127,745**	**34,439**	**212,491**	**2,590,583**
At 30 June 2010						
Cost or fair value	2,949,791	23,087	148,364	41,122	276,642	3,439,006
Accumulated depreciation and impairment	(600,082)	(13,309)	-	(6,422)	-	(619,813)
Net book amount	**2,349,709**	**9,778**	**148,364**	**34,700**	**276,642**	**2,819,193**
PARENT ENTITY						
At 1 July 2008						
Cost or fair value	2,298,495	13,234	122,808	39,953	123,690	2,598,180
Accumulated depreciation and impairment	(480,423)	(7,911)	-	(4,532)	-	(492,866)
Net book amount	**1,818,072**	**5,323**	**122,808**	**35,421**	**123,690**	**2,105,314**
At 30 June 2009						
Cost or fair value	2,752,219	13,135	127,745	39,999	217,099	3,150,197
Accumulated depreciation and impairment	(544,681)	(9,142)	-	(5,560)	-	(559,383)

ECONOMIC ENTITY	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	WORK IN PROGRESS $'000	TOTAL $'000
Net book amount	**2,207,538**	**3,993**	**127,745**	**34,439**	**217,099**	**2,590,814**
At 30 June 2010						
Cost or fair value	2,949,791	16,249	148,364	41,122	283,129	3,438,656
Accumulated depreciation and impairment	(600,082)	(10,621)	-	(6,422)	-	(617,126)
Net book amount	**2,349,709**	**5,628**	**148,364**	**34,700**	**283,129**	**2,821,530**

(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 are set out below:

ECONOMIC ENTITY	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	TOTAL $'000
At 30 June 2009					
Carrying amount 1 Jul 2008	1,818,072	6,791	122,808	35,421	1,983,092
Additions	98,390	5,117	4,954	45	108,507
Disposals	(2,993)	(184)	(768)	-	(3,945)
Transfers between classes	-	-	750	-	750
Revaluation: increments/ (decrements)	1,005,926	31	-	-	1,005,957
Impairment	(685,676)	(1,243)	-	-	(686,919)
Depreciation expense	(26,181)	(2,142)	-	(1,027)	(29,350)
Carrying amount 30 June 2009	**2,207,538**	**8,370**	**127,745**	**34,439**	**2,378,092**

PARENT ENTITY					
At 30 June 2009					
Carrying amount 1 Jul 2008	1,818,072	5,322	122,808	35,421	1,981,624
Additions	98,390	1,625	4,954	45	105,015
Disposals	(2,993)	(165)	(768)	-	(3,926)
Transfers between classes	-	-	750	-	750
Revaluation: increments/ (decrements)	1,005,926	31	-	-	1,005,957
Impairment	(685,676)	(1,243)	-	-	(686,919)
Depreciation expense	(26,181)	(1,578)	-	(1,027)	(28,786)
Carrying Amount 30 June 2009	**2,207,538**	**3,993**	**127,745**	**34,439**	**2,373,715**

(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 are set out below:

ECONOMIC ENTITY	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	TOTAL $'000
At 30 June 2010					
Carrying amount 1 Jul 2009	2,207,538	8,370	127,745	34,439	2,378,092
Additions	89,479	3,594	21,874	1,414	116,361
Disposals	(5,854)	(18)	(614)	(91)	(6,577)
Transfers between classes	27	-	(2,940)	(27)	(2,940)
Revaluation: increments/ (decrements)	87,805	52	2,299	-	90,156
Impairment	-	-	-	-	-
Depreciation expense	(29,286)	(2,220)	-	(1,035)	(32,541)
Carrying amount 30 June 2010	**2,349,709**	**9,778**	**148,364**	**34,700**	**2,542,551**

PARENT ENTITY	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	TOTAL $'000
At 30 June 2010					
Carrying amount 1 Jul 2009	2,207,538	3,993	127,745	34,439	2,373,715
Additions	89,479	3,189	21,874	1,414	115,956
Disposals	(5,854)	(13)	(614)	(91)	(6,572)
Transfers between classes	27	-	(2,940)	(27)	(2,940)
Revaluation: increments/ (decrements)	87,805	52	2,299	-	90,156
Impairment	-	-	-	-	-
Depreciation expense	(29,286)	(1,593)	-	(1,035)	(31,914)
Carrying Amount 30 June 2010	**2,349,709**	**5,628**	**148,364**	**34,700**	**2,538,401**

(d) Valuation Notes

The valuation of assets is based on the modern engineering equivalent replacement asset methodology (MEERA). The valuation of these assets is confirmed by application of a cash generating unit test (CGUT) based on the expected net cash flows to be generated discounted to their present value. The outcome of this test for 2009/10 indicated that the net present value of future revenues did support accounting book values of the asset base, and an impairment was not processed.

In 2010 land and drainage assets were expertly revalued and the remainder of the property, plant & equipment asset base (excluding land and fleet assets) were indexed by CPI (2.5%).

(e) Written Down Replacement Value

Reconciliations of the written down replacement cost of each class of property, plant and equipment at the end of the current financial year are set out below:

ECONOMIC ENTITY	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	TOTAL $'000
At 30 June 2010					
Gross replacement cost	5,490,206	45,537	148,364	41,668	5,725,774
Less: Cumulative Impairment	(2,540,414)	(22,450)	-	(545)	(2,563,409)
Total Gross Assets (after impairment)	**2,949,791**	**23,087**	**148,364**	**41,122**	**3,162,364**
Accumulated depreciation	(1,046,282)	(24,038)	-	(6,681)	(1,077,001)
Less: Cumulative Impairment	446,200	10,729	-	258	457,188

ECONOMIC ENTITY	SYSTEM ASSETS $'000	GENERAL SUPPORT $'000	LAND $'000	BUILDINGS $'000	TOTAL $'000
Accumulated depreciation (after impairment)	**(600,082)**	**(13,309)**	**-**	**(6,422)**	**(619,813)**
Carrying amount 30 June 2010	**2,349,709**	**9,778**	**148,364**	**34,700**	**2,542,551**

PARENT ENTITY					
At 30 June 2010					
Gross replacement cost	5,490,206	38,699	148,364	41,668	5,718,936
Less: Cumulative Impairment	(2,540,414)	(22,450)	-	(545)	(2,563,409)
Total Gross Assets (after impairment)	**2,949,791**	**16,249**	**148,364**	**41,122**	**3,155,527**
Accumulated depreciation	(1,046,282)	(21,351)	-	(6,681)	(1,074,314)
Less: Cumulative Impairment	446,200	10,729	-	258	457,188
Accumulated depreciation (after impairment)	**(600,082)**	**(10,621)**	**-**	**(6,422)**	**(617,126)**
Carrying amount 30 June 2010	**2,349,709**	**5,628**	**148,364**	**34,700**	**2,538,401**

note 14.
INTANGIBLE ASSETS

ECONOMIC ENTITY AT	SOFTWARE EXTERNAL $'000	SOFTWARE INTERNAL $'000	OTHER $'000	TOTAL $'000
1 July 2008				
Cost or fair value	1,332	16,935	318	813	19,398
Accumulated depreciation and impairment	(53)	(11,078)	(267)	(288)	(11,686)
Net book amount	**1,279**	**5,857**	**51**	**525**	**7,712**
At 30 June 2009					
Cost or fair value	1,029	19,173	317	737	21,256
Accumulated depreciation and impairment	(53)	(16,306)	(292)	(383)	(17,034)
Net book amount	**976**	**2,867**	**25**	**354**	**4,222**
At 30 June 2010					
Cost or fair value	1,124	25,022	580	961	27,687
Accumulated depreciation and impairment	(53)	(20,111)	(343)	(442)	(20,949)
Net book amount	**1,071**	**4,911**	**237**	**519**	**6,738**

	EASEMENTS	SOFTWARE EXTERNAL	SOFTWARE INTERNAL	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000
PARENT ENTITY					
At 1 July 2008					
Net Book amount	**1,279**	**5,760**	**51**	**430**	**7,520**
Cost or fair value	1,332	16,491	318	714	18,855
Accumulated depreciation and impairment	(53)	(10,731)	(267)	(284)	(11,335)
At 30 June 2009					
Cost or fair value	1,029	18,699	317	635	20,680
Accumulated depreciation and impairment	(53)	(15,914)	(292)	(382)	(16,641)
Net book amount	**976**	**2,785**	**25**	**253**	**4,039**
At 30 June 2010					
Cost or fair value	1,124	24,472	580	859	27,035
Accumulated depreciation and impairment	(53)	(19,676)	(343)	(436)	(20,508)
Net book amount	**1,071**	**4,796**	**237**	**423**	**6,527**

(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 2009	EASEMENTS	SOFTWARE EXTERNAL	SOFTWARE INTERNAL	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000
Carrying amount 1 Jul 2008	1,279	5,857	51	525	7,712
Additions	-	3,126	-	102	3,228
Disposals	-	-	-	(95)	(95)
Transfers between classes	-	-	-	-	-
Revaluation: increments/ (decrements)	-	-	-	-	-
Impairment	(303)	(876)	-	(79)	(1,258)
Amortisation expense	-	(5,240)	(26)	(99)	(5,365)
Carrying amount 30 June 2009	**976**	**2,867**	**25**	**354**	**4,222**

PARENT ENTITY 2009	EASEMENTS	SOFTWARE EXTERNAL	SOFTWARE INTERNAL	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000
Carrying amount 1 Jul 2008	1,279	5,760	51	430	7,520
Additions	-	3,083	-	-	3,083
Disposals	-	-	-	-	-
Transfers between classes	-	-	-	-	-

PARENT ENTITY 2009	EASEMENTS	SOFTWARE EXTERNAL	SOFTWARE INTERNAL	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000
Revaluation: increments/ (decrements)	-	-	-	-	-
Impairment	(303)	(876)	-	(79)	(1,258)
Amortisation expense	-	(5,182)	(26)	(98)	(5,306)
Carrying amount 30 June 2009	**976**	**2,785**	**25**	**253**	**4,039**

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 2010	EASEMENTS	SOFTWARE EXTERNAL	SOFTWARE INTERNAL	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000
Carrying amount 1 Jul 2009	976	2,867	25	354	4,222
Additions	95	5,849	263	224	6,431
Disposals	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation expense	-	(3,805)	(51)	(59)	(3,915)
Carrying amount 30 June 2010	**1,071**	**4,911**	**237**	**519**	**6,738**

PARENT ENTITY 2010	EASEMENTS	SOFTWARE EXTERNAL	SOFTWARE INTERNAL	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000
Carrying amount 1 Jul 2009	976	2,785	25	253	4,039
Additions	95	5,773	263	224	6,355
Disposals	-	-	-	-	-
Transfers between classes	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation expense	-	(3,762)	(51)	(54)	(3,867)
Carrying amount 30 June 2010	**1,071**	**4,796**	**237**	**423**	**6,527**

note 15.
TRADE AND OTHER PAYABLES

		ECONOMIC ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Current					
Trade creditors		5,093	45,141	9,722	48,280
Deposits received for services		1,531	2,067	1,531	2,067
Accrued expenses		54,683	10,761	54,413	10,807
		61,307	**57,969**	**65,666**	**61,154**

note 16.
CURRENT TAX LIABILITIES

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Provision for Income Tax Payable					
Opening Balance		1,857	1,882	1,430	1,044
Add under provision for income tax in prior year		(698)	(526)	(698)	(526)
Less amount paid relating to prior year		(1,160)	(1,356)	(733)	(518)
Add amount payable for current year	5(a)	18,642	13,302	16,431	11,551
Less amount paid relating to current year		(12,271)	(11,444)	(10,960)	(10,121)
		6,370	**1,857**	**5,470**	**1,430**

note 17.
BORROWINGS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Current					
Overdraft		-	-	-	-
Other loans		145,837	75,211	145,837	75,211
		145,837	**75,211**	**145,837**	**75,211**

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of $10m (2009:$10m)

Non-Current					
Other loans		516,816	446,748	521,816	451,748
		516,816	**446,748**	**521,816**	**451,748**

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

The Treasurer approved funding of up to $685m with NSW TCorp for the 2010 year (2009: $605m), of which $663m was used at 30 June 2010 ($522m at 30 June 2009).

The Parent Entiity has a loan of $5m with the Controlled Entity.

note 18.
PROVISIONS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Current					
Dividends		34,100	30,400	34,100	30,400
Restoration		91	89	91	89
Rectification		153	1,208	153	1,208
Clarence Town Sewer Project		7,053	11,794	7,053	11,794
Employee benefits		21,939	20,017	18,864	16,998
		63,336	**63,508**	**60,261**	**60,489**
Non Current					
Restoration		393	515	393	515
Employee benefits		51,707	45,385	46,773	41,381
		52,100	**45,900**	**47,166**	**41,896**

MOVEMENTS IN DIVIDENDS PROVISION 2010	CURRENT	CURRENT
Carrying amount 1 July 2009	30,400	30,400
Less: dividend paid	(30,400)	(30,400)
Add: dividend declared	34,100	34,100
Dividends Provision Balance 30 June 2010	**34,100**	**34,100**

MOVEMENTS IN RESTORATION PROVISION 2010	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Carrying amount 1 July 2009	89	515	89	515
Payments/Receipts	-	(340)	-	(340)
Over/(under) provision adjustment 2010	2	218	2	218
Restoration Provision Balance 30 June 2010	**91**	**393**	**91**	**393**

MOVEMENTS IN RECTIFICATION PROVISION 2010	CURRENT	CURRENT
Carrying amount 1 July 2009	1,208	1,208
Payments/Receipts	(1,055)	(1,055)
Rectification Provision Balance 30 June 2010	**153**	**153**

MOVEMENTS IN CLARENCE TOWN SEWER PROJECT PROVISION 2010	CURRENT	CURRENT
Carrying amount 1 July 2009	11,794	11,794
Payments/Receipts	(4,741)	(4,741)
Over/(under) provision adjustment 2010		
Clarence Town Sewer Project Provision Balance 30 June 2010	**7,053**	**7,053**

note 19.
DEFERRED TAX LIABILITIES

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	1 JULY 2008 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000	1 JULY 2008 $'000
Amounts recognised in profit or loss							
Receivables		4,108	4,708	3,407	4,108	4,709	3,407
Tax bases without an asset carrying amount		(11)	(8)	(7)	(9)	(4)	(3)
Payables		(508)	(643)	(319)	(291)	(446)	(86)
Provisions		(10,947)	(12,403)	(5,236)	(10,221)	(11,610)	(4,704)
Inventories		748	785	736	674	691	598
Land held for sale		860	-	265	860	-	173
Other Assets		20	321	102	5	308	89
Property, plant and equipment		(14,720)	(11,686)	(12,783)	(14,838)	(11,697)	(12,760)
Super Prepayments		-	-	83	-	-	-
Benefit On Consolidation		-	-	-	-	(380)	-
		(20,450)	**(18,926)**	**(13,752)**	**(19,712)**	**(18,429)**	**(13,286)**
Amounts recognised directly in equity							
Revaluation of Investment		-	-	2	-	-	2
Superannuation actuarial gains/ (losses)		(13,520)	(11,299)	(4,776)	(11,843)	(9,985)	(4,289)
Revaluation of property, plant and equipment		396,252	371,116	276,668	396,252	371,116	276,668
		382,732	**359,817**	**271,894**	**384,409**	**361,131**	**272,381**
Total		**362,282**	**340,891**	**258,142**	**364,697**	**342,702**	**259,095**
Movements:							
Opening balance at beginning of year		340,891	258,142	237,171	342,702	259,095	237,953
Credited/(charged) to the Income Statement	5(a)	(1,523)	(131)	(1,389)	(1,280)	(628)	(1,518)
Credited/(charged) to equity	5(c)	22,914	83,147	22,456	23,277	84,461	22,943
Add under provision for deferred tax in prior year		-	(267)	(96)	(2)	(226)	(283)
Closing balance at the end of the year		**362,282**	**340,891**	**258,142**	**364,697**	**342,702**	**259,095**

note 20.
CONTRIBUTED EQUITY

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Issued and paid up capital: 100,000,003 ordinary shares each fully paid		100,000	100,000	100,000	100,000
		100,000	**100,000**	**100,000**	**100,000**

Hunter Water Corporation's two shareholders at 30 June 2010 were:
The Deputy Premier, Minister for Transport and Minister for Finance;
and The Treasurer, Minister for Infrastructure and Minister for the Hunter.
Each shareholder holds their shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from Hunter Water Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the entity's Statement of Corporate Intent with the shareholders.

note 21.
RESERVES AND RETAINED PROFITS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	ECONOMIC ENTITY 1 JULY 2008 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 1 JULY 2008 $'000
(a) Reserves							
Asset revaluation							
Amount		924,550	865,911	645,282	924,550	865,911	645,282
Subtotal		**924,550**	**865,911**	**645,282**	**924,550**	**865,911**	**645,282**
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1.							
Movement in reserves							
Asset Revaluation							
Balance at beginning of year		865,911	645,282	592,003	865,911	645,282	592,003
Fixed asset revaluation increments from revaluations							
System Assets		87,805	1,005,925	456,014	87,805	1,005,925	456,014
General support		52	31	1,419	52	31	1,419
Buildings		-	-	-	-	-	-
Land		2,433	-	8,558	2,433	-	8,558
		90,290	**1,005,956**	**465,991**	**90,290**	**1,005,956**	**465,991**
Fixed asset decrements from impairment							
System Assets		-	(685,676)	(376,036)	-	(685,676)	(376,036)
General support		-	(1,243)	(2,192)	-	(1,243)	(2,192)
Buildings		-	-	(66)	-	-	(66)
Intangible assets		-	(1,258)	(1,510)	-	(1,258)	(1,510)
		-	**(688,177)**	**(379,804)**	**-**	**(688,177)**	**(379,804)**

	Notes	ECONOMIC ENTITY 2010 $'000	2009 $'000	1 JULY 2008 $'000	PARENT ENTITY 2010 $'000	2009 $'000	1 JULY 2008 $'000
Tax effect - deferred tax liability on revaluation reserve		(25,135)	(94,446)	(22,981)	(25,135)	(94,446)	(22,981)
Less: assets held for sale tax effect		-	-	(5)	-	-	(5)
Revaluation decrement of revaluation of:							
Investment held to maturity		-	(8)	(149)	-	(8)	(149)
Write-back of written down value of decommissioned assets		(5,908)	(2,597)	(9,790)	(5,908)	(2,597)	(9,790)
Transfer to retained profits with respect to decommissioned assets		(597)	-	-	(597)	-	-
Available for sale reserve:							
Balance at beginning of year		-	-	89	-	-	89
Valuation gain/(loss) recognised		(11)	(99)	(17)	(11)	(99)	(17)
Deferred tax arising on revaluation		-	-	5	-	-	5
		924,550	**865,911**	**645,282**	**924,550**	**865,911**	**645,282**
(b) Retained Profits							
Retained profits at the beginning of year		653,097	660,277	651,751	650,446	654,382	644,76
Net profit		49,661	49,585	54,971	49,924	49,762	54,926
Net income/(loss) recognised direct in equity		(5,183)	(26,365)	(11,145)	(4,335)	(23,298)	(10,009)
Dividends provided for		(34,100)	(30,400)	(35,300)	(34,100)	(30,400)	(35,300)
Retained profits at end of year		**663,475**	**653,097**	**660,277**	**661,935**	**650,446**	**654,382**

note 22.
STATEMENT OF CASH FLOWS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Reconciliation of profit after income tax to the net cash flows from operating activities					
Net Profit for the Year From Continuing Operations		49,661	49,585	49,924	49,762
Net superannuation (income)/expense		(989)	(2,089)	(652)	(1,654)
Depreciation and amortisation		36,455	34,712	35,781	34,091
Profit on sale of non-current assets		(318)	(55)	(317)	(55)
Write-off - decommissioned assets		148	303	148	303
Capital asset (non-cash) contributions		(14,791)	(17,209)	(14,791)	(17,209)
Net exchange differences		2	(7)	-	-
Change in operating assets and liabilities					
(Increase)/decrease in trade debtors		(3,650)	(2,812)	(2,277)	(3,221)
(Increase)/decrease in inventories		55	(310)	55	(310)
(Increase)/decrease in other operating assets		(2,974)	(1,593)	(2,853)	(1,561)
(Increase)/decrease in work in progress		70	148	-	-
Increase/(decrease) in trade creditors		(40,048)	2,059	(38,558)	3,172
Increase/(decrease) in other operating liabilities		49,605	4,291	49,285	4,306
Increase/(decrease) in provision for income taxes payable		4,513	(25)	4,040	386
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)		(1,524)	(395)	(1,283)	(855)
Increase/(decrease) in other provisions		655	(1,458)	542	(1,415)
Net cash inflow from operating activities		**76,870**	**65,145**	**79,044**	**65,739**

note 23.
CONTRACTUAL COMMITMENTS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
(a) Capital Commitments					
Capital expenditure contracted for at balance date but not recognised as liabilities:					
Payable within one year		107,726	61,848	109,223	64,325
Payable later than one year but not later than five years		10,146	1,792	10,191	1,876
		117,872	**63,640**	**119,414**	**66,201**

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
(b) Other Expenditure Commitments					
Other commitments contracted for at balance date but not recognised as liabilities:					
Payable within one year		897	585	1,476	742
Payable later than one year but not later than five years		151	-	166	-
Payable later than five years		-	-	-	-
		1,048	**585**	**1,642**	**742**

All contractual commitments disclosed above are GST-inclusive

note 24.
LEASE EXPENDITURE COMMITMENTS

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Operating lease commitments in relation to non-cancellable operating leases are payable as follows:					
Within one year		3,674	3,069	2,143	1,602
Later than one year but not later than five years		7,143	7,471	3,404	2,608
Later than five years		4,603	4,533	144	-
		15,420	**15,073**	**5,691**	**4,210**
Representing:					
Cancellable operating leases		6,311	4,834	5,466	4,035
Non-cancellable operating leases		9,109	10,239	225	175
		15,420	**15,073**	**5,691**	**4,210**

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

There are two significant non-cancellable operating leases of the Economic Entity for the lease of general office premises and a laboratory. The general office space lease commits the Controlled Entity Hunter Water Australia to a 10 year non-cancellable lease with two 5 year options to renew. There is an option to sub-let subject to council planning approvals. The Laboratory space is leased for 5 years with no options to renew at the conclusion of the lease. There is no option to sub-let under the current lease of the laboratory.

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

All lease expenditure commitments disclosed above are GST inclusive.

note 25.
SUPERANNUATION

(a) Superannuation Plan

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

The Parent and Controlled Entity contribute to three defined superannuation schemes in the NSW public sector Pooled Fund, which holds in trust the investments of these schemes. These schemes are:
State Authorities Superannuation Scheme (SASS)
State Superannuation Scheme (SSS)
State Authorities Non-contributory Superannuation Scheme (SANCS).

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

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

	ECONOMIC ENTITY		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(b) Reconciliation of the present value of the defined benefit obligation				
Present Value of partly funded defined benefit obligations at the beginning of the year	147,221	127,368	130,369	113,116
Current service cost	1,795	1,683	1,601	1,490
Interest cost	8,040	8,127	7,112	7,208
Contributions paid by fund participants	1,068	1,234	875	1,047
Actuarial (gains)/losses	7,372	16,014	6,835	13,875
Benefits paid	(7,746)	(7,205)	(6,881)	(6,366)
Present value of partly funded defined benefit obligations at the end of the year	**157,750**	**147,221**	**139,911**	**130,369**

(c) Reconciliation of the fair value of fund assets				
Fair value of Fund assets at the beginning of the year	102,807	118,528	89,625	104,000
Expected return on fund assets	8,641	9,467	7,512	8,289
Actuarial gains/(losses)	(31)	(21,650)	642	(19,408)
Employer contributions	2,184	2,432	1,852	2,062
Contributions paid by fund participants	1,068	1,234	875	1,047
Benefits paid	(7,746)	(7,205)	(6,881)	(6,366)
Fair value of Fund assets at the end of the year	**106,923**	**102,807**	**93,625**	**89,625**

	ECONOMIC ENTITY		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(d) Reconciliation of the assets and liabilities recognised in the Statement of Financial Position				
Present value of partly funded defined benefit obligations at end of year	157,750	147,221	139,911	130,369
Fair value of fund assets at end of year	(106,923)	(102,807)	(93,625)	(89,625)
Subtotal	**50,828**	**44,414**	**46,286**	**40,745**
Net Liability/(Asset) recognised in Statement of Financial Position at end of year	**50,828**	**44,414**	**46,286**	**40,745**
(e) Expense/(income) recognised in Income Statement				
Current service cost	1,796	1,683	1,601	1,490
Interest cost	8,040	8,127	7,112	7,208
Expected return on fund assets (net of expenses)	(8,641)	(9,467)	(7,513)	(8,289)
Actuarial losses/(gains) recognised in year	-	-	-	-
Expense/(Income) recognised	**1,195**	**342**	**1,200**	**408**
(f) Amounts recognised in the Statement of Comprehensive Income				
Actuarial losses/(gains) recognised in year	7,403	37,664	6,193	33,283
Expense/(Income) recognised	**7,403**	**37,664**	**6,193**	**33,283**

(g) Valuation method and principal actuarial assumptions

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

The principal actuarial assumptions used (expressed as weighted averages) at the reporting date were as follows:

	2010	2009
Salary increase rate (excluding promotional increases)	3.5%	3.5%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets	8.6%	8.13%
Expected rate of return on assets backing current pension liabilities	-	-
Expected rate of return on assets backing other liabilities	-	-
Discount rate	5.17%	5.59%

(h) Historical information

ECONOMIC ENTITY			$'000		
SASS	**2010**	**2009**	**2008**	**2007**	**2006**
Present value of defined benefit obligation	40,008	36,881	34,704	36,158	34,448
Fair value of Fund assets	(27,158)	(25,850)	(28,473)	(32,900)	(29,401)
(Surplus)/Deficit in Fund	12,850	11,031	6,230	3,259	5,047
Experience adjustments - Fund liabilities	2,315	694	(1,381)	313	(1,009)
Experience adjustments - Fund assets	(212)	4,365	4,460	(1,870)	(2,395)

SANCS	2010	2009	$'000 2008	2007	2006
Present value of defined benefit obligation	6,687	6,394	6,212	6,382	6,348
Fair value of Fund assets	(2,775)	(2,925)	(3,809)	(4,741)	(4,295)
(Surplus)/Deficit in Fund	3,912	3,469	2,403	1,640	2,053
Experience adjustments - Fund liabilities	391	379	114	(182)	(623)
Experience adjustments - Fund assets	(17)	644	636	(273)	(335)

SSS	2010	2009	2008	2007	2006
Present value of defined benefit obligation	111,055	103,946	86,452	86,341	90,005
Fair value of Fund assets	(76,990)	(74,032)	(86,246)	(95,445)	(84,941)
(Surplus)/Deficit in Fund	34,065	29,914	206	(9,104)	5,064
Experience adjustments - Fund liabilities	4,667	14,940	(2,045)	(7,522)	(12,367)
Experience adjustments - Fund assets	260	16,640	14,136	(5,082)	(7,250)

(i) Fund Assets

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

	2010	2009
Australian equities	31.0%	32.1%
Overseas equities	26.8%	26.0%
Australian fixed interest securities	6.1%	6.2%
Overseas fixed interest securities	4.3%	4.7%
Property	9.5%	10.0%
Cash	9.6%	8.0%
Other	12.7%	13.0%

(j) Expected rate of return on assets

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

(k) Actual return on Fund assets

	SASS	$'000 SANCS	SSS
Actual return on fund assets – 2010	2,432	264	6,710
Actual return on fund assets – 2009	(2,751)	(344)	(8,477)

(l) Expected contributions

	SASS	$'000 SANCS	SSS
Expected employer contributions	984	349	880

(m) Employer Contributions

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2009.

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

THE RECOMMENDED CONTRIBUTION RATES FOR THE ECONOMIC ENTITY ARE:

State Superannuation Scheme (Parent Entity)	0.0X (multiple of member contributions)
State Superannuation Scheme (Controlled Entity)	1.60X (multiple of member contributions)
State Authorities Superannuation Scheme	1.90X (multiple of member contributions)
State Authorities Non-Contributory Superannuation Scheme	2.5% (% of member salary)

THE ECONOMIC ASSUMPTIONS USED BY THE ACTUARY TO MAKE THE FUNDING RECOMMENDATION WERE:

Expected rate of return on fund assets backing current pension liabilities of 8.3% pa (2009: 8.3% pa)
Expected rate of return on fund assets backing other liabilities of 7.3% pa (2009: 7.3% pa),
Expected salary increase rate of 4.0% pa (2009: 4.0% pa),
Expected rate of CPI increase of 2.5% pa (2009: 2.5% pa).

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2010), and a deficit of $12.87m was reported.

ECONOMIC ENTITY		$'000 2010	
	SASS	SANCS	SSS
Accrued benefits	35,741	5,980	78,077
Net market value of Fund assets	(27,158)	(2,775)	(76,990)
Net (surplus)/deficit	**8,583**	**3,205**	**1,087**
		2009	
	SASS	SANCS	SSS
Accrued benefits	33,707	5,815	76,868
Net market value of Fund assets	(25,850)	(2,925)	(74,032)
Net (surplus)/deficit	**7,857**	**2,890**	**2,836**

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 26.
CONSULTANCIES

The total amount paid or payable to consultants engaged by the Parent Entity during the reporting period was $19.608m (2009: $23.213m).

note 27.
CONTINGENT LIABILITIES

The Parent Entity has acquired over 87% of the land required for the proposed Tillegra Dam project. Whilst the acquisition of these properties has been completed, several properties are leased and there remain several landowners who are yet to either purchase an alternative property and/or relocate from their current property. The Parent Entity retains an obligation to reimburse various expenses associated with these acquisitions but cannot accurately quantify these expenses at the current time.

Capital gains tax would be payable if asset revaluation increments were realised at balance date. No provision has been made for this liability as disposal of this property is not anticipated.

No significant claims for damages are being negotiated (2009: nil). This does not include matters covered by insurance.

note 28.
AUDITORS' REMUNERATION

	Notes	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
Amounts received or due and receivable by the auditors, from entities within the Economic Entity					
Audit review of financial statementss		128	119	104	97
		128	**119**	**104**	**97**

note 29.
RELATED PARTY DISCLOSURES

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

(a) Controlled Entities

The Controlled Entity Hunter Water Australia Pty Limited is 100% owned by Hunter Water Corporation (2009: 100%). Hunter Water Australia Pty Limited acquired assets and liabilities on 2 March 1998 of the Engineering Consulting, Water Treatment Consulting, Survey & Laboratories Business Units formerly undertaken by Hunter Water Corporation for a consideration of $1.5m. This consideration comprised 0.9m shares of $1 each and a loan of $0.6m, which has subsequently been repaid.

This subsidiary was incorporated in Australia.

	Entity	ECONOMIC ENTITY 2010 $'000	ECONOMIC ENTITY 2009 $'000	PARENT ENTITY 2010 $'000	PARENT ENTITY 2009 $'000
(b) The following related party transactions occurred during the financial year					
Transactions with Controlled Entities Sales					
- Contracts (Fleet etc)	HWA	-	-	182	215
- Consultancy Services	HWA	-	-	32	56
Total sales		**-**	**-**	**214**	**271**
Purchases - Consultancy services & contracts	HWA	-	-	21,692	19,417
Interest Paid	HWA	-	-	182	231
Dividend Received	HWA	-	-	3,756	2,854
Other Transaction with Related Parties					
Purchases of Environmental Consultations	Umwelt	1	26	1	26
	Together Today	34	-	34	-
Legal Advice	Sparke Helmore	192	79	192	79
Membership & Subscription Fees	WSAA	75	102	75	102
Sponsorships	University of Newcastle	11	195	11	195
Purchases of Air Conditioning Maintenance Services	Church Air conditioning	21	-	21	-

		ECONOMIC ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
	Entity	$'000	$'000	$'000	$'000
			-		-
OUTSTANDING BALANCES WITH CONTROLLED ENTITIES					
Receivables (excl GST)	HWA	-	-	12	5
- Sales and purchases					
- Tax funding agreements	HWA	-	-	900	425
- Dividend receivable	HWA	-	-	3,172	3,756
Total receivables		**-**	**-**	**4,084**	**4,186**
Payables (excl GST)					
- Sales and purchases	HWA	-	-	5,294	3,058
- Tax funding agreements	HWA	-	-	2,352	1,730
- Inter-company loan	HWA	-	-	5,000	5,000
- Interest Accrued on Intercompany Loan	HWA	-	-	18	12
Total payables		**-**	**-**	**12,664**	**9,800**

Sales were made to Directors and the Controlled Entities under normal commercial terms and conditions no more favourable than those available to other parties.

The intercompany loan payable to HWA has a term of 10 years, interest is payable at an interest rate equivalent to that paid by the NSW Treasury Corporation Hour-Glass Facility and is paid quarterly.

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

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 31.

note 30.
SEGMENT INFORMATION

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

note 31.
KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors and any director related Entities

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

Mr R Robson	Chairman
Mr K Young	Managing Director
Ms B Crossley	
Mr R Chappel	
Mr G Kennedy	
Mr J Eather	
Prof A Page	
Ms J Gardner	

(b) Other Key Management Personnel

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

John O'Hearn	General Manager Business Services	Hunter Water Corporation
Sharon Smith	General Manager Business Strategy & Communication	Hunter Water Corporation
Stephen Phillips	General Manager Customers & Commercial Development	Hunter Water Corporation
Chris Turnbull	General Manager Infrastructure Delivery	Hunter Water Corporation
Joanne Martin	General Manager People and Change	Hunter Water Corporation
Peter Dennis	General Manager System Strategy & Sustainability	Hunter Water Corporation
Dean Taylor	General Manager System Operations	Hunter Water Corporation
Jim Keary	General Manager	Hunter Water Australia Pty Limited

	ECONOMIC ENTITY		PARENT ENTITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(c) Key Management Personnel Compensation				
Short term employee benefits	2,690	3,078	2,468	2,865
Long term employee benefits	66	59	57	50
Post employment benefits	415	419	365	331
	3,171	**3,556**	**2,890**	**3,246**

note 32.
CONTROLLED ENTITIES

PARENT ENTITY:

Hunter Water Corporation

CONTROLLED ENTITIES	EQUITY HOLDING 2010	2009
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%

note 33.
ECONOMIC DEPENDENCY

The Controlled Entity Hunter Water Australia Pty Limited operated independently of the Parent Entity. All transactions were on normal commercial terms and conditions.

note 34.
EVENTS OCURRING AFTER BALANCE DATE

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

note 35.
FINANCIAL INSTRUMENTS

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

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 Entity contracts the services of an external specialist liability adviser (currently NSW TCorp).

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. Only the $10m overdraft facility held with NSW TCorp has a floating rate and as such interest rate risk is minimised.

To assist in management of interest rate risk, the Economic Entity has established "neutral" benchmark portfolios for liability management and set predetermined limits for variance in relation to the neutral benchmark. The neutral portfolio requires benchmark debt duration of 4 years +/- 25% (a range of 3 to 5 years). This serves to restrict the Economic Entity's exposure to potential changes in the market value of the portfolio and movements in interest rates. As at 30 June 2010, the average duration of the Economic Entity's debt portfolio was 3.8 years. The debt portfolio is adjusted with respect to operating within the benchmark constraints, reported by NSW TCorp on a monthly basis and monitored by management. The level of reinvestment of profits to reduce debt is subject to the performance of the Corporation and determined by the Board on a year by year basis. The current NSW Treasury dividend distribution policy allows for a dividend payment up to 70% of net operating profit after tax.

The weighted average interest rates are shown below:

ECONOMIC ENTITY 2010	Weighted average effective interest rate	Floating interest rate $'000	Fixed interest rate $'000	Non Interest Bearing $'000	Total $'000
Financial assets					
Cash & cash equivalents	3.85%	9,679	-	12	9,691
Trade & other receivables	9%	-	29,672	13,023	42,695
Other financial assets	n/a	-	-	-	-
Other assets	n/a	-	-	12,642	12,642
		9,679	**29,672**	**25,677**	**65,028**
Financial liabilities					
Borrowings	5.95%	-	662,652	-	662,652
Trade & other payables	n/a	-	-	61,307	61,307
		-	**662,652**	**61,307**	**723,959**

The comparative information with regard to the 2009 year is as follows:

ECONOMIC ENTITY 2009	Weighted average effective interest rate	Floating interest rate $'000	Fixed interest rate $'000	Non Interest Bearing $'000	Total $'000
Financial assets					
Cash & cash equivalents	4.3%	5,178	-	12	5,190
Trade & other receivables	9%	-	25,680	13,365	39,045
Other financial assets	n/a	-	-	-	-
Other assets	n/a	-	-	9,738	9,738
		5,178	**25,680**	**23,115**	**53,973**
Financial liabilities					
Borrowings	6.3%	-	521,959	-	521,959
Trade & other payables	n/a	-	-	57,969	57,969
		-	**521,959**	**57,969**	**579,928**

PARENT ENTITY 2010	Weighted average effective interest rate	Floating interest rate $'000	Fixed interest rate $'000	Non Interest Bearing $'000	Total $'000
Financial assets					
Cash & cash equivalents	3.85%	7,181	-	8	7,190
Trade & other receivables	9%	-	29,672	14,443	44,115
Other financial assets	n/a	-	-	900	900
Other assets	n/a	-	-	12,022	12,022
		7,181	**29,672**	**27,373**	**64,227**
Financial liabilities					
Interest-bearing liabilities fixed	5.95%	-	667,652	-	667,652
Trade & other payables	n/a	-	-	65,666	65,666
		-	**667,652**	**65,666**	**733,318**

The comparative information with regard to the 2009 year is as follows:

PARENT ENTITY 2009	Weighted average effective interest rate	Floating interest rate $'000	Fixed interest rate $'000	Non Interest Bearing $'000	Total $'000
Financial assets					
Cash & cash equivalents	2.4%	1,905	-	8	1,913
Trade & other receivables	9%	-	25,680	16,158	41,838
Other financial assets	n/a	-	-	900	900
Other assets	n/a	-	-	9,169	9,169
		1,905	**25,680**	**26,235**	**53,820**
Financial liabilities					
Interest-bearing liabilities fixed	6.3%	-	526,959	-	526,959
Trade & other payables	n/a	-	-	61,154	61,154
		-	**526,959**	**61,154**	**588,113**

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.

	IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
ECONOMIC ENTITY				
If Interest rates are 100 basis points higher	4,202	3,092	4,202	3,092
If Interest rates are 100 basis points lower	(4,202)	(3,092)	(4,202)	(3,092)
PARENT ENTITY				
If Interest rates are 100 basis points higher	4,257	3,163	4,257	3,163
If Interest rates are 100 basis points lower	(4,257)	3,163	(4,257)	3,163

(ii) Foreign Exchange Risk

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

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

	2010 USD $'000	CAD $'000	2009 USD $'000	CAD $'000
Trade Receivables	-	-	-	-
Bank	-*	-	-*	-
	-	-	-	2

* Less than $500

Sensitivity analysis

Sensitivity analysis for the Controlled Entity's foreign exchange risk exposure shows that a 10% strengthening of the Australian dollar against the above currencies at 30 June 2010 would have decreased post tax profit or loss by the amounts shown below (assuming all other variables remain constant). Alternatively, a 10% weakening of the Australian dollar against these currencies would have an equal but opposite effect.

		IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
ECONOMIC ENTITY					
If foreign currency strengthened by 10%	CAD	-	-	-	-
If foreign currency weakened by 10%	CAD	-	-	-	-

		IMPACT ON POST-TAX PROFIT		IMPACT ON EQUITY	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
PARENT ENTITY					
If foreign currency strengthened by 10%	CAD	-	-*	-	-*
If foreign currency weakened by 10%	CAD	-	-*	-	-*

* Less than $500

(b) Liquidity Risk

Effective liquidity risk management involves ensuring that the Economic Entity has sufficient funds and cash flows to meet its obligations and commitments at any point in time The Economic Entity's liquidity is controlled through the preparation of detailed cash flows on both an Economic Entity and Parent Entity basis that must incorporate future projections for a period of at least 30 years.

As part of its neural benchmark debt portfolios the Economic Entity has also established the specific target for when total debt exceeds more than $50m, that no more than 30% of the total face value debt (based on the portfolio in the year of maturity) is to mature in any one financial year. When preparing the Statement of Corporate Intent, the Economic Entity must also submit to its Board for endorsement the proposed financial accommodation that will be required for the coming year (this is then required to be approved by the Treasurer of NSW).

In order to further manage liquidity risk, the Parent Entity has a $10m overdraft facility with NSW TCorp which is used to meet short-term cash flow requirements as deemed by management. Any surplus funds are invested in an at call deposit ("11am") account, also held with NSW TCorp.

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

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

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

ECONOMIC ENTITY 2010	Carrying Amount	Total Contractual Cash flows
	$'000	$'000
Trade & other payables	53,178	53,178
Interest Payable	8,129	173,830
Borrowings	662,652	662,652
Total	**723,959**	**889,660**

ECONOMIC ENTITY 2010	MATURITY DATES					
	Within One Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years
	$'000	$'000	$'000	$'000	$'000	$'000
Trade & other payables	53,178	-	-	-	-	-
Interest Payable	33,392	28,187	23,772	20,528	16,546	51,405
Borrowings	145,652	75,340	73,695	-	79,601	288,364
Total	**232,222**	**103,526**	**97,467**	**20,528**	**96,147**	**339,769**

ECONOMIC ENTITY 2009	Carrying Amount $'000	Total Contractual Cash flows $'000
Trade & other payables	50,717	50,717
Interest Payable	7,252	153,853
Borrowings	521,959	521,959
Total	**579,928**	**726,529**

ECONOMIC ENTITY 2009	MATURITY DATES					
	Within One Year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	Over 5 Years $'000
Trade & other payables	50,717	-	-	-	-	-
Interest Payable	27,721	23,300	20,182	16,262	15,583	50,805
Borrowings	75,211	80,837	75,340	15,424	-	275,147
Total	**153,649**	**104,137**	**95,522**	**31,686**	**15,583**	**325,952**

PARENT ENTITY 2010	Carrying Amount $'000	Total Contractual Cash flows $'000
Trade & other payables	57,518	57,518
Interest Payable	8,148	173,830
Borrowings	667,652	667,652
Total	**733,318**	**899,000**

PARENT ENTITY 2010	MATURITY DATES					
	Within One Year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	Over 5 Years $'000
Trade & other payables	57,518	-	-	-	-	-
Interest Payable	33,392	28,187	23,772	20,528	16,546	51,405
Borrowings	145,652	75,340	73,695	-	79,601	293,364
Total	**236,562**	**103,526**	**97,467**	**20,528**	**96,147**	**344,769**

PARENT ENTITY 2009	Carrying Amount $'000	Total Contractual Cash flows $'000
Trade & other payables	53,856	53,856
Interest Payable	7,298	153,853
Borrowings	526,959	526,959
Total	**588,113**	**734,668**

PARENT ENTITY 2009	MATURITY DATES					
	Within One Year $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	Over 5 Years $'000
Trade & other payables	53,856	-	-	-	-	-
Interest Payable	27,721	23,300	20,182	16,262	15,583	50,805
Borrowings	75,211	80,837	75,340	15,424	-	280,147
Total	**156,789**	**104,137**	**95,522**	**31,686**	**15,583**	**330,952**

(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 and Controlled 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 balance sheet. All long term investments are held as government bonds with any of the appropriately rated (A+ or better) State Governments, and any short-term investments are held in a NSW Treasury (TCorp) at call deposit account. 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 the Commonwealth Bank. The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity.

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

	ECONOMIC ENTITY			PARENT ENTITY		
	Total [1, 2]	Past due but not impaired [1, 2]	Considered Impaired [1]	Total [1, 2]	Past due but not impaired [1, 2]	Considered Impaired [1]
	$'000	$'000	$'000	$'000	$'000	$'000
30- 90 days overdue	9 ,510	9,509	1	7,377	7,376	1
> 90 days overdue	6 ,812	6,288	524	6,683	6,159	524

[1] Each column in the table reports gross receivables.

[2] The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the receivables total recognised in the Balance Sheet.

(d) Fair Values

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

As of 1 July 2009, amendments to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy have been adopted by the Entity.

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

The following tables present the Economic and Parent entity's assets and liabilities measured and recognised at fair value at 30 June.

ECONOMIC ENTITY 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Cash and cash equivalents	9,691	-	-	9,691
Total Assets	**9,691**	**-**	**-**	**9,691**
Liabilities				
Borrowings	-	662,652	-	662,652
Total liabilities	**-**	**662,652**	**-**	**662,652**

PARENT ENTITY 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Cash and cash equivalents	7,190	-	-	7,190
Total Assets	**7,190**	**-**	**-**	**7,190**
Liabilities				
Borrowings	-	667,652	-	667,652
Total liabilities	**-**	**667,652**	**-**	**667,652**

note 36.
PRIOR PERIOD ERROR

A prior period error was identified during the completion of the 2010 tax calculations in relation to the split between deferred tax liabilities between income tax expense and equity. The prior period error occurred in the tax calculations in period 2005/06 through to 2008/09. The following adjustments have been processed to amend this prior period error.

	ECONOMIC ENTITY			PARENT ENTITY		
	Before Adjustment	After Adjustment	Adjustment	Before Adjustment	After Adjustment	Adjustment
Affected Financial Statement line items						
1 July 2008						
Current tax liabilities	1,882	1,882	-	1,044	1,044	-
Deferred tax liabilities	271,391	258,142	13,249	272,344	259,095	13,249
Net assets	*1,392,310*	*1,405,559*	*(13,249)*	*1,386,415*	*1,399,664*	*(13,249)*
Reserves	645,282	645,282	-	645,282	645,282	-
Retained earnings	647,028	660,277	(13,249)	641,133	654,382	(13,249)
Total equity	*1,392,310*	*1,405,559*	*(13,249)*	*1,386,415*	*1,399,664*	*(13,249)*
30 June 2009						
Income tax expense	(17,894)	(12,385)	(5,509)	(15,680)	(10,171)	(5,509)
Net profit for the Year From Continuing Operations	*44,076*	*49,585*	*(5,509)*	*44,253*	*49,762*	*(5,509)*
Other comprehensive income	213,022	194,264	18,758	216,089	197,331	18,758
Total comphrensive income for the year	*262,607*	*243,849*	*18,758*	*265,851*	*247,093*	*18,758*
Current tax payables	1,857	1,857	-	1,430	1,430	-
Deferred tax liabilities	340,891	340,891	-	342,702	342,702	-
Net assets	*1,619,008*	*1,619,008*	-	*1,616,357*	*1,616,357*	-
Reserves	884,669	865,911	18,758	884,669	865,911	18,758
Retained earnings	634,342	653,097	(18,755)	631,688	650,446	(18,758)
Total equity	*1,619,008*	*1,619,008*	-	*1,616,357*	*1,616,357*	-

end of audited financial statements

hunter water corporation and controlled
ENTITY DIRECTORS DECLARATION

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

1) The accompanying consolidated financial statements (pages 71 to 120) exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entity as at 30 June 2010,and transactions for the year then ended.

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

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

On behalf of the Directors

Mr. R. Robson
Chairman

K. Young
Managing Director

Dated: 1 October 2010
Newcastle

CHAPTER 8

HUNTER WATER AUSTRALIA PTY LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

COMPANY PARTICULAR'S

DIRECTORS

Mr	R	Robson	*Chairman*
Mr	KJ	Young	*Managing Director*
Mr	RA	Chappel	
Mr	J	Eather	

COMPANY SECRETARY

Ms A Swan

REGISTERED OFFICE

The registered office and principal place of business of the company is Hunter Water Australia Pty Limited

ABN **19 080 869 905**

Incorporated in Australia
19 Split Island Close, Steel River, Mayfield West NSW 2304

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

CONTENTS **PAGE**

directors' REPORT

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited for the year ended 30 June 2010.

INFORMATION ON DIRECTORS

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

R Robson
OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 22 January 1998. Mr Robson is Chairman of Hunter Water Corporation. Mr Robson is also a Director of the Hunter Development Corporation, a Director of Robson Health Care Pty Ltd, Chairman of Banlaw Pipeline Pty Ltd, Chairman of Australian Film & Pipe Pty Limited, Chairman of Cromford Pty Limited, Chairman of Copperchem Limited and Patron of Newcastle/Hunter Valley Rugby Union.

K J Young
B Eng, MBA, FIE Aust, CPENG, GAICD

Mr Young was appointed as a Director on 3 November 2004 and is also Managing Director of Hunter Water Corporation. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets. My Young is also Chairperson of the Water Services Association of Australia (WSAA), Director of Together Today, Director of the Hunter Valley Research Foundation, member of the Advisory Board for the Faculty of Business and Law at the University of Newcastle and member of the Community Engagement Advisory Committee at the University of Newcastle.

R A Chappel
BE (Civil), Dip T & R P, Hon FIE Aust, FTSE

Mr Chappel was appointed as a Director on 26 July 2007 and is also a Director of Hunter Water Corporation. He is a former Director of Connell Wagner, a large consulting engineering practice, and a Chairman of the Australian Underground Construction & Tunnelling Association. He has experience in directing and managing large technical projects including water and wastewater projects.

J Eather
B.Com, CPA, FCIM

Mr Eather was appointed as a Director on 9 June 2009 and is also a Director of Hunter Water Corporation. Mr Eather is the Managing Director of the Callaghan Institute, a Business and Economic Research and advisory practice he established in 2007. Previously, he was CEO Media for the SOUL Group, where he was directly responsible for the running of NBN Television. During his 27 years with the NBN and SOUL Groups, he was actively involved in the expansion of the Group from its media base to the converging world of telecommunications. Mr Eather is Chairman of the Newcastle University Foundation and is a Director of the Mayumarri Trust, a healing centre for survivors of child abuse.

meetings of **DIRECTORS**

	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD DURING THE TIME THE DIRECTOR HELD OFFICE
R Robson	11	12
K Young	10	12
R Chappel	11	12
J Eather	11	12

PRINCIPAL ACTIVITIES

The principal activities of the Company in 2009/10 were the provision of specialist support and operations services in the fields of water, wastewater, stormwater, environmental and strategic services.

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

REVIEW OF OPERATIONS

The net profit after tax, for the financial year ended to 30 June 2010, was $4,524,336 compared with a net profit after tax of $5,374,632 for the previous year.

The entity comprises five Business Units whose performance is independently monitored. All businesses achieved a good performance.

DIVIDENDS PAID

During the year, a dividend was paid to the Shareholder of $3,755,627 that was declared at 30 June 2009.

A dividend of $3,171,559 has been declared for the year ending 30 June 2010. This will be paid to the Shareholder during 2010-11.

SUBSEQUENT EVENTS

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

DIRECTORS INDEMNIFICATION

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

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

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

CHANGE IN STATE OF AFFAIRS

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Company during the year ended 30 June 2010.

TRUE AND FAIR VIEW

The financial statements and notes give a true and fair view of the financial position as at 30 June 2010 and the performance for the financial year ended 30 June 2010.

FUTURE DEVELOPMENTS

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 7.

DIRECTORS' BENEFITS

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

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

CODE OF CONDUCT

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

ENVIRONMENTAL REGULATIONS

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

Signed in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited.

Mr. R. Robson
Chairman

Mr. R. Chappel
Director

Dated: 29 September 2010
Newcastle

auditors independence
DECLARATION

GPO BOX 12
Sydney NSW 2001

To the Directors
Hunter Water Australia Pty Limited

Auditor's Independence Declaration

As auditor for the audit of the financial statements of Hunter Water Australia Pty Limited for the year ended 30 June 2010, I declare that, 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, and
- any applicable code of professional conduct in relation to the audit.

M T Spriggins
Director, Financial Audit Services

23 September 2010
SYDNEY

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Hunter Water Australia Pty Limited

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

I have audited the accompanying financial statements of Hunter Water Australia Pty Limited (the Company), which comprises the statement of financial position as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's financial position as at 30 June 2010 and its performance for the year ended on that date
  - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- complies with International Financial Reporting Standards as disclosed in Note 1A.

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

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PF&A Act and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1A, the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards, *Corporations Act 2001* and other relevant ethical requirements. The PF&A Act further promotes independence by:

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 23 September 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

M T Spriggins
Director, Financial Audit Services

30 September 2010
SYDNEY

income statement
FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 $	2009 $
INCOME			
Services	2	31,489,540	31,850,847
Other income	2	653,480	910,587
TOTAL INCOME		**32,143,020**	**32,761,434**
Expenses	3	(25,670,451)	(25,096,891)
PROFIT BEFORE INCOME TAX		**6,472,569**	**7,664,542**
Income tax on profit	4	(1,948,233)	(2,289,910)
PROFIT FOR THE YEAR		**4,524,336**	**5,374,632**
Attributable to:			
Members of the parent entity		4,524,336	5,374,632
		4,524,336	**5,374,632**

The Income Statement should be read in conjunction with the accompanying notes on pages 135 to 164.

statement of comprehensive income
FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 $	2009 $
PROFIT FOR THE YEAR		**4,524,336**	**5,374,632**
Superannuation actuarial gains/ (losses)		(1,209,695)	(4,380,831)
Income tax on superannuation actuarial gains/ (losses)		362,909	1,314,249
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		**(846,787)**	**(3,066,582)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,677,549**	**2,308,051**

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 135 to 164.

statement of financial position
AS AT 30 JUNE 2010

	NOTES	2010 $	2009 $
CURRENT ASSETS			
Cash & cash equivalents	6	2,500,207	3,277,223
Trade and other receivables	7	6,634,060	3,763,031
Other	8	2,112,305	3,363,760
TOTAL CURRENT ASSETS		**11,246,571**	**10,404,014**
NON-CURRENT ASSETS			
Plant & equipment	9	4,150,393	4,372,629
Intangible assets	10	211,116	181,804
Capital Work in Progress	11	0	0
Investments	12	5,000,000	5,000,000
Deferred tax assets	13	2,352,465	1,729,894
TOTAL NON-CURRENT ASSETS		**11,713,974**	**11,284,327**
TOTAL ASSETS		**22,960,546**	**21,688,341**
CURRENT LIABILITIES		**3,677,549**	**3,263,568**
Trade and other payables	14	2,014,930	2,120,623
Current tax liabilities	15	895,058	424,881
Provisions	16	6,247,016	6,775,013
TOTAL CURRENT LIABILITIES		**9,157,005**	**9,320,517**
NON-CURRENT LIABILITIES			
Provisions	16	391,829	334,640
Underfunded Defined Benefit Super	17	4,542,002	3,669,465
TOTAL NON-CURRENT LIABILITIES		**4,933,831**	**4,004,105**
TOTAL LIABILITIES		**14,090,836**	**13,324,622**
NET ASSETS		**8,869,710**	**8,363,720**
EQUITY			
Contributed equity	18	900,010	900,010
Retained profits		7,969,700	7,463,710
TOTAL EQUITY		**8,869,710**	**8,363,720**

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 135 to 164.

statement of changes in equility
AS AT 30 JUNE 2010

	NOTES	RETAINED PROFITS $	CONTRIBUTED EQUITY $	TOTAL $
BALANCE AT 1 JULY 2009		**7,463,710**	**900,010**	**8,363,720**
SURPLUS/(DEFICIT) FOR THE YEAR		**4,524,336**	**0**	**4,524,336**
OTHER COMPREHENSIVE INCOME:				
Superannuation actuarial gains/ (losses)		(1,209,695)	0	(1,209,695)
Income tax on superannuation actuarial gains/ (losses)		362,909	0	362,909
TOTAL OTHER COMPREHENSIVE INCOME		**(846,787)**	**0**	**(846,787)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,677,550**	**0**	**3,677,550**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	**5**	**(3,171,559)**	**0**	**(3,171,559)**
BALANCE AT 30 JUNE 2010	**18**	**7,969,700**	**900,010**	**8,869,710**

		RETAINED PROFITS $	CONTRIBUTED EQUITY $	TOTAL $
BALANCE AT 1 JULY 2008		**8,911,286**	**900,010**	**9,811,296**
SURPLUS/(DEFICIT) FOR THE YEAR		**5,374,632**	**0**	**5,374,632**
OTHER COMPREHENSIVE INCOME:				
Superannuation actuarial gains/ (losses)		(4,380,831)	0	(4,380,831)
Income tax on superannuation actuarial gains/ (losses)		1,314,249	0	1,314,249
TOTAL OTHER COMPREHENSIVE INCOME		**(3,066,582)**	**0**	**(3,066,582)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,308,051**	**0**	**2,308,051**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	**5**	**(3,755,627)**	**0**	**(3,755,627)**
BALANCE AT 30 JUNE 2009	**18**	**7,463,710**	**900,010**	**8,363,720**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 135 to 164.

statement of cash flows for the **YEAR ENDED 30 JUNE 2010**

	NOTES	2010 $	2009 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		33,062,403	33,161,771
Payments to suppliers and employees (inclusive of GST)		(28,188,359)	(27,313,057)
		4,874,044	5,848,714
Interest received		323,988	456,022
Income taxes paid		(1,737,719)	(2,165,141)
NET CASH FLOW FROM OPERATING ACTIVITIES	**19**	**3,460,313**	**4,139,595**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(482,319)	(3,543,185)
Proceeds from sales of property, plant and equipment		2,086	20,209
NET CASH FLOW FROM INVESTING ACTIVITIES		**(480,233)**	**(3,522,976)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	5	(3,755,627)	(2,854,416)
NET CASH FLOW FROM FINANCING ACTIVITIES		**(3,755,627)**	**(2,854,416)**
Net increase / (decrease) in cash held		(775,547)	(2,237,797)
Cash at beginning of financial period		3,277,223	5,512,316
Effects of exchange rate changes on cash		(1,469)	2,704
CASH AT THE END OF THE FINANCIAL YEAR	**6**	**2,500,207**	**3,277,223**

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 135 to 164.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the entity Hunter Water Australia Pty Limited as an individual entity.

The Company's financial report for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Board on 29 September 2010.

a. Basis of Preparation

This general purpose financial report has been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations and other authoritive pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and Part 3 of the *Public Finance & Audit Act 1983.*

The financial statements also incorporate financial reporting requirements specified in the *Public Finance and Audit Regulation 2005* and the relevant Treasurer's Directions.

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

The accounting policies applied are based on the requirements applicable to for-profit entities on these mandatory or statutory requirements.

Compliance with International Financial Reporting Standards (IFRSs)

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

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 dollar.

Currency

All amounts in the Financial Statements are reported in Australian dollars.

Financial Statement Presentation

The company applied the revised AASB101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a revised statement of changes in equity. All non-owner changes in equity must be presented in the statement of comprehensive income. As a consequence, the company has changed the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

b. Revenue Recognition

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

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

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

c. Income Tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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

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

d. Cash and Cash Equivalents

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

e. Trade Receivables

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

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

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

f. Work In Progress

Work in progress is stated as the aggregate of costs incurred to date plus recognised profits

less recognised losses and progress billings. Cost includes all costs directly related to specific contracts, and an allocation of overhead costs attributable to contract activity in general.

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

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

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

g. **Plant and Equipment**

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

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

The carrying amount of plant and equipment is reviewed annually by Management to ensure it is not in excess of the recoverable amount from those assets (refer to Note 1 section (l) Impairment of assets below).

Depreciation

Depreciation is calculated using the straight line method on all plant and equipment at rates calculated to allocate their cost, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

CLASS OF ASSET	USEFUL LIFE
Computers	4 years
Support Assets	3 to 10 years
Leasehold Improvements	5 to 40 years

h. **Intangible Assets**

Intangible assets consist of software and other intangible assets. Research expenditure is recognised as an expense as incurred.

Software assets are classified as intangible assets and are amortised over one to three years. Other intangible assets consist of access fees for high speed internet services and are amortised over two years.

Following initial recognition, the cost model is applied as it is considered that there is no active market that can be referenced for performing revaluations to a market-based fair value in respect of the particular items within each class of the Company's intangible assets.

i. **Impairment of Assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised where the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

In accordance with the requirements of AASB136 and NSW Treasury Circular TPP07-01, an assessment has been made of the value in use, which is the expected net cash flows to be received over the remaining life of the existing asset base, to determine the extent of any difference in the economic value and the carrying value of the assets.

Key assumptions of the asset impairment test are a discount rate of 12%, inflation of 3% and remaining asset life of an average of five years. These assumptions are consistent with modelling for the prior year.

j. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis and allocated in the periods in which they are incurred.

k. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid.

Payables are recognised at cost, which is considered to approximate amortised cost due to the short term nature of payables. They are not discounted as the effect of discounting would not be material for these liabilities.

Trade Accounts payable are normally settled within 30 days.

l. Employee Benefits

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

Liabilities for salaries and wages including annual leave expected to be settled within 12 months of the reporting date and all unconditional employee benefits are recognised as current employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

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

(iii) Superannuation

Employees of the Company are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the Statement of Financial Position and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any past service cost. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration. Actuarial gains and losses arising from adjustments and/or changes in actuarial assumptions are recognised in the period in which they occur directly in other comprehensive income.
The defined benefit superannuation fund receives fixed contributions from the Company and the Company's legal/constructive obligation is limited to these contributions.

m. 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. The dividend payable of $3.17M (2009: $3.76M) is calculated based on profit adjusted for certain non-cash items. In the Income Statement, this is based on a percentage of the line item 'Profit for the Year' $4.52M (2009: $5.37M).

n. Goods and Services Tax

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST of cashflows from investing and financing activities that are recoverable from the Australian Taxation Office are classified as cash flows from operating activities. Commitments are disclosed inclusive of GST where applicable

o. Foreign Currency Transactions and Balances

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

p. Change in Accounting Policy

(i) AASB 101 now prescribes the inclusion of a Statement of Comprehensive Income which is applicable to reporting periods beginning on or after 1 January 2009. This statement has effectively replaced the former Statement of Recognised Income and Expense. For the 2009/10 Annual Report an Income Statement and a Statement of Comprehensive Income have been prepared, along with a Statement of Changes in Equity.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 9 Financial Instruments

This is a new standard that will apply from 2013-14. The standard replaces the multiple classification and measurement models in AASB 139 Financial Instruments: Recognition and Measurement with a single model that has only two classifications: amortised cost and fair value. There is no anticipated impact on the Company as all financial instruments are already recognised at amortised cost or fair value.

ii) AASB 2009-5 Further amendments arising from the second annual improvements project

This introduces the second round of amendments to accounting standards and applies from 2013-14. It introduces changes to various accounting standards, however the two changes that apply to the Economic Entity are:

- AASB 107 Cash flow statements: clarifies only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities. It is not anticipated that the classification of the Economic Entity's cash flows from investing activities will be changed.
- AASB 117 Leases: removed the default classification that the land element in a land and building lease is no longer an operating lease. It is possible it could be classified as a finance lease. There is no anticipated impact on the Economic Entity due to this change.

note 2.
REVENUE

	2010 $	2009 $
SERVICES		
Sale of services	31,489,540	31,850,847
	31,489,540	**31,850,847**
OTHER INCOME		
Interest from controlling entity	182,042	231,496
Interest from financial institutions	114,728	240,094
Superannuation Income	337,158	434,938
Net Gain from the sale of assets	1,690	1,588
Other	17,863	2,471
	653,480	**910,587**
TOTAL INCOME	**32,143,020**	**32,761,434**

note 3.
EXPENSES

	2010 $	2009 $
PROFIT BEFORE TAX INCLUDES THE FOLLOWING NET GAINS AND EXPENSES:		
A. EXPENSES		
Employee related expenses (see note B. below)	14,882,021	12,520,723
Project and contract outlays	6,248,288	8,000,781
Motor vehicles (excluding minimum lease payments)	503,298	807,793
Minimum lease payments	1,524,407	1,276,793
Information technology and communications	480,617	589,027
Foreign currency loss/(gain)	1,982	(6,979)
Other	1,361,961	1,277,319
	25,002,573	**24,465,456**
DEPRECIATION AND AMORTISATION		
Amortisation - Intangibles	46,963	60,778
Depreciation - Property, Plant & Equipment	627,886	563,685
	674,849	**624,463**
OTHER CHARGES AGAINST ASSETS		
Doubtful debt provision - trade receivables	(6,972)	6,972
TOTAL EXPENSES	**25,670,451**	**25,096,891**
B. EMPLOYEE RELATED EXPENSES		
Salaries	12,554,572	10,454,210
Employee benefits	1,074,882	885,941
Superannuation relating to Defined Benefit Schemes	327,226	374,229
Superannuation relating to Defined Contribution Plans	925,340	806,343
	14,882,021	**12,520,723**

note 4. income tax on profit before financial INSTRUMENT FAIR VALUE MOVEMENTS

	NOTES	2010 $	2009 $
A. INCOME TAX EXPENSE			
Current tax		2,573,827	3,062,129
Deferred tax	13	(622,571)	(760,892)
Under/(over) provided in prior years		(3,023)	(11,327)
		1,948,233	**2,289,910**
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE			
Profit before income tax and financial instrument fair value movements		6,472,569	7,664,542
Tax at the Australian rate of 30%		1,941,771	2,299,363
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:			
Sundry items		4,624	1,874
		1,946,395	**2,301,237**
Under (over) provision in prior years		1,838	(11,327)
		1,948,233	**2,289,910**
C. TAX EXPENSE(INCOME) RELATING TO ITEMS IN OTHER COMPREHENSIVE INCOME			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	13	362,909	1,314,249
		362,909	**1,314,249**

D. TAX CONSOLIDATION LEGISLATION

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

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

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entity will reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Hunter Water Corporation (see Note 24). In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entity in case of a default by Hunter Water Corporation.

note 5.

DIVIDENDS PAID OR PROVIDED FOR

	2010 $	2009 $
Opening balance	3,755,627	2,854,416
Add dividend declared	3,171,559	3,755,627
Less dividend paid	3,755,627	2,854,416
	3,171,559	**3,755,627**
Dividend per share	$3.52	$4.17

Under the national tax equivalent regime, Hunter Water Australia Pty Limited is not required to maintain a dividend franking account.

note 6.

CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Cash at bank and on hand	430,069	1,277,723
Deposits at call	2,070,138	1,999,500
	2,500,207	**3,277,223**

Deposits at call are bearing an interest rate of 4.45% at 30 June 2010 (2009: between 4.45% and 2.95%)

BANK OVERDRAFT FACILITY

The Company has a bank overdraft facility available to the extent of $200,000. As at 30 June 2010 the whole amount of the overdraft was unused.

The Company also has a credit card facility to the extent of $130,000. All balances are repaid in full at the end of each month and no interest expense has occurred during the year.

note 7.
TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
CURRENT		
Trade debtors	6,633,277	3,769,483
Allowance for Impairment	-	(6,972)
Other current receivables	783	520
	6,634,060	**3,763,031**

note 8.
OTHER CURRENT ASSETS

	2010 $	2009 $
Prepayments	374,983	253,959
Work in Progress	648,729	2,108,569
Security Deposit	-	2,940
Accrued Income	1,070,111	952,592
Accrued Interest	18,481	45,700
	2,112,305	**3,363,760**

note 9.
PLANT AND EQUIPMENT

	2010 $	2009 $
GENERAL SUPPORT ASSETS		
Computers - Cost	1,708,108	1,365,043
Computers - Accumulated depreciation	(816,830)	(546,753)
	891,278	**818,290**
Support facilities - Cost	3,902,470	3,904,907
Support Facilities - Accumulated depreciation	(1,827,309)	(1,557,838)
	2,075,161	**2,347,069**
Leasehold Improvements - Cost	1,227,205	1,219,975
Leasehold Improvements - Accumulated depreciation	(43,251)	(12,705)
	1,183,954	**1,207,270**
	4,150,393	**4,372,629**

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below:

	2010 $	2009 $
RECONCILIATION - GENERAL SUPPORT ASSETS		
Carrying amount – Opening Balance	4,372,628	1,462,275
Additions	410,269	3,492,659
Disposals	(4,618)	(18,621)
Depreciation expense	(627,886)	(563,685)
CARRYING AMOUNT - CLOSING BALANCE	**4,150,393**	**4,372,628**

note 10.
INTANGIBLE ASSETS

Intangible assets comprise the following at cost:

	2010 $	2009 $
INTANGIBLE ASSETS		
Software	549,877	473,602
Other	101,823	101,823
Accumulated amortisation	(440,584)	(393,621)
	211,116	**181,804**

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of intangible asset at the beginning and end of the current and previous financial years are set out below:

	2010 $	2009 $
RECONCILIATION - SOFTWARE		
Carrying amount – Opening Balance	80,934	97,382
Additions	76,274	43,378
Amortisation expense	(42,887)	(59,826)
CARRYING AMOUNT - CLOSING BALANCE	**114,322**	**80,934**

RECONCILIATION - OTHER		
Carrying amount – Opening Balance	100,870	-
Additions	-	101,822
Amortisation expense	(4,076)	(952)
CARRYING AMOUNT - CLOSING BALANCE	**96,794**	**100,870**

note 11.
CAPITAL WORK IN PROGRESS

	2010 $	2009 $
RECONCILIATION - CAPITAL WORK IN PROGRESS		
Carrying amount – Opening Balance	-	94,675
Disposals	-	(94,675)
CARRYING AMOUNT - CLOSING BALANCE	**-**	**-**

note 12.
INVESTMENTS

	NOTES	2010 $	2009 $
NON CURRENT			
Loan with Parent Entity	24	5,000,000	5,000,000
		5,000,000	**5,000,000**

note 13.
DEFERRED TAX ASSETS

	2010 $	2009 $
NON CURRENT		
The balance comprises temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT & LOSS		
Doubtful debts	-	2,092
Work in Progress	(172,843)	(557,124)
Workers Compensation prepayment	(15,273)	(13,179)
Employee benefits	2,612,142	2,296,784
Other operating expenditure payable	7,200	6,525
Depreciation	(78,645)	(10,102)
Unrealised tax foreign currency loss	(116)	38
Unused tax Losses	-	4,861
	2,352,465	**1,729,894**
AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Superannuation actuarial gains/(losses)	362,909	1,314,249
	362,909	**1,314,249**
MOVEMENTS:		
Opening balance at 1 July	1,729,894	957,675
Credited/(charged) to the Income Statement	622,571	760,892
Under/(over) provided in previous years	-	11,327
CLOSING BALANCE AT 30 JUNE	**2,352,465**	**1,729,894**

note 14.
TRADE AND OTHER PAYABLES

	2010 $	2009 $
CURRENT		
Trade creditors	1,284,183	1,506,624
Other creditors	658,159	362,512
Income in Advance	72,589	251,487
	2,014,930	**2,120,623**

note 15.
CURRENT TAX LIABILITIES

	2010 $	2009 $
PROVISION FOR INCOME TAX PAYABLE		
Opening balance	424,881	842,141
Add under provision for income tax in prior year	16,120	-
Less amount paid relating to prior year	(441,000)	(842,141)
Add amount payable for current year	2,206,058	1,747,881
Less amount paid relating to current year	(1,311,000)	(1,323,000)
	895,058	**424,881**

note 16.
PROVISIONS

	2010 $	2009 $
CURRENT		
Employee benefits – short term	3,075,457	2,099,665
Employee benefits – long term	-	919,721
Dividend provided	3,171,559	3,755,627
	6,247,016	**6,775,013**
NON-CURRENT		
Employee benefits	391,829	334,640

Current employee benefits classified as long term are expected to be settled after 12 months from the reporting date.

note 17.
OTHER NON-CURRENT LIABILITIES

	2010 $	2009 $
NON CURRENT		
Provision for underfunded defined benefit superannuation	4,542,002	3,669,465
	4,542,002	**3,669,465**

note 18.
CONTRIBUTED EQUITY

	2010 $	2009 $
Issued and paid up capital 900,010 ordinary shares each fully paid	900,010	900,010

FULLY PAID ORDINARY SHARES

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The shares have no par value.

note 19.
STATEMENT OF CASH FLOWS

Reconciliation of profit to the net cash flows from operating activities

	2010 $	2009 $
Total Profit for the Year	4,524,336	5,374,632
Depreciation and amortisation	674,849	624,463
Superannuation Income	(337,158)	(434,938)
(Profit)/loss on sale of non-current assets	(1,690)	(1,588)
Net exchange differences	1,982	(6,979)
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase)/decrease in trade debtors	(2,871,545)	(579,808)
(Increase)/decrease in work in progress	1,459,840	(758,291)
(Increase)/decrease in tax related receivable	(259,662)	542,030
(Increase)/decrease in other operating assets	(208,384)	27,201
Increase/(decrease) in trade creditors	(105,693)	(187,018)
Increase/(decrease) in inter-company tax payable	470,178	(417,260)
(Decrease)/increase in other provisions	113,260	(42,849)
NET CASH INFLOW FROM OPERATING ACTIVTIES	**3,460,313**	**4,139,595**

note 20.
COMMITMENTS

LEASE COMMITMENTS

Commitments in relation to leases contracted for the reporting date but not recognised as liabilities, payable:

CAPITAL COMMITMENTS	2010 $	2009 $
Within one year	146,160	-
	146,160	**-**

LEASE COMMITMENTS		
Commitments in relation to leases contracted for the reporting date but not recognised as liabilities, payable:		
	2010 $	**2009 $**
Within one year	1,390,525	1,333,632
Later than one year but not later than five years	3,399,488	4,421,485
Later than five years	4,053,654	4,120,619
	8,843,666	**9,875,737**

REPRESENTING:	2010 $	2009 $
Cancellable operating leases	767,910	726,651
Non-cancellable operating leases	8,075,756	9,149,086
	8,843,666	**9,875,737**

There are two significant non-cancellable operating leases of the Company for the lease of Head Office premises and a laboratory. The general office space lease commits Hunter Water Australia to a 10 year non-cancellable lease with two 5 year options to renew. There is an option to sub-let subject to council planning approvals. This lease commenced on 14 November 2008.

A 5 year option to renew the lease for the laboratory was taken on 1 July 2009. There is no option to sub-let under the current lease of the laboratory.

NON-CANCELLABLE OPERATING LEASE COMMITTMENTS

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2010 $	2009 $
Within one year	966,780	952,095
Later than one year but not later than five years	3,055,322	4,076,372
Later than five years	4,053,654	4,120,619
	8,075,756	**9,149,086**

note 21.
SUPERANNUATION

A. SUPERANNUATION PLAN

Some employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Company also contributes to the plans.

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The State Authorities Superannuation Scheme closed on 18 December 1992. All the Schemes are closed to new members.

Superannuation benefits for new entrants are now provided through First State Super (FSS) or the employee's choice of fund, which are accumulation type schemes. The Company has made full provision for these commitments.

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

B. SUPERANNUATION POSITION

Following is the 30 June 2010 superannuation position:

MEMBER NUMBERS	SSS	SASS	SANCS	2010	2009
Contributors	5	13	18	36	48
Deferred benefits	3	-	-	3	3
Pensioners	9	-	-	9	5
Pensions fully commuted	4	-	-	4	3

SUPERANNUATION POSITION	SSS $	SASS $	SANCS $	2010 $	2009 $
Accrued liability	13,364,676	3,744,034	730,683	17,839,393	16,851,460
Estimated reserve account balance	(9,825,375)	(3,009,981)	(462,035)	(13,297,391)	(13,181,995)
	3,539,301	734,053	268,648	**4,542,002**	**3,669,465**
Future service liability (Note1)	(348,163)	(664,303)	(294,381)	**(1,306,847)**	**(1,412,920)**
NET (ASSET)/LIABILITY TO BE RECOGNISED IN STATEMENT OF FINANCIAL POSITION	3,539,301	734,053	268,648	**4,542,002**	**3,669,465**

C. RECONCILIATION

	SSS $	SASS $	SANCS $	2010 $	2009 $
PRESENT VALUE OF PARTLY FUNDED DEFINED BENEFIT OBLIGATIONS AT BEGINNING OF THE YEAR	**12,462,877**	**3,526,522**	**862,061**	**16,851,460**	**14,252,029**
Current service cost	48,357	105,512	41,145	195,014	193,176
Interest cost	689,282	192,893	45,997	928,172	919,200
Contributions by fund participants	129,316	63,706	-	193,022	187,153
Actuarial (gains)/losses	201,239	252,204	83,515	536,958	2,138,627
Benefits paid	(166,395)	(396,804)	(302,034)	(865,233)	(838,726)
PRESENT VALUE OF PARTLY FUNDED DEFINED BENEFIT OBLIGATIONS AT END OF THE YEAR	13,364,676	3,744,033	730,684	**17,839,393**	**16,851,459**

	SSS $	SASS $	SANCS $	2010 $	2009 $
FAIR VALUE OF FUND ASSETS AT BEGINNING OF THE YEAR	9,560,930	2,961,233	659,832	**13,181,995**	**14,528,458**
Expected return on fund assets	819,737	253,212	55,325	1,128,274	1,177,929
Actuarial gains/(losses)	(680,549)	(275)	8,087	(672,737)	(2,242,204)
Employer contributions	162,336	128,909	40,825	332,070	369,384
Contributions by fund participants	129,316	63,706	-	193,022	187,153
Benefits paid	(166,395)	(396,804)	(302,034)	(865,233)	(838,726)
FAIR VALUE OF FUND ASSETS AT END OF THE YEAR	9,825,375	3,009,981	462,035	**13,297,391**	**13,181,994**

	SSS $	SASS $	SANCS $	2010 $	2009 $
Present value of partly funded defined benefit obligations at end of year	13,364,676	3,744,033	730,684	17,839,393	16,851,459
Fair value of fund assets at end of the year	(9,825,375)	(3,009,981)	(462,035)	(13,297,391)	(13,181,994)
NET LIABILITY/ (ASSET) RECOGNISED IN STATEMENT OF FINANCIAL POSITION AT END OF YEAR	3,539,301	734,052	268,649	**4,542,002**	**3,669,465**

D. EXPENSE RECOGNISED IN THE INCOME STATEMENT

COMPONENTS RECOGNISED IN INCOME STATEMENT	SSS $	SASS $	SANCS $	2010 $	2009 $
Current service cost	48,357	105,512	41,145	195,014	193,176
Interest cost	689,282	192,893	45,997	928,172	919,200
Expected return on fund assets (net of expenses)	(819,737)	(253,212)	(55,325)	(1,128,274)	(1,177,929)
Expense/(income) recognised	(82,098)	45,193	31,817	(5,088)	(65,553)

EXPENSES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	SSS $	SASS $	SANCS $	2010 $	2009 $
Actuarial (gains)/losses	881,788	252,479	75,428	1,209,695	4,380,831

E. CUMULATIVE AMOUNT RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

ACTUARIAL (GAINS) LOSSES	$
2004/05	1,361,465
2005/06	(2,530,305)
2006/07	(1,322,582)
2007/08	1,622,799
2008/09	4,380,831
2009/10	1,209,695
	4,721,903

FUND ASSETS

The percentage invested in each asset class at the statement of financial position date:

	30-JUN-10	30-JUN-09
Australian equities	31.0%	32.1%
Overseas equities	26.8%	26.0%
Australian fixed interest securities	6.1%	6.2%
Overseas fixed interest securities	4.3%	4.7%
Property	9.5%	10.0%
Cash	9.6%	8.0%
Other	12.7%	13.0%

All fund assets are invested by STC at arm's length through independent fund managers.

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

F. ACTUAL RETURN ON PLAN ASSETS

	SSS $	SASS $	SANCS $	2010 $	2009 $
Actual return on fund assets	842,928	289,682	63,412	1,196,022	(1,407,915)

G. PRINCIPAL ACTUARIAL ASSUMPTIONS

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

The principal actuarial assumptions used (expressed as weighted averages) at the reporting date were as follows:

	30-JUN-10	30-JUN-09
Salary increase rate (excluding promotional increases)	3.5% pa	3.5% pa
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets	8.60%	8.13%
Discount rate	5.17%	5.59%

The demographic assumptions at 30 June 2010 are those that will be used in the 2009 triennial actuarial valuation.

H. EMPLOYER CONTRIBUTIONS

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2009.

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

The recommended contribution rates for 2010 and 2009 for the Company are:
State Superannuation Scheme 1.60X (multiple of member contributions)
State Authorities Superannuation Scheme 1.90X (multiple of member contributions)
State Authorities Non-Contributory Superannuation Scheme 2.5% (% of member salary)

2010 The economic assumptions used by the actuary to make the funding recommendation were an investment return on fund assets of 8.3% pa, a salary increase rate of 4.0% pa, and an inflation rate of 2.5% pa.

2009 The economic assumptions used by the actuary to make the funding recommendation were an investment return on fund assets of 8.3% pa, a salary increase rate of 4.0% pa, and an inflation rate of 2.5% pa.

The following is a summary of the 30 June 2010 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans:*

SURPLUS/DEFICIT	SSS $	SASS $	SANCS $	2010 $	2009 $
Accrued benefits	9,153,287	3,346,423	644,700	13,144,410	13,061,052
Net market value of fund assets	(9,825,375)	(3,009,981)	(462,035)	(13,297,391)	(13,181,995)
NET (SURPLUS)/ DEFICIT	(672,088)	336,442	182,665	**(152,981)**	**(120,943)**

I. NATURE OF ASSET/LIABILITY

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

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

J. HISTORIC SUMMARY

	SSS $	SASS $	SANCS $	2010 $
Present value of defined benefit obligation	13,364,676	3,744,034	730,683	17,839,393
Fair value of fund assets	(9,825,375)	(3,009,981)	(462,035)	(13,297,391)
(SURPLUS)/DEFICIT IN FUND	3,539,301	734,053	268,648	**4,542,002**
Experience adjustments - Fund liabilities	201,239	252,204	83,515	536,958
Experience adjustments - Fund assets	680,549	275	(8,087)	672,737

	2009 $	2008 $	2007 $	2006 $
Present value of defined benefit obligation	16,851,460	14,252,029	13,930,749	13,961,639
Fair value of fund assets	(13,181,995)	(14,528,458)	(15,340,158)	(13,693,069)
(SURPLUS)/DEFICIT IN FUND	**3,669,465**	**(276,429)**	**(1,409,409)**	**268,570**
Experience adjustments - Fund liabilities	2,138,637	(135,987)	(291,218)	(2,530,304)
Experience adjustments - Fund assets	2,242,204	1,758,786	(1,031,364)	

EXPECTED CONTRIBUTIONS	SSS $	SASS $	SANCS $	2010 $	2009 $
Expected employer contributions	206,906	121,041	46,568	374,515	363,608

note 22.

CONTINGENT LIABILITIES AND ASSETS

LIABILITIES

No significant claims for damages are being negotiated. This does not include matters covered by Insurance. No significant claims for damages were being negotiated as at 30 June 2010.

ASSETS

Hunter Water Australia has a contingent asset in the form of a Redundancy Guarantee from the Controlling Entity. The Redundancy Guarantee relates to current Hunter Water Australia employees who were former employees of the controlling entity upon Hunter Water Australia's formation in 1998.

The Redundancy Guarantee provides that if Hunter Water Australia were to pay current employees who were former employees of the Controlling Entity redundancy, then the Controlling entity would pay Hunter Water Australia the difference between the severance rate which would be paid at the Controlling Entities scale and the severance rate Hunter Water Australia would be required to pay in accordance with current statutory legislation.

The current Redundancy Guarantee from the Controlling Entity will expire on 30 June 2013, unless there is a change in ownership prior to this date. In the case of change of ownership, the Redundancy Guarantee would expire when Hunter Water Corporation was no longer the Controlling Entity.

The contingent asset for Redundancy Guarantee has not been valued as there is no current expectation that the guarantee will be called upon.

note 23.

AUDITORS' REMUNERATION

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

	2010 $	2009 $
Audit review of financial reports (exclusive of GST)	24,000	21,750
	24,000	**21,750**

note 24.
RELATED PARTY DISCLOSURES

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

The Controlling Entity Hunter Water Corporation (HWC) owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.

Sales were made to the parent entity under normal commercial terms and conditions no more favourable than those available to other parties.

Purchases from the parent entity were made under normal commercial terms and conditions no more favourable than those available to other parties.

An additional loan of $1,500,000 was made to the parent entity during 2005/2006, bringing the total on loan to the parent entity to $5,000,000. A formal loan agreement has been entered into under normal terms and conditions. Interest is payable quarterly at market rates.

Hunter Water Australia's director Kevin Young is the Chairperson of Water Services Association of Australia (WSAA). Sales were made to the entity under normal commercial terms and conditions no more favourable than those available to other parties.

A. CONTROLLING ENTITY	2010 $	2009 $
TRANSACTIONS WITH CONTROLLING ENTITY		
SALES		
Contracts & Consultancy Services	21,692,223	19,416,796
PURCHASES		
Contracts	182,317	215,052
Consultancy Services	32,294	55,822
TOTAL PURCHASES	**214,611**	**270,874**
INTEREST RECEIVED	**182,042**	**231,496**
DIVIDENDS PAID	**3,755,627**	**2,854,416**

OUTSTANDING BALANCES AT YEAR END	2010 $	2009 $
RECEIVABLES		
Sales and purchases	5,294,204	3,057,875
Tax funding agreements	2,352,465	1,729,894
Inter-company loan	5,000,000	5,000,000
Inter-company loan - interest	18,481	45,700
TOTAL RECEIVABLES	**12,665,150**	**9,833,469**
PAYABLES		
Sales and purchases	12,427	4,833
Tax funding agreements	895,058	424,881
Dividend payable	3,171,559	3,755,627
TOTAL PAYABLES	**4,079,044**	**4,185,341**

B. RELATED ENTITY/PARTY		2010 $	2009 $
TRANSACTIONS WITH RELATED ENTITIES SALES	**ENTITY**		
Contracts & Consultancy Services	WSAA	-	8,636
		-	**8,636**

OUTSTANDING BALANCE AT YEAR END RECEIVABLES	ENTITY		
Sales and purchases	WSAA	-	8,636
TOTAL RECEIVABLES		**-**	**8,636**

note 25.
KEY MANAGEMENT PERSONNEL DISCLOSURES

A. DIRECTORS AND ANY DIRECTOR RELATED ENTITIES

The Directors of Hunter Water Australia Pty Limited during the financial year were:

Mr R Robson
Mr K Young
Mr RA Chappel
Mr J Eather

All Directors of Hunter Water Australia Pty Limited were also Directors of the parent entity, Hunter Water Corporation during the year.

B. OTHER KEY MANAGEMENT PERSONNEL

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

NAME	POSITION
Mr J Keary	General Manager
Mr P Thompson	Manager Process Engineering
Mr D Bailey	Manager Treatment Operations
Mr J Gleeson	Manager Engineering
Ms A Swan	Manager Laboratories and Survey & Spatial Services and Company Secretary
Mrs M Griffin	Commercial Manager

C. KEY MANAGEMENT PERSONNEL COMPENSATION

	2010 $	2009 $
Short term employee benefits	1,025,480	1,270,081
Long term employee benefits	42,843	33,113
Post employment benefits	187,619	181,184
	1,255,942	**1,484,378**

note 26.
MANAGEMENT CONSULTANTS FEES

	2010 $	2009 $
Management consultants paid or payable	34,444	51,446

note 27.
SEGMENT INFORMATION

The Company operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia.

note 28.
ECONOMIC DEPENDENCY

Hunter Water Australia Pty Limited operated independently of the parent entity. All transactions were on normal commercial terms and conditions. A significant portion of sales are derived from the parent entity, Hunter Water Corporation.

note 29.
EVENTS OCCURRING AFTER BALANCE DATE

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

note 30.
FINANCIAL RISK MANAGEMENT

A. CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual, incorporated legal entity or government entity. Approximately 61 percent of the Company's revenue is attributable to sales transactions with the controlling entity. Geographically there is no concentration of credit risk.

The Company's credit policy requires new customers to be analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes determining the customer type and receiving credit worthiness reports for non-government entities and in some cases trade references. Credit limits are established for each customer, which represent the maximum amount without requiring approval from the General Manager; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company on a prepayment basis only.

The Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is the total of specific loss component that relates to individually significant exposures.

INVESTMENTS

The Company limits its exposure to credit risk by only investing in liquid securities and only with the Controlling Entity or with the New South Wales Treasury Corporation (TCorp). Management does not expect either of these counterparties to fail to meet its obligations.

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's strategy, which is unchanged from 2008, was to maintain a sufficient level of cash and investments to meet current and longer-term operating needs of the company.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	NOTE	2010 $	2009 $
Cash and cash equivalents	6	2,500,207	3,277,223
Trade Receivables	7	6,633,277	3,762,511
Other - Current	8	2,112,305	3,363,760
Investments - Non-current	12	5,000,000	5,000,000
		16,245,789	**15,403,494**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2010 $	2009 $
Domestic	6,633,277	3,760,667
Canada	-	1,844
	6,633,277	**3,762,511**

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2010 $	2009 $
Controlling entity	4,774,203	2,315,811
Other Government entity	1,435,426	885,635
Incorporated entity (Proprietary or Public Company)	419,598	557,685
International entity	-	1,844
Unincorporated entity or sole trader	4,049	1,536
	6,633,277	**3,762,511**

For each type of customer that is not past due or impaired, the credit quality is considered good with no defaults in the past.

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

	2010 GROSS $	IMPAIRMENT $	2009 GROSS $	IMPAIRMENT $
Not past due	6,517,326	-	3,745,383	-
Past due 2 to 6 months	114,906	-	19,677	-
Past due 6 to 12 months	1,045	-	7,702	6,972
Past due more than one year	-	-	(3,279)	-
	6,633,277	**-**	**3,769,483**	**6,972**

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	2010 $	2009 $
Opening Balance	6,972	-
Impairment loss recognised	(6,972)	6,972
CLOSING BALANCE	**-**	**6,972**

All trade receivables at 30 June 2010 are expected to be collected.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

B. LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains a $200,000 bank overdraft that is unsecured. Interest would be at the rate of 10.39% per annum for an overdraft up to $200,000 and then 15.49% for an overdraft above that. (2009: 8.99% and 13.99% respectively).

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

2010	CARRYING AMOUNT $	CONTRACTUAL CASH OUTFLOWS $	3 MONTHS OR LESS $	4 MONTHS OR MORE $
Trade and other payables	2,014,930	2,014,930	2,014,930	-
	2,014,930	**2,014,930**	**2,014,930**	**-**

2009	CARRYING AMOUNT $	CONTRACTUAL CASH OUTFLOWS $	3 MONTHS OR LESS $	4 MONTHS OR MORE $
Trade and other payables	2,120,623	2,120,623	2,120,623	-
	2,120,623	**2,120,623**	**2,120,623**	**-**

C. MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency Risk

The Company provides consultancy services to customers based in the United States and Canada.

Currency risk arises from future commercial transactions and recognised assets denominated in a currency that is not the Company's functional currency.

The Company manages currency risk by regularly billing in hourly rates upon completion of tasks and continuous monitoring of forecast cash flows. Management has set up a policy requiring the company to manage their foreign exchange risk against the Australian dollar. The Company is required to hedge any major foreign exchange risk exposure arising from future commercial transactions using forward contracts or derivatives in the form of currency option contracts. The Company's exposure to currency risk at the reporting date was as follows:

	2010 $	$	2009 $	$
	USD	CAD	USD	CAD
Trade Receivables	-	-	-	1,844
	-	**-**	**-**	**1,844**

All carrying amounts of the financial assets and liabilities are denominated in notional Australian dollars.

Currency Risk Sensitivity Analysis

A 10 percent strengthening of the Australia dollar against the following currencies at 30 June 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

	2010 PROFIT OR (LOSS) $	EQUITY $	2009 PROFIT OR (LOSS) $	EQUITY $
Canadian Dollar	-	-	(168)	(168)
	-	**-**	**(168)**	**(168)**

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk as the company currently hold only interest bearing financial assets. These financial assets held are all variable rate instruments.

The Company has an undrawn overdraft facility approved up to a limit of $200,000. Interest would be at the rate of 10.39% per annum for an overdraft up to $200,000 and then 15.49% for an overdraft above $200,000. (2008: 8.99% and 13.99% respectively).

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were:

VARIABLE RATE INSTRUMENTS	2010 $	2009 $
Financial assets	7,497,463	8,274,227
	7,497,463	**8,274,227**

Interest Rate Sensitivity Analysis for Variable Rate Instruments

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on equity and profit or loss. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

2010	PROFIT OR (LOSS) 1% INCREASE $	EQUITY 1% INCREASE $
Variable rate interest rates	74,975	74,975
	74,975	**74,975**

2009	PROFIT OR (LOSS) 1% INCREASE $	EQUITY 1% DECREASE $
Variable rate interest rates	82,742	82,742
	82,742	**82,742**

D. FAIR VALUES

The financial assets and liabilities in the Statement of Financial Position are carried at amounts assumed to approximate their net fair values.

end of audited financial statements

directors' DECLARATION

Pursuant to section 41C of the Public Finance and Audit Act 1983, we state that in the opinion of the Directors of Hunter Water Australia Pty Limited, the financial statements and notes:

a) Exhibit a true and fair view of the financial position of the Company as at 30 June 2010 and its performance as represented by the results of its operation and its cash flows for the year then ended.

b) Comply with the applicable Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporation Act 2001, Part 3 of the *Public Finance and Audit Act1983* and *Public Finance and Audit Regulation 2010.*

c) Comply with International Financial Reporting Standards.

There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors:

Mr. R. Robson
Chairman

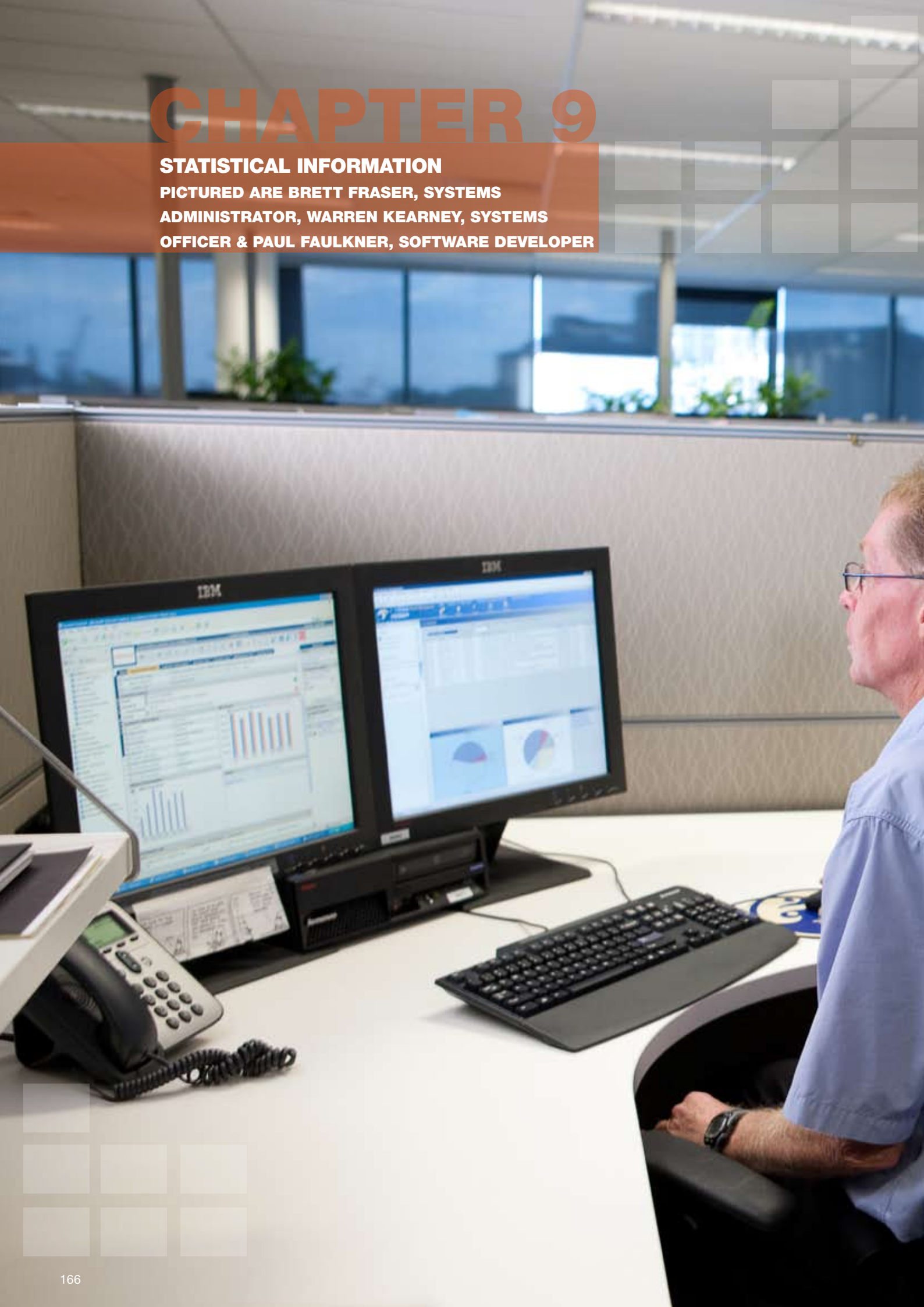
Mr. R. Chappel
Director

Dated: 29 September 2010
Newcastle

CHAPTER 9

STATISTICAL INFORMATION

PICTURED ARE BRETT FRASER, SYSTEMS ADMINISTRATOR, WARREN KEARNEY, SYSTEMS OFFICER & PAUL FAULKNER, SOFTWARE DEVELOPER



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9.1 directors AND COMMITTEES

9.1.1 BOARD OF DIRECTORS

Hunter Water Corporation's Board of Directors is comprised of eight members (including the Chief Executive Officer) appointed by the voting shareholders (the NSW Deputy Premier and the NSW Treasurer). Hunter Water's constitution requires that, on an annual basis, two of the Directors (with the exception of the Chief Executive Officer) shall retire from office and be eligible for reappointment.

For details on Directors refer to the Directors' Report in the financial statements.

9.1.2 CURRENT COMMITTEES & MEMBERSHIPS

COMMITTEE & MEMBERSHIP	CORPORATE SUPPORT & CONTACT	MEETING FREQUENCY	MAJOR AREAS COVERAGE
Remuneration			
R Robson (Chairman) J Eather B Crossley	K Young	Twice yearly and as required	To provide overall guidance and endorsement of strategies for succession planning and appointment of senior managers, including their remuneration.
Community, Environment and Sustainability			
B Crossley (Chairman) A Page J Gardner G Kennedy K Young	P Dennis	Four meetings per year	To ensure the Corporation continues to maintain a pro-active and strategic approach in relation to sustainable use of resources and delivery of services.
Audit and Risk			
J Eather (Chairman) R Robson B Crossley J Gardner	A Fullick	Four meetings per year	To assist the Board in ensuring Hunter Water Corporation meets its financial, compliance and regulatory requirements across (but not limited to) the areas of financial, safety, environmental and engineering.
Capital Works			
A Chappel (Chairman) J Eather G Kennedy K Young A Page	C Turnbull	Three meetings per year	To assist the Board by providing strategic overview of the Capital Works and Research and Development programs.
Corporate Governance			
R Robson (Chairman) J Gardner B Crossley K Young	S Phillips	Three meetings per year and as required	To overview strategic direction and business performance of the Corporation.
Major Customers			
K Young (Chairman) R Robson B Crossley A Chappel G Kennedy	S Phillips	As required	To provide strategic oversight and direction on the commercial parameters associated with business dealings with major customers.

COMMITTEE & MEMBERSHIP	CORPORATE SUPPORT & CONTACT	MEETING FREQUENCY	MAJOR AREAS COVERAGE
Tillegra Dam			
A Chappel (Chairman) R Robson A Page B Crossley K Young	C Turnbull	As required	To provide strategic oversight on the program of works associated with the delivery of the dam.
Out-of-Session			
R Robson (Chairman) J Eather K Young	S Phillips	As required	This committee has been delegated authority to exercise the powers and authority of the Board, in the awarding of contracts in order to fulfil timing requirements.

9.1.3 ATTENDANCE OF DIRECTORS AT HUNTER WATER CORPORATION COMMITTEE MEETINGS

	COMMITTEE AND MEMBERSHIPS											
Member	Remuneration		Environment		Capital Works		Customers		Tillegra		Out-of-Session	
	A	B	A	B	A	B	A	B	A	B	A	B
R Robson	1	1	*	*	1	1	1	1	2	2	8	8
J Gardner	*	*	3	4	*	*	*	*	*	*	*	*
K Young	*	*	4	4	2	3	1	1	2	2	8	8
B Crossley	1	1	4	4	*	*	1	1	2	2	*	*
A Chappel	*	*	*	*	2	3	1	1	2	2	*	*
G Kennedy	*	*	4	4	2	3	1	1	*	*	*	*
J Eather	1	1	*	*	3	3	*	*	*	*	8	8
A Page	*	*	4	4	3	3	*	*	2	2	*	*

A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the committee during the year.
*** =** Not a member of the relevant committee.

For information on attendance at Board Meetings and the Audit & Compliance and Corporate Governance Committee Meetings refer to the Directors' Report in the financial statements

9.1.4 CONSULTATIVE FORUM MEMBERSHIP & ATTENDANCE

The Consultative Forum is an advisory body formed by key community representatives from throughout the lower Hunter, providing guidance on customer and consumer interests and operational performance requirements.

During 2009-10 membership and attendance at the Consultative Forum was a follows:

REPRESENTATIVE	ATTENDANCE AT MEETINGS HELD			
	Sept 2009	Dec 2009	Mar 2010	June 2010
Mr K Young		√	√	√
Mr J O'Hearn (acting as Hunter Water Convenor in place of K Young)	√			
Mr C Cotter (representing Hunter-Central Rivers Catchment Authority in place of I Berthold)	√			
Cr A Davey (representing Cessnock City Council in place of Cr C Parker)				√
Cr W Harrison		√		
Cr C Parker	√	√		
Cr C Gillard		√	√	√
Mr J McDougall	√	√	√	√
Mr R Banyard	√	√	√	√
Mr A Burns	√	√		√
Mr K McDonald	√	√	√	√
Mr J Hopson	√	√	√	√
Ms I Berthold		√	√	
Cr J Nell	√		√	
Mr P Murphy OAM	√		√	
Prof G Kuzcera				√
Cr M King			√	√
Cr A Humphery	√		√	√
Cr G Wall	√		√	√

9.2 EMPLOYEES

9.2.1 EXECUTIVE POSITIONS AT 30 JUNE 2009 (PAID AT EQUIVALENT OF SES LEVEL 1 OR ABOVE)

POSITION	2006-07	2007-08	2008-09	2009-10
Managing Director	1	1	1	1
Senior Executives	5	5	7	7
Number of roles filled by women	1	1	2	2

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

9.2.2 PERFORMANCE STATEMENT

PERFORMANCE STATEMENT	2008-09	2009-10
Name	Kevin Young	
Position	Managing Director	
Appointed	19 July 2004	Reappointed 19 July 2009
Remuneration Package	$375,026	$386,277
Performance Pay	$62,504	$65,667

Excellent year for capital delivery, operational cost control and operational licence performance. Has driven a renewed focus on culture, safety and reducing customer complaints. Strongly driving a new strategic vision based on sustainability and innovation. Has strongly committed to the local community with memberships of a number of local boards and associations. Has made a strong contribution to the national water industry through as Chair of the Water Services Association of Australia

9.2.3 WORKFORCE PROFILE

	2006	2007	2008	2009	2010
Males	307	318	311	318	315
Females	130	123	131	137	148
TOTAL	**437**	**441**	**442**	**455**	**463**
Permanent	358	360	354	356	350
Temporary	26	31	35	48	56
Part-time	53	50	53	51	57
TOTAL	**437**	**441**	**442**	**455**	**463**
Redundancies	5	3	7	10	3
Recruitment	42	54	55	54	25
Unplanned absences (%)	2.29	2.71	1.90	2.04	2.57

EQUAL EMPLOYMENT OPPORTUNITY (EEO) TARGET GROUPS:

9.2.4 TRENDS IN THE REPRESENTATION OF EEO GROUPS [1]

	PERCENTAGE OF TOTAL STAFF [2]						
	Benchmark or Target	2005	2006	2007	2008	2009	2010
Women	50%	33%	30%	28%	30%	30%	32%
Aboriginal people and Torres Strait Islanders	2%	1.1%	0.9%	0.9%	0.7%	0.7%	0.6%
People whose first language was not English	20%	5%	5%	5%	5%	4.8%	5.2%
People with a disability	12%	6%	5%	4.8%	4.8%	4%	3%
People with a disability requiring work-related adjustment	7%	0.8%	0.7%	0.5%	0.5%	0.4%	0.4%

9.2.5 TRENDS IN THE DISTRIBUTION OF EEO GROUPS [1]

	DISTRIBUTION INDEX [2, 3]						
	Benchmark or Target	2005	2006	2007	2008	2009	2010
Women	100	86	87	89	90	90	91
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A	N/A	N/A
People with a disability	100	102	103	104	104	104	104
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A	N/A	N/A

NOTES: Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis.

[1] Staff numbers are as at 30 June 2009

[2] Excludes casual staff

[3] A Distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. 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 staff in a particular EEO group.

9.2.6 EMPLOYEE SAFETY PERFORMANCE

	2005-06	2006-07	2007-08	2008-09	2009-10	Change %
Lost time frequency rates	0.00	2.56	2.47	1.10	9.30	+745%
Total hours lost	2,458	1,464	2,204	2,044	5,436	+166%
Lost time injuries	0	2	2	1	9	+800%
Minor injuries	91	106	68	24	17	-29.2%
Prosecutions	0	0	0	0	0	0%

9.2.7 OVERSEAS TRAVEL COMMENCED DURING 2009/10: HUNTER WATER

NAME	DESTINATION	DEPARTURE DATE	DURATION	REASON
Kevin Young	Red Rock USA	2 Feb 2010	6 days	Speak and attend USA Climate Change Workshop
Jon Fitzgerald's	Seattle in USA	15 March 2009	260 days	Was sent as an exchange employee to do benchmarking and continuous improvement processes between Seattle Public Utilities and Hunter Water Corporation.

9.2.8 OVERSEAS TRAVEL COMMENCED DURING 2008/09: HUNTER WATER AUSTRALIA

NAME	DESTINATION	DEPARTURE DATE	DURATION	REASON
Paul Thompson	Auckland, New Zealand	14/09/2009	3 days	Consultancy - Projects
Craig White	Poland, Germany, Italy & UK	4/09/2009	9 days	IWA Nutrient Conference
James Keary	Orlando, USA	8/10/2009	12 days	WEFTEC Conference
David Bowerman	Idaho Falls, USA	19/10/2009	10 days	Cyber Security Training Course
James Keary	Mont Tremblant, Canada	31/10/2009	22 days	INFRA Conference, marketing activities
Chris Conway	Chicago, USA	17/06/2010	19 days	ACE10 Conference & Consultancy - Projects

9.3 customer and SERVICE PERFORMANCE

9.3.1 CUSTOMER BASE

CUSTOMER	NUMBER OF PROPERTIES	INCOME RAISED 2009-10 $M ACTUAL
Residential	172,463	139.35
Multi-Residential	36,772*	19.24
Commercial	8,986	23.52
Industrial	933	12.60
Bulk Supply	2	2.43
Other	5,689**	14.71
TOTAL	**224,845**	**211.85**

NOTE: Customers classifications have been revised since 2005/06
***** Includes total number of individual flats
****** Includes some Hunter Water properties from which no revenue is raised

9.3.2 RAINFALL RECEIVED (MILLIMETRES) - 12 MONTHS ENDING 19 APRIL 2010

YEAR	NEWCASTLE	GRAHAMSTOWN	CHICHESTER
2002-03	788	837	1,032
2003-04	999	819	1,244
2004-05	910	1242	1,299
2005-06	695	835	1,016
2006-07	1,081	1,011	1,128
2007-08	1,567	1,585	1,656
2008-09	1,041	1,431	1,619
2009-10	797	796	1,185
Long Term Average	**1,121**	**1,044**	**1,270**
Years of Record	**145**	**43**	**83**

9.3.3 WATER SUPPLIED (MEGALITRES) - 12 MONTHS ENDING 19 APRIL 2010

SOURCE	2008	2009	2010
Chichester	26,602 ^	24,342*^	27,462*^
Tomago	0	1,935	4,262
Grahamstown	37,709	37,472	35,971
Total Major Sources	**64,311**	**63,749**	**67,695**
Anna Bay	2,295	2,735	2,148
Lemon Tree Passage	730	834	707
TOTAL	**67,336 *^**	**67,319*^**	**70,550*^**

NOTE: Above figures for Anna Bay include water supplied from the Glovers Hill & the Anna Bay Water Treatment Plants.

***** An additional 50,683 ML was released from Chichester Dam as environmental flows, which exceeded minimum water management license requirements of 5,110 ML of environmental releases.
^ Includes losses from Dungog Water Treatment Plant

9.3.4 WATER CONSUMPTION (MEGALITRES) - 12 MONTHS ENDING APRIL 19 2010

	2008 ML	2008 %	2009 ML	2009 %	2010 ML	2010 %
Domestic	36,428	54.2	37,199	55.4	38,463	54.5
Non-Domestic	20,188	30.0	20,445	30.4	21,081	29.9
Bulk Supply	1,235	1.8	161	0.2	2,316	3.3
Total Consumption	**58,529**	**87.0**	**58,848**	**87.6**	**62,676**	**88.8**
Gross Non-Revenue Generating	8,715	13.0	8,334	12.4	7,933	11.2
Estimated Losses	3,453	5.1	3,432	5.1	2,986	4.2
Unidentified Real Loss	5,262	7.8	4,902	7.3	4,947	7.0
TOTAL SUPPLY	**67,244**	**100.0**	**67,181**	**100.0**	**70,609**	**100.0**

9.3.5 WATER SYSTEM INCIDENTS

INCIDENT / SOLUTION	2005-06	2006-07	2007-08	2008-09	2009-10
Poor pressure	185	127	87	144	132
Pump problem	2	2	1	2	5
Seepage	143	244	260	243	152
Main flush	1,330	831	638	733	692
Main repair	2,030	1,733	1,422	1,590	1,553
Hydrant defect	1,156	826	811	765	901
Valve defect	377	283	244	250	264
Repair pathcock / maincock	2,941	2,909	2,845	2,794	3,008
Meter defect	237	221	280	358	458
Service defect repaired by HWC's Operations staff	1,658	1,470	1406	1,695	1,769
Service defect repaired by Private Plumber	553	560	551	633	735
Complaint unconfirmed	318	300	262	275	314
Other	2,209	1,907	1,493	1,520	1,572
Tap rewashers	89	103	89	92	96
Trunkmain repairs	3,936	3,242	2,927	3,812	3,597
TOTAL	**17,164**	**14,758**	**13,136**	**14,906**	**15,248**

9.3.6 WATER TRANSPORT SYSTEM RELIABILITY

	2005-06	2006-07	2007-08	2008-09	2009-10
Main breaks per 100kms main - Trunkmains included in length of mains	44.6*	37.4*	30.3*	32.6*	32
Discoloured water complaints per 1000 properties connected (tenancy)	4.6	3.4	2.2	2.7	3.3

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

9.3.7 WATER SUPPLY CONTINUITY 2009-2010: PROPERTIES AFFECTED BY WATER SUPPLY INTERRUPTION*

TOTAL INTERRUPTION	PLANNED	UNPLANNED	COMBINED	** TOTAL%
≤1 hour (≤ 60min)	3,152	8,353	8,796	3.9
>1 and ≤5 hours (>60 & ≤ 300min)	10,399	26,815	34,732	15.4
>5 and ≤12 hours (>300 & ≤720min)	1121	5,753	7,058	3.1
>12 and ≤24 hours (>720 & ≤1440min)	0	720	355	0.2
>24 hours (>1440min)	0	270	25	0.1
No Interruption			173,879	77.3

***NOTE:** The method of calculation has changed from previous years. Figures are now in line with NWI and IPART guidelines where each interruption is reported separately according to the time band and job status. In previous years the results reported were based on cumulative effect of planned and unplanned interruptions experienced by customers during the year.
****NOTE:** Combined % of total properties - the total number of water connections (tenancy) is 222,454.

9.3.8 WASTEWATER SYSTEM INCIDENTS

INCIDENT / SOLUTION	2005-06	2006-07	2007-08	2008-09	2009-10
Chokage cleared - main	2,529	2,806	2,200	1,948	2,745
Chokage cleared - branch	2,672	2,603	2,155	1,923	2,131
Private plumbers job *	548	610	547	471	541
House drains cleared	4	4	2	0	1
Storm overflow	96	897	394	179	50
Gravity sewer break	23	29	43	36	19
Rising main break	40	29	42	33	27
Pump Station malfunction	7	22	13	12	20
Vacuum Sewer Jobs	160	145	78	38	26
Pump Effluent Line	4	5	8	9	3
No work required	169	218	163	140	120
Complaint unconfirmed	211	178	163	172	191
Charge job **	1	1	0	5	1
Other	1,093	1,524	1,182	852	742
TOTAL	**7,557**	**9,071**	**6,990**	**5,818**	**7,217**

***NOTE:** Problem in customer's private drains or fittings.
****NOTE:** completed by Corporation and customer billed.

9.3.9 WASTEWATER TRANSPORT SYSTEM RELIABILITY

	NUMBER OF MAIN BREAKS & CHOKES	LENGTH OF SEWERMAIN (KM)	RATIO OF MAIN BREAKS/ CHOKES PER 100KM OF MAIN
TOTAL	2,708	4,667	58.0

	NUMBER OF PROPERTIES	NUMBER OF WASTEWATER	RATIO OF PROPERTY BREAKS/CHOKES
	Breaks & Chokes	Properties	per 1000 Properties
TOTAL	2,691	213,023	12.6

9.3.10 GENERAL STATISTICS

WATER	2006-07	2007-08	2008-09	2009-10
Population in area [1]	517,273	522,415	527,557	533,874
Population supplied with water [1]	505,712	510,703	515,695	521,736
Properties where water is available [2]	224,442	228,312	231,266	233,509
Properties connected to water (metered) [2]	216,189	220,597	222,454	224,845
Capacity of major sources (ML)	288,000	288,000	288,000	288,000
Total supply from sources (ML) [3]	74,757	67,244	67,181	70,609
Average day net supply (ML) [3]	204.8	183.7	184.1	193.4
Maximum day net supply (ML) [3]	322.9	279.3	308.5	337.2
Maximum week net supply (ML/day) [3]	296.0	237.5	284.4	273.4
Minimum day net supply (ML) [3	145.9	113.0	121.2	105.6
Average consumption per residential tenement (kl/annum)	194.6	177.4	179.6	183.8
5 year rolling average consumption [4]	205.1	196.2	190.6	188.0
Watermains laid during year (km)	56.8	82.7	157.3	73.9
Watermains abandoned during year (km)	32.2	25.3	33.0	32.4
Watermain length revisions during the year (km)	65.4	(2.6)	5.2	6.8
Total watermains in service (km)	4,637.7	4,692.54	4,821.96	4,856.64
Length of watermain per connected property (m)	21.5	21.2	21.68	21.6
Water supplied free of charge: charitable, public & miscellaneous purposes (kl)	444,828	398,089	483,778	379,740
Water supplied free of charge: dollar value	$604,966	$564,825	$614,398	$647,830

WASTEWATER	2006-07	2007-08	2008-09	2009-10
Population supplied with water & sewer [1]	486,310	491,136	495,963	501,000
Properties where sewer is available [2]	214,430	217,065	219,764	221,726
Properties connected to sewer [2]	205,034	208,662	211,015	213,023
Sewermains laid during the year (km)	57.4	39.7	74.9	50
Sewermains abandoned during the year (km)	10.9	7.7	4.8	10
Total sewermains in service (km)	4,523.4	4,555.6	4625.6	4667
Length of sewermain per liable property (m)	22.0	21.8	21.9	21.9

DRAINAGE	2006-07	2007-08	2008-09	2009-10
Properties liable [2]	65,958	66,476	66,969	67,404

DISSECTION OF POPULATION - JUNE 2009 [1] REGION	POPULATION IN AREA	SERVED WATER	SERVED SEWER
Newcastle	152,950	152,950	152,082
Lake Macquarie	195,210	191,638	186,378
Maitland	66,784	64,874	62,896
Cessnock	51,130	44,657	40,892
Port Stephens	67,800	63,860	58,636
Dungog	8,646	3,482	942
SUB TOTAL	**542,520**	**521,461**	**501,826**
Singleton (Part Branxton)	-	190	116
Great Lakes (East Karuah/Alicetown)	-	85	-
TOTAL	**542,520**	**521,736**	**501,942**

	2006-07	2007-08	2008-09	2009-10
Ratio of properties connected to water & sewer, and water only [5]	96.6%	96.9%	96.9%	96.7%

FINANCIAL	2006-07 $M	2007-08 $M	2008-09 $M	2009-10
Total Tariff Revenue (includes service & usage charges & other regulated income)	158.03	162.53	174.56	217.57
Capital Indebtedness - external	331.97	414.60	522.00	662.65

STAFFING	2006-07	2007-08	2008-09	2009-10
Salaried	279	295	300	296
Wages	108	108	101	100
Engineers	52	50	54	67
TOTAL	**439**	**453**	**455**	**463**

[1] Population figures from 2007/08 have been adjusted using data from the 2006 Census. Population prior to this is based on data from the 2001 Census.

[2] Property numbers have been revised: includes Hunter Water properties.

[3] Supply & consumption figures are based on Water Year, i.e. 12 months ending 19 April.

[4] Target is to not exceed 215KL/annum, based on 5-year rolling average.

[5] Includes 5 main local Government areas only

9.4 FINANCIAL

9.4.1 INFORMATION ON THE BALANACE SHEET OF THE ECONOMIC ENTITY

1 Receivables

Receivables are shown as a current asset on the Statement of Financial Position and total $42.695m.

	JUN 10 $M	JUN 09 $M
Tariff Income - billed	19.105	14.092
Tariff Income - unbilled	15.488	15.985
Sundry Debtors	3.066	3.226
Net GST Receivable from ATO	5.002	5.641
Community Service Obligations	0.568	0.402
Miscellaneous Debtors	(0.009)	(0.003)
	43.220	**39.343**
Less Provision for Doubtful Debts	0.525	0.298
	42.695	**39.045**

Information regarding the major categories follows.

a. Tariff Income – unbilled – This item is an estimate of water and sewer usage for properties up to the reporting date that has been accrued.

b. Net GST Receivable from ATO - The Economic Entity is liable to pay GST on all taxable acquisitions. For the Parent Entity GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant accounting standards and Treasury circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Parent Entity are GST-free, but its purchases predominantly include GST, the Parent Entity receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable for the Economic Entity at 30 June 2010 (inclusive of accruals) and included in receivables was $5.002m.

c. Community Service Obligations - The Parent Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant portfolio Minister for endorsement and inclusion in the State Budget.

Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with the Department of Water and Energy (DWE). The Parent Entity's CSO claims for 09-10 were for tariff rebates given to pensioners and exempt properties, for example churches. The 2009-10 claim and cash received were as follows:

	AMOUNT CLAIMED $m	CASH RECEIVED $m	OUTSTANDING (PREPAYMENT) $m
Pensioner Rebate	9.841	9.327	0.514
Exempt Properties	1.487	1.433	0.054
TOTAL	**11.328**	**10.760**	**0.568**

The amount owing of $0.568m represents the June rebates unclaimed at year end.

2 Investments

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

	JUN 10 $m	JUN 09 $m
Cash at Bank	0.921	2.591
T-Corp Deposits	8.770	2.599
	9.691	**5.190**
Interest Earned	0.332	0.683
Average Interest (on average monthly investment balance)	3.64%	4.68%

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

3 Fixed Assets- Property Plant and Equipment

	JUN 10 $m	JUN 09 $m
Opening WDBV	2,378.092	1,983.092
Less - Depreciation Charge	(32.541)	(29.350)
Less - Disposals	(6.577)	(3.944)
Add - Additions	101.570	91.297
Add - Externally Funded Assets	14.791	17.209
Add – Transfers Between Classes	(2.940)	0.750
Revaluation - Increment	90.156	1,005.957
(Impairment) / Impairment Reversal	-	(686.919)
Total Property Plant and Equipment	**2,542.551**	**2,378.092**

Total assets of $2,543m represent an increase of $164.5m on the balance as at 30 June 2009.

4 Intangible Assets

	JUN 10 $m	JUN 09 $m
Opening WDBV	4.222	7.712
Less - Amortisation Charge	(3.915)	(5.365)
Less - Disposals	-	(0.095)
Add - Additions	6.431	3.228
(Impairment) / Impairment Reversal	-	(1.258)
Total Intangible Assets	**6.738**	**4.222**

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

5 Borrowings

The Parent Entity has engaged NSW TCorp to provide a Liability Advisory Role to assist in the management and structuring of the financial liability portfolio. Management of the portfolio is in accordance with the approved parameters. These parameters are to maintain a portfolio structure which comprises debt that has an average life to maturity of between 3 years and 5 years. At 30 June 2010 the portfolio duration was 3.804. During 2009-10 the face value of the Parent Entity's financial liability portfolio increased by $140.694m.

The average interest yield cost of debt held at 30 June 2010 was 5.95%. A profile of the Parent Entity's Financial Liability Portfolio is as follows:

	JUN 10 $m	JUN 09 $m
Number of Loans	51	43
Face Value	662.653	521.959
Market Value	677.760	526.697
Come and Go Facility	-	-

	JUN 10 $m	JUN 09 $m
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	145.837	75.211
Non Current	516.816	446.748
	662.653	**521.959**
Debt Maturity Profile		
Come and Go Facility	-	-
Within 1 year	145.837	75.211
Between 1-5 years	228.636	171.601
Over 5 years	288.180	275.147
	662.653	**521.959**

6 Net Discount / Premium on Loans

The Parent Entity's financial liability portfolio includes loans taken up at premiums and discounts. These arise because loans are issued at a premium or discount to their face value to reflect the current market value. As an example a loan with a face value of $1.0m with an interest cost of 12% is expensive in the current market. For a buyer (eg Hunter Water Corporation) to purchase that loan of $1.0m with a fixed cost of 12% in a market where the cost of borrowings are 8%, the seller (eg NSW TCorp) will provide an amount of cash in excess of the face value to compensate for the higher interest cost. The buyer (eg Hunter Water Corporation) receives a loan with a face value of $1.0m plus the additional cash premium. The buyer's commitment to repay is still only the face value of the debt. The premium is amortised as income in the Income Statement to offset the high interest cost of the debt. The opposite applies to discounts. Movement in respect of discounts (premiums) for the year to 30 June 2010 is as follows:

	$m DISCOUNTS	$m PREMIUMS	$m NET
Opening Balance 1 July 2009	9.913	(2.424)	7.489
Amortisation 1 July 2009 to 30 June 2010	(0.523)	1.703	1.180
Debt Traded	3.964	(1.687)	2.277
Balance 30 June 2010	**13.354**	**(2.408)**	**10.946**

7 Employee Provisions

At 30 June 2010 the liability for Employee Provisions totalled $73.646m representing an increase of $8.244m during the year and comprised:

	JUN 10 $m	JUN 09 $m
Long Service Leave	16.252	14.670
Defined-Benefit Superannuation	50.828	44.414
Accrued Sick / Annual Leave	6.566	6.318
	73.646	**65.402**

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

	JUN 10 $m	JUN 09 $m
Current	21.939	20.017
Non Current	51.707	45.385
	73.646	**65.402**

As a result at 30 June 2010 the Economic Entity's superannuation portfolio was under-funded in total by $50.828m. At 30 June 2009 the portfolio was under-funded by $44.414m.

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.

8 Breakdwon of Landholdings 30 June 2010

CODE DESCRIPTION	NUMBER OF PROPERTIES	VALUE $m
1 Land fully utilised as an integral part of the Parent Entity's system	384	46.230
2 Land partly used with the unused residue required for future integral needs	2	0.097
3 Land not currently used but fully required for future integral needs	55	74.655
4 Land being partly used, the residue having potential for alternative use	33	23.982
5 Land with significant potential for alternative use	16	3.400
Total	**490**	**148.364**

Landholdings are re-valued and assessed in accordance with the NSW Treasury Accounting Policy – *Valuation of Physical Non-Current Assets at Fair Value.* The last full land revaluation was undertaken at 30 June 2010.

Land holdings in Codes 1 to 4 have been re-valued to Fair Value based on existing use, whilst land holdings in Code 5 have been re-valued to Fair Value based on highest and best use.

9 Property Disposals

There were six parcels of land disposed of during the financial year. Total proceeds of $0.015m were received at settlement. These properties were no longer required for operational purposes by the Parent Entity. The proceeds from the sale of these properties have been reinvested in the Economic Entity's operations and access to documents relating to the disposal of the land can be obtained under the Freedom of Information Act.

10 Material Capital Expenditure Contracts as at 30 June 2010 (GST-Exclusive)

(contracted for at balance date but not provided for)

CONTRACT NUMBER	CONTRACT DESCRIPTION	COMMITTED AMOUNT $m
CG370001	Alliance Works Phase Branxton WWTW	26.499
CG370001	Alliance Works Phase Burwood Beach WWTW	19.356
CG370001	Alliance Works Phase Boulder Bay WWTW	19.223
CG363204	Morpeth Wastewater Transportation Upgrade - Stage 2	12.519
CG370001	Alliance Works Phase Paxton WWTW	11.500
CG352608	DD&C Dungog WTP 30ML Clear Water Tank/s & Anna Bay 7ML Reservoir	10.300
CG159815	DN900 Chichester Trunk Gravity Main (CTGM) - Tarro to Shortland	8.770
CG370003	Program Management (1 July 10 - 30 Jun 11)	4.221
CG362103	Construction of Kurri Kurri WWPS, Rising Main & Gravity Main Upgrade	1.500
CG299203	Construction of Reinforced Concrete Wall at Winding Creek Detention Basin 5, Cardiff	0.525
CG372608	Design and Install Flow Meters at Various Locations	0.513
CG370001	Alliance CAT Phase Budget for Shortland WWTW	0.460
CG304510	Ash Island Trunk Watermain	0.440
CG370001	Alliance CAT Phase Budget for Toronto WWTW	0.426

CONTRACT NUMBER	CONTRACT DESCRIPTION	COMMITTED AMOUNT $m
CG008125	Construction of Newline Road Bund	0.250
CG299406	Demolition/Removal of Cockle Creek Watermain Crossings	0.212
CG346713	Pipebursting & Lining of Sewermain at Cardiff Maitland & East Maitland	0.208
CG178608	Construction of Fern Bay 6 WWPS	0.191
CG297108	Construction of Wallsend WPS DN375 External Pipework Modifications	0.141
	Other	0.618
	Total	**117.872**

9.4.2. financial summary and ratio analysis OF THE ECONOMIC ENTITY

Operating Program 2009-10 Economic Entity

A summary of actual and budgeted results for 2009-10 and comparisons with 2008-09 results and budget is as follows:

	Actual 2009-10 $'000	Budget 2009-10 $'000	Actual 2009-10 $'000	Budget 2009-10 $'000
INCOME				
Net Tariff Income	217,566	218,735	174,560	181,475
Interest on Investments	332	280	683	483
Profit (Loss) on Sale of Assets	318	-	55	-
External Sales	11,166	11,785	11,562	9,969
Contributions from Capital Works	20,965	16,321	29,137	30,734
Other (Including Non-Regulated Income)	3,742	2,403	11,232	2,584
Total Income	**254,089**	**249,524**	**227,229**	**225,245**
EXPENDITURE				
Operating Expenses	104,225	105,687	98,200	101,077
Depreciation & Amortisation	36,455	32,333	34,715	32,930
Interest Payable	36,270	36,857	28,918	31,456
Financial Charges	11,139	8,181	3,429	6,788
Total Expenditure	**188,089**	**183,058**	**165,262**	**172,251**

Operating Program 2010-11
Economic Entity

	Budget 2010-11 $'000
INCOME	
Net Tariff Income	238,305
Interest on Investments	426
External Sales	12,076
Contributions from Capital Works	16,912
Non-Regulated Income	2,582
Total Income	**270,301**
EXPENDITURE	
Operating Expenses	110,247
Depreciation & Amortisation	39,072
Interest Payable	42,510
Financial Charges	17,615
Total Expenditure	**209,444**
OPERATING PROFIT BEFORE TAX	**60,857**

5 Year Financial Summary and Ratio Analysis

1 Statement of Financial Position

(ECONOMIC ENTITY)	2009-10 $m	2008-09 $m	2007-08 $m	2006-07 $m	2005-06 $m
CURRENT ASSETS					
Cash & cash equivalents	9.7	5.2	16.9	13.2	19.3
Trade and other receivables	49.5	43.6	40.7	37.7	30.5
Total Current Assets	**59.2**	**48.8**	**57.6**	**50.9**	**49.8**
NON-CURRENT ASSETS					
Fixed Assets	2,825.9	2,594.8	2,111.7	1,953.7	2,266.5
Investments / Other	11.0	7.5	7.3	22.2	10.3
Total Non-Current Assets	**2,836.9**	**2,602.3**	**2,119.0**	**1,975.9**	**2,276.8**
Total Assets	**2,896.1**	**2,651.1**	**2,176.6**	**2,026.8**	**2,326.6**
CURRENT LIABILITIES					
Trade and other payables	61.3	58.0	27.8	40.4	32.3
Borrowings	145.9	75.2	1.1	53.6	-
Provisions	63.3	63.5	58.2	55.6	55.4
Current tax liabilities	6.4	1.9	1.9	6.8	6.4
Total Current Liabilities	**276.9**	**198.6**	**89.0**	**156.4**	**94.1**
NON-CURRENT LIABILITIES					
Borrowings	516.8	446.7	413.5	278.4	235.0
Provisions / Other	414.4	386.8	268.5	252.6	360.7
Total Non-Current Liabilities	**931.2**	**833.5**	**682.0**	**531.0**	**595.7**

(ECONOMIC ENTITY)	2009-10 $m	2008-09 $m	2007-08 $m	2006-07 $m	2005-06 $m
Total Liabilities	**1,208.1**	**1,032.1**	**771.0**	**687.4**	**689.8**
NET ASSETS	**1,688.0**	**1,619.0**	**1,405.6**	**1,339.4**	**1,636.8**
CAPITAL AND RETAINED EARNINGS					
Issued Capital	100.0	100.0	100.0	100.0	100.0
Asset Revaluation Reserve	924.6	865.9	645.3	592.0	916.0
Accumulated Funds	663.4	653.1	660.3	647.4	620.8
Total Equity	**1,688.0**	**1,619.0**	**1,405.6**	**1,339.4**	**1,636.8**

2 Income statement

(ECONOMIC ENTITY)	2009-10 $m	2008-09 $m	2007-08 $m	2006-07 $m	2005-06 $m
TRADING OPERATIONS					
Revenue:					
- Tariff	217.6	174.6	162.5	158.0	144.8
- Other	15.2	22.8	40.9	39.6	19.9
- Operating Costs	100.3	91.4	113.0	112.0	86.3
Gross Margin	132.5	106.0	90.4	85.6	78.4
Other Income:					
- Investments	0.3	0.7	1.6	1.4	1.3
Other Expenditure:					
- Financing Charges	47.4	32.3	26.2	18.6	14.2
- Depreciation and Amortisation	36.5	34.7	30.6	37.3	32.6
PROFIT BEFORE SUPERANNUATION ADJUSTMENT & CONTRIBUTIONS FOR CAPITAL WORKS	**48.9**	**39.7**	**35.2**	**31.1**	**32.9**
Superannuation Expense	3.6[2]	-2.8[2]	-1.7[2]	11.5[1]	19.5[1]
PROFIT BEFORE CONTRIBUTIONS FOR CAPITAL WORKS	**45.3**	**36.9**	**33.5**	**42.6**	**52.4**
Contribution for Capital Works	20.7	25.1	38.5	46.5	43.1
NET PROFIT	**66.0**	**62.0**	**72.0**	**89.2**	**95.5**

[1]Movement in superannuation liabilities as advised by Pillar Administration, including actuarial gains/(losses)
[2]Movement in superannuation liabilities, excluding actuarial gains/(losses), due to a change in accounting policy mandated by NSW Treasury in May 09 for the 08/09 reporting period, including the restatement of 07/08 results

3 Financial Ratios

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

	2009-10	2008-09	2007-08	2006-07	2005-06
a - Gross Profit %	56.92	53.69	44.44	43.31	47.59
b - Working Capital	0.21	0.25	0.65	0.33	0.53
c - Cash Ratio	0.04	0.03	0.19	0.08	0.21
d - Equity to Total Liabilities	1.40	1.57	1.78	1.95	2.34
e - Interest Cover (times)	2.03	2.22	2.34	2.68	3.32
f - Return on Equity (%)	6.40	5.39	4.71	4.17	4.57
g - Real Rate of Return (%)	3.67	2.75	2.83	2.47	2.02
h - Return on Total Net Assets (%)	2.90	2.44	2.53	2.33	2.01

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.

GROSS PROFIT

a. 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.

WORKING CAPITAL

b. 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. The reduction over recent years reflects a conscious reduction in the levels of cash being held as well there being increased levels of debt maturing in the next twelve months.

CASH RATIO

c. 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 this year due to an increase in current liabilities as some parcels of debt are approaching maturity hence recognised as current debt.

EQUITY TO TOTAL LIABILITIES

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

INTEREST COVER

e. Interest Cover is calculated as funds from operations plus interest expense and financial charges divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments. This ratio shows that the Corporation is achieving profits sufficient to cover financing costs.

RETURN ON EQUITY

f. Return of Equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. ROE for 2009-10 is 6.40%.

REAL RATE OF RETURN

g. Real Rate of Return is calculated as operating profit plus net interest plus financial charges divided by written down book value of infrastructure assets and works in progress and reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance ie capital costs, recurrent costs and revenue. The rate of return the Corporation may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 3.67%.

RETURN ON TOTAL NET ASSETS

h. Return on Total Net Assets is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2009-10 RONA is 2.90%.

9.4.3. pricing **STRUCTURE**

PRICING STRUCTURE		2009-10 Nominal $		2008-09 Nominal $	
		Main Prices	Dungog Only	Main Prices	Dungog Only
Water					
Water Service Charge ($)					
Pipe Size	**Meter Equivalent Value**				
20mm	1.00	$39.94	$112.82	$41.46	$127.53
25mm	1.56	$62.40	$176.28	$64.67	$198.94
32mm	2.56	$102.25	$288.82	$106.13	$326.47
40mm	4.00	$159.76	$451.28	$165.83	$510.12
50mm	6.25	$249.62	$705.13	$259.11	$797.05
65mm	10.56	$421.85	$1,191.67	$437.79	$1,346.71
80mm	16.00	$639.03	$1,805.13	$663.32	$2,040.48
100mm	25.00	$998.48	$2,820.52	$1,036.44	$3,188.25
150mm	56.25	$2,246.58	$6,346.16	$2,331.98	$7,173.55
200mm	100.00	$3,993.92	$11,282.06	$4,145.75	$12,753.00
250mm	156.25	$6,240.49	$17,628.22	$6,477.73	$19,926.55
300mm	225.00	$8,986.31	$25,384.64	$9,327.94	$28,694.25
350mm	306.25	$12,231.37	$34,551.31	$12,696.35	$39,056.05
WATER USAGE CHARGE ($/KL)					
(≥ 50,00 KL)					
Filtered water		$1.57	$1.57	$1.27	$1.27
Unfiltered water		$1.20	$1.20	$0.97	$0.97
FILTERED WATER (> 50,000 KL					
Kurri Kurri		$1.55		$1.129	

PRICING STRUCTURE		2009-10 Nominal $		2008-09 Nominal $	
		Main Prices	Dungog Only	Main Prices	Dungog Only
Lookout		$1.45		$1.127	
Newcastle		$1.41		$1.104	
Seaham- Hexham		$1.26		$1.091	
South Wallsend		$1.48		$1.101 to $1.156	
Tomago - Kooragang		$1.22		$1.003 to $1.049	
Dungog Shire - only for water sourced from Chichester Dam within Shire			$1.22		n/a
All other locations		$1.57		$1.27	
GOSFORD- WYONG WATER USAGE CHARGE ($/KL)		**$1.27**		**$0.91**	
Sewer					
SEWER SERVICE CHARGE ($)* RESIDENTIAL PROPERTIES:					
Pipe Size:	**Meter Equivalent Value:**				
20mm	1.00	$462.43	$462.43	$321.17*	$321.17*
25mm	1.56	$722.54	$722.54		
32mm	2.56	$1,183.82	$1,183.82		
40mm	4.00	$1,849.71	$1,849.71		
50mm	6.25	$2,890.18	$2,890.18		
65mm	10.56	$4,884.39	$4,884.39		
80mm	16.00	$7,398.84	$7,398.84		
100mm	25.00	$11,560.70	$11,560.70		
150mm	56.25	$26,011.56	$26,011.56		
200mm	100.00	$46,242.77	$46,242.77		
250mm	156.25	$72,254.33	$72,254.33		
300mm	225.00	$104,046.24	$104,046.24		
350mm	306.25	$141,618.49	$141,618.49		
NON- RESIDENTAIL PROPERTIES:					
Pipe Size:	**Meter Equivalent Value:**				
20mm	1.00	$924.86	$924.86	$642.33	$642.33
25mm	1.56	$1,445.08	$1,445.08	$1,002.04	$1,002.04
32mm	2.56	$2,367.63	$2,367.63	$1,644.37	$1,644.37
40mm	4.00	$3,699.42	$3699.42	$2,569.34	$2,569.34
50mm	6.25	$5,780.35	$5,780.35	$4,014.59	$4,014.59
65mm	10.56	$9,768.78	$9,768.78	$6,783.05	$6,783.05
80mm	16.00	$14,797.69	$14,797.69	$10,277.35	$10,277.35
100mm	25.00	$23,121.39	$23,121.39	$16,058.36	$16,058.36
150mm	56.25	$52,023.12	$52,023.12	$36,131.30	$36,131.30
200mm	100.00	$92,485.55	$92,485.55	$64,233.42	$64,233.42
250mm	156.25	$144,508.67	$144,508.67	$100,364.73	$100,364.73
300mm	225.00	$208,092.48	$208,092.48	$144,525.20	$144,525.20
350mm	306.25	$283,236.98	$283,236.98	$196,714.86	$196,714.86

NOTE: In 08-09, for pipe sizes greater than 20mm the Residential service charge was the same as the Non-residential service charge (subject to a discharge factor.)

NOTE: A discharge factor of 50% is applied for Residential properties. For Non- Residential properties a variable Discharge Factor(as determined by Hunter Water) is applied depending on the type of business. Charges for both Residential and Non- residential are shown net of discharge factors.

RESIDENTIAL STRATA UNITS AND FLATS				
Minimum charge per property*	$302.50	$302.50	$202.99	$202.99

NOTE: Service charge per flat/unit is determined as the higher of the calculated charge using the minimum charge or the calculated charge using the service charges for Residential Properties listed above.

PRICING STRUCTURE	2009-10 Nominal $		2008-09 Nominal $	
	Main Prices	Dungog Only	Main Prices	Dungog Only
STORMWATER				
Stormwater Service Charge($)				
Residential	$75.42		$61.52	
Non-residential				
Small (<1,00m^2) or low impact	$75.42		$61.52	
Medium (1,001-10,000m^2)	$136.32		$111.19	
Large (10,001-45,000m^2)	$867.11		$707.26	
Very Large (<45,000m^2)	$2,755.00		$2,247.11	
Property Value Based Charge- Non-Residential ($/$AAV)	**n/a**		**$0.0035**	
RECYCLED WATER (RESIDENTIAL SCHEMES)				
Gillieston Heights				
Service charge(20mm base	$21.36		n/a	
usage charge ($/kL)	$1.15		n/a	
Chisholm				
Service charge (20mm base	$21.36		n/a	
Usage charge ($/kL)	$1.15		n/a	
BACKLOG AND OTHER SEWERAGE SERVICES				
Environmental Improvement Charge (EIC) ($)*	**$33.23**	**$33.23**	**$54.84**	**$54.84**

NOTE: This charge contributes to the cost of providing sewerage services to established, but unsewered, residential areas approved by the NSW Government for funding via this charge in the Lower Hunter. Pensioners are exempt from this charge.

Clarence Town Sewer Charge - Dungog Shire ($)		**$207.80**		**$200.00**
Sewer Service Access Charge	**n/a**		**$3,481**	
SERVICE CHARGES FOR PROPERTIES EXEMPT FROM STANDARD PRICES				
Water Service Charge- Exempt				
Pipe Size	**Meter Equivalent Value**			
20mm	1.00	$16.34	$46.16	$16.96	$52.17
25mm	1.56	$25.53	$72.12	$26.46	$81.40

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

SEWER SERVICE CHARGE - EXEMPT					
Pipe Size	**Meter Equivalent Value**				
20mm	1.00	$188.29	$188.29	$130.77	$130.77
25mm	1.56	$293.73	$293.73	$204.00	$204.00

PRICING STRUCTURE		2009-10 Nominal $		2008-09 Nominal $	
		Main Prices	Dungog Only	Main Prices	Dungog Only
32mm	2.56	$482.02	$482.02	$334.77	$334.77
40mm	4.00	$753.16	$753.16	$523.08	$523.08
50mm	6.25	$1,176.81	$1,176.81	$817.31	$817.31
65mm	10.56	$1,988.34	$1,988.34	$1,380.93	$1,380.93
80mm	16.00	$3,012.64	$3,012.64	$2,092.32	$2,092.32
100mm	25.00	$4,707.25	$4,707.25	$3,269.25	$3,269.25
150mm	56.25	$10,591.31	$10,591.31	$7,355.81	$7,355.81
200mm	100.00	$18,829.00	$18,829.00	$13,077.00	$13,077.00
250mm	156.25	$29,420.31	$29,420.31	$20,432.81	$20,432.81
300mm	225.00	$42,365.25	$42,365.25	$29,423.25	$29,423.25
350mm	306.25	$57,663.81	$57,663.81	$40,048.31	$40,048.31
NOTE: Exempt water and sewer service charges apply to eligible churches, nursing homes and other benevolent organisations upon application.					
Pensioner rebate		**$212.00**	**$212.00**	**$175.00**	**$175.00**

9.4.3. statement of **CORPORATE INTENT (SCI)**

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

The SCI performance targets for the 2009-10 financial year and the actual results are as follows:

	2009-10 SCI Target $	2009-10 Actual $
Operating Profit before Income Tax Expense	66.5	66.0
Income Tax Expense	18.4	16.3
Net Debt	647.2	651.7

Operating profit was slightly lower than target primarily as a result of increased deprecation, amortisation and financing expenses. This was partially offset by increased contributions from capital works and reduced operating expenses compared to target. The higher level of net debt is a result of increased borrowings due to higher interest charges and lower receipts from customers, compared to the cashflow budget.

9.4.4. liability management **PERFORMANCE**

The Corporation contracts Treasury Corporation of New South Wales as liability advisers. At the 30th June 2010 key statistics on the Corporation's debt portfolio were as follows:

	Actual 2009-10	*Benchmark 2009-10
Face Value $	662,653,262	
Generalised Cost of Funds %	8.02	7.81
Duration (years)	3.804	3.491

* Benchmark portfolio refers to the 'neutral' debt position portfolio constructed by NSW TCorp.

9.4.5. credit card CERTIFICATION

Usage of corporate credit cards is in accordance with Corporation policy, Treasurer's directions and Premier's memoranda.

9.4.6. major aquisitions OVER $0.5 MILLION

Hunter Water is required by its Operating License to report on major acquisitions over $0.5M dollars.

PROJECT	2009/10 EXPENDITURE ($M)
Wastewater Treatment upgrades (includes treatment plants at Dora Creek, Burwood Beach, Branxton, Raymond Terrace, Paxton, Boulder Bay, Kurri Kurri, Edgeworth & Belmont	65.16
Tillegra Dam	13.14
Cessnock Water distribution Upgrade	7.30
Major ICT Expenditure	7.02
Ash Island Trunkmain Replacement	6.36
Millfield / Ellalong Sewerage Scheme	4.86
Maitland / Nth Rothbury Water Distribution Upgrades	4.39
Other major Acquisitions (mostly made up of replacements in Hunter Water's Water and Sewer Networks)	49.57
TOTAL COST	**157.80**

9.4.7. CONSULTANCIES

Hunter Water undertook 213 Consultancies from 1 July 2009 to 30 June 2010.

Consultants over $30,000

CONSULTANT	PROJECT	COST
Information Technology		
Entatek Pty Ltd	Business Analyst Services for Mars Discovery	$93,750
Strada Associates	GIS Upgrade	$61,360
CDRU NSW Pty Ltd	Vendor management services provided as part of Telco cost reduction project	$60,000
CDRU NSW Pty Ltd	Enterprise Server Design and Implementation Proposal	$44,000
Computer Systems Australia P/L	S47 Update Request Via Internet Design & Development	$51,462
IBM Australia Ltd	Analysis and Strategy Options for Disaster Recovery	$33,084
FINANCE	**PROJECT**	**COST**
Frazer Walker Pty Ltd	Provision of a Business Strategy for Debit Recovery & Hardship	$57,600

ORGANISATIONAL REVIEW	PROJECT	COST
Craig Eardley	Provision of Public Relations Services	$34,936
Safetyworks Group Pty Ltd	OHS Management Review	$30,090
ENVIRONMENTAL		
Aurecon Australia Pty Ltd	Tillegra Dam - Environmental Assessment	$495,821
Hunter Water Australia	Environmental Advice & Services to Infrastructure Delivery Capital Projects	$191,057
University of NSW	Burwood Beach WWTW Health Risk Assessment	$177,500
ERM Australia Pty Ltd	Aboriginal Heritage Assessment Stage 2 Investigation for Louth Park, Maitland East	$167,206
Futurepast Heritage Consulting	Development of Heritage & Conservation Register	$91,700
Mindaribba Local Aboriginal LC	Aboriginal Heritage Assessment Site Investigation for Maitland North Rothbury Stage 2	$59,400
Charles Sturt University	Tillegra Dam Ramsar Wetland Impact Assessment	$46,800
Lower Hunter Wonnarua Council	Aboriginal Heritage Assessment Site Investigation for Maitland North Rothbury Stage 2	$41,850
CONSULTANT		
Engineering		
Department Services, Technology & Administration	Kurri Kurri, Cessnock, Branxton & Dungog Flow gauging Study	$79,186
Department Services, Technology & Administration	Thornton North Recycled Water Reservoir. Pump Station & Chlorination - Concept Design	$127,083
Department Services, Technology & Administration	Tillegra Dam Investigation & Design	$4,657,231
Hunter Water Australia	Hydraulic Verification of Trunk Water System Model	$30,012
Hunter Water Australia	Unmetered Supply Strategy & Pressure Management Investigation	$31,792
Hunter Water Australia	Kurri Kurri WWTW Capacity Review - Sampling Program	$33,207
Hunter Water Australia	Boulder Bay WWTW Raw Sewage & Effluent Monitoring Program	$33,232
Hunter Water Australia	Dungog WTP Raw Water Quality Design Envelope & Treatment Objectives	$34,188
Hunter Water Australia	Sewer Environmental Overflow Maintenance Strategy	$35,987
Hunter Water Australia	Peer Review Services for the Treatment Alliance - Boulder Bay	$36,216
Hunter Water Australia	Morpeth Wastewater Transport Servicing Strategy	$36,304
Hunter Water Australia	Belmont WWTW Optimisation Study	$37,322
Hunter Water Australia	Maryland to Edgeworth Trunkmain Reliability Strategy	$38,292
Hunter Water Australia	Asset Revaluation for Stormwater Assets	$38,299
Hunter Water Australia	Burwood Beach WWTW Screenings handling & Odour Control Upgrade - Concept/Detail Design	$38,550
Hunter Water Australia	Dora Creek WWTW Upgrade - Post Design Advice	$39,997
Hunter Water Australia	Dungog Additional Clear Water Tank - Concept Design & Tender Preparation	$40,675
Hunter Water Australia	Branxton Recycled Watermain - Amendments to Concept Design	$44,111
Hunter Water Australia	Trunkmain Management Strategies	$46,489

CONSULTANT	PROJECT	COST
Hunter Water Australia	Pump Stations Risk Assessments - Grahamstown & Burwood Secondary Pump Stations	$48,497
Hunter Water Australia	Dungog PAC/KMn04 Dosing Plant Design	$49,516
Hunter Water Australia	New Water Model Build Project for Entire Network	$50,151
Hunter Water Australia	Shortland Stage 2 WW Transportation Upgrade - Detail Design	$50,181
Hunter Water Australia	Morpeth WWTW Stage 2 - Concept Detail Design	$51,044
Hunter Water Australia	Condition Assessment - Glendale to Edgeworth Water Supply System	$56,910
Hunter Water Australia	Tillegra Dam-Dam safety emergency management plan	$58,404
Hunter Water Australia	Waratah West WWPS Pipeline & Storage Upgrade - Options Report	$59,567
Hunter Water Australia	Kooragang Recycled Water Project - Concept Design & EIS	$63,139
Hunter Water Australia	Peer Review Services for the Treatment Alliance - Burwood Beach	$68,913
Hunter Water Australia	Tomago Pre Treatment - Concept Design & Environmental Assessment	$70,742
Hunter Water Australia	Maitland /North Rothbury Stage 4 Package B & C - Detail Design & Tender Documentation	$70,833
Hunter Water Australia	Pressure Management Strategy	$76,196
Hunter Water Australia	Tillegra Dam - Consequence Category Assessment	$77,967
Hunter Water Australia	Branxton Recycled water Transfer Pipeline - Concept Design & REF	$87,753
Hunter Water Australia	Shortland WW Transportation Stage 2 - Concept Design	$93,578
Hunter Water Australia	Paterson River Raw Water Intake Upgrade - Detail Design, Environmental Assessment & Pre-Construction Project Management	$100,316
Hunter Water Australia	Peer Review Services for the Treatment Alliance - Branxton	$111,501
Hunter Water Australia	Shortland WWTW Upgrade - Concept Design & EIA	$115,808
Hunter Water Australia	Wallsend WPS - Detail Design	$121,176
Hunter Water Australia	Tillegra Dam-Management of peer review process	$128,346
Hunter Water Australia	Newcastle (Burwood Beach WWTW) System - Hydraulic & Mouse Modelling/Investigation - Jesmond & Inner Newcastle	$132,660
Hunter Water Australia	Dungog WTP Upgrade - Concept Design & EIA	$147,872
Hunter Water Australia	Maryland Minmi Stage 1 Wastewater Transport Upgrade - Concept Design	$156,191
Hunter Water Australia	Grahamstown WTP Upgrade Stage 3 - Concept Design & EIA	$161,079
Hunter Water Australia	Abermain to Paxton Condition Assessment	$169,404
Hunter Water Australia	Grahamstown WTP Upgrade Stage 3	$197,907
Hunter Water Australia	Beresfield 16A Rising Main Replacement - Project Management Design	$203,277
Hunter Water Australia	Condition Assessment - Wallsend WPS to Valentine Water Supply System	$213,100
Hunter Water Australia	Mayfield Wastewater Storage Tank - Concept, Detail Electrical Design & Tender documentation	$228,645
Aurecon Australia Pty Ltd	Millfield & Ellalong Sewerage Scheme - Design	$34,947
Aurecon Australia Pty Ltd	Branxton WWT Stage 2 Upgrade - Detail Design	$142,540

CONSULTANT	PROJECT	COST
Aurecon Australia Pty Ltd	Branxton Irrigation Water Scheme - Detailed Design	$190,518
Aurecon Australia Pty Ltd	Mayfield Wet Weather System - Concept Design	$502,455
Aurecon Australia Pty Ltd	Adamstown Wet Weather System - Concept Design	$543,225
Aurecon Australia Pty Ltd	Morpeth Wastewater Transportation Upgrade - Stage 2 - Detail Design	$548,077
Sinclair Knight Merz	Hunter Catchment Management Strategy Study	$30,720
Sinclair Knight Merz	Edgeworth WWTW Disinfection & Hydraulics Upgrade - Concept Detailed Design	$53,484
Sinclair Knight Merz	Kurri Kurri WW Transportation System Stage 1 Upgrade - Concept Detail Design	$97,341
Sinclair Knight Merz	Options Assessment Windale WWTW Stage 2	$131,674
Sinclair Knight Merz	Windale WWT Stage 2 Upgrade - Concept Design	$149,547
Sinclair Knight Merz	Kurri Kurri Wastewater Transportation System Upgrade Stage 2 - Detail Design	$225,654
Sinclair Knight Merz	Kurri Kurri WWTW Rectification Works Detail Design	$327,883
Sinclair Knight Merz	Edgeworth WWTW Disinfection Upgrade - Detailed Design	$351,519
Sinclair Knight Merz	Cessnock Water Supply Upgrade Stage 1Works - Detailed Design for Stage 1A C	$404,714
GHD Pty Ltd	Dora Creek WWTW Effluent Main from Eraring Power Station to Carey Bay	$33,471
GHD Pty Ltd	CTGM Replacement between Beresfield WPS to John Renshaw Drive - Concept Design	$43,534
GHD Pty Ltd	Cardiff 1 WWPS Upgrade - Detailed Design and Tender Documentation	$106,321
GHD Pty Ltd	CTGM Replacement between Tarro & Shortland - Route Selection Concept Design & Detailed Design Tender Documentation	$119,883
GHD Pty Ltd	Edgeworth Gravity Sewer Upgrade Stage 3 - Concept Design	$151,081
GHD Pty Ltd	CTGM Replacement between Beresfield WPS & Stoney Pinch Reservoir - Detailed Design Tender Documentation	$221,573
GHD Pty Ltd	Aberglasslyn Stage 2 Wastewater System Upgrade - Concept & Detail Design	$570,383
GHD Pty Ltd	Abergalsslyn Stage 2 WW Transportation System Upgrades to Maitland 14 WWPS & Maitland 26 WWPS & Various Rising & Gravity Mains	$31,227
Worley Parsons Services Pty Ltd	Tanilba Bay WWTW Upgrade - Effluent Management Strategy - Options Assessment	$30,472
Worley Parsons Services Pty Ltd	Maitland /North Rothbury Water Supply System Upgrade - Stage 4 - Concept Design & EIA	$32,875
Worley Parsons Services Pty Ltd	Maitland /North Rothbury Stage 3 & South Wallsend Water Supply System Upgrade - Concept Design & Environmental Impact	$45,773
Worley Parsons Services Pty Ltd	Upgrade Management Plan for the Wastewater Systems of the Lower Hunter River Catchment	$53,601
Worley Parsons Services Pty Ltd	Macquarie Hills New Reservoir - Site Options Assessment	$54,050
Worley Parsons Services Pty Ltd	WWTP Submetering Strategy	$63,591
Worley Parsons Services Pty Ltd	Windella Reservoir - Detail Design & Tender Documentation	$88,114

CONSULTANT	PROJECT	COST
Worley Parsons Services Pty Ltd	Raymond Terrace No's 2, 3, 4 & 7 and Medowie No 11 WWPS - Concept & Detail Design	$138,122
Worley Parsons Services Pty Ltd	Maitland /North Rothbury Stage 3 & South Wallsend Stage 1 Water Supply System Upgrade - Concept Design & EIA	$165,660
Evans & Peck Pty Ltd	Treatment Alliance - Independent Cost Estimator	$400,262
CH2M Hill Australia Pty Ltd	Toronto WWTW Inlet Works Upgrade - Concept Design & EIA	$38,305
CH2M Hill Australia Pty Ltd	Farley WWTW Effluent Management Strategy	$74,240
CH2M Hill Australia Pty Ltd	Burwood Beach WWTW Stage 2 Upgrade -Design Design & EIA	$75,519
CH2M Hill Australia Pty Ltd	Tillegerry & Tomaree Peninsula Water Supply Strategy - Concept Design & Environmental Assessment	$206,644
Opus InternationalConsultants	Tillegra Dam - Design of Roads around (CA361803)	$387,240
MWH Australia Pty Ltd	East Lakes Wastewater Servicing Strategy (Belmont & Edgeworth)	$294,217
Urban Water Solutions Pty Ltd	New Water Model Build Project for Entire Network	$147,825
Douglas Partners Pty Ltd	Geological Assessment & Monitoring during construction of the Newline Road Bund	$104,588
Dungog Shire Council	Planning Workshop - Australian Strategic Land Use Planning - Tillegra Dam Project	$53,100
Fordcomm Consulting Pty Ltd	Tillegra Dam Project - Community Consultation	$41,381
Optimatics Pty Ltd	Jesmond/Elermore Vale Wet Weather Wastewater Strategy - Optimisation Study	$39,851
Power Control Engineers Pty Ltd	Borefields earthing compliance audit carry out field studies and submit reports	$31,673
Total Consultants over $30,000 – (112 consultancies)		**$18,029,668**

Consultants Less Than $30,000

CATEGORY	NUMBER	COST
Legal	1	$15,052
Finance & Accounting/Tax	3	$25,775
Information Technology	11	$130,045
Environmental	13	$155,725
Organisational Review	4	$39,663
Training	0	
Engineering	99	$1,211,941
Total Consultants under $30,000 – (131 consultancies)		**$1,578,201**

9.4.8. research and **DEVELOPMENT**

During 2009-10 the Corporation undertook and collaborated on research and development on ten projects covering water, corrosion and wastewater subjects. This research was conducted both internally and in association with other organisations such as the University of Newcastle, Hunter Water Australia Pty Ltd, the University of New South Wales, Water Quality Research Australia, the University of Technology Sydney, Manly Hydraulics Laboratory, the Department of Public Works, and

the Department of Industry & Investment. The projects were undertaken either to address identified knowledge gaps in areas of Hunter Water's operations to meet strategic business goals or to provide information for regulatory authorities regarding the Corporation's operations.

COMPLETED PROJECTS	$
1. Fluorescent whitening compounds as tracers of human faecal pollution	10,000
CONTINUING PROJECTS	
1. Optimising decentralised Membrane Bio Reactors (MBR's) for water reuse	10,000
2. Grahamstown WTP upgrade – Ozone & BAC	89,483
3. Bayesian Algal growth model	30,000
4. Identifying algal growth nutrients and sediment sources	75,000
5. Shortland WWTP acid attack from sulphur in influent	64,039
6. Bio filtration (WQRA) for removal of algal contaminant	10,000
7. Tillegra Dam selective intake	145,804

9.4.9. land **DISPOSAL**

Hunter Water Corporation disposed, by private treaty, one (1) property at Bolton Point for a value of $15,500 during the 2009/2010 financial year. The property was sold to RSL (QLD) War Veterans Homes Limited. This property was surplus to Hunter Water Corporation's operational purposes. The site was determined to have little or no market value unless acquired by an adjoining owner due to its size (278m2) and topography. The purchaser conducts a nursing home business on adjoining land.

9.4.10. donations and **SPONSORSHIPS**

TO NON-GOVERNMENT COMMUNITY ORGANISATIONS AS APPROVED BY BOARD OF DIRECTORS

ORGANISATION	DESCRIPTION	AMOUNT $
Engineers Australia	Sponsorship | Water Symposium	10,000.00
Hunter Surf Lifesaving Inc	Sponsorship | Hunter Surf Life Saving jet ski rescue craft	30,000.00
Hunter Valley Research Foundation	Sponsorship | New building fund	9,090.91
Hunter Valley Research Foundation	Sponsorship | Regional Research Program	10,000.00
Surfest Ltd	Sponsorship | Surfest 2010	15,000.00
Together Today Cooperative Ltd	Sponsorship | Hunter Environmental Achievement Awards	10,000.00
Wetlands Centre	Sponsorship | Gold Sponsorship	15,000.00
Dungog A & H Association Inc	Grant | Dungog Show	1,818.18
Dungog Campdraft/Rodeo Association	Grant | Dungog Rodeo	454.55
Dungog District Cricket Association	Grant | Maintenance of Tillegra Cricket Grounds	700.00
Endeavour Industries Ltd	Grant | Rainwater Tank	9,090.00
Forum Sports & Aquatic Centre	Grant | Healthier schools program	10,000.00
Gresford Dist Bushmans Carnival	Grant | Gresford Rodeo	600.00

ORGANISATION	DESCRIPTION	AMOUNT $
Hunter Central Rivers CMA	Grant | Kooragang Family Wetlands Day	2,000.00
Hunter Region Botanic Gardens	Grant | Produce Burrawang Newsletter	1,500.00
Hunter Region Landcare Network	Grant | Landcare Assistance Fund Community Grant	15,000.00
Multicultural Neighbourhood Cent	Grant | Water Tank	2,000.00
Southlake Community Services Inc	Grant | Wollotuka Community Garden	4,000.00
Trees in Newcastle	Grant | Coastal Revegetation Project	5,000.00
Wetlands Environmental Education Centre	Grant | Envirothon	3,000.00
H Events	Staff Funding | Sparke Helmore Triathlon	1359.09
HW Twilight 9 Social Golf Club	Staff Funding | Twilight Social Golf Club	1,000.00
	Staff Funding | AROC	527.28
	Staff Funding | Baths 2 Bar swim	427.24
	Staff Funding | Fishing Club	582.73
Camp Quality Limited	Charity | Giggle Ball, Camp Quality	3,000.00
The Leukaemia Foundation	Charity | World's Greatest Shave	2,602.68
The Marching Koalas	Charity | Kate Cooper for Marching Koalas	250.00
Wateraid Australia	Sponsorship | Corporate Annual Membership	5,650.00
Westpac Rescue Helicopter Service	Charity | Matched staff payroll deductions	5,150.00
Total		**$171,165.66**

TO GOVERNMENT ORGANISATIONS AS APPROVED BY BOARD OF DIRECTORS

ORGANISATION	DESCRIPTION	AMOUNT $
Hunter – Central Rivers CMA	Sponsorship | Waterwatch	25,000.00
Hunter – Central Rivers CMA	Grant | Brochure Competition	2,000.00
Hunter New England Area Health	Grant | Good for Kids. Good for Life	20,000.00
Lake Macquarie City Council	Grant | Native Plant Giveaway Day	2,000.00
Lake Macquarie City Council	Grant | School Environment Award	500.00
Maitland City Council	Grant | Walka Water Works	5,000.00
Maitland Grossman High School	Grant | School Magazine	200.00
Merewether High School	Grant | Year 12 Geography Prize	200.00
Morisset High School	Grant | 2 x scholarships	200.00
Newcastle City Council	Grant | ClimateCam for School	5,000.00
Newcastle City Council	Grant | Sustainable Cities Street Meet	5,000.00
Newcastle Grammar School	Grant | Spring Fair	500.00
NSW Office of Water	Sponsorship | Peter Cullen Scholarship	8,000.00
Port Stephens Council	Grant | Sustainable Living Workshops	3,000.00
Primary Industries and Energy	Grant | Tocal Agricultural College Scholarships x 3	5,000.00
Tocal Field Days Inc	Grant | Tocal Field Days	5,000.00
Tomaree High School	Grant | Worimi Food Forest & Sensory Garden	5,000.00
Total		**$91,600**

9.4.11. payment
PERFORMANCE

Table 1. Invoices paid on time within each quarter

QUARTER	TARGET %	TOTAL INVOICES PAID ON TIME ACTUAL %	PAID ON TIME $	TOTAL INVOICES PAID WITHIN QUARTER $
September	95%	94.2%	$52,183,627	$57,872,894
December	95%	95.7%	$63,375,096	$71,213,386
March	95%	94.8%	$40,135,751	$44,250,313
June	95%	94.2%	$58,051,539	$62,755,572

Table 2. 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	$52,183,627	$4,987,827	$484,862	$164,083	$52,495	$57,872,894
December	$63,375,096	$7,320,928	$397,064	$95,994	$24,304	$71,213,386
March	$40,135,751	$3,218,211	$749,561	$131,890	$14,901	$44,250,313
June	$58,051,539	$3,903,578	$532,043	$220,125	$48,286	$62,755,572

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

No interest was paid due to late payments.

9.4.12. cost of producing
ANNUAL REPORT

COST OF PRODUCING THIS REPORT	$
Printing 200 copies	$
Photographic services	$
TOTAL COST	$22,500

9.5
LEGISLATION

9.5.1 freedom of
INFORMATION REQUESTS

Few FOI applications have been received by the Corporation in the past, however there has been a significant increase in applications since the public announcement of the construction of the new Tillegra Dam. Another topic of interest to applicants is water supply infrastructure information.

FOI REQUESTS	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
New	-	14	14	-	16	16
Brought forward (incomplete)	-	-	-	-	1	1
Total to process	**-**	**14**	**14**	**-**	**17**	**17**
Complete	-	13	13	-	15	15
Discontinued	-	-	-	-	2	2
TOTAL PROCESSED	**-**	**13**	**13**	**-**	**17**	**17**
Unfinished (Carried forward)	-	1	1		-	-

WHY WERE FOI APPLICATIONS DISCONTINUED?

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
Applicant failed to pay advance deposit (s.22)	-	-	-	-	2	2
TOTAL	**-**	**-**	**-**	**-**	**2**	**2**

RESULT OF FOI REQUEST	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
Granted in Full	-	5	5	-	5	5
Granted in Part	-	3	3	-	10	10
Refused	-	5	5	-	-	-
Withdrawn	-	-	-	-	2	2
COMPLETED	**-**	**13**	**13**	**-**	**17**	**17**

HOW DOCUMENTS GRANTED IN FULL WERE MADE AVAILABLE TO APPLICANT

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
Provided to the applicant	-	3	3	-	3	3
Provided to the applicant's medical practitioner	-	-	-	-	-	-
Available for inspection	-	-	-	-	-	-
Available for purchase	-	-	-	-	-	-
Library material	-	-	-	-	-	-
Subject to deferred access	-	-	-	-	1	1
Available by a combination of any of the reasons listed above	-	2	2	-	1	1
TOTAL	**-**	**5**	**5**	**-**	**5**	**5**

BASIS FOR DISALLOWING OR RESTRICTING ACCESS

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
s.19 Application incomplete, wrongly directed	-	2	2	-	-	-
s.22 Advance Deposit not paid	-	-	-	-	-	-
s.25 (1)(a1) Unreasonable diversion of resources	-	1	1	-	-	-
s.25 (1)(a) Exempt	-	4	4	-	10	10
s.25 (1)(b)(b)(b1)(c)(d) Otherwise available	-	-	-	-	-	-
s.28 (1)(b) Documents not held	-	1	1	-	-	-

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
s.24 (2) Deemed refused over 21 days	-	-	-	-	-	-
s.31 (4) Releases to a medical practitioner	-	-	-	-	-	-
TOTAL	**-**	**8**	**8**	**-**	**10**	**10**

WHY DOCUMENTS WERE CLASSIFIED AS EXEMPT

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
Documents affecting personal affairs (Clause 6)	-	1	1	-	2	2
Documents affecting business affairs (Clause 7)	-	2	2	-	5	5
Internal working documents (Clause 9)	-	1	1	-	3	3
TOTAL	**-**	**4**	**4**	**-**	**10**	**10**

MINISTERIAL CERTIFICATES

	PREVIOUS YEAR	CURRENT YEAR
Ministerial Certificates issued	-	1
TOTAL	**-**	**1**

FORMAL CONSULTATIONS

	PREVIOUS YEAR	CURRENT YEAR
Number of applications requiring formal consultation	3	5
Number of persons formally consulted	7	23
TOTAL	**10**	**28**

COSTS AND FEES OF REQUESTS PROCESSED (INCLUDING ALL PROCESSED AND WITHDRAWN FOI REQUESTS)

	PREVIOUS YEAR		CURRENT YEAR	
	Assessed costs	FOI Fees Received	Assessed costs	FOI Fees Received
TOTAL	**$300**	**$300**	**$4,245**	**$3,435**

TYPE OF DISCOUNT ALLOWED ON FEES CHARGED

	PREVIOUS YEAR		CURRENT YEAR	
	Personal	Other	Personal	Other
Public Interest	-	-	-	-
Financial hardship - Pensioner/Child	-	-	-	-
Financial hardship - Non-profit Organisation	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**

DAYS TAKEN TO COMPLETE REQUEST

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
0-21 days	-	12	12	-	14	14
22-35 days	-	-	-	-	3	3
Over 35 days	-	-	-	-	-	-
TOTAL	**-**	**13**	**13**	**-**	**17**	**17**

PROCESSING TIME : HOURS

	PREVIOUS YEAR			CURRENT YEAR		
	Personal	Other	Total	Personal	Other	Total
0-10 hours	-	10	10	-	12	12
11-20 hours	-	3	3	-	3	3
21-40 hours	-	-	-	-	-	-
Over 40 hours	-	-	-	-	-	-
TOTAL	**-**	**13**	**13**	**-**	**17**	**17**

INTERNAL REVIEWS

	PREVIOUS YEAR	CURRENT YEAR
Completed internal reviews	2	1
Results of Internal Reviews (Current Year)		**-** **-**

GROUNDS ON WHICH THE INTERNAL REVIEW WAS REQUESTED

	Original Agency Decision Upheld	Original Agency Decision Varied	Original Agency Decision Upheld	Original Agency Decision Varied	Original Agency Decision Upheld	Original Agency Decision Varied
Access refused	-	-	-	1	-	-
Access deferred	-	-	-	-	-	-
Exempt matter deleted from documents	-	-	-	-	-	-
Unreasonable charges	-	-	-	-	-	-
Failure to consult with third parties	-	-	-	-	-	-
Third parties views disregarded	-	-	-	-	-	-
Amendment of personal records refused	-	-	-	-	-	-
TOTAL	**-**	**-**	**1**	**-**	**-**	**-**

9.5.2. legal **CHANGE**

There were no significant judicial decisions or legislative changes affecting Hunter Water or its customers during the financial year.

The Independent Pricing and Regulatory Tribunal of NSW issued new price determinations covering the prices charged by Hunter Water for water, sewerage, stormwater and other services (Determination No. 4, 2009) and for water supply services to Gosford City Council and Wyong Shire Council (Determination No. 5, 2009). Under the provisions of the Independent Pricing and Regulatory Tribunal Act 1992 (NSW), these determinations set the maximum prices that Hunter Water can charge for its services and both became effective from 17 July 2009.

The Hunter Water (General) Regulation 2005 and the Hunter Water (Special Areas) Regulation 2003 are both due for staged repeal in September 2010. During early 2010, Hunter Water developed a proposal for a single new regulation to replace the existing regulations and a regulatory impact statement. These documents were exhibited for 28 days from late June 2010.

CHAPTER 10

2009-10 ENVIRONMENTAL PERFORMANCE INDICATORS REPORT

about the annual operating **LICENCE REPORTS**

Hunter Water delivers services under an Operating Licence granted by the NSW Government. The licence protects consumers by prescribing minimum standards of service that Hunter Water must meet in relation to:

- Drinking water quality - supplying customers with safe drinking water
- Water continuity - providing customers with a reliable supply of water
- Water pressure - providing customers with water pressure as specified in the licence
- Wastewater transport - providing the reliable transport of sewerage

The Operating Licence also sets out conditions relating to community consultation, customer and consumer rights, customer complaint and dispute handling, managing water demand and supply, environmental management, publication of environmental and Ecologically Sustainable Development (ESD) indicators and independent auditing of operational performance.

The current Operating Licence came into force from 1 July 2007 and is effective until 30 June 2012. The content of the licence was determined after a full public review by the Independent Pricing and Regulatory Tribunal (IPART) of the performance of the previous licence, which had been in place since 2002. A full copy of the Operating Licence is available on Hunter Water's website www.hunterwater.com.au

Each year, an independent audit of Hunter Water's operations is conducted to assess the Corporation's compliance with the Operating Licence. The audit assesses Hunter Water's performance against service standards and associated conditions of the licence. This annual audit is overseen by IPART.

To assist in the audit process, the Operating Licence requires a number of reports to be provided annually to IPART. These reports are:

- Catchment Report
- Consultative Forum Report
- Customer Services Report
- Drinking Water Quality Management Report
- Environmental Performance Indicators Report
- Integrated Water Resource Plan Report
- Service Quality and System Performance Report.

All the reports must be submitted by 1 September each year with the exception of the Drinking Water Quality Management Report, which is submitted by 31 December. All reports, or key elements of them as set out in the Operating Licence, must also be posted on Hunter Water's website or made available to the community free of charge at Hunter Water's offices.

CONTENTS **PAGE**

executive SUMMARY

Section 7 of Hunter Water's operating licence relates to environmental management within Hunter Water. The licence requires the development and implementation of a five year Environmental Management Plan (EMP) and the development of a set of Environmental Performance Indicators that are reported each year. Between them, the Environmental Management Plan and Environmental Performance Indicators form the basis for Hunter Water's public commitment and reporting in relation to environmental management and sustainability.

Hunter Water reports against seven categories and 69 individual performance measures. The performance indicators were developed as part of the 2008-2013 EMP and are periodically updated in the Hunter Water Monitoring and Reporting Protocol. The 2009-10 Environmental Performance Indicators Report is the third report for the current set of indicators. Where data is available Hunter Water has provided a comparison with previous year's performance. Targets related to specific indicators are shown where Hunter Water has an internally or externally set performance target for that activity.

Progress on how Hunter Water is tracking against actions within the 2008-2013 EMP is summarised within a table in Section 9.3. Environmental performance for 2009-10 has been strong with significant focus on creating sustainable outcomes for our customers and the environment.

TABLE E.1 SUMMARY OF HUNTER WATER'S ENVIRONMENTAL PERFORMANCE

BUSINESS AREA	2009-10 PERFORMANCE
Catchment Management	A significant increase in the number of trees planted occurred in 2009-10.
WATER SUPPLY	**One minor breach of the DECCW Water Management Licence occurred. Minor increases in water sourced and supplied due to climatic factors were seen (a dry year resulted in increased water consumption).**
Water conservation	Maintained an "excellent" rating for the Infrastructure Leakage Index and increased water savings through water efficiency were achieved.

BUSINESS AREA	2009-10 PERFORMANCE
WATER RECYCLING	**Continued increases in the total volume of recycled water supplied, the % of effluent recycled and the volume of potable water substituted by recycled water.**
Wastewater, trade waste, residuals	Excellent performance in all indicators relating to wastewater, trade waste and residuals. Although Hunter Water did not fully comply with all DECCW licences, 99.13% compliance was achieved, which is the highest level of compliance that has historically been achieved.
CORPORATE RESPONSIBILITIES	**One penalty notice was issued relating to a sewage overflow incident. A decrease in noise complaints from last year was achieved, as well as a significant increase in the amount of environmental training undertaken. Energy and Greenhouse Gas emissions have increased from the last year.**
Customers and community	Overall the 2010 community and customer reputation survey results show that public perception of Hunter Water and its performance had decreased since the last survey. It is considered that this decrease could be due to a number of factors including recent increases in the average water bill and the ongoing environmental and planning approval process for Tillegra Dam.
FINANCIAL INDICATORS	**Sustainable business performance consistent with previous years.**

1. catchment MANAGEMENT

Hunter Water Corporation takes a catchment-to-tap approach in its management of water resources. Ensuring catchments are protected and managed is an important first step in ensuring a reliable supply of good quality water can be provided to our customers. Effective catchment management ensures community health is protected, provides an important natural asset and reduces treatment costs thereby minimising water prices for Hunter Water's customers.

Several of the catchments (Tomaree Peninsula, Chichester Wilderness and Tomago sandbeds) for Hunter Water's bulk water sources have been well protected over many years, in the interests of maintaining good raw water quality. Consequently they were attractive to the National Parks and Wildlife Service and have been added to the National Parks portfolio.

It is recognised that catchment protection activities require the active participation of a number of government agencies and private landholders. In 2009-10 Hunter Water continued to be involved in a range of short, medium and long-term strategic initiatives aimed at maintaining and improving the ecological health and water quality of source waters. These included feral animal control, weed management, fire management, land rehabilitation, control of illegal dumping and unauthorised access within the drinking water catchments.

Hunter Water has also been proactive in developing future strategies for catchment management. A comprehensive Catchment Management Plan is being prepared in consultation of a range of stakeholders. This plan presents our eight element plan for managing our drinking water catchments.
Hunter Water has also adopted the Catchment Decision Support System (CDSS) with support of the Sydney Catchment Authority. The model is built on a scientifically proven platform, is easily updated and takes a logical approach to decision making with graphical outputs. The raw drinking water risks may then be prioritised, helping to guide catchment management activities. This is a powerful tool which could be used when considering broad catchment planning decisions in the future.

Further information on catchment management can be found in the 2009-10 Catchment Report, available on the Hunter Water website.

1.1 key performance INDICATOR

1.1.1 TREE PLANTING

OL CM-1 Total number of trees planted

In 2009-10 16,398 trees were planted. This is a significant increase on the number of trees planted last year, as shown in Table 1.1. Trees are planted as part of revegetation, bush regeneration or carbon sequestration.

In addition to the trees planted directly, Hunter Water is part of the Greenfleet program and through this program 6,407 native trees will be planted to offset carbon emissions from Hunter Water's fleet of corporate cars in 2009-10.

TABLE 1.1 TREES PLANTED

	07-08	08-09	09-10	Total (since 07-08)
Number of trees planted	2,964	430	16,398	19,792

TARGET:
Between 2007-08 and 2017/18 Hunter Water has a target to plant 1.5 million trees within catchment areas and other locations within the organisation's operational area. Although there has been a significant increase in the number of trees planted in 2009-10, the current rate of planting is not sufficient to meet this target. To reach this target, Hunter Water intends on planting a large proportion of these trees around the proposed Tillegra Dam as part of the commitment to offset all greenhouse gas emissions associated with the construction and operation of the dam. Hunter Water is permitted to extract water from the environment under Water Management and Access licences issued by the NSW Office of Water (NOW) as part of the Department of Environment, Climate Change and Water (DECCW). The licences have detailed monitoring and reporting requirements and also include a requirement to undertake a number of supplementary environmental studies, which are designed to develop a better understanding of the long-term sustainability of Hunter Water's extraction activities.

2. water SUPPLY

In December 2008 the Integrated Water Resource Plan was replaced by Hunter Water's H250 Plan, which provides a flexible and robust strategy to secure the water needs of the Lower Hunter region. This plan outlines how Hunter Water will secure the forecast water supply and demand balance over the next 50 years. Key actions arising from the plan are new supplies, recycling, leakage management and water efficiency.

A separate annual operating licence report covers the H250 Plan.

2.1 KEY PERFORMANCE INDICATORS

2.1.1 WATER MANAGEMENT LICENCE COMPLIANCE

OL WML-1 Total number and nature of breaches of conditions under licences issued by NOW for water management

One minor non-compliance was recorded over the period under the licences issued by NOW for water management:

- Condition 3.7 of the Water Management Licence requires that the dissolved oxygen (DO) through the water column of Chichester Dam be kept equal to or greater than 80 percent to maintain the health of the downstream ecosystem. On one occasion the DO fell to 76 percent due to the failure of one of the two compressors that de-stratify the dam. The DO stayed at this level for a period of a week whilst waiting for a replacement compressor, with no environmental impact.

2.1.2 ENVIRONMENTAL FLOWS RELEASED FROM CHICHESTER DAM

OL WML-2 Environmental Flows released from Dams (ML)

As shown in Table 2.1 the minimum requirements for environmental flows have been met in 2009-10. The decrease in environmental flows from the previous year is a result of reduced inflows into Chichester and Wangat Rivers and consequently reduced flows into Chichester Dam. The catchments experienced several dry periods over the course of the year and consequently there has been a noticeable reduction in catchment runoff compared to the previous two years.

TABLE 2.1 ENVIRONMENTAL FLOWS RELEASED FROM CHICHESTER DAM

	Target	07/08	08/09	09/10
Environmental flows (ML)	5,110	121,373	101,838	50,683

TARGET:
As required by the water management licence, when combined inflows from Chichester and Wangat Rivers are equivalent to, or greater than, 14ML/day, Hunter Water must maintain a minimum flow release of 14ML/day from Chichester Dam. Alternatively when the combined inflows are less then 14ML/day, Hunter Water must maintain an equivalent daily flow release from Chichester Dam. These environmental flows are important to protect the ecological processes in the Williams River. Fourteen ML/day is equivalent to 5110 ML/year which is the basis of the annual target in Table 2.1. This target has been met by Hunter Water in 2009-10.

2.1.3 SOURCES OF WATER

NWI-W1 **Volume of water sourced from surface water (ML)**
NWI-W2 **Volume of water sourced from ground water (ML)**
NWI-W4 **Volume of water sourced from recycling (ML)**
NWI-W7 **Total sourced water (ML)**

These indicators show where Hunter Water sources the water that is supplied to its customers. Table 2.2 shows volume and source of water and Figure 2.1 shows a breakdown of water sources. Figure 2.2 shows historical volumes of water sourced.

TABLE 2.2 VOLUME OF WATER SOURCED

	07/08	08/09	09/10
Surface water (ML)	64,311	61,814	63,433
Ground water (ML)	**3,025**	**5,504**	**7,117**
Recycling (ML)	2,174	2,872	2,899
TOTAL	**69,510**	**70,190**	**73,449**

FIGURE 2.1 BREAKDOWN OF WATER SOURCED

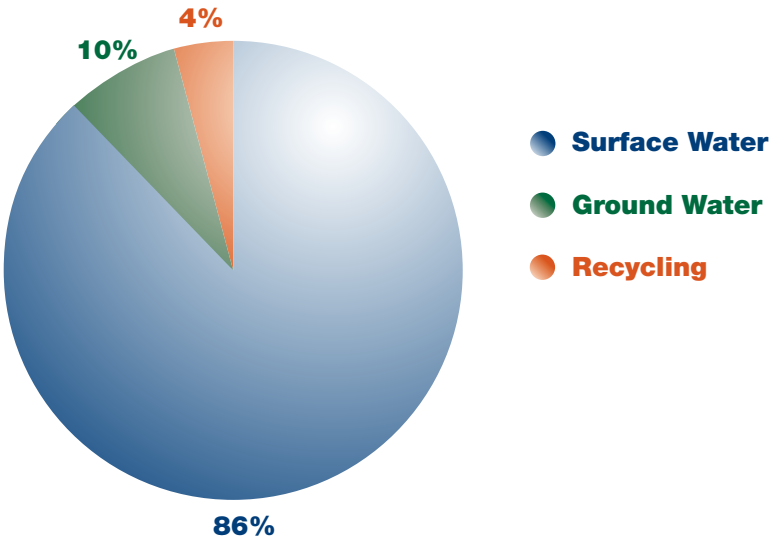
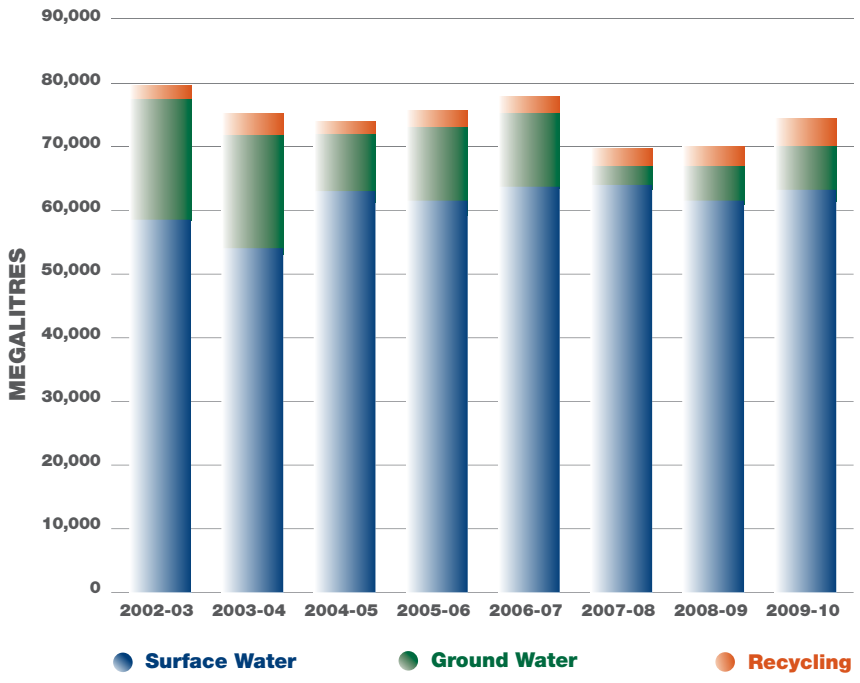


FIGURE 2.2 HISTORIC VOLUMES OF WATER SOURCED



2.1.4 WATER SUPPLIED FROM NATURAL SOURCES AND STORAGES

OL WS-1 Quantity of water supplied by Hunter Water from each water storage (ML)

Table 2.3 show the volumes of water extracted from each of Hunter Water's sources and Figure 2.3 shows the percentage of the total water for each source. Figure 2.4 is a historical comparison of volumes extracted from each source.

TABLE 2.3 EXTRACTION FROM SOURCES AND STORAGES

	09-10	08-09	09/10
Chichester Dam (ML)	26,602	24,342	27,462
Grahamstown Dam (ML)	**37,709**	**37,472**	**35,971**
Tomago Aquifer (ML)	729	2,769	4,969
Anna Bay Aquifer (ML)	**2,295**	**2,735**	**2,148**
TOTAL (ML)	**67,335**	**67,318**	**70,730**

FIGURE 2.3 EXTRACTION FROM WATER SOURCES AND STORAGES

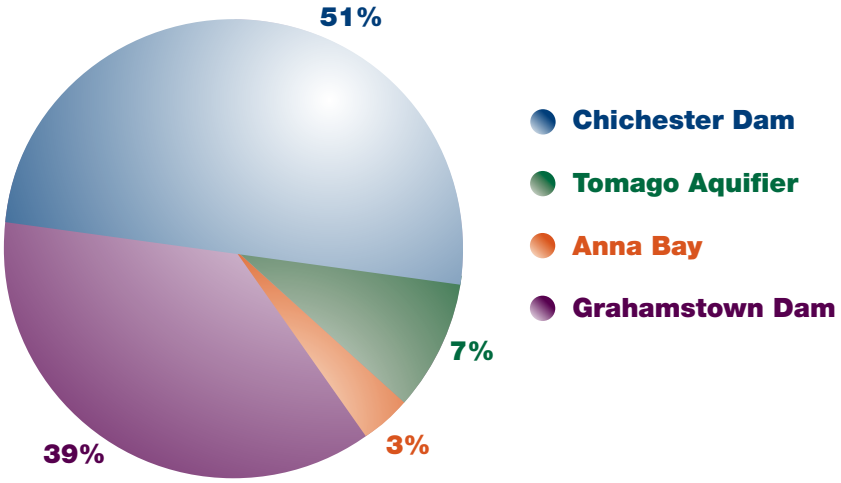
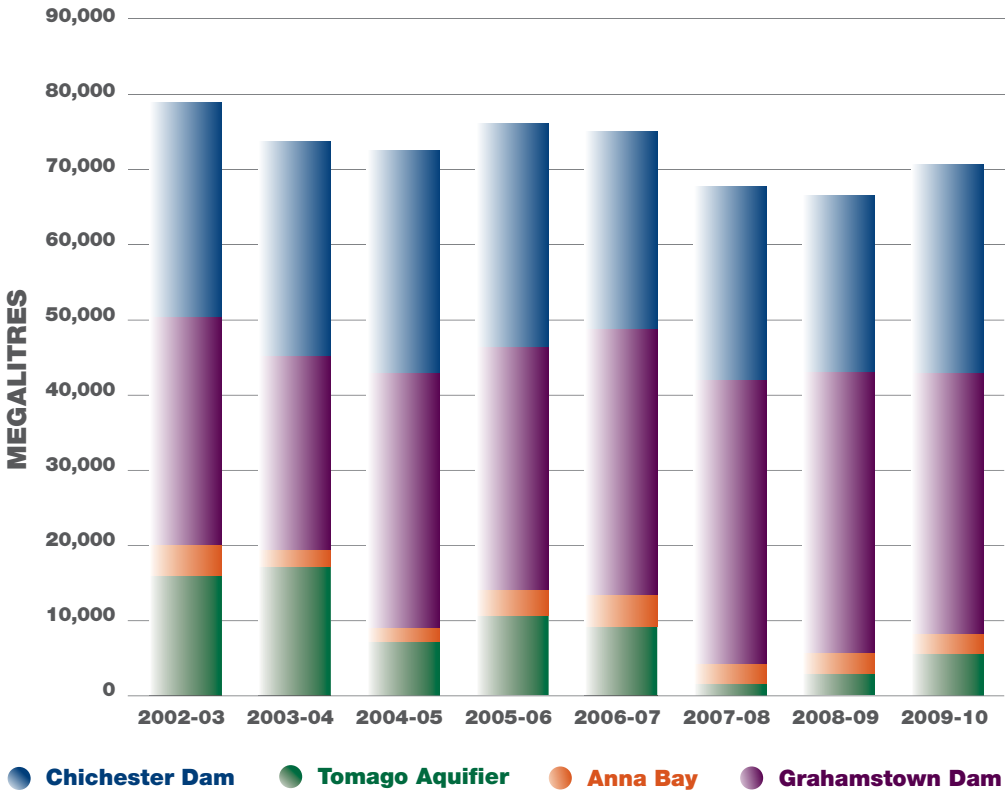


FIGURE 2.4 EXTRACTION OF WATER SOURCE 2000/01 -2009-10



2.1.5 DEMAND

NWI-W11 Total urban water supplied (ML)
NWI-W12 Average annual residential water supplied (kL/property)
OL WS-2 Average annual residential water consumption (kL/capita)
OL WS-3 Industrial and commercial uses (ML)
OL WS-4 Consumption by large customers (ML)

TABLE 2.4 AND FIGURE 2.5 SHOW THE TOTAL VOLUME OF URBAN WATER SUPPLIED.

TABLE 2.4 TOTAL URBAN WATER SUPPLIED			
	07-08	08-09	09-10
Total urban water supplied (ML)	66,009	67,020	68,233

NOTE – the difference between the water supplied from the various storages and total urban water supplied is due to water losses at the water treatment facilities. The figure does not include bulk water exports to customers outside Hunter Water's area of operations.

FIGURE 2.5 HISTORICAL WATER SUPPLY

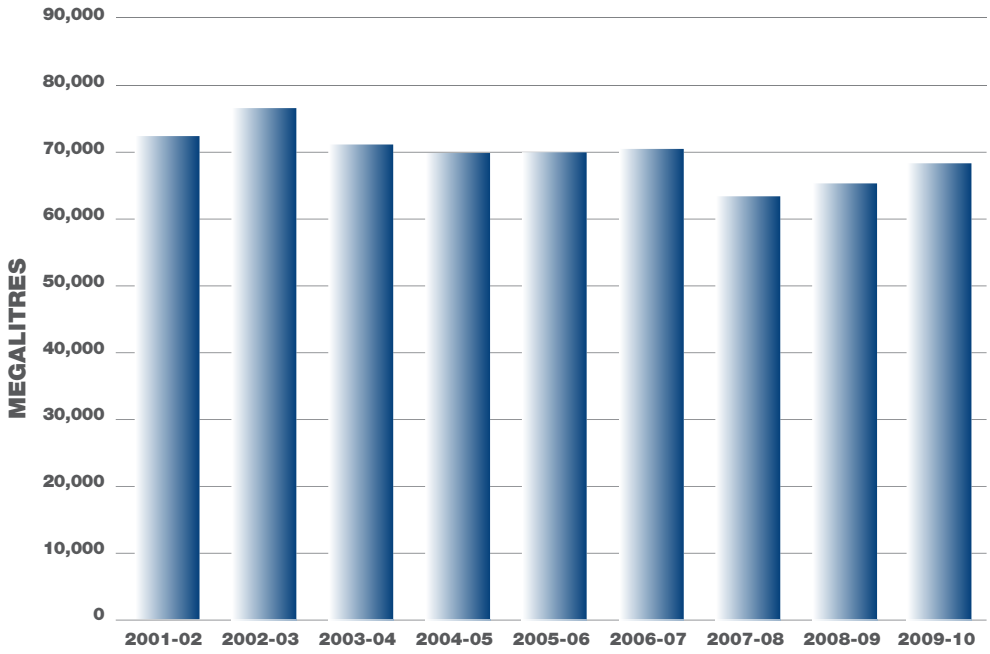


Table 2.5 shows residential water use by property and by capita and Figure 2.6 compares historical residential water usage. Good rainfall in the past two years and Hunter Water's ongoing water conservation messages has helped to reduce water consumption and reduce the five year rolling average consumption per property.

TABLE 2.5 RESIDENTIAL WATER USE			
	07-08	08-09	09-10
kilolitres/property/annum	177	180	184
KILOLITRES/PROPERTY/ANNUM (FIVE YEAR ROLLING AVERAGE)	**196**	**191**	**188**
kilolitres/capita	70	71	72

TARGET:
Hunter Water has an internal target to ensure that the five year rolling average for annual residential water consumption is equal to or less than 215 KL. This target has been achieved in 2009-10.

FIGURE 2.6 RESIDENTIAL WATER USE GRAPH FOR 2009-10 AND THE PREVIOUS EIGHT YEARS

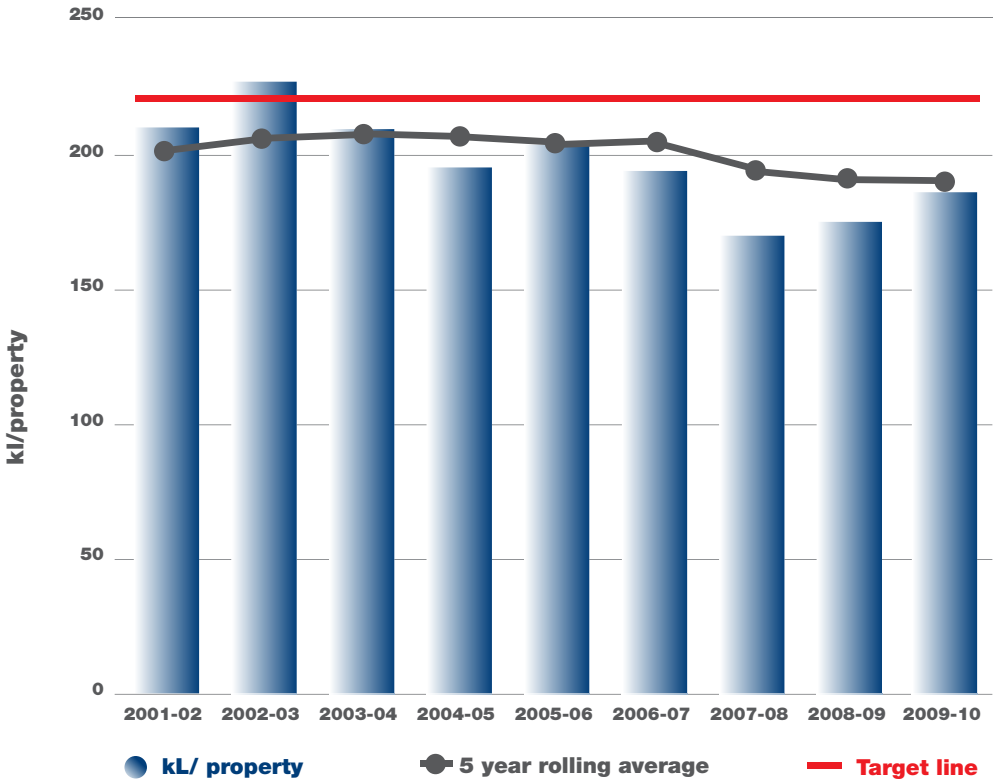
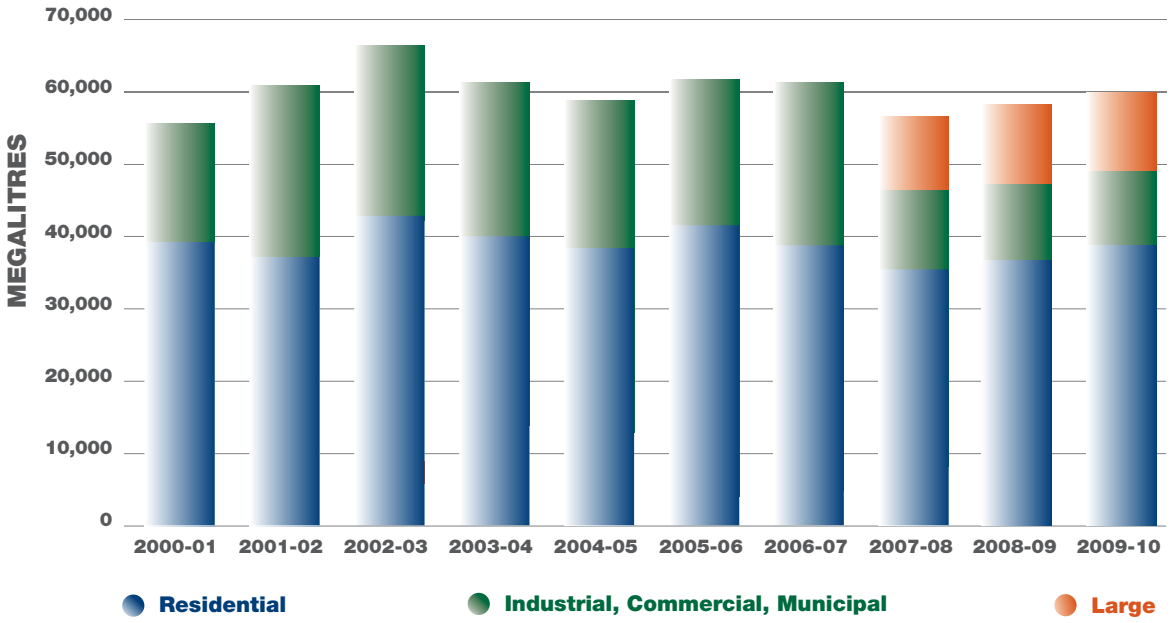


Table 2.6 shows water consumption by customer type and Figure 2.7 shows a historical breakdown of water consumption by customer type.

TABLE 2.6 CONSUMPTION BY SECTOR			
	07-08	08-09	09-10
Residential properties (ML)	36,428	37,199	38,463
INDUSTRIAL, MUNICIPAL & COMMERCIAL PROPERTIES (ML)*	**9,940**	**10,148**	**10,719**
Large customers (ML)**	10,478	10,880	10,362

*This excludes large customers, see definition below. Industrial – 850ML, Commercial – 6,435ML, Municipal – 2,863ML.
** Definition of large customer has changed to make it consistent with national benchmarking. In 2006/07 it was the 40 largest uses. In 2007-08 the definition changed to customers that exceed 50ML of usage per year, this totaled 34 customers in 2007-08. 29 customers in 2008-09 and 33 customers in 2009-10.

FIGURE 2.7 HISTORICAL WATER CONSUMPTION BY SECTOR



Note: data from 2000/01 to 2006/07 has commercial, municipal, industrial and large customers grouped together.

Consumption for each sector of customer has remained relatively constant over the past three years, taking into account expected levels of year-on-year variations.

3. water CONSERVATION

Hunter Water has a good history of promoting water conservation through the introduction of user pays pricing, education and an ongoing leak reduction program.

The H250 Plan addresses water conservation through the continuation of existing programs and implementation of new programs that address leakage management and water efficiency.

The new programs focus on:

- Reducing losses in the water system
- Encouraging customers to substitute potable water supply with other sources (eg greywater, rainwater and recycled water)
- Conservation measures through pricing
- Encouraging the up take of water efficiency products in homes and businesses, and
- Improving water use behaviour.

Further details on current progress can be found in the H250 Plan Report, available on the Hunter Water website.

3.1 KEY PERFORMANCE INDICATORS

3.1.1 WATER LOSS

NWI-A9 Infrastructure Leakage Index (ILI)
NWI-A10 Real losses (litres/service connection/day)
NWI-A11 Real losses (kL/km water main/day)
OL WL-1 Water losses (litres/connection/day)
OL WL-2 Water losses (kL/km water main/day)

Water losses are measured using the International Water Association's (IWA) Infrastructure Leakage Index (ILI).

The ILI shows how current actual losses (leakage) compare with the theoretical lowest possible level of leakage that could be achieved by an agency's water supply system. The calculation takes account of factors such as length of main, number of connections, connection density, operating pressure, meter errors, fire fighting use etc.

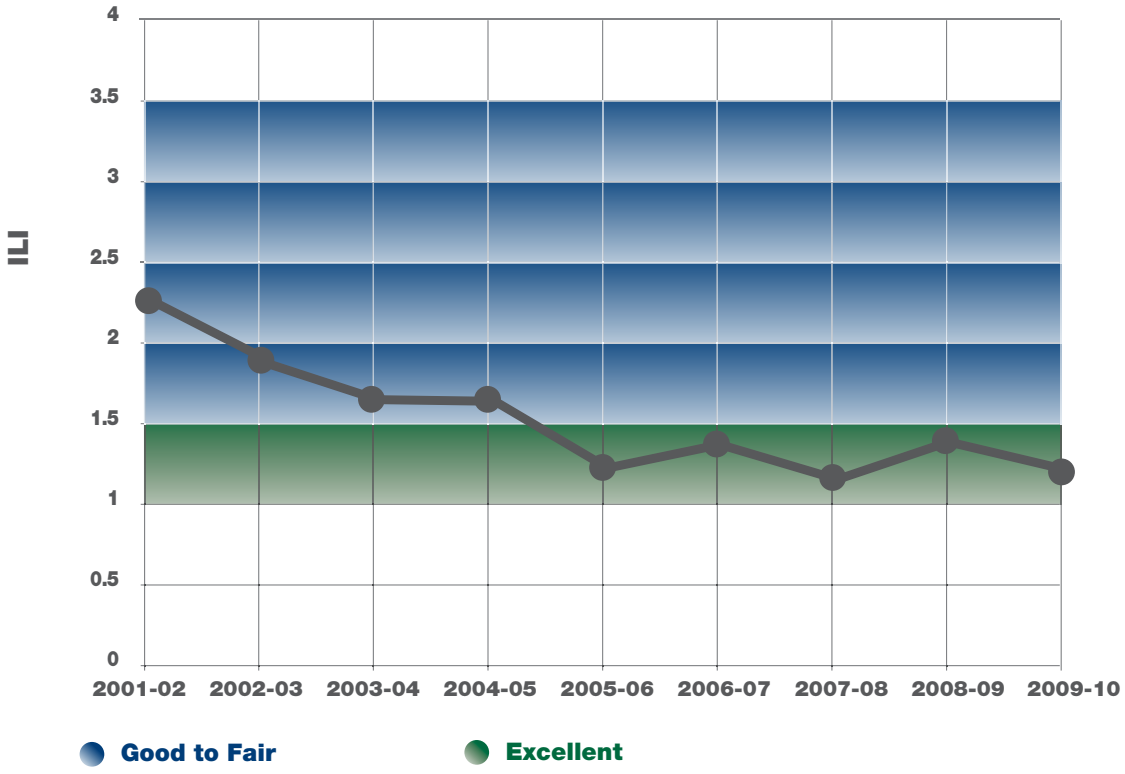
This enables comparison of leakages to occur between water agencies. For example an ILI of 1.7 means that the current leakage level is 1.7 times higher than the theoretical lowest possible value. Lower ILI values (moving towards 1, where leakage = the theoretical minimum) therefore reflect better performance. Higher ILI values mean that leakage has to be reduced by greater amounts to move towards the theoretical minimum. The IWA rates performance with ILI values lower than 1.5 as excellent whilst 1.5 - 3.5 is categorised good/fair.

Table 3.1 summarises losses used to calculate the ILI and Figure 3.1 shows the historical trends of the ILI. Hunter Water achieved an ILI value of 1.26 in 2009-10, which falls well within the "excellent" range. The ILI has been trending down since 2001-02. This can be attributed to the active leak detection programs and water service and main replacement programs that have been carried out continuously over the past few years.

TABLE 3.1 LOSSES

	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Real Losses (L/ connection/ day)	133	115	113	110	81	85	80	94	88
Real Losses (kL/km watermain/day)	**6.3**	**5.3**	**5**	**5.1**	**3.8**	**4.2**	**3.9**	**3.7**	**3.5**
Water Losses (L/ connection/ day)	--	--	--	--	--	108.7	100.7	119.9	106
Water Losses(kL/km water main/day)	**--**	**--**	**--**	**--**	**--**	**5.3**	**4.9**	**4.7**	**4.3**

FIGURE 3.1 INFRASTRUCTURE LEAKAGE INDEX (ILI) HISTORICAL TREND



TARGET:
Hunter Water has a target to achieve an "Excellent" rating in the ILI. This has been achieved in 2009-10

3.1.2 WATER RESTRICTIONS

OL WR-1 Nature and length of each water restriction imposed
OL WR-2 Criteria applied in determining whether to request imposition of a water restriction

There were no water restrictions imposed on Hunter Water customers during the 2009-10 reporting period. No water restrictions have been imposed on Hunter Water customers for the past 10 years.

The current Water Restriction Policy is shown below in Table 3.2. Stage 1 involves the immediate application of a three day per week watering regime progressing to two days per week at Stage 2. Importantly, households with an internally connected rainwater tank benefit during Stages 1 to 3 through the ability to water during an additional day per week. In addition a new more severe restriction level has been introduced that would be triggered if storage levels fall below 30 percent. The new "Stage 4" restriction level is essentially placing the community in "survival mode" with respect to water consumption in the event of a severe drought.

TABLE 3.2 WATER RESTRICTION POLICY		
Restrictions	**Broad Strategies**	**Expected Demand Reductions and Assumed Demand**
Informal – 70%	Public education campaign.	Intention is to 'give some warning' at least 2 months before mandating restrictions. Assumed Demand = 225ML/day
Stage 1 – 60%	**Ban fixed sprinklers** **Limited use of hand-held hoses between 5pm and 10am on nominated watering days:** • **odd-numbered houses can water on Mon, Wed and Sat** • **even-numbered houses can water on Tues, Thu and Sun** • **Houses with internally connected rainwater tanks only, may also water on Fri**	**Expected demand reduction to 5% below average (15% below dry weather demand).** **Assumed Demand = 205ML/day**
Stage 2 – 50%	Ban fixed sprinklers Further limited use of hand held hoses between 5pm and 10am on nominated watering days: • odd-numbered houses can water on Wed and Sat • even-numbered houses can water on Thu and Sun • Houses with internally connected rainwater tanks only, may also water on Fri	Expected demand reduction to 10% below average. Assumed Demand = 195ML/day
Stage 3 – 40%	**Ban outdoor use of potable water except customers with internally connected rainwater tanks are allowed to use water for external purposes 1 day a week (Fri).**	**Expected demand reduction to 15% below average (demand is expected to be at around average winter day demand level throughout the whole year).** **Assumed Demand = 185ML/day**
Stage 4 – 30%	Total ban on outdoor use of potable water (including customers with internally connected rainwater tanks) 'Heart strings' advertising campaign Hunter Water to continue water efficiency mentoring with all large non-domestic customers Hunter Water to continue targeting residential customers with high water consumption	Expected demand reduction down to 'minimum supply requirement' (approx 30% below average day or 20% below average winter day demand). Assumed Demand = 150 ML/day

TARGET:
Hunter Water has a target to keep the frequency of imposition of water restrictions to less than 1 in 10 years and the proportion of time in restrictions to less than 5 percent. This target has been met in 2009-10.

3.1.3 WATER-USE EFFICIENCY MEASURES

OL WC-1 Total volume of drinking water saved through water use efficiency (ML)

This water conservation indicator includes water saved via leakage management, water efficiency initiatives and potable water substituted by recycled water. Table 3.3 shows that the total annual volume of drinking water saved through water use efficiency programs has increased in recent years.

TABLE 3.3 WATER USE EFFICIENCY

	06-07	07-08	08-09	09-10
Total volume of drinking water saved through water use efficiency (ML)	3,719	4,433	6,015	6,928

Hunter Water has continued with its leakage management and water efficiency initiatives in 2009-10. However the increase in total volume of drinking water saved is mostly a result of an increase in the amount of potable water substituted by recycled water.

4. water RECYCLING

Hunter Water is committed to encouraging water recycling where environmentally, socially and economically beneficial. Hunter Water has a long history of developing recycled water schemes such as the provision of recycled water to the Eraring power station which commenced in 1995.
Hunter Water's Lower Hunter Recycled Water Initiative is a four-year program that will deliver three significant recycled water projects by 2014 to improve the water supply security in the Lower Hunter. These projects include:

- Kooragang Industrial Water Scheme
- Gillieston Heights Dual Reticulation Scheme, and
- The Vintage Recycled Water Scheme.

In 2006, Hunter Water commissioned preparation of a recycled water strategy to identify and evaluate recycled water opportunities in the lower Hunter. The strategy identified the Kooragang/Mayfield West industrial area and dual reticulation (or "third pipe" schemes) for greenfield residential developments as the highest priority recycled water opportunities.

Hunter Water has committed to supply the Thornton North and Gillieston Heights residential development areas with recycled water for non-potable uses such as garden watering, toilet flushing and laundry use.

The Vintage is a residential golf course development at Pokolbin. In late 2008, The Vintage signed a 30-year commercial agreement with Hunter Water to purchase a minimum 200 ML/year of recycled water, with ultimate demand increasing to 395 ML/year. The ultimate demand represents 47 percent of the 2030 Branxton WWTW effluent output. This scheme will result in the majority of effluent output at Branxton being recycled.

During 2009-10 Hunter Water has continued to deliver recycled water to a variety of customers including Eraring Power Station, several municipal golf courses, Kurri Kurri TAFE and a variety of agricultural water users.

4.1 KEY PERFORMANCE INDICATOR

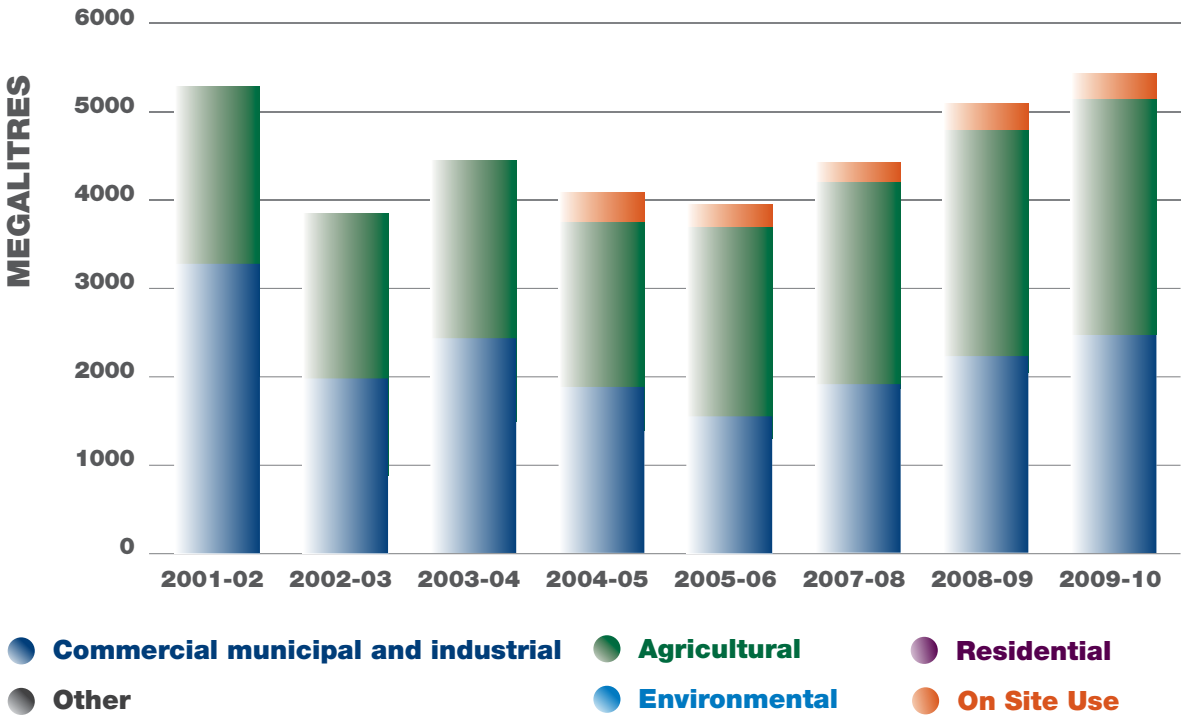
4.1.1 RECYCLED WATER

NWI-W20 Volume of recycled water supplied – Residential (ML)
NWI-W21 Volume of recycled water supplied – Commercial, municipal and industrial (ML)
NWI-W22 Volume of recycled water supplied – Agricultural (ML)
NWI-W23 Volume of recycled water supplied – Environmental (ML)
NWI-W24 Volume of recycled water supplied – on site (ML)
NWI-W25 Volume of recycled water supplied – Other (ML)
NWI-W26 Total recycled water supplied (ML)
NWI-W27 Recycled water – (per cent of effluent recycled)
OL RW-1A Per cent of recycled water substituting potable water use (%)
OL RW-1B Recycled water substituting potable water use (ML)

Table 4.1 shows volumes of recycled water by use, which is also summarised in Figure 4.1. The amount of recycled water that Hunter Water supplies has been consistently rising for the past four years. This is a result of more industrial and agricultural customers using recycled water. Industrial and commercial uses are important because, in many instances, they correspondingly reduce the demand for potable water.

TABLE 3.1 LOSSES								
	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Residential (ML)	0	0	0	0	0	0	0	0
Commercial, municipal and industrial (ML)	**1,988**	**2,403**	**1,929**	**1,686**	**1,875**	**1,984**	**2,289**	**2,648**
Agriculture	1,856	1,968	1,881	2,040	1,967	2,269	2,623	2,520
Environmental (ML)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
On Site Use (ML)	22	217	210	216	218	218	180	180
Other (ML)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Recycled Water Supplied (ML)	3,866	4,588	4,020	3,942	4,060	4,471	5,092	5,348
Potable water substituted by recycled water (ML)	**1,988**	**2,403**	**1,929**	**1,860**	**2,055**	**2,174**	**2,483**	**2,899**
Potable water substituted by recycled water (%)	51%	52%	48%	47%	51%	49%	49%	54%
Effluent recycled %	**7%**	**8%**	**6%**	**7%**	**5%**	**6%**	**7%**	**10%**

FIGURE 4.1 HISTORICAL RECYCLED WATER CONSUMPTION BY SECTOR



TARGET:
Hunter Water has a target to produce 4000ML of recycled water by 2008-09 and 8000ML by 2013/14 and is on track to meet this target.

5. wastewater, TRADE WASTE, RESIDUALS

The Department of Environment and Climate Change and Water (DECCW) issues licences for Hunter Water's wastewater pipe network and treatment systems. The removal of septic overflows and treated effluent from Lake Macquarie and Port Stephens and the upgrade of major coastal treatment plants have improved the quality of the region's beaches and health of these waterways over the last 20 years.

Water quality monitoring results from the Hunter Region's bathing beaches taken as part of DECCW's beachwatch program indicate that the beaches are some of the cleanest in the State. Over the past 20 years, the Hunter Sewage Project and the Priority Sewage Program have provided services to over 22,000 unsewered properties in outlying areas and an additional $100 million has been spent upgrading or rehabilitating the existing wastewater pipe network.

The next ten years will see further major upgrades to both inland and coastal wastewater treatment plants to service growth and system improvements to reduce the potential for sewer overflows via an investment of some $650 million for wastewater treatment and transport.

5.1 KEY PERFORMANCE INDICATORS

5.1.1 TRADE WASTE INSPECTIONS

OL TW-1 Annual number of trade waste inspections

This indicator provides a measure of the Hunter Water's activities to reduce the potential impact of trade contaminants on the Corporation's sewage system. These inspections ensure contaminants from industry and business are not getting into Hunter Water's sewage system. In 2009-10 a total of 982 trade waste inspections were completed, as shown in Figure 5.1 below. Of these inspections, 428 were of minor trade waste discharges, 413 were of major trade waste discharges and the remainder were exploratory inspections on discharges that have the potential to change category of discharge from minor or major to moderate, a new category of discharge that is being introduced.

FIGURE 5.1 TRADE WASTE INSPECTIONS

Note: Minor trade waste inspections have only been carried out since 2007-08

TARGET: Hunter Water has a target to complete 400 inspections of minor trade waste discharges per annum and has met this target in 2009-10.

5.1.2 WASTEWATER SYSTEM

NWI-A14 Sewage breaks and chokes (number per 100 km sewer main).
OL WWS-1 Annual number of sewage odour complaints generated from the sewage treatment plants or the sewage system
NWI-E13 Sewer overflows reported to the environmental regulator (per 100km of main)

The set of indicators outlined in Table 5.1 show the performance of Hunter Water's sewage system which is monitored in accordance with the standards and indicators set out in the operating licence. This monitoring helps highlight areas with problems that need attention. This set of indicators also provides a measure of the impact of the sewer system on both the environment and customers.

TABLE 5.1 SEWER TRANSPORT SYSTEM STATISTICS

	06-07	07-08	08-09	09-10
Property connection sewermain breaks and chokes per 100km of sewermain	63.5	51.7	44.4	58.2
Number of odour complaints *		**362**	**146**	**117**
Number of odour complaints (averaged over 5 years) **		281	258	236
Sewage service complaints per 1,000 properties	**35.2**	**26.5**	**2.3**	**2.2**
Sewer overflows reported to environmental regulator per 100km of sewermain	--	--	1.5	0.1

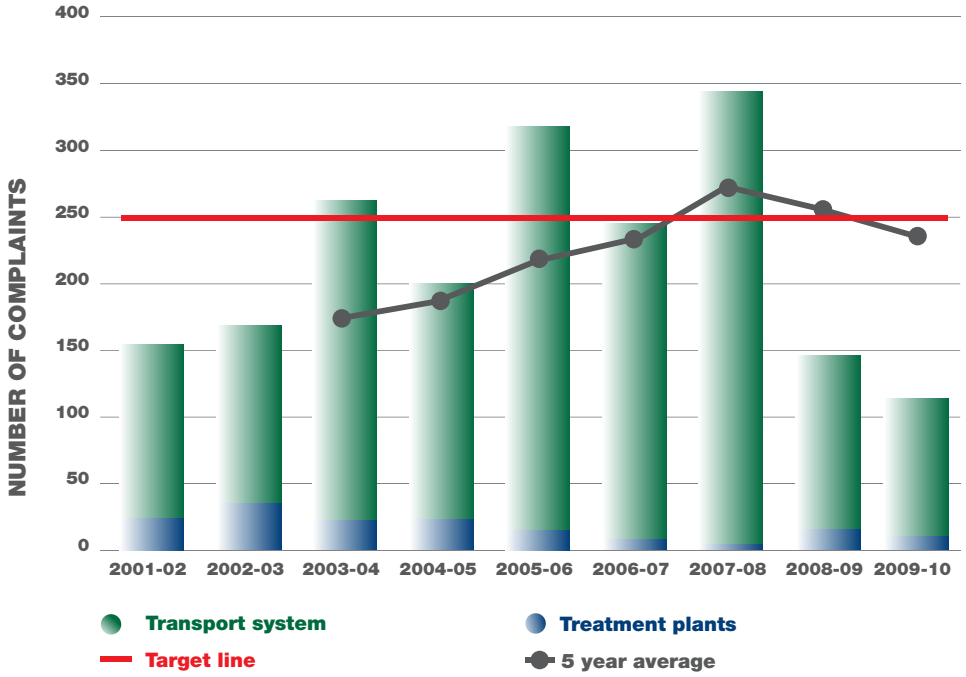
* This indicator measures verified rather than reported odour complaints – see discussion in this section.

The figures for odour complaints shown in Table 5.1 are for verified odour complaints and differ from the odour complaints number reported in the Customer Services Report. The odour complaint measure in the Customer Services Report now follows the National Performance Framework definition for reporting odour complaints. That definition states that all reports of suspected sewer odours are to be treated as complaints.

Hunter Water investigates all odour reports to determine the source of the odour. If the odour is found to be from Hunter Water infrastructure, it is verified and logged as a complaint. If it is found to be from another source it is not logged as a complaint. Verified complaints have been the basis for this operating licence indicator since 2001 and are the basis of the information presented in Table 5.1 and Figure 5.2. We have continued to report verified complaints in this report for consistency with previous years and with the odour target in Environmental Management Plan (see section 5.2).

Hunter Water believes that despite the requirements of the National Performance Framework definition, it is important to separately maintain and report verified odour complaints. On a number of occasions in recent years, Hunter Water has received high numbers of complaints from customers about suspected sewer odours. Investigation has revealed that these odours were not originating from the sewer system but rather from rotting vegetation in local creeks after flooding or from nearby industrial premises. While customers complained to Hunter Water about these odours, and they are included in the count of sewer complaints reported in the Customer Services Report, verification has identified that these odours do not originate from the sewer system and are outside of Hunter Water's control.

FIGURE 5.2 VERIFIED SEWER ODOUR COMPLAINTS



TARGET: Hunter Water has a target to keep verified odour complaints below a five year rolling average of 250. This target has been met in 2009-10.

5.1.3 SEWAGE TREATMENT AND COMPLIANCE

NWI-E1 Per cent of sewage treated to a primary level
NWI-E2 Per cent of sewage treated to a secondary level
NWI-E3 Per cent of sewage treated to a tertiary or advanced level

This set of indicators is used to report on the potential impact of wastewater treatment works by level of treatment (primary, secondary, tertiary) with tertiary being the highest level of treatment. Details of plant capacity and treatment levels are outlined in Table 5.2 below.

TABLE 5.2 PLANT CAPACITIES

Plant name	Treatment level	Equivalent population
Belmont	Secondary	115,000
Boulder Bay	**Tertiary**	**45,000**
Branxton	Tertiary	5,000
Burwood Beach	**Secondary**	**220,000**
Cessnock	Tertiary	32,000
Dora Creek	**Tertiary**	**24,000**
Dungog	Secondary	3,000
Edgeworth	**Tertiary**	**70,000**
Farley	Tertiary	50,000
Karuah	**Tertiary**	**2,500**
Kearsley	Secondary	2,050
Kurri Kurri	**Tertiary**	**21,500**
Morpeth	Tertiary	60,000
Paxton	**Tertiary**	**1,000**
Raymond Terrace	Tertiary	24,500
Shortland	**Tertiary**	**40,000**
Tanilba Bay	Tertiary	10,000
Toronto	**Tertiary**	**42,000**

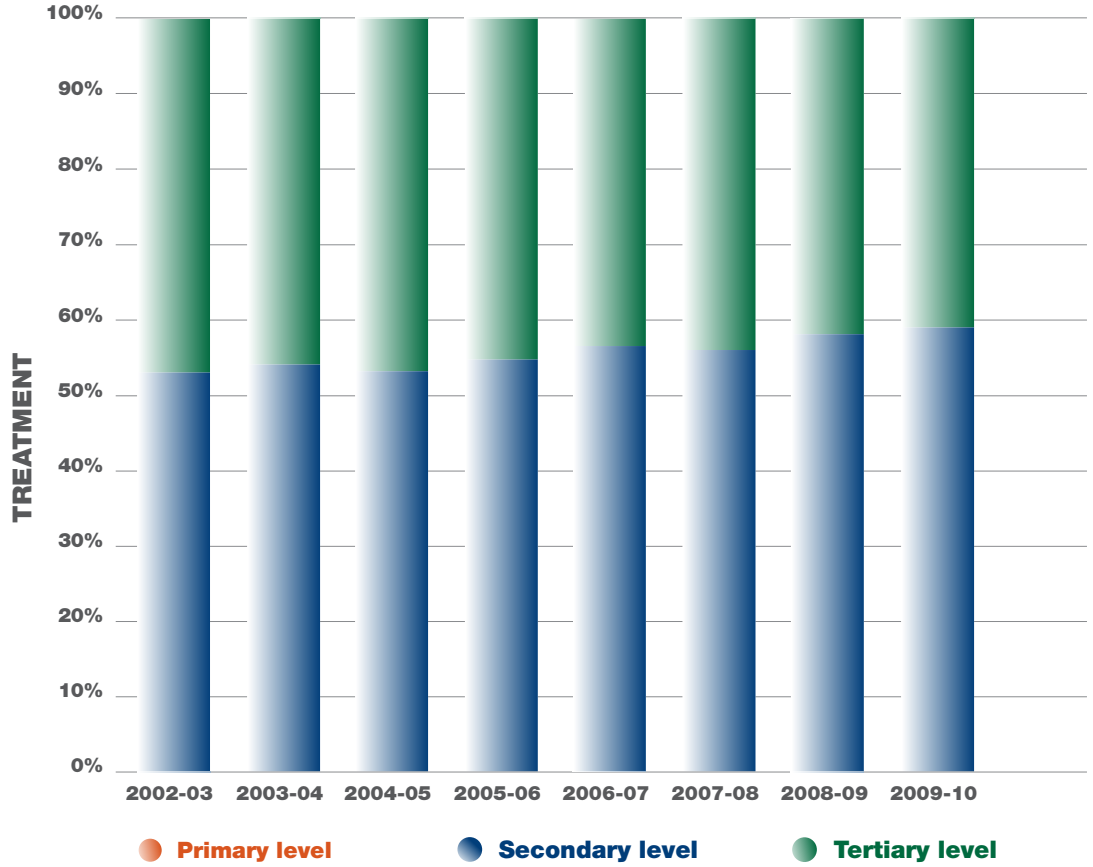
** Level of Treatment based on Water Services Association of Australia definition.*

In 2009-10 the proportion of sewage treated to various levels was:

- primary level: 0%
- secondary level: 59%
- tertiary level: 41%

Trends from 2002/03 to 2009-10 are shown in the Figure 5.3 below.

FIGURE 5.3 HISTORICAL SEWAGE TREATMENT



TARGET: Hunter Water has a target to have 0 percent of sewage to treated to a primary level all sewage is to be treated to at least a secondary level, this target has been met in 2009-10.

5.1.4 COMPLIANCE WITH DECCW WASTEWATER TREATMENT PLANT CONDITIONS

NWI-E4 Per cent of sewage volume treated that was compliant.
NWI-E5 Number of sewage treatment plants compliant at all times.
NWI-E7 Compliance with environmental regulator – sewage (yes/no)
OL STC-1 Total number (and nature) of breaches of conditions relating to environmental impacts under DECCW sewage treatment system licences

Hunter Water has 18 treatment plants with 15 separate system licences (several licences include more than one treatment plant). Out of the 15 annual returns submitted to DECCW in 2009-10, 14 had effluent that was in full compliance with the conditions specified in the relevant licences. Table 5.3 shows that in 2009-10 95 percent of sewage volume that was treated was compliant.

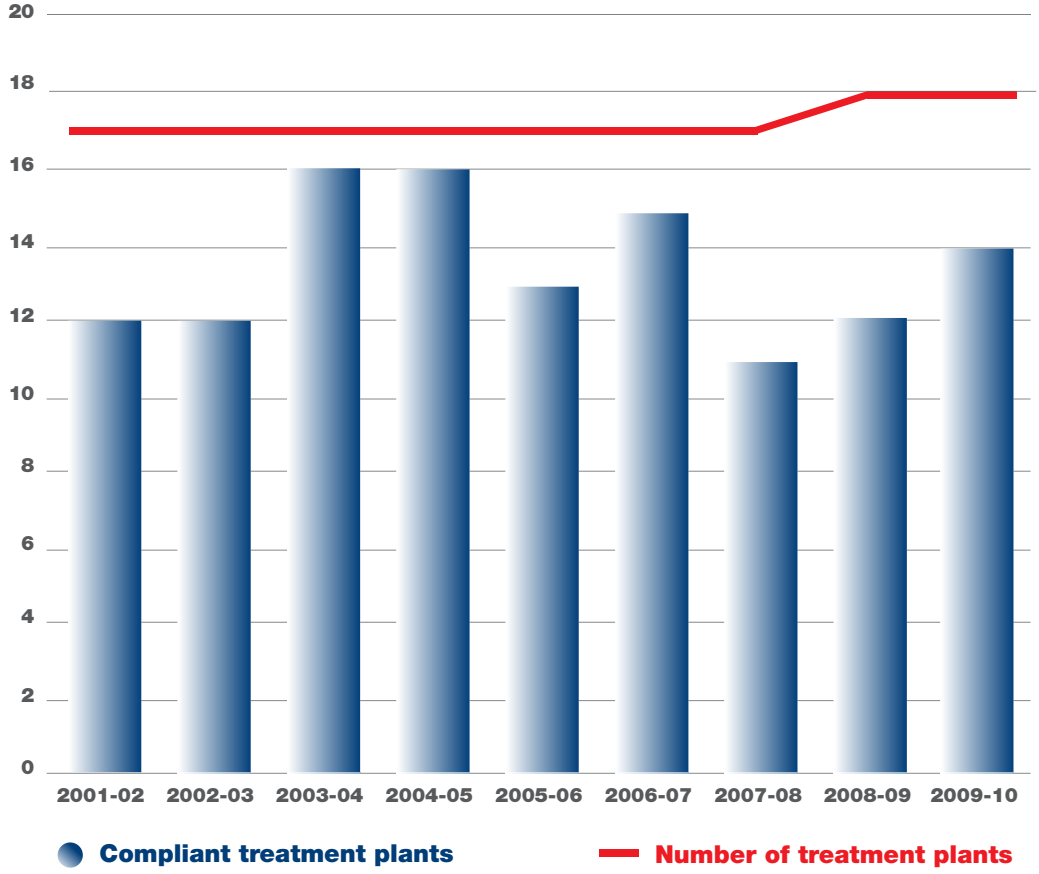
TABLE 5.3 HISTORICAL SEWAGE COMPLIANCE

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Sewage volume treated that was compliant	92.8%	95.0%	99.9%	85.6%	99.1%	87.3%	91.1%	95.0%

TARGET: Hunter Water has a target to have 100 percent of sewage treated to be compliant. This target was not met in 2009-10, however the 95 percent compliance achieved is an improvement from previous years.

Fourteen out of 18 sewage treatment plants were compliant at all times during the reporting period, as shown in Figure 5.4

FIGURE 5.4 TREATMENT PLANT COMPLIANCE



During 2009-10, Hunter Water did not fully comply with all DECCW licences as outlined above. The environmental protection licences contained a total of 1800 conditions of which 1080 are reported on. In 2009-10 Hunter Water achieved its highest level of compliance since 2003/04, as shown in table 5.4.

TABLE 5.4 COMPLIANCE WITH DECCW WASTEWATER TREATMENT PLANT CONDITIONS

	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Compliance (%)	98	97.9	99.1	98.1	98.1	96.5	96.0	98.8	99.1

5.1.5 RECREATIONAL WATER QUALITY

OL RWQ-1 Percentage of samples that complied with the recreational water quality guidelines as reported by DECCW's Beachwatch program.

This indicator is important because it is an indirect measure of Hunter Water's coastal wastewater treatment performance. In 2009-10, 100 percent of samples complied with the guidelines. Table 5.5 outlines historical performance showing that Hunter Region beaches have returned consistently high levels of compliance in recent years.

TABLE 5.5 RECREATIONAL WATER QUALITY

2004-05	**All beaches complied with faecal coliform and enterococci except Merewether which complied 97% of the time with regards to faecal coliform and Glenrock lagoon which complied 97% of the time with regards to enterococci.**
2005-06	All beaches complied with faecal coliform and enterococci except North and South Burwood beach which complied 98% of the time with regards to faecal coliform and Redhead Beach which complied 95% of the time with regards to enterococci.
2006-07	All beaches complied with faecal coliform and enterococci except Swansea Heads Little Beach which complied 94% of the time with regards to enterococci.
2007-08	100% - All beaches complied with faecal coliform and enterococci.
2008-09	**100% - All beaches complied with faecal coliform and enterococci.**
2009-10	100% - All beaches complied with faecal coliform and enterococci.

5.1.6 BIOSOLIDS

NWI-E8 Per cent of biosolids reused (%)
OL BIO-1 Dewatered Biosolids Reused (Tonnes)

During the year, 100 percent of dewatered biosolids suitable for land application produced was reused. In addition, 203 tonnes of biosolids stockpiled from the previous year were also reused in Hunter Water's land application program. This is summarised in Table 5.6, Figure 5.5 and Figure 5.6 below.

Note that biosolids from Burwood Beach are discharged to the ocean. Currently these biosolids are not in a form that allows land application and hence is not included in the figure below. Hunter Water is developing a long term plan for the Burwood Beach site which will include a review of the long term strategy for biosolids management at this plant. Extensive consultation is occurring.

Figure 5.6 shows an increase in the amount of biosolids reused in agriculture has been occurring. In the past two years Hunter Water has changed biosolids contractor and the current contractor's major market segment is in agriculture. At the same time, two large biosolids contracts from Sydney Water took some of the minesite rehabilitation market share historically utilised by Hunter Water.

TABLE 5.6 BIOSOLIDS REUSE

	07-08	08-09	09-10
Dewatered Biosolids Reused (tonnes)	5,786	5,091	5123
Percent of Biosolids Suitable For Land Application Reused (%)	**100**	**88***	**104**

* In 2008-09 Hunter Water stockpiled 12% and this was be carried forward for reuse in the following years

FIGURE 5.5 DRY TONNES OF BIOSOLIDS BENEFICIALLY REUSED

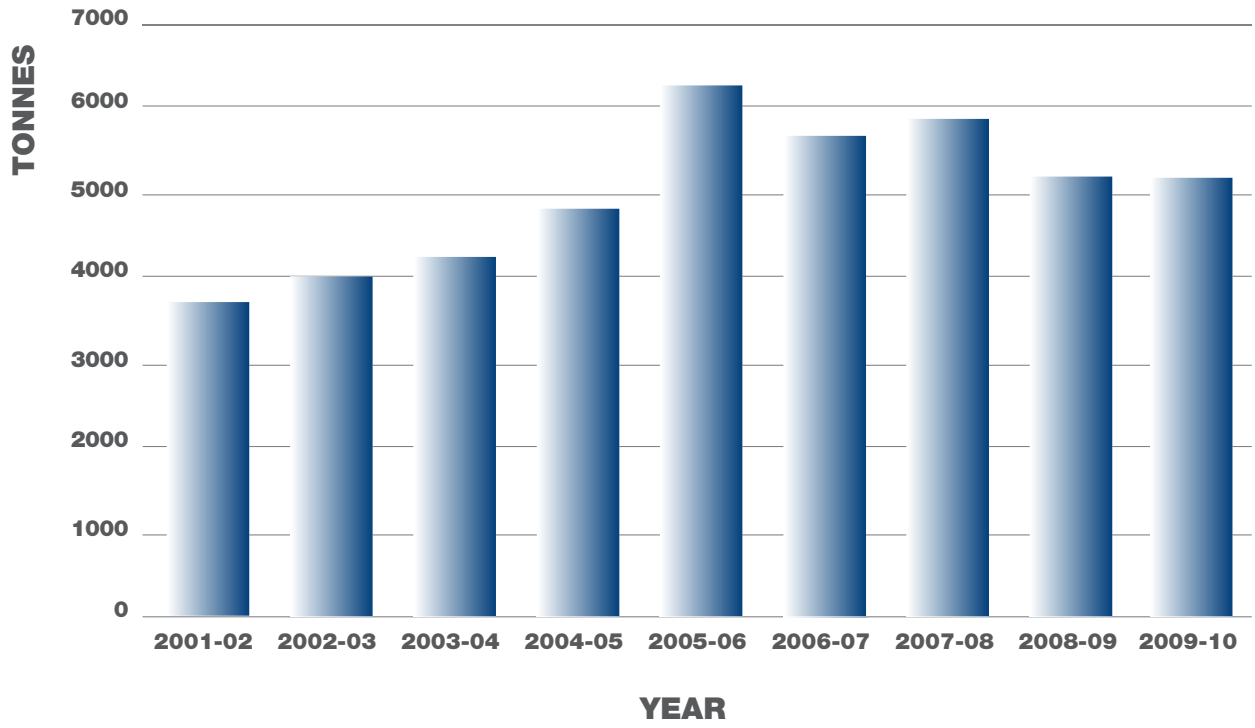
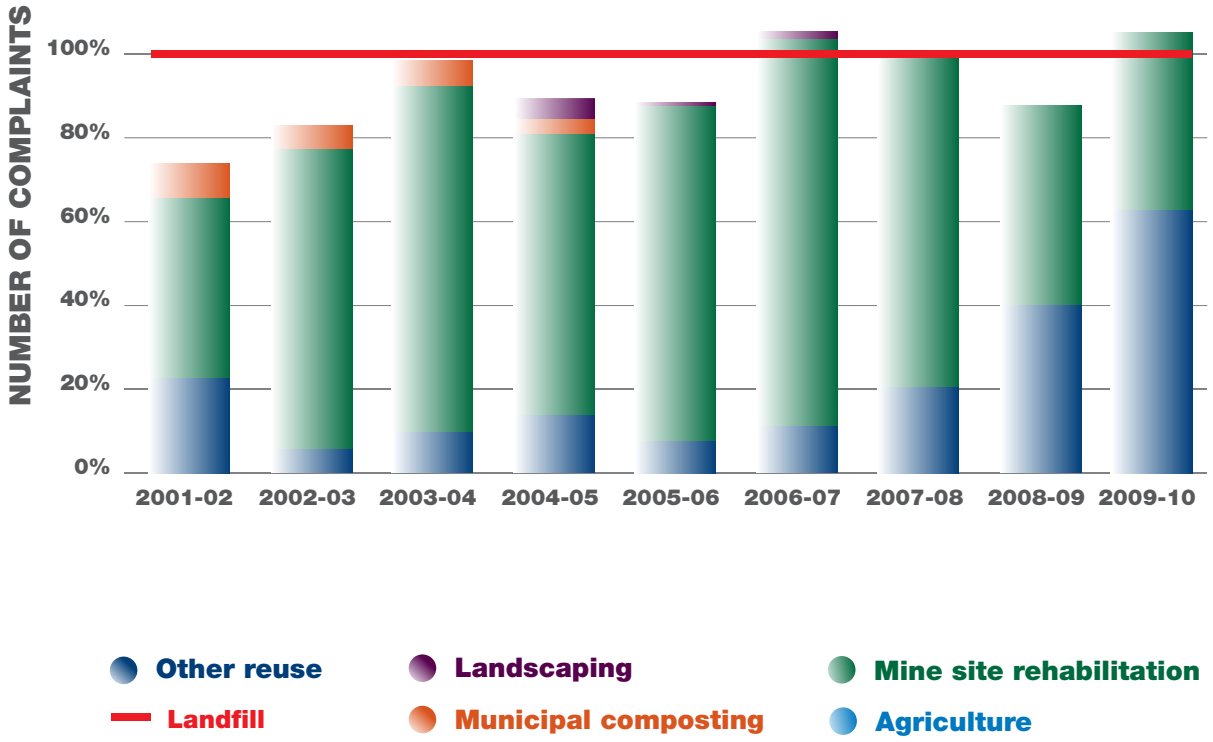


FIGURE 5.6 MARKETS FOR BIOSOLIDS



TARGET: Hunter Water has a target to have 100 percent biosoilds suitable for land application reused, this target was achieved in 2009-10.

6. corporate RESPONSIBILITIES

Hunter Water is currently managing a significant program of capital works which will provide assets to meet higher standards and future growth in the region. Hunter Water undertakes environmental impact assessments and community consultation for key capital works projects, keeping the community informed and ensuring the environmental and community impacts of all infrastructure projects are minimised. This also allows an opportunity for feedback from the community throughout each project.

6.1 KEY PERFORMANCE INDICATORS

6.1.1 BREACHES OF STATUTORY INSTRUMENTS

OL BSI-1 Total number of prosecutions and notices (including penalty notices) issued to Hunter Water under relevant environmental legislation.
OL BSI-2 Total number of prosecutions and notices (including penalty notices) under relevant environmental legislation issued to contractors engaged by Hunter Water.

Hunter Water was issued with one tier three penalty notice in 2009-10 from DECCW, in relation to a sewage overflow incident at Burwood Beach. This incident occurred on the 17th of January 2010, when a lightning strike caused a communication failure from the Burwood Beach WWTW to the Hunter Water Central Dispatch Centre. An emergency shoreline discharge occurred, however favourable weather conditions meant that no extended health or environmental impacts were measured, and beaches were not closed as a result. The historic number of prosecutions/notices issued to Hunter Water is shown in Table 6.1

TABLE 6.1 BREACHES BY HUNTER WATER

	07-08	08-09	09-10
Prosecutions/Notices issued to Hunter Water	1	0	1

TARGET: Hunter Water has a target to have NIL prosecutions and legal notices, this target was not met in 2009-10.

There were no prosecutions or legal notices issued to contractors engaged by Hunter Water during 2009-10.

TABLE 6.2 BREACHES BY CONTRACTORS

	07-08	08-09	09-10
Prosecutions/Notices issued to contractors	0	0	0

6.1.2 NOISE

OL NOI-1 Total number of noise complaints generated from Hunter Water's construction or operational activities.

This measures Hunter Water's noise impact on the community from any of its activities e.g. pump stations, machinery etc. Two verified noise complaints were associated with Hunter Water construction or operational activities during 2009-10. There were no infringement notices or fines associated with these activities. This is a significant and pleasing reduction from the previous year as shown in Table 6.3. Hunter Water follows up each compliant and deals with it on a case-by-case basis. If mitigation measures can be established then these are put in place to reduce noise levels.

TABLE 6.3 NOISE COMPLAINTS FROM HUNTER WATER OPERATIONAL ACTIVITIES

	04-05	05-06	06-07	07-08	08-09	09-10
Noise complaints	6	14	6	12	13	2

6.1.3 ENERGY

Hunter Water is a medium level consumer of electrical energy. It is expected that Hunter Water's energy consumption will increase in the future due to higher environmental performance (effluent quality) requirements at sewage treatment facilities, requiring more energy intensive technology, and the connection of additional customers.

In order to ensure Hunter Water's energy requirements are met in an efficient and cost-effective way, Hunter Water has been and will continue to place a strong emphasis on energy efficiency. Hunter Water has set challenging greenhouse gas emission targets to ensure Hunter Water is being proactive in mitigating the impacts of climate change. This is discussed further in Section 6.1.4 of this report.

6.1.3.1 ELECTRICITY CONSUMPTION OF BUILDINGS (KWH)

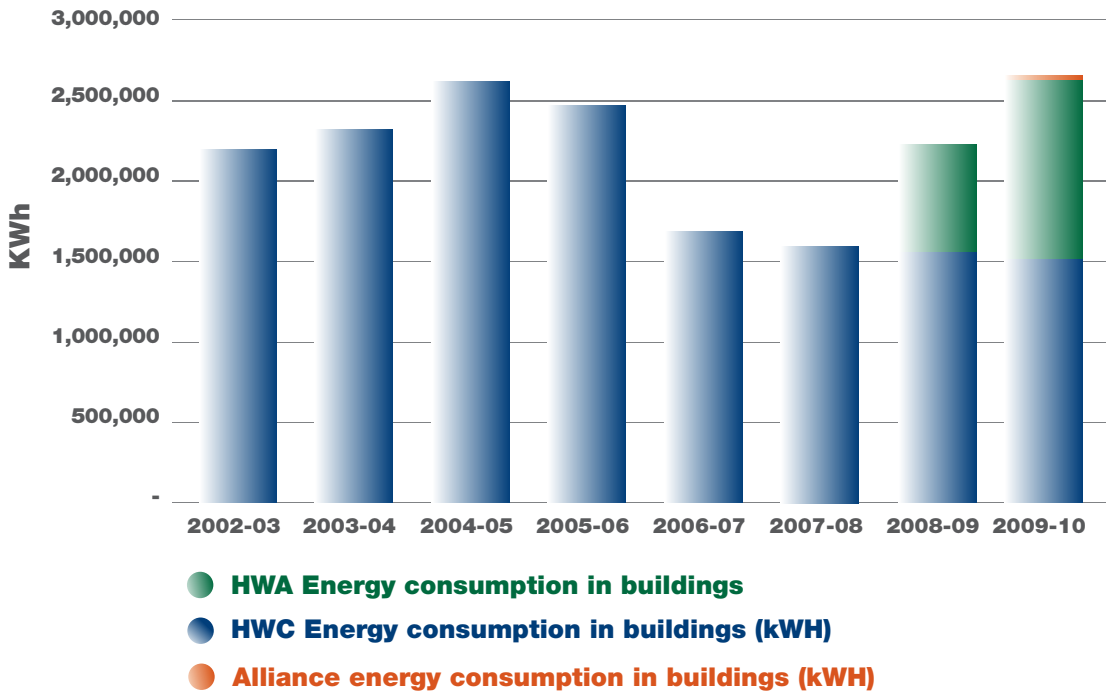
OL EC-1 Electricity consumption in buildings (kWh).

Table 6.4 and Figure 6.1 show electricity consumption by Hunter Water's buildings. From 2008-09 Hunter Water was required to report energy use for its subsidiary company, Hunter Water Australia (HWA) as part of mandatory reporting guidelines and hence the overall consumption reported has increased. In 2009-10 Hunter Water has also started reporting on the energy consumption for the Wastewater Alliance located in a newly-leased building that is located in Wickham.

TABLE 6.4 ELECTRICITY CONSUMPTION OF BUILDINGS (KWH)

	07-08	08-09	09-10
Hunter Water	1,657,101	1,561,138	1,513,124
HWA	**-**	**753,251**	**1,066,533**
Alliance	-	-	18,431
TOTAL	**1,657,101**	**2,314,389**	**2,598,088**

FIGURE 6.1 HISTORICAL ENERGY CONSUMPTION OF BUILDINGS



6.1.3.2 ELECTRICAL ENERGY EFFICIENCY OF WATER AND WASTEWATER ASSETS

OL EC-2 Electrical Energy Efficiency of water assets (kWh/ML and kWh/EP of water supplied)
OL EC-3 Electrical Energy Efficiency of wastewater assets (kWh/EP of wastewater processed)

Table 6.5, Figure 6.2 and Figure 6.3 outline the electrical energy efficiency of Hunter Water's water and wastewater assets. Previously, Hunter Water's energy efficiency indicators have been measured as kWh/ML treated. The use of this unit of measurement for the energy efficiency of wastewater services was not a good indicator as during wet weather the electricity usage at treatment plants does not necessarily increase in proportion to the increase in electricity usage required for pumping in the wastewater transport system. Therefore the indicator varied greatly from year to year and did not provide opportunity to identify and monitor trends. In 2009-10 this indicator was changed to kWh/EP of wastewater processed. For sewage treatment plants, loading used in design are expressed in terms of equivalent population (EP). One person in a residential house is counted as being one EP and the amount of waste or sewage generated by other sources are converted to the relevant number of EP in comparison to this benchmark. The electrical energy efficiency of water assets will continue to be measured as kWh/ML in addition to kWh/EP of water supplied. Where

historical data was available, the electrical energy efficiency has been retrospectively calculated for the new indicators for the purpose of comparison.

It should also be noted that tighter environmental discharge requirements typical result in more energy intensive processes being used which also contribute to higher energy usage per EP.

TABLE 6.5 ELECTRICAL ENERGY EFFICIENCY OF WATER AND WASTEWATER ASSETS

	07-08*	08-09	09-10
Water assets (kWh/ML of water supplied)	473	487	503
Water assets (kWh/EP of water supplied)	**57**	**73**	**73**
Wastewater assets (kWh/EP of wastewater treated)	71	87	75

* Note that the figures from the 2007-08 EPI Report have been revised due to refinements in the calculation of energy consumption from Hunter Water's electricity contract with AGL, resulting in increases in electricity consumption.

FIGURE 6.2 HISTORICAL ELECTRICAL ENERGY EFFICIENCY OF WATER (kWh/ML)

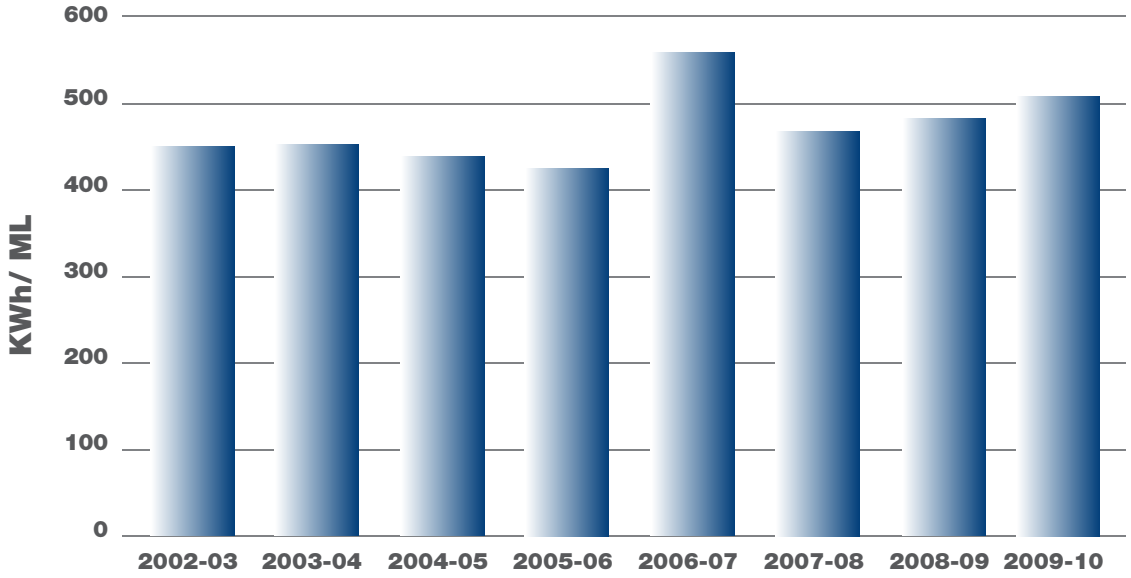
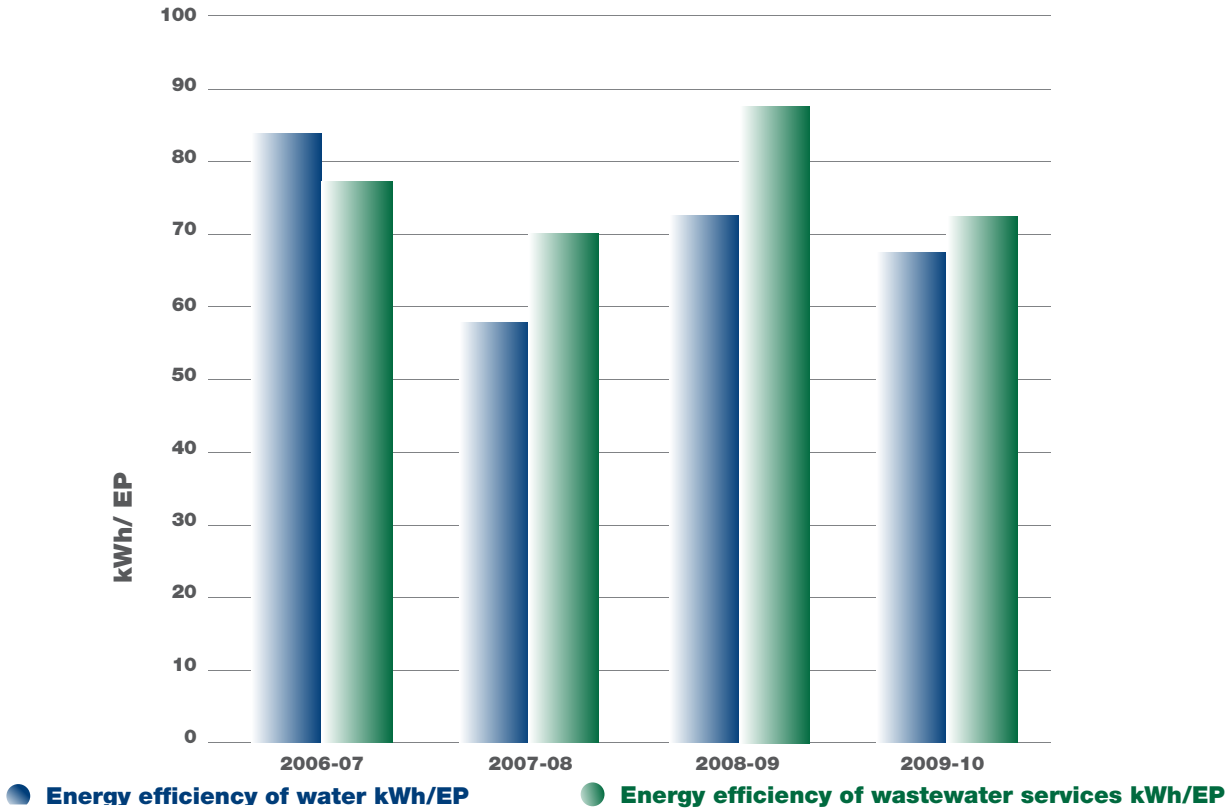


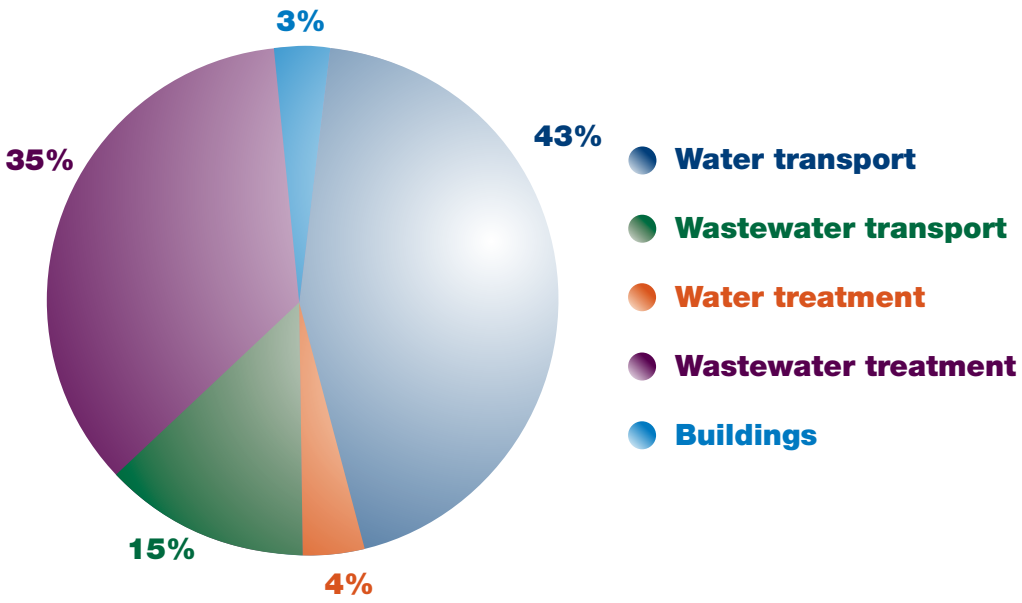
FIGURE 6.3 HISTORICAL ELECTRICAL ENERGY EFFICIENCY OF WATER AND WASTEWATER (kWh/EP)



6.1.3.3 ELECTRICAL ENERGY CONSUMPTION BY ACTIVITY

Figure 6.4 shows the breakdown of Hunter Water's electricity consumption by activity, showing that water transport, followed by wastewater treatment and wastewater transport are the predominate electricity consuming activities. The break down tends to remain relatively similar from year to year. However in dry years, electricity usage by water assets tends to dominate slightly and in wet years electricity by wastewater assets will tend to dominate.

FIGURE 6.4 ELECTRICAL ENERGY CONSUMPTION



6.1.3.4 ELECTRICITY CONSUMPTION FROM RENEWABLE SOURCES OR GENERATED BY HUNTER WATER

OL EC-4 Electricity consumption from renewable sources or renewable sources generated by Hunter Water expressed as a percentage of total electricity consumption.

Hunter Water does not generate any electricity for sale or internal use. However, Hunter Water Corporation's assets are used to generate power with hydro-electric power generators located at Chichester Dam and within the Chichester Trunk Gravity Main. These generators are owned and operated by Delta Electricity.

6.1.4 GREENHOUSE GASES

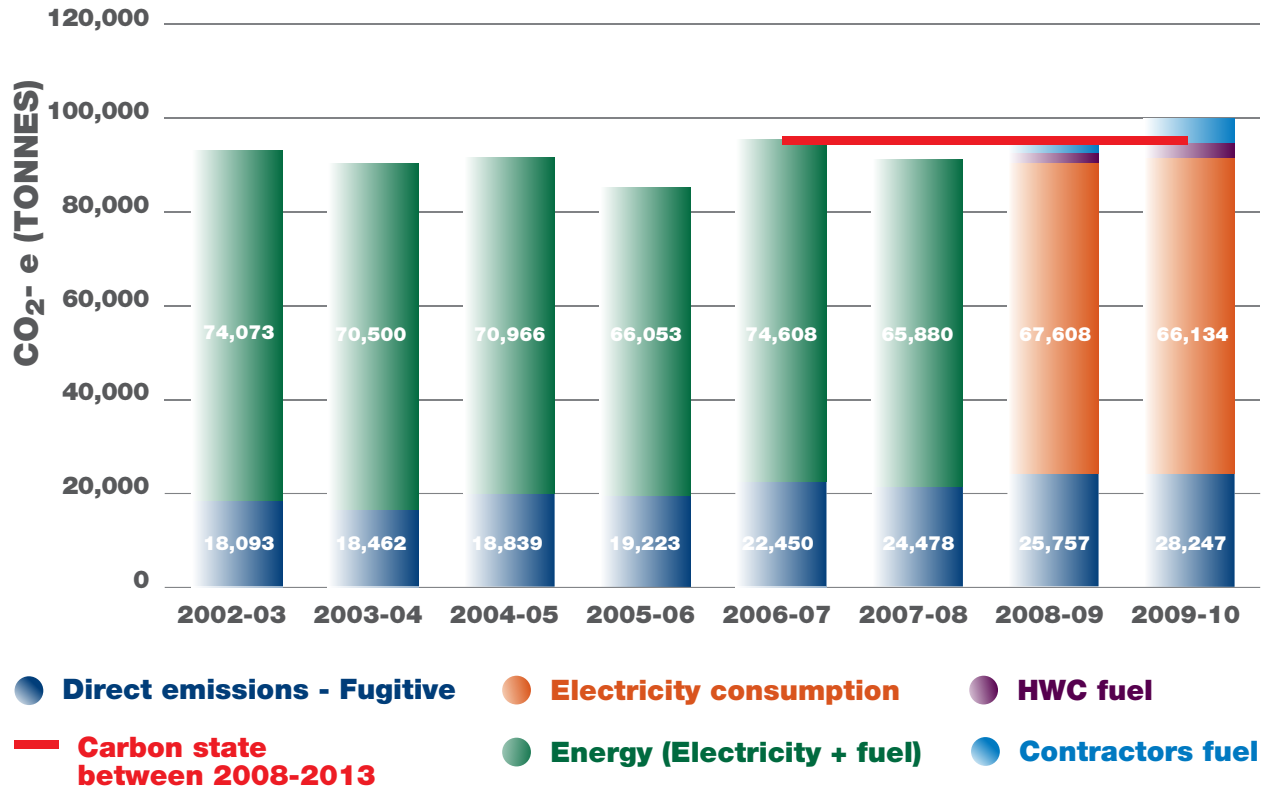
NWI-E9 Greenhouse gas emissions (tonnes CO2 -equivalents) – water (per 1000 properties)
NWI-E10 Greenhouse gas emissions (net tonnes CO2 – equivalents) – sewage (per 1000 properties)
NWI-E11 Net greenhouse gas emissions (net tonnes CO2 – equivalents) – other (per 1000 properties)
NWI-E12 Total net greenhouse gas emissions (net tonnes CO2 – equivalents) (per 1000 properties)

Table 6.7 outlines the net greenhouse gas emission by activity, while Figure 6.5 summarise net greenhouse gas emission by source and progress against meeting Hunter Water's carbon stable target. In 2009-10 Hunter Water's greenhouse gas emissions have increased from the previous year. This increase is mostly due to an increase in fugitive emission from wastewater treatment. During 2009-10 Hunter Water completed a review of the input data used to calculate fugitive emissions, this refinement resulted in an increase in emissions. In addition emissions from the combustion of contractor fuel have also increased, this corresponds with an increase in capital works contracts.

TABLE 6.7 NET GREENHOUSE GAS EMISSIONS (TONNES CO2-EQUIVALENTS)			
	07-08	08-09	09-10
Net greenhouse gas emissions (tonne CO_2 – equivalents) water *	26,709	29,340	32,317
Net greenhouse gas emissions (tonne CO_2 – equivalents) water (per 1000 properties)	**121**	**132**	**144**
Net greenhouse gas emissions (tonne CO_2 – equivalents) sewage *	60,591	62,936	62,567
Net greenhouse gas emissions (tonne CO_2 – equivalents) sewage (per 1000 properties) *	**290**	**298**	**294**
Net greenhouse gas emissions (tonne CO_2 – equivalents) other	3,058	4,560	5,886
Net greenhouse gas emissions (tonne CO_2 – equivalents) other (per 1000 properties)	**14**	**21**	**26**
Total net greenhouse gas emissions (tonne CO_2 – equivalents) *	90,358	96,835	100,770
Total net greenhouse gas emissions (tonne CO_2 – equivalents) (per 1000 properties	**409**	**436**	**448**

* Note: The 2007-08 and 2008-09 numbers for these measures have been adjusted upwards from figures reported previously due to refinements in methods to calculate fugitive emissions and adjustments where electricity consumption had been underestimated.

FIGURE 6.5 HISTORICAL NET GREENHOUSE GAS EMISSIONS (TONNES CO_2-EQUIVALENTS)



TARGET:

Hunter Water has a target to have no net increase in greenhouse gas emissions between 2006/07 to 2013/14.

Table 6.8 outlines the greenhouse gas offsets that Hunter Water has generated or purchased. These will be used when required to meet the target of net increases in greenhouse gas emissions.

TABLE 6.8 GREENHOUSE GAS OFFSETS (TONNES OF CO2-E)		
Offset type	**08-09**	**09-10**
Greenfleet	1717	1717
Shower head replacement	**0**	**300**
Tree planting	0	0
Purchased Offsets	**0**	**10000**
	4,560	5,886
TOTAL (TONNES OF CO_2-E)	**1717**	**12017**

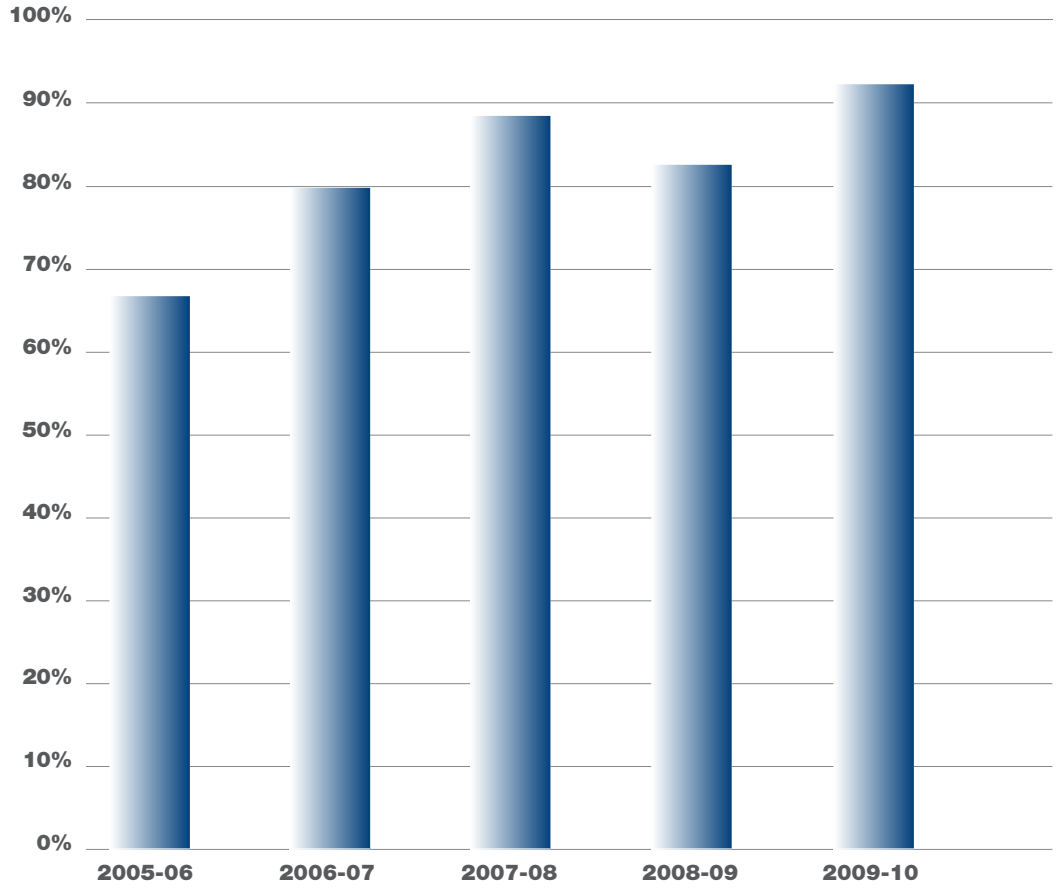
6.1.5 WASTE MANAGEMENT

OL WM-1 Solid waste generated (tonnes)
OL WM-2 Waste recycled or reused expressed as a percentage of solid waste generated

Table 6.9 shows an overview of waste generated and recycled across Hunter Water's operations. Hunter Water has continued to increase the quantity of waste that it recycles each year. In 2009-10 a recycled materials strategy was developed to assist with meeting its target of a 30 percent reduction in papers and consumables. Figure 6.6 shows the percentage of waste generated that is recycled.

TABLE 6.9 HUNTER WATER'S AND CONTRACTORS' WASTE MANAGEMENT			
09-10	**Qty generated (tonnes)**	**Qty recycled (tonnes)**	**%**
Vegetation	365	363	99%
Concrete	**7,407**	**5,791**	**78%**
Soil	113,641	105,441	93%
Timber	**5**	**4**	**76%**
Bricks	44	44	100%
Tiles	**0**	**0**	**0%**
Metals - ferrous	429	427	100%
Metals - non ferrous	**0**	**0**	**0%**
Plastics	330	330	100%
Paper & Packaging	**72**	**62**	**87%**
Confidential Bins	0	0	0%
General Waste	**187**	**53**	**28%**
Recycling Waste	10,506	10,506	100%
Cardboard Boxes	**6**	**6**	**100%**
Ink Jet cartridges	106	77	73%
Printer Paper	**21**	**11**	**51%**
TOTAL	**133,121**	**123,114**	**92%**

FIGURE 6.6 PERCENTAGE OF WASTE GENERATED THAT IS RECYCLED



6.1.6 CONTAMINATED LANDS

OL CL-1 Number of sites under control of Hunter Water that present a significant risk of harm as defined under the Contaminated Land Management Act 1997

There are currently no sites owned by Hunter Water that present a risk of harm. A contaminated sites register was completed in 2010 and will be continually maintained and updated over time.

6.1.7 ENVIRONMENTAL TRAINING

OL ET-1 Number of staff given environmental training

As shown in Table 6.10 a total of 261 Hunter Water staff were given environmental training in 200/10, this is a significant increase from previous years.

TABLE 6.10 ENVIRONMENTAL TRAINING

	06-07	07-08	08-09	09-10
Staff given environmental training	182	144	0	261

TARGET: Hunter Water has a target to have 100 staff trained per annum and achieved this target in 2009-10.

7. customers AND COMMUNITY

Hunter Water Corporation places a high priority on building strong partnerships and relationships with the community. This allows broad community involvement in issues that affect the water cycle and help achieve sustainable water cycle management.

We strive to keep local communities, councils and industry informed about the planning and the scope of our operations and infrastructure works by providing timely and factual information. We promote community ownership and responsible use of water resources through public information programs and school and community group talks. We have an annual sponsorship program designed to support a wide range of community and environmental activities throughout the region.

7.1 KEY PERFORMANCE INDICATORS

7.1.1 COMMUNITY PARTNERSHIPS

OL CP-1 Value of sponsorship for community environmental projects
OL CE-1 Number of hits on Hunter Water website

The Hunter Water's Corporate Sponsorship Program and Community Grants Program supports local environmental initiatives across our area of operation that provide a direct benefit to the community. The projects that are funded through these programs must demonstrate a clear environmental outcome and feature projects that minimise the community's ecological footprint, ensure sustainable use of natural resources, balance demand with a sustainable water supply and ensure there is enough water for our community today and in the future. The value of projects sponsored in 2009-10 is shown in Table 7.1.

TABLE 7.1 VALUE OF SPONSORSHIP

	07-08	08-09	09-10
Value of sponsorship for community environmental projects	$131,000	$172,500	$125,000

The total number of hits on the Hunter Water website is shown in Table 7.2.

TABLE 7.2 HITS ON THE HUNTER WATER WEBSITE

	07-08	08-09	09-10
Hits on the Hunter Water website	104,130*	96,000	116,313

* This number was averaged for the reporting period from 2 months data for 2007-08 due to the construction of the new website.

7.1.2 REPUTATION STUDY

Since 1987, Hunter Water has been formally and independently assessing its role, performance and practices through a survey of domestic customers, which is conducted every two years.
The Community Reputation Study measures and reports community perceptions in relation to social, ecological and environmental issues, thereby providing Hunter Water with an accurate gauge of community sentiment.

The Study undertaken in 2010 was revised from the way it had been conducted in previous years, which affects historical comparisons. In some sections of the 2010 study, a more simplified rating scale and new wording was adopted to help clarify the question and make the intent of the question clearer. Table 7.3 shows the public's perception of Hunter Water in the 2010 survey and its performance across the last four surveys completed.

TABLE 7.3 COMMUNITY AND CUSTOMER REPUTATION SURVEY RESULTS	
PERCEPTION	**COMMENT**
Overall performance of Hunter Water as a water utility in the Hunter Region	72%
Overall satisfaction with Hunter Water as water utility in the Hunter Region	62%
Supplies water that is safe to drink to my residence	850%
Effectively disposes of sewage so that it does not add to pollution	64%
Encourages the community to use water efficiently	71%
Hunter Water's management of the region's water resources	76%

8. financial INDICATORS

8.1 KEY PERFORMANCE INDICATORS

NWI-F11 Operating cost – water ($/property)
NWI-F12 Operating cost – sewage ($/property)
NWI-F13 Combined operating cost - water and sewage ($/property)
NWI-P1.3 Usage charge 1st step (water price)
OL CSD-1 Operating cost of water/ ML of water supplied
OL PD-1 Number of people residing in HWC area of operations (10 year trend)
OL PD-2 Proportion of people residing in HWC area of operations served by treated water
OL PD-3 Proportion of people residing in HWC area of operations connected to water and sewer

Table 8.1 outlines key financial indicators for Hunter Water. Table 8.2 shows the census data which is also summarised in Figure 8.1, which shows historical population growth. Table 8.3 shows the historical water price as set by IPART.

TABLE 5.4 COMPLIANCE WITH DECCW WASTEWATER TREATMENT PLANT CONDITIONS

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Operating cost of water ($/ML of water supplied)	--	--	--	--	--	611	610	628
Operating cost of water ($/property)	**177**	**178**	**193**	**195**	**211**	**186**	**184**	**190**
Operating cost of sewage ($/property)	184	180	190	217	228	259	271	305
Combined operating cost – water and sewage ($/property)	**350**	**347**	**373**	**401**	**427**	**431**	**456**	**495**

TABLE 8.2 CENSUS DATA

	07-08	08-09	09-10
Population in Hunter Water area of operations	522,415	527,557	537,631
Proportion supplied with treated water	**94.0%**	**94.0%**	**93.2%**

FIGURE 8.1 POPULATION SERVED BY HUNTER WATER

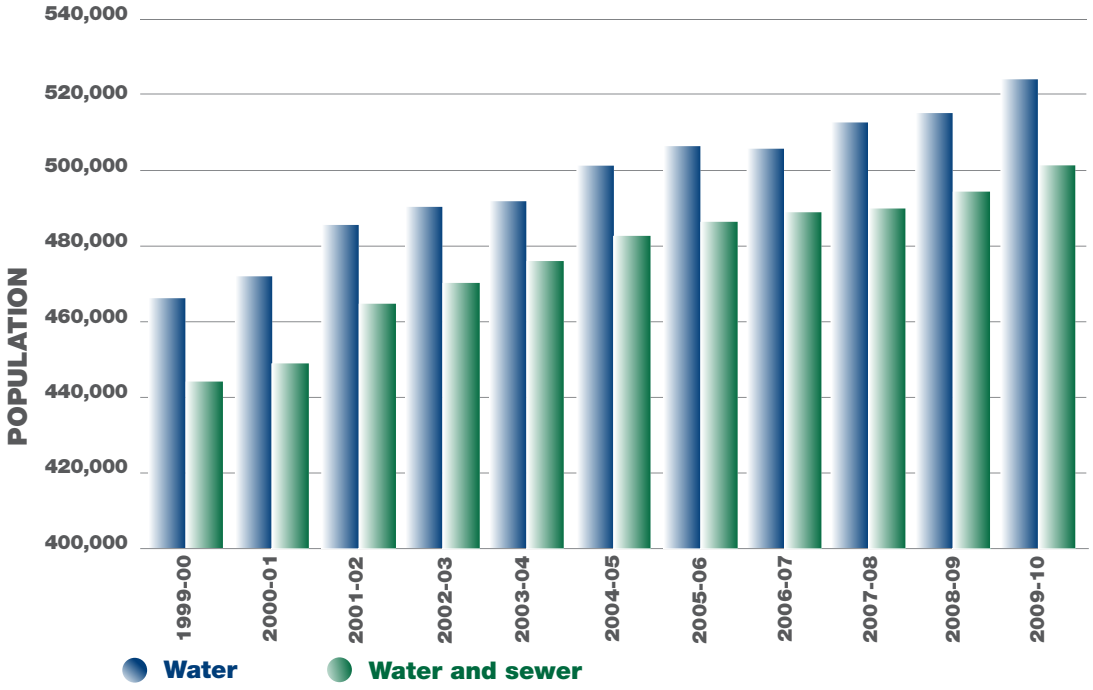


TABLE 8.3 HISTORICAL WATER PRICE

	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Residential water usage charges $/kL	0.94	1.01	1.01	1.09	1.14	1.20	1.27	1.57

These prices are set by the Independent Pricing and Regulatory Tribunal (IPART) and are outside the control of Hunter Water. Hunter Water has achieved full compliance with implementing IPART's determined prices for 2009-10.

9.hunter water environmental performance
INDICATORS REPORT CHECKLIST

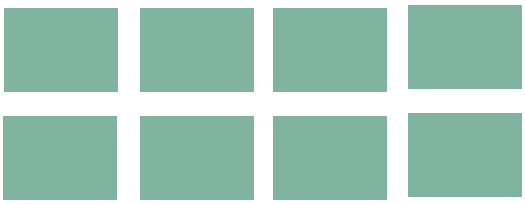
9.1 OPERATING LICENCE CHECKLIST

SECTION 7.1 ENVIRONMENTAL MANAGEMENT INDICATORS FOR 2007-08:		
SECTION IN LICENCE	**ITEM DESCRIPTION**	**COMPLIANCE**
Environmental Performance Indicators		
7.1.1	**HWC must publish on its internet website the latest Environmental Performance Indicators.**	**The latest EPI are available on the internet**
7.1.2	HWC must monitor, record, compile data and report on: • the Environmental Performance Indicators for the immediately preceding financial year; • any environment performance indicators specified in instruments that give effect to the National Water Initiative; and • EPI in any other instrument determined by IPART.	This report fulfils the requirements of this clause
7.1.4	**By no later than 1 September each year, HWC must report on its performance against the indicators in clause 7.1.2, in a manner to be approved by IPART.**	**Completed**
7.1.6	The report must provide information which enables a year to year comparison in relation to HWC's performance against the environmental performance indicators. In particular, HWC is to compare the indicators with historical annual values over at least the previous 10 years where comparable data is available.	Comparison to historical data was completed where historical data is available and/ or recorded in previous years.
7.1.7	**Environmental Performance Indicator Report is to be made available free of charge to the public via HWC's offices and website**	**The report will become available when finalised and submitted to IPART.**

9.2 ENVIRONMENTAL PERFORMANCE INDICATORS

SECTION 7.1 ENVIRONMENTAL MANAGEMENT INDICATORS FOR 2007-08:				
IDENTIFIER	**INDICATOR**	**DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)**	**REQUIREMENT SOURCE**	**LOCATION IN REPORT**
NWI-W1	Volume of water sourced from surface water (ML)	As at 2009, surface water sources are Grahamstown Dam and Chichester Dam. A potential future source will be Tillegra Dam.	NWI 2008-13 EMP	2.1.3
NWI-W2	**Volume of water sourced from ground water (ML)**	**As at 2009, ground water sources are Tomago, Lemon Tree Passage, Fingal Bay, Nelson Bay and Anna Bay.**	**NWI 2008-13 EMP**	**2.1.3**
NWI-W4	Volume of water sourced from recycling (ML)	Recycled water / water recycled - highly treated wastewater that can be used in industrial processes, for irrigation in agriculture, urban parks and landscapes, and in the home for flushing toilets, car washing and watering gardens. Includes onsite reuse at wastewater treatment plants.	NWI	2.1.3
NWI-W7	**Total sourced water (ML)**		**NWI 2008-13 EMP**	**2.1.3**
NWI-W11	Total urban water supplied (ML)		NWI 2008-13 EMP	2.1.5
NWI-W12	**Average annual residential water supplied (kL/property)**		**NWI OL Clause 9.1.1 2008-13 EMP**	**2.1.5**
NWI-W20	Volume of recycled water supplied – Residential (ML)		NWI	4.1.1
NWI-W21	**Volume of recycled water supplied – Commercial, municipal and industrial (ML)**		**NWI**	**4.1.1**
NWI-W22	Volume of recycled water supplied – Agricultural (ML)		NWI	4.1.1
NWI-W23	**Volume of recycled water supplied – Environmental**		**NWI**	**4.1.1**
NWI-W24	Volume of recycled water supplied – on site (ML)		NWI	4.1.1
NWI-W25	**Volume of recycled water supplied – Other (ML)**		**NWI**	**4.1.1**

IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
NWI-W26	Total recycled water supplied (ML)		2008-13 EMP	4.1.1
NWI-W27	**Recycled water – (per cent of effluent recycled)**	**Effluent – sewage/wastewater that has received all of the designed treatment processes at the relevant wastewater treatment plant. Excludes bulk water purchased.**	**2008-13 EMP**	**4.1.1**
OL RW-1A	Per cent of recycled water substituting potable water use (%)	As defined in National Performance Framework: urban performance reporting indicators and definitions, a handbook for WSAA members as current for the reporting period. Potable – suitable for drinking. Term used interchangeably with drinking water.	2008-13 EMP	4.1.1
OL RW-1B	**Recycled water substituting potable water use (ML)**	**Definitions as per OL RW-1A**	**2008-13 EMP**	**4.1.1**
OL WS-1	Quantity of water supplied by Hunter Water from each water storage (ML)	Water Storages are: Chichester Dam, Grahamstown Dam, Tomago Sandbeds, Anna Bay Sandbeds. As at 2009 Tillegra Dam is subject to planning approvals.	OL Clause 9.3.4 2008-13 EMP	2.1.4
OL WS-2	**Average annual residential water consumption (kL/capita)**	**5 year rolling average Per capita – for each head of population, using the figure derived in OL PD-1**	**2008-13 EMP**	**2.1.5**
OL WS-3	Industrial and commercial uses (ML)	Excludes use by large customers - As defined in operating licence, including clause 14.1. Data Source CIS premise types NRES-I, NRES-C and NRES-SU	OL Clause 9.3.8 (b) 2008-13 EMP	2.1.5
OL WS-4	**Consumption by large customers (ML)**	**Large customers – (Definition as per OL WS-3)**	**OL Clause 9.3.8 (c) 2008-13 EMP**	**2.1.5**
OL WC-1	Total volume of drinking water saved through water use efficiency (ML)	Drinking water - (Definition as per NWI-H5) Water use efficiency – includes programs funded, initiated or administered by Hunter Water such as recycled water substituting for potable water use, water loss minimisation programs and retrofit programs. Public disclosure of progress against water conservation initiatives occurs through the IWRP Performance Report, in compliance with Operating Licence Clause 9.2.18.	2008-13 EMP	3.1.3



IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
OL WR-1	Nature and length of each water restriction imposed	Water restriction - As defined in operating licence clause 14.1.	OL Clause 9.3.2	3.1.2
OL WR-2	**Criteria applied in determining whether to request imposition of a water restriction**	**Water restriction - (Definition as per OL WR-1)**	**OL Clause 9.3.3**	**3.1.2**

NWI ELEMENT: ASSET DATA				
IDENTIFIER	**INDICATOR**	**DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)**	**REQUIREMENT SOURCE**	**LOCATION IN REPORT**
NWI-A9	**Infrastructure Leakage Index (ILI)**		NWI 2008-13 EMP	3.1.1
NWI-A10	**Real losses (litres/service connection/day)**		NWI 2008-13 EMP	3.1.1
NWI-A11	**Real losses (kL/km water main/day)**		NWI 2008-13 EMP	3.1.1
NWI-A14	**Sewage breaks and chokes (number per 100 km sewer main).**	The number of sewage breaks and chokes in the sewage system managed by the corporation. Property connection breaks and chokes are to be included in this indicator.	NWI 2008-13 EMP	5.1.2
OL WL-1	**Water losses (litres/connection/day)**	**Water losses –** apparent losses plus real losses **Apparent losses –** unauthorised consumption and retail metering errors **Real losses –** As calculated in NWI-A8	2008-13 EMP	3.1.1
OL WL-2	**Water losses (kL/km water main/day)**	**Water losses –** (Definition as per OL WL-1) **Real losses –** As calculated in NWI-A9	2008-13 EMP	3.1.1

NWI ELEMENT: PRICING AND FINANCE				
IDENTIFIER	**INDICATOR**	**DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)**	**REQUIREMENT SOURCE**	**LOCATION IN REPORT**
NWI-F11	**Operating cost – water ($/ property)**		NWI 2008-13 EMP	8.1
NWI-F12	**Operating cost – sewage ($/ property)**		NWI 2008-13 EMP	8.1
NWI-F13	**Combined operating cost - water and sewage ($/ property)**		NWI 2008-13 EMP	8.1
NWI-P1.3	**Usage charge 1st step (water price)**	This indicator is referred to as **water price** in this report.	NWI	8.1
OL CSD-1	**Operating cost of water/ ML of water supplied**	Total operating costs of water only divided by total ML of water supplied (before losses)	2008-13 EMP	8.1

NWI ELEMENT: THE CUSTOMERS				
IDENTIFIER	**INDICATOR**	**DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)**	**REQUIREMENT SOURCE**	**LOCATION IN REPORT**
OL CPS-1	**Overall performance rating in Domestic Customer Perceptions Survey**	Based on Community and Customer Reputation Survey	2008-13 EMP	7.1.2
OL CPS-2	**Community acceptance of water supply standard**	Based on Community and Customer Reputation Survey	2008-13 EMP	7.1.2
OL CPS-3	**Community acceptance of household sewage disposal service**	Based on Community and Customer Reputation Survey	2008-13 EMP	7.1.2
OL CPS-4	**Attitudes towards water conservation**	Based on Community and Customer Reputation Survey	2008-13 EMP	7.1.2
OL WWS-1	**Annual number of sewage odour complaints generated from the sewage treatment plants or the sewage system**	According to the National Performance Framework: urban performance reporting indicators and definitions handbook, all calls received in regards to sewage odour is a complaint. Data is averaged over five years	2008-13 EMP	5.1.2

NWI ELEMENT: ENVIRONMENT				
IDENTIFIER	**INDICATOR**	**DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)**	**REQUIREMENT SOURCE**	**LOCATION IN REPORT**
NWI-E1	Per cent of sewage treated to a primary level	Based on dry weather flow (excludes wet weather bypass) in accordance with Department of Environment, Climate Change and Water (DECCW) Environment Protection Licences.	NWI	5.1.3
NWI-E2	**Per cent of sewage treated to a secondary level**	**As per NWI-E1**	**NWI**	**5.1.3**
NWI-E3	Per cent of sewage treated to a tertiary or advanced level	As per NWI-E1	NWI	5.1.3
NWI-E4	**Per cent of sewage volume treated that was compliant.**		**NWI**	**5.1.4**
NWI-E5	Number of sewage treatment plants compliant at all times.	Sewage treatment plant compliance - the number of scheduled samples that complied in the reporting period divided by the total number of scheduled samples in the reporting period.	NWI	5.1.4
NWI-E7	**Compliance with environmental regulator – sewage (yes/no)**	**Brief explanation if "no", such as the number and nature of non-compliances.**	**NWI**	**5.1.4**
NWI-E8	Per cent of biosolids reused (%)	Calculation Dry Tonnes - total mass of material in wet tonnes adjusted for moisture content. Excludes grit & screenings	NWI	5.1.6
NWI-E9	**Greenhouse gas emissions (tonnes CO2 -equivalents) – water (per 1000 properties)**	**Greenhouse gas emissions - include gases such as carbon dioxide, methane, nitrous oxide and other forms of air pollutants, that result from the burning of fossil fuels such as coal, natural gas or oil, which contribute to the warming of the Earth's atmosphere Calculation Based on methodology and tools outlined in Australian Greenhouse Office (AGO) Factors and Methods Workbook.**	**NWI 2008-13 EMP**	**6.1.4**
NWI-E10	Greenhouse gas emissions (net tonnes CO2 – equivalents) – sewage (per 1000 properties)			6.1.4

IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
NWI-E11	**Net greenhouse gas emissions (net tonnes CO2 – equivalents) – other (per 1000 properties)**			**6.1.4**
NWI-E12	Total net greenhouse gas emissions (net tonnes CO2 – equivalents) (per 1000 properties)			6.1.4
NWI-E13	**Sewer overflows reported to the environmental regulator (per 100km of main)**	**All sewer overflows as reported to DECCW during the year including those in the property service connections.**	**NWI 2008-13 EMP**	**5.1.2**
OL CM-1	Total number of trees planted	Trees may be planted as part of revegetation projects, bush regeneration activities or for the purpose of carbon sequestration. Shrubs planted will be also be included in the number. This indicator recognises all works on Hunter Water land and the works undertaken by or on behalf of Hunter Water on land that is not owned by Hunter Water, such as offsetting impacts to one area by rehabilitation or replanting at another area. Public disclosure of other catchment management activities, including their nature and associated expenditure occurs through publication of an annual Catchment Report, as defined in Operating Licence Clause 7.3.	2008-13 EMP	1.1.1

IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
OL WML-1	**Total number and nature of breaches of conditions under licences issued by NOW for water management**	**Water Management Licence includes Water Management Licence under Part 9 of the Water Act 1912 and Access Licences, Water Supply Works and Water Use approvals under the Water Management Act 2000. NOW - the NSW Office of Water**	**2008-13 EMP**	**2.1.1**
OL WML-2	Environmental Flows released from Dams (ML)	Environmental flows - natural flows or releases of water, intended to supply the environment's needs. Include environmental flows released from the dam and spills released through the outlet works and via the spillway Hunter Water has minimum flow release requirements in relation to water release from Chichester Dam as defined in Clause 3.3 of Part 9 Water Management Licence 20WM000020 (or as superseded).	2008-13 EMP	2.1.2
OL TW-1	**Annual number of trade waste inspections**	**Trade Waste - any waste water generated from or as a result of an industrial or commercial activity undertaken, other than at domestic or household premises. Total number is to include breakdown of minor and other inspections.**	**2008-13 EMP**	**5.1.1**
OL STC-1	Total number (and nature) of breaches of conditions relating to environmental impacts under DECCW sewage treatment system licences	Licence means a licence (for a scheduled activity) issued under the Protection of Environment Operations Act 1997 by DECCW for the purposes of setting standards and conditions for sewage or water treatment for a sewage system, WWTP, or water filtration plant.	2008-13 EMP	5.1.4
OL RWQ-1	**Percentage of samples complied with the recreational water quality guidelines as reported by DECCW's Beachwatch program.**	**Recreational water - a water body that is used for recreational purposes. Beachwatch - the DECCW run program responsible for monitoring and reporting on ocean beach water quality.**	**2008-13 EMP**	**5.1.5**

IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
OL BIO-1	Dewatered Biosolids Reused (Tonnes)		2008-13 EMP	5.1.6
OL BSI-1	**Total number of prosecutions and notices (including penalty notices) issued to Hunter Water under relevant environmental legislation.**	**Penalty notice - a notice to the effect that, if the person served with the notice does not wish to have a specified penalty offence dealt with by a court, the person may pay the penalty prescribed under section 227 for the offence.**	**2008-13 EMP**	**6.1.1**
OL BSI-2	Total number of prosecutions and notices (including penalty notices) under relevant environmental legislation issued to contractors engaged by Hunter Water.	Penalty notice – (Definition as per OL BSI-2) This indicator will report on breach notices which contractors inform Hunter Water were incurred whilst they were conducting works for the corporation. Each breach notice will be reported on the date that the contractor informed Hunter Water, not on the date the penalty was incurred.	2008-13 EMP	6.1.1
OL NOI-1	**Total number of noise complaints generated from Hunter Water's construction or operational activities.**	**The indicator will include complaints incurred by contractors conducting works for Hunter Water.**	**2008-13 EMP**	**6.1.2**
OL EC-1	Electricity consumption in buildings (kWh).	Buildings - Offices or depots owned by Hunter Water which are separately metered	2008-13 EMP	6.1.3
OL EC-2	**Electrical Energy Efficiency of water assets (kWh/ML and kWh/EP of water supplied)**	**Water supplied – (Definition as per OL CSD-1) EP – is population reported for NWI-C1**	**2008-13 EMP**	**6.1.3**
OL EC-3	Electrical Energy Efficiency of wastewater assets (kWh/EP of wastewater processed) .	Wastewater processed – Total volume of wastewater as measured at the wastewater treatment plant inlet works. EP – is population reported for NWI-C5	2008-13 EMP	6.1.3

IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
OL EC-4	Electricity consumption from renewable sources or renewable sources generated by Hunter Water expressed as a percentage of total electricity consumption.	Renewable sources - non fossil fuel sources including hydro electric generation, solar, wind or co-generation facilities.	2008-13 EMP	6.1.3
OL WM-1	**Solid waste generated (tonnes)**	**Solid Waste – includes waste from Hunter Water's offices, operations or from contractors, that goes to landfill facilities.**	**2008-13 EMP**	**6.1.5**
OL WM-2	Waste recycled or reused expressed as a percentage of solid waste generated	Re-use - the application of a diverted waste product to a subsequent use, which may be the same, or different from the original purpose, and which extends the life of the product, but without further manufacture.	2008-13 EMP	6.1.5
OL CL-1	**Number of sites under control of Hunter Water that present a significant risk of harm as defined under the Contaminated Land Management Act 1997**	**Contaminated land - definition in accordance with the Contaminated Land Management Act 1997, to mean the presence in, on or under the land of a substance at a concentration above the concentration at which the substance is normally present in, on or under (respectively) land in the same locality. The presence of this substance must also present a risk of harm to human health or any other aspect of the environment.**	**2008-13 EMP**	**6.1.6**
OL ET-1	Number of staff given environmental training	Environmental training - Training courses developed to give staff awareness and skills in a variety of environment related areas.	2008-13 EMP	6.1.7
OL EMP-1	**Progress against objectives and targets outlined in the 2008-13 EMP**	**2008-2013 Environmental Management Plan – Hunter Water has a 5 year EMP that sets objectives, actions and targets for Hunter Water's environmental programs. Each year a brief status report will be generated that reports upon progress on the EMP's stated actions and targets.**	**2008-13 EMP**	**Section 9.3**

IDENTIFIER	INDICATOR	DEFINITIONS & INTERPRETATION (HUNTER WATER CONTEXT)	REQUIREMENT SOURCE	LOCATION IN REPORT
OL CP-1	Value of sponsorship for community environmental projects		2008-13 EMP	7.1.1
OL CE-1	**Number of hits on Hunter Water website**		**2008-13 EMP**	**7.1.1**
OL PD-1	Number of people residing in HWC area of operations (10 year trend)	Based on extrapolation of census data	2008-13 EMP	8.1
OL PD-2	**Proportion of people residing in HWC area of operations served by treated water**	**Treated water - water that has undergone treatment at a Water Treatment Plant, where a Water Treatment Plant is defined as supplying a zone listed in NWI-H2.**	**2008-13 EMP**	**8.1**
OL PD-3	Proportion of people residing in HWC area of operations connected to water and sewer		2008-13 EMP	8.1

9.3 progress on achieving EMP COMMITMENTS

OL EMP-1 Progress against objectives and targets outlined in the 2008-13 EMP

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Goal 1: Protection of our drinking water catchments			
Continue to be involved in and support strategic initiatives to maintain and improve the ecological health and water quality of source waters	Continued involvement in developing and promoting best management farming practices along the Williams River	Finalise Project Report for Greswick Angus Demonstration Farm by end of 2008.	Final report was completed in 2008.
	Develop Land Management Implementation Plan for Hunter Water activities within drinking water catchment areas	Develop plan by end of 2008	The Hunter Water Catchment Management Plan is currently in the final stages of completion to be adopted by the end of 2010.
	Develop Plan of Management agreements with the Department of Environment and Climate Change in relation to the transfer of management responsibilities within Tomago, Tomaree and Stockton Groundwater Reserves	Plans of Management to be finalised by Dec 2009.	A Plan of Management for Tomaree has been completed, Hunter Water and DECCW are currently finalising a MOU for the Tilliegerry State Conservation Area.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Ensure that land use activities within the special areas do not present a risk to water quality	Continue to liaise with local Councils and the Department of Water and Energy to ensure that developments are consistent with Hunter Water (Special Areas) Regulation.	Comply with drinking water quality monitoring requirements in Operating Licence.	An internal development review system was implemented in 2009-10 to ensure that the (Special Areas) Regulation is considered for development applications received by Hunter Water. Regular interagency liaisons between Councils, the NSW Office of Water and other stakeholders to better inform developments in catchments has been occurring in 2009-10.
	Continued close liaison with agencies responsible for catchment protection to identify and support a range of priority actions to promote ecological health and improve water quality	Full compliance with Operating Licence requirements relating to catchment management	Regular interagency liaisons have incurred on a informal basis in 2009-10. This process of consultation will be formalised in late 2010 when the Draft Hunter Water Catchment Management Plan is provided for review and consultation with relevant stakeholders.
	Continued close liaison with agencies responsible for catchment protection to ensure that community education and incident response planning is well promoted and implemented.	Regular meetings with Department of Water and Energy, Councils and Catchment Management Authority	Hunter Water is a member of the Lower Hunter Bushfire Management Committee and works closely with the SES and Police for catchment protection.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Undertake measures that will promote ecological health and water quality within drinking water catchments	Undertake large scale tree planting activities within the HWC operational area including drinking water catchments	1.5 million native trees to be planted within catchment areas and within other locations of HWC operational area within the next ten years.	The cumulative number of trees planted since 2007-08 is 19,792.
Goal 2: Reliable supply of drinking water with minimal environmental impacts			
Comply with the requirements of the Water Management Licence, Water Access Licences and associated approvals	Operate, monitor and report in accordance with Water Management Licence, Water Access Licences and associated approvals requirements	Full compliance with Water Management Licence requirements – to view the licence requirements visit http://www.dnr.nsw.gov.au/	Please refer to section 2.1.1
	Prepare and implement a Sustainable Groundwater Extraction Strategy		Hunter Water is currently negotiating the details of a Sustainable Groundwater Extraction Strategy with the NSW Office of Water.
	Provide for water access and environmental flows in accordance with licence requirements.		Please refer to section 2.1.1
Maintain long term security and sustainability of water use for our growing number of customers	Prepare and seek environmental approvals for development of a dam at Tillegra, upgrades at Balickera Pump Station and improved connections in water supply with Central Coast	Full compliance with any relevant conditions of approval	Planning approval is pending from the NSW Government for the Tillegra Dam project. In 2009-10 an additional 2 pumps were added to the existing 6 at the Balickera Pump Station.
	As part of the planning for Tillegra Dam develop construction and operational environmental management plans that allow for the dam to be constructed and operated in a manner that minimises environmental impacts.	Develop a construction environmental management plan before commencing the construction of the new dam	Planning approval is pending for the Tillegra Dam project from the NSW State Government.
	Revise Integrated Water Resource Plan in consultation with the community.	Revise plan by end 2008.	The Integrated Water Resource Plan (H250) was finalised in late 2008 and placed on the Hunter Water website in February 2009.
	Take a regional perspective with regards to future water supply requirements	Hold regular discussions with Central Coast Councils and any other relevant councils in relation to ongoing water requirements	Through consultation with the Central Coast Councils Hunter Water understands that over the short term the Central Coast has no immediate need for additional supplies of water. In the medium term climate will drive any water needs, however over the long term the Mardi to Mangrove Pipeline Project on the Central Coast will reduce the potential need for water supplies to the Central Coast from Hunter Water.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Further development of drought contingency measures to ensure our customers never run out of water	If water storage levels fall below critical trigger points the Corporation will undertake environmental investigations and seek approvals regarding access to groundwater supplies at Tomago and North Stockton in the event of a severe drought	Commence investigations if the trigger nominated in the Drought Management Plan is reached.	Water storage levels have not fallen below critical trigger points.
	Investigate water recycling and capture options	Options paper by end of 2009	During 2009-10 the Lower Hunter Recycled Water Initiative was completed which sets out proposed new recycled water project to be implemented between 2010-2014.
Goal 3: Conserve water supplies by ensuring efficient water use			
Promote and implement water use efficiency programs	Revise Integrated Water Resource Plan including education programs in consultation with the community	Ensure that the 5 year rolling average for annual residential water consumption calculated for the financial year is equal to or less than 215 kilolitres	During 2009-10 the annual residential water consumption was 184 kilolitres, therefore the 5 year rolling average is 188 kilolitres and remains below the target of 215 kilolitres.
Implement water loss reduction where environmentally and economically feasible	Undertake leakage detection, water pressure management and water loss reduction programs	Undertake active leak detection for at least 4000km of water mains over the next 5 years	During 2009-10 a total of 1616km of leak detection was completed. Hunter Water has completed a total of 4529km of active leak detection and has now exceeded its target of 4000km by 2013.
Implement water recycling where environmentally and economically feasible	Proceed with planning for recycled water plant on Kooragang Island	Complete project planning & design by end of 2009	Concept design for the Kooragang Industrial Water Scheme (plant to be located at Steel River) is completed and it is expected that construction of the system will begin in late 2011.
	Explore the viability of dual reticulation water recycling opportunities for any new greenfield development within Hunter Water's area of operations	Commission Thornton North Dual Reticulation scheme by end of 2009. Develop framework for assessing the viability of dual reticulation for all new greenfield development by mid 2008	The scheme will proceed however due to a slowdown in activity by developers the timing of the commissioning has been deferred.
	Seek additional water recycling initiatives where environmentally and economically feasible and socially acceptable	Increase recycled water usage from 4000ML/yr in 2007 to 8000ML/yr in 2013 (includes both direct and indirect reuse)	In 2009-10 Hunter Water supplied 5654ML of recycled water and remains on track to meet the target of 8000ML/yr in 2013.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
	Implement targeted community education for all new water recycling initiatives	Communication plans in place for each new scheme at least 6 months prior to commissioning	Communication plans will be put in place when new recycling initiatives are commissioned.
Goal 4: Manage Hunter Water's storm water and wastewater infrastructure to ensure healthy waterways, clean beaches and clean air			
Dispose of wastewater in an environmentally sustainable manner	Operate, monitor and report in accordance with DECCW licence requirements	Full compliance with DECCW licences	Out of the 15 annual returns submitted to DECC in 2009-10, 14 had effluent that was in full compliance with the conditions specified in the relevant licences. Hunter Water was 99.13% compliant with DECCW licence conditions.
Reduce environmental and community impact of overflows from the wastewater systems	Prepare and implement Upgrade Management Plans for each wastewater system		All wastewater systems except Dungog and the Clarence Town Waste Water Treatment Works which is currently under construction, have Upgrade Management Plans in place.
Cater for growth across the Lower Hunter by planning and upgrading wastewater treatment facilities	Implement major upgrades for treatment plants over the next ten years	Meet DECCW Pollution Reduction Program Commitments and not be an impediment to proposed regional growth centres	Hunter Water successfully completed 8 Pollution Reduction Program tasks in 2009-10 with a further 26 currently on track to be achieved. Hunter Water is currently investigating a potential non-compliance in the Glenrock State Conservation Area relating to the construction of a pressure assisted gravity sewer.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Monitor the health of our waterways and beaches	Continue environmental monitoring of receiving inland and ocean receiving waterways and involvement in the DECCW Beachwatch program.	Full compliance with beach water quality specified by DECCW under the program	Hunter Water was 100% compliant with beach water quality as specified by DECCW under the Beachwatch program.
		Review and publicly report on Inland & Ocean Monitoring Programs by end of 2009	Hunter Water has completed a review of the ocean monitoring program and is currently negotiating a new monitoring program with DECCW. The inland monitoring program is currently under review and will be finalised during 2009-10.
Manage storm water assets to improve environmental outcomes	Continue to implement relevant actions from the Storm Water Environmental Improvement Plans	Implementation of the Storm water Environmental Improvement Plans	In 2009-10 Hunter Water donated $29,000 to the CMA for storm water projects. The Storm Water Environmental Improvement Plan will be revised over the next 12-18 months.
Manage trade waste to ensure no adverse impacts on the sewage system, treatment plants or effluent.	Commence regular inspections of minor trade waste customers. Implement a risk based approach to inspection and sampling of major customers.	400 minor customer inspections per annum	Hunter Water completed 428 minor trade waste inspections in 2009-10.
Maximise beneficial reuse of biosolids where environmentally and economically acceptable	Operate in accordance with the Biosolids Strategy and Implementation Plan which outlines minesite rehabilitation and pasture improvement as the two primary end uses in the medium term.	100 % reuse of all dewatered biosolids.	In 2009-10 5123 tonnes of biosolids were reused, representing 104% of total biosolids. The additional 4% was taken from a stockpile of biosolids from the previous financial year.
Manage odour production from our wastewater treatment plants and systems	Monitor odour complaints received to enable proper assessment of need for odour control actions.	Number of Complaints to remain under 250 complaints (annual average over 5 years).	A total of 117 odour complaints were received in 2009-10 taking the 5 year annual average to 236.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Goal 5: Minimise the environmental impacts of HWC's infrastructure projects			
Conservation of natural resources	Undertake appropriate environmental assessment for applicable new infrastructure and relevant operational activities	Full compliance with environmental legislation	Environmental impact assessments were completed for all relevant projects in 2009-10.
	Develop procedures and training in accordance with the Corporate Environmental Management System to ensure project managers and contractors are aware of environmental responsibilities		261 staff were given relevant environmental training throughout 2009-10.
	Incorporate environmental requirements into contracts		Environmental requirements are built into all relevant contracts. Several process improvements have been made during 2009-10.
Conservation of cultural heritage	Undertake appropriate indigenous and non-indigenous heritage assessments		Heritage assessments have been undertaken for all relevant projects.
Minimise impacts on community	Undertake appropriate consultation and community impact assessment for applicable new infrastructure and relevant operational activities	Full compliance with safeguards nominated in impact assessment process	An environmental audit of the capital works program indicated a high level of compliance with safeguards. It is however an area that will require a high level of management, monitoring and audit over the next few years due to the expanding capital program.
		Undertake periodic customer surveys to gauge satisfaction with Hunter Water.	A Reputation Survey was undertaken in 2009-10 which had valuable feedback for Hunter Water.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Goal 6: Promote efficient use of resources and minimisation of waste			
Minimise the environmental impact of HWC's use of energy and greenhouse gas emissions	Develop Greenhouse Gas Emissions Strategy including initiatives that will offset greenhouse gas emissions	Strategy developed by end of 2008.	The Greenhouse Gas Strategy was developed and approved in 2009. Works currently being completed under this strategy include the development of Greenhouse Gas cost abatement curves.
	Develop and implement energy savings plans for major facilities	Develop energy savings plans for top 10 energy use facilities by mid 2008 and implement 75% of identified savings by 2013	Energy savings plans for all major facilities have been developed and savings of 3953mWh were achieved through implemented projects in 2009-10. Work is continuing on identifying and implementing further energy saving initiatives across Hunter Water sites.
	Develop incentive program for Hunter Water to take up fuel efficient fleet cars	Programs in place by 2009	Hunter Water has implemented a scheme for its executive vehicles that mandates that new fleet meet 3.5 stars as per the green vehicle guide as a minimum. An incentive scheme has also been implemented to encourage the selection of vehicles that are 4 stars and above.
	Explore potential for greater use of LPG gas and bio-diesel fuel alternatives		No specific progress has been made in this area. Opportunities for bio-diesel may eventuate.
Implement HWC's Waste Recycling and Purchasing Policy (WRAPP)	Develop a recycled materials strategy, including initiatives that will reduce the use of virgin extracted natural materials	Strategy in place by end of 2009	The recycled materials strategy was developed completed in 2001/10.
	Undertake a study to investigate the potential to increase the amount of recycled materials used for new infrastructure projects	Study completed by end of 2010	As part of the recycled materials strategy an investigation into the use of recycled materials within new infrastructure projects was also completed.
Goal 7: Responsibly manage our land and property assets			
Conserve our heritage	Develop register for Hunter Water's heritage assets	Finalise register by end of 2008	In March 2010 a consultancy was awarded to a heritage consultant to develop a register of Hunter Water's heritage assets. This project will be completed in September 2010.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Effective land management	Develop and maintain contaminated sites register	Develop register by mid 2008	In June 2010 Hunter Water engaged a consultant to develop a preliminary Contaminated Sites Register and Management Strategy. The register will be maintained and updated over time.
	Continue weed and feral animal control programs for land under our control	Report annually on land management activities	Weed and feral animal control is managed and reported on within the Catchment Report which is a separate annual operating licence report.
	Undertake bush regeneration and land contamination assessments when appropriate		Bush regeneration and land contamination assessments are managed and reported on within the Catchment Report which is a separate annual operating licence report.
Assets and facilities are maintained in a manner aesthetically acceptable to the community	Undertake landscaping programs in association with upgrades of operational facilities	Landscaping plans for new infrastructure including specified maintenance periods.	Restoration requirements are built into all relevant construction contracts.
	Aesthetics to be factored into asset design	Review implementation of Hunter Water's aesthetics policy by 2010	Hunter Water's Aesthetics policy has been loaded onto its internal intranet (under policy manuals) and can be found on TRIM (its internal document management system) and so is readily accessible to all staff.
Goal 8: Contribute to sustainability and environmental awareness within the community			
Develop partnerships with the community	Maintain a sponsorship program which provides support to relevant community environmental initiatives.	Call for applications for sponsorship program annually	A call for applications for sponsorship of relevant community environmental initiatives was completed in 2009-10 and Hunter Water provided total sponsorship of $125,000.
	Participate in the Together Today program which will support research and development of water and energy saving initiatives as well as raising awareness and educating the broader community of better ways to save and use our valuable resources.	Measurable reductions in per capita use of energy and water across the Hunter	Hunter Water is a foundation member of Together Today and continues to be an active member on the board, the business development committee and the marketing and communications committee. Hunter Water actively participated in Together Today activities such as Earth Hour as well as running customer service advertisements focused on water efficiency over summer.

OBJECTIVES	ACTIONS	TARGETS	2009-2010 PROGRESS
Continue to inform the community of the Corporation's activities and its impact on the environment.	Utilise Open Board, the Consultative Forum, media, Annual Reporting, Hunter Water website, Hunter Water's community newsletter, open days, school curriculum support materials and other information packages.	Conduct biennial customer surveys to gauge customer satisfaction.	Residents of the Hunter Valley were surveyed in regards to water management in February 2010. A community and customer reputation survey was also completed in 2010, and customer satisfaction results are also collected from a monthly transaction monitor.
	Consult with stakeholders and the community in relation to operational activities and infrastructure projects		
Report on environmental performance	Include environmental reporting in the Hunter Water Annual Report and report annually on key indicators.	Annual Report and Environmental Performance Indicator Report to be posted on the Hunter Water website by end of November each year.	The Annual Report and Environmental Performance Indicator Report was completed and posted on the website in September 2009. The 2009-10 Report will be posted on the website in September 2010.
Goal 9: Continue to improve environmental management practices and promote an environmentally responsible culture			
Report on environmental performance	Maintain and continually improve the Corporation's Environmental Management System	Management review of Environmental Management System every year	An audit of the Hunter Water Environmental Management System was completed in 2009-10. As a result, an EMS improvement plan was developed and will be implemented over the next two years.
An environmentally aware and committed workforce	Rolling program of targeted environmental training for staff	100 people put through environmental training each year.	A total of 261 Hunter Water staff were given environmental training in 2009-10.
Environmental awareness and proven performance from our contractors	Environmental inductions and preparations of site specific Environmental Management Plans mandatory for all construction works that can affect environment	Full compliance	Environmental inductions and preparation of site specific Environmental Management Plans were completed for all construction works. Hunter Water's capital works program has been growing and therefore this has been a strong focus in 2009-10.
Audit environmental performance	Periodically undertake internal and external audits of environmental requirements and systems	Independent audit of Corporate Environmental Management System every 5 years and minimum of 2 internal environmental audits each year	During 2009-10 three environmental audits were completed for capital works, waste management and environmental management system. All audits have been reported through to the Board Audit and Risk Committee with actions assigned and in various stages of implementation.