



2010-11
annual report

20 October 2011

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The Hon Gregory Stephen Pearce, MLC
Minister for Finance and Services
Minister for the Illawarra
Parliament House
Macquarie Street
Sydney NSW 2000

The Hon Michael Bruce Baird, MP
Treasurer
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister and Treasurer,

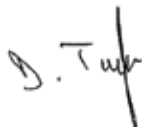
We have pleasure in submitting the Hunter Water Corporation 2010-11 Annual Report for the financial year ended 30 June 2011, for presentation to the Parliament of New South Wales in accordance with the Annual Reports (Departments) Act 1985.

The 2010-11 Annual Report provides an overview of our key performance and highlights, as well as the consolidated financial statements for Hunter Water Corporation, including our subsidiary company Hunter Water Australia.

Key features of this report include highlights of our dynamic performance culture and commitment to operational excellence.

Hunter Water will make the 2010-11 Annual Report available electronically at www.hunterwater.com.au following acceptance of this report in the Parliament of New South Wales.

Yours sincerely,



Dean Taylor
Acting Managing Director



Ron Robson
Chairman

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about this report

This report outlines Hunter Water's activities and performance from 1 July 2010 - 30 June 2011.

It covers highlights from the year, as well as reports from our Board and General Management Team.

We have provided our financial reports, further statistical information and performance against regulatory frameworks. We also report on the activities of our subsidiary Hunter Water Australia.

open and collaborative

We are committed to being open and collaborative. This Annual Report is an example of how we seek to be transparent in our decision making and operations.

This report and others can be found at www.hunterwater.com.au or by calling 1300 657 657.



operations at a glance

- 227,695 properties connected to the water network
- 215,748 properties connected to the wastewater network
- 67,100 megalitres of water supplied
- 4,674 megalitres of recycled water supplied
- 4,898 kilometres of watermains
- 4,730 kilometres of sewer mains
- 287,515 megalitres capacity of raw water sources
- 123 water pump stations
- 418 wastewater pump stations
- 5 water treatment plants
- 18 wastewater treatment works
- 135,009 customer contact centre telephone calls answered
- 240,332 visitors to our website
- 481 employees
- \$199 million spent on capital works infrastructure projects.

financial highlights

- Total revenue was \$253 million
- Operating expenditure was \$102 million
- Net profit before tax was \$32 million
- Total assets at the end of 2010-11 were valued at \$3,537 million
- Net borrowings were \$821 million at the end of 2010-11
- Net cash flows from operating activities were \$70 million during 2010-11.





about hunter water

who we are

Hunter Water is a State-owned Corporation providing water and wastewater services to over half a million people in the lower Hunter region. There are 227,695 properties connected to the water network and 215,748 to the wastewater network. Our total assets are valued at approximately \$3.5 billion.

Our area of operation covers 5,366km² with a population of 560,603 in the local government areas of Cessnock, Lake Macquarie, Maitland, Newcastle, Port Stephens, Dungog and small parts of Singleton.

We deliver an average 184 megalitres (one megalitre equals 1 million litres) of water per day. Our raw water sources are Grahamstown Dam (190,000 megalitre capacity), Chichester Dam (21,500 megalitres), Tomago Sandbeds (60,000 megalitres) and Anna Bay Sandbeds (16,000 megalitres).

We collect, treat and deliver drinking water to our customers and then transport, treat and dispose of the region's wastewater.

Our water consistently meets quality guidelines for drinking water set by the National Health and Medical Research Council.

Our 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.

our people

Over 480 people worked at Hunter Water during the 2010-11 year to deliver great results for the communities of the lower Hunter. Our staff worked side by side with contractors, alliance members, stakeholders and the community to ensure a sustainable water future for our region.

our history

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.

regulation

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 the shareholders, the NSW Government.

These objectives and business performance targets are incorporated in our Strategic Business Plan, which focuses on four key areas of customers, environment, operational excellence and performance culture to provide clear direction for our future.



MD and Chairman's report



> Ron Robson and Dean Taylor

The underlying theme across our operations in 2010-11 has been working with our stakeholders, customers and the community as one team.

This year we successfully launched our new Customer Contract, following a periodic review by the Independent Pricing and Regulatory Tribunal (IPART) in consultation with Hunter Water, our customers and key stakeholders. The new contract came into effect on 1 July 2011 and includes an innovative new rebate policy to support customers in hardship.

Our commitment to working in partnership with major developers and customers has continued to be a key focus over the past 12 months. Introducing account managers for our major customers has enabled us to be proactive in understanding and responding to the issues and challenges impacting development projects and the industry as a whole.

More than 100 regional developers, major customers and development and planning industry identities recently took the opportunity to exchange ideas and information with us at our annual Developer Forum.

An important focus for us moving forward is working with the community, stakeholders and government agencies on a new water plan to secure a sustainable water future for the lower Hunter. The Lower Hunter Water Plan is being coordinated by the Metropolitan Water

Directorate of NSW Department of Finances and Services in collaboration with Hunter Water.

The plan is looking at solutions that can help our region meet the needs of a growing population and make it resilient to drought. Our collaborative approach will ensure that whatever the outcome, it will be the best solution for the lower Hunter community.

In May, the Hunter Treatment Alliance celebrated two years of successful wastewater treatment upgrade projects. Significant milestones so far for the program include commissioning the \$43 million Burwood Beach Wastewater Treatment Works (WWTW) Stage 2 upgrade, and the Paxton and Branxton WWTTWs, which are the first plants in the region to use cutting edge membrane bioreactor technology.

This is the first time Hunter Water has implemented an alliance model to deliver a suite of complex projects, ensuring faster project delivery and standardisation across multiple related projects. The knowledge and experience gained from the Alliance program will be applied to our future projects.

This year a partnership with Ausgrid to install key water and power infrastructure at the same time has helped reduce disruptions for the local community. The partnership, which developed from stakeholder consultation with local utilities and local government, is a first for Hunter Water and Ausgrid.

In the pursuit of sustainability we finalised our Catchment Management Plan, which sets clear priorities for collaboration across stakeholder groups to ensure safe drinking water for our region. We also partnered with local councils to help the community save water via a series of highly successful showerhead exchange days and launched our first water bottle refill station in conjunction with Lake Macquarie City Council.

In just two years, we have also implemented a series of greenhouse gas abatement projects that have resulted in greenhouse gas emissions reductions of almost 3,000 tonnes, or about 55 million black balloons of emissions.

Through our Community Funding Program we continued to support lower Hunter community groups in a range of environmental and social initiatives. This year our fundraising efforts in conjunction with Newcastle's Honeysuckle Business Precinct raised an incredible \$55,000 for the Leukaemia Foundation's World's Greatest Shave, making us the second highest fundraiser in NSW and among the top 10 fundraisers nationally.

Our people are our most important asset – without them, achievement of our business goals would not be possible. In 2010-11 we continued our focus on fostering a high performance business culture in which our people are motivated, achievement focused and work collaboratively as one team. With our continued focus on zero harm we are achieving great outcomes in safety and this year we saw a 40 per cent reduction in field staff manual handling injuries.

By working with our customers, stakeholders and community we will continue to ensure we deliver the best outcomes for both Hunter Water and our community.

Dean Taylor
Acting Managing Director

Ron Robson
Chairman

After seven years as Managing Director for Hunter Water, Kevin Young was appointed as Managing Director of Sydney Water in June 2011. Kim Wood has been appointed as Hunter Water Managing Director and will commence the role in November 2011.

Corporate governance describes the system by which our Corporation is directed and managed.

It includes how we define and manage achievement of our objectives, how we manage relationships with our shareholders and how we communicate with our stakeholders including our customers, employees, regulators and suppliers.

At Hunter Water we believe that establishment and adherence to good corporate governance encourages the Corporation to create value through achieving its objectives, providing accountability in actions and maintaining control of systems against any risks involved in its business.

board management

Under the Hunter Water Act 1991, our Board comprises nine members including the Managing Director together with a Chairperson and seven independent Directors appointed by the Voting Shareholders of the Corporation.

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.

Our Board of Directors is central to our corporate governance structure. The Board oversees our policies, management and performance. It sets our strategic direction and ensures we achieve our business and regulatory commitments.

Details of our Board of Directors for 2010-11 are available on page 8 of this report.

board committees

The Board receives advice from a number of different channels, one of which is the Board committees. A summary of the key role for each committee is listed here:

audit and risk committee

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

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

In fulfilling its purpose, the committee's objectives are to:

- Review the integrity and quality of the financial information to be provided to the shareholders and the public
- Review the systems and processes that management has in place to identify and manage areas of significant risk, including financial risk

- Review the effectiveness of both the internal audit function and the Corporation's external auditors
- Oversee Hunter Water's fraud and corruption control policies and plans.

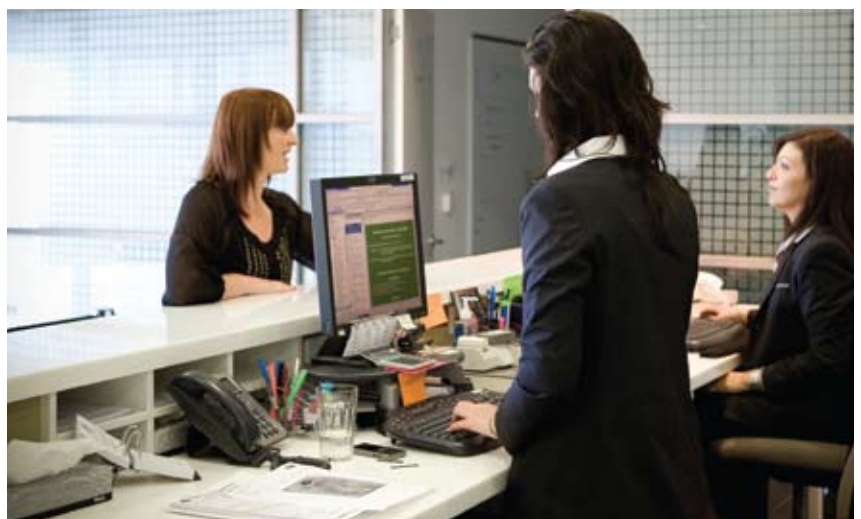
Risk management is an ongoing process essential to the vast majority of tasks performed at Hunter Water.

We have in place a system of internal controls to mitigate the risks faced by our business. The Hunter Water 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 also facilitates review and quarterly updates to the risk profile as part of the Enterprise Risk Framework. Regular reports are provided to this Committee on the results of both audits performed and Risk Profile updates.

remuneration committee

This committee provides overall guidance and endorsement of strategies for succession planning of key management roles and endorsement of overall remuneration strategy.



> Newcastle customer centre

corporate governance

corporate governance committee

This committee oversees the strategic direction and business performance of the Corporation. Where appropriate and relevant in Hunter Water's circumstances, voluntary compliance is made with the principles and recommendations of the ASX Corporate Governance Council in the most recent edition of its ASX Corporate Governance Principles and Recommendations.

capital works committee

This committee assists the Board by providing strategic overview of the capital works and research and development programs. This includes provision of a strategic overview of our longer term capital program and the monitoring of progress and post-completion with major items of capital works as they are undertaken.

community, environment and sustainability committee

This committee assists the Board in providing direction and monitoring of strategic plans and initiatives which may affect the sustainable use of resources and delivery of services arising from our operations in the context of its trading, social and natural environment. The committee helps to ensure we continue to maintain a proactive and strategic approach in relation to community, environment and sustainability.

major customers committee

This committee provides direction on strategic and commercial parameters associated with business dealings with major customers.

out of session committee

This committee has been delegated authority to exercise the powers and authority of the Board, on matters outside the normal Board meeting. All matters reviewed by this committee are subject to full Board review at its next meeting.

consultative forum

The Consultative Forum is an opportunity for two-way, open communication on our activities with local councils, community representatives and important stakeholders.

Established in 1989, the Forum works to a Charter and its representatives provide us with advice on customer and consumer interests in relation to the requirements of our Operating Licence.

The Forum consists of representatives from six local councils as well as representatives of major customer, environmental and community groups. Meetings are held in March, June, September and December of each year.

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, serious or substantial waste and have a range of avenues and methods for reporting. These methods are in accordance with the requirements of the NSW Public Disclosures Act 1994 (formerly the Protected Disclosures Act).

records management

We have an established Records Management program that complies with the NSW State Records Act 1998 and its regulations. We currently use HP TRIM as our electronic document management system and hardcopy records are stored as appropriate at head office or offsite storage.

In accordance with the Government Information (Public Access) Act 2010, we 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 accountability for our decision making.



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

operating licence

Our Operating Licence is administered by the Independent Pricing and Regulatory Tribunal of NSW (IPART) and is issued by our Portfolio Minister.

The Operating Licence is our overarching regulatory instrument and sets out operating responsibilities, system and service standards and customer rights. It also establishes frameworks for drinking water quality, infrastructure performance, environmental management and water supply and demand management. Our Customer Contract also forms part of the Operating Licence.

Our current Operating Licence came into effect on 1 July 2007. Since this time, the NSW Government has made amendments to the Licence, which include adding Dungog Shire to our area of operations in 2008, introducing new system performance standards for water continuity, water pressure and wastewater overflows to apply from July 2010, and implementing a new Customer Contract which came into effect on 1 July 2011.

During 2011, IPART commenced a periodic review of the Operating Licence and a new licence will take effect on 1 July 2012.

IPART conducts an annual independent audit to assess our compliance with the Operating

Licence. The audit assesses our performance in meeting the service standards and other conditions of the licence. The results of audits and reviews are made available on IPART's website upon completion.

Our performance against the conditions set out in the Operating Licence is outlined throughout this report. A full copy of the Operating Licence is available on our website.

pricing

Our overall pricing structure is periodically reviewed and determined by IPART. Our most recent price determination sets the prices for four years and came into effect in July 2009. The next price determination process will be carried out from 2012 and will come into effect from July 2013. The applicable pricing during 2010-11 is listed in the statistical information pages of this report.

Further details on pricing can be found on our website, and information about the price determination process can be found on IPART's website.

wastewater systems

The Office of Environment and Heritage is responsible for the issue of licences under the Protection of the Environment Operations Act 1997 for our 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

We extract water from the Williams, Paterson and Allyn Rivers as well as groundwater sources under conditions set out in licences issued by the NSW Office of Water. These licences are issued under the Water Act 1912 and Water Management Act 2000. Further information about the water access licensing arrangements can be obtained from the NSW Office of Water's website.

drinking water quality

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

Under our Operating Licence, we are required to comply with the guidelines to provide a solid foundation for assessing drinking water quality.

We also work closely with NSW Health through the Memorandum of Understanding (MoU) to ensure that all current and emerging issues associated with drinking water quality are identified and assessed.

Area of regulation	Regulator/Stakeholder	Regulatory instrument/s
Pricing, operations, service standards, customer protections	Independent Pricing and Regulatory Tribunal of NSW (IPART)	<ul style="list-style-type: none"> Operating Licence Price Determination Customer Contract
Obligation to shareholders	NSW Treasury	Statement of Corporate Intent
Wastewater licensing	Office of Environment and Heritage (OEH) <i>Part of the NSW Department of Premier and Cabinet</i>	Environment Protection Licences
Water extraction licensing	NSW Officer of Water (NOW) <i>Part of the NSW Department of Primary Industries</i>	Water Management Licences
Drinking water quality	NSW Health	Memorandum of Understanding

our board at 30 June 2011



our board comprises the Managing Director and eight independent directors, one of whom is the Chairperson, appointed by the shareholders.

The Board oversees our policies, management and performance. It sets strategic direction for our organisation and ensures we achieve our business and regulatory commitments.

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

We have 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 Audit and Risk committees play a key role in setting our corporate governance culture.



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) and was the Chairman of the Regional Land Management Corporation Pty Ltd (prior to it being wound up).

He is also a Director of Robson Health Care Pty Limited, Chairman of Australian Film and Pipe Pty Ltd, Chairman of Banlaw Pipeline Pty Ltd, Chairman of Cromford Pty Ltd, Chairman of CopperChem Pty 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 ceased being the Managing Director on 29 July 2011. Mr Young was also a Director of Hunter Water Australia Pty Limited until 29 July 2011. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities.

Mr Young is the Chairman of the Water Services Association of Australia. He is a Director on 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.



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 (Australia) and Umwelt Services Pty Ltd, 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 Limited. Mr Chappel is a former Managing Director of Connell Wagner and former Chairman of the Australian Underground Construction & Tunnelling Association.

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

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 a Director 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 (NSW), PhD (Newcastle), FTSE, Hon FIE Aust, 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 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 (Sydney), MBA (Newcastle), GAICD

Ms Gardner was appointed as a Director on 1 July 2008. Ms Gardner is the former Newcastle Managing Partner of Sparke Helmore Lawyers and previously sat on the National Board of that firm. Previously she also 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 a Member of the Advisory Board to the Faculty of Business and Law at the University of Newcastle, a Director of Hunter United Employees Credit Union and a member of the HMRI Foundation.



Ms Gardner has wide experience in the operational and strategic management of a successful professional services business.

Jeff Eather B.Com (Newcastle), CPA, FCIM, MAICD

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



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

Cristina Cifuentes B Ec (Sydney), LLB (UTS) (Hons)

Ms Cifuentes was appointed as a Director on 1 February 2011. She is a public policy and investment markets professional, with over 25 years experience in economics, policy and finance. She is currently a Board Member of the Australian Energy Regulator, a Trustee Director of First State Super, Director of the NSW Treasury Corporation (the State's central borrowing authority), an Independent Member of Perpetual Multi Manager Investment Committee and a Member of the Australian Institute of Superannuation Trustees Governance Committee. She has extensive experience as a non-executive director with a strong background in corporate governance; strategic and budget planning; audit and risk management and compliance.



Ms Cifuentes has spent many years in the public sector formulating and implementing government policy across a range of areas including regulated utilities, superannuation, corporations law and finance.

organisational structure



Jim Keary
BE, MBA, FIE Aust, CPEng,
FAICD
General Manager
Hunter Water Australia



Dean Taylor
B Com, MEBM, CPA, OMIE Aust,
GAICD
Acting Managing Director
Hunter Water Corporation

Board

Board committees



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
- Network Delivery Team
- Treatment Delivery Team



David Davies
BE Civil, DipMgmt
**Relieving General Manager
System Operations**

- Civil Services
- Electrical/Mechanical Services
- Network Operations
- Treatment Operations
- Technical Information



Stephen Phillips
ADipEng, GDipMgmt, GDipACG, MBA,
MComLaw, JP, FCIS, FAICD
**General Manager
Customers & Commercial
Development**

- Business Operations
- Customer Services
- Product and Business Development
- Service Development
- Strategic Projects



John O'Hearn
B Comm, FCPA, GAICD
**General Manager
Business Services
Relieving Company
Secretary**

- Corporate Services
- Finance
- Information & Communication Technology
- Relieving Secretariat



Joanne Martin
B Bus
**General Manager
People & Change**

- Occupational, Health & Safety
- Human Resources
- Organisational Development
- Business Improvement

Our commitment to providing value for money, sustainable water and utility services for our customers, stakeholders and the community has been the driving force behind many of the initiatives implemented in 2010-11.

system, strategy and sustainability

Record investment in new infrastructure is providing opportunities to implement new decision making tools to better incorporate social, sustainability and environmental considerations into the organisation's decision making processes. Hunter Water's Greenprint for a Sustainable Urban Water Future has been developed as a strategic framework that will allow our organisation to outline its vision for sustainable urban water management in the Hunter.

Our water efficiency efforts have seen the organisation named as a finalist in the Savewater national awards. And in just two years we have implemented energy efficiency projects that have resulted in greenhouse gas emissions reductions of almost 3,000 tonnes, or about 55 million black balloons of emissions.

In addition, our finalised Catchment Management Plan provides clear priorities to better protect our catchments and ultimately will enable more effective collaboration with all catchment stakeholders.

people and change

One year into our new OHS Strategy and wellbeing is still a priority for us. A record number of teams entered this year's Global Corporate Challenge demonstrating our staff's eagerness to participate in workplace safety and wellbeing activities to improve their health.

This year we also commenced the formation of our new Business Improvement function which will provide visibility of business improvement activities across the organisation and enhance consistency in enterprise portfolio prioritisation, resourcing, reporting and benefits tracking.

These initiatives support our continuing Performance Culture journey in line with the implementation of our new Achievement Plan templates and commitment to individual development planning and building leadership capability.

business services

Our Business Services team continued to deliver a range of support services to the organisation including a review of our ICT focus and capability to ensure alignment with business expectations. ICT have provided increased support and assistance to field staff through new technologies, in-field user support and extended help desk hours.

In 2010-11 we successfully launched our new intranet site and began the process of transforming business processes and systems around our major assets and information management systems.

We also continued our strong focus on spend optimisation initiatives, knowledge management and management of the property portfolio.

system operations

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

New technologies, including GPS and Motion tablets have been rolled out across field staff to further improve our customer service response, asset management capability and worker safety.

New technology has been introduced for communication with over 800 operational assets such as reservoirs and pumping stations. The new 4G system will provide a significant increase in capability compared to the analogue radios that have been in service for over 20 years.

In 2010-11, we also upgraded our Incident Control Room with increased level of audio visual equipment and connectivity, which has improved capability to manage large incidents.

customers and commercial development

Our Customers and Commercial Development team maintained a strong focus on increasing the value of the service we deliver to our community.

A new approach for our Contact Centre was achieved with a specialised, local external provider now managing this service and best practice call centre standards being provided to our customers.

Our customer service teams have also streamlined processes to more effectively resolve enquiries in the first call.

infrastructure delivery

Significant benefits were delivered to our customers and the environment through the delivery of \$199 million of infrastructure, representing a new level of capital investment.

We are on track at the half way mark to deliver our 4-year Price Path investment of \$700 million. A commitment to safety, the environment and the community combined with a one team effort across the organisation sees the delivery of a successful infrastructure program.

business strategy and communications

In 2010-11 we successfully finalised our new Customer Contract, following a periodic review by the Independent Pricing and Regulatory Tribunal (IPART) in consultation with Hunter Water, our customers and key stakeholders. The new contract came into effect on 1 July 2011 and includes an innovative new rebate policy to support customers in hardship.

We also launched the new Hunter Water website, which is an important link to our customers and the community. With its vibrant new look, intuitive navigation and interactive features, the new website is making it easier and faster for our customers to find the information they need.

customers



year at a glance

As a service provider, we aim to be regarded by our customers as a supplier of choice.

During 2010-11 we have succeeded in generating excellent outcomes for our customers as a result of our consistent commitment to customer service.

New people, processes, products and initiatives implemented throughout the year have been geared to communicating and collaborating effectively with our customers and stakeholders.

highlights

- Achieved overall customer satisfaction of 90 per cent for the year.
- Our new Customer Contract was successfully implemented with an innovative new rebate policy adopted.
- Launch of the new Hunter Water website www.hunterwater.com.au complete with interactive major projects map.
- Helping our customers and the community save water and money through a range of water efficiency initiatives, including the showerhead exchange and toilet replacement programs.
- Changed to a specialised, local external Contact Centre service provider to enable greater flexibility and improvement in the delivery of our customer services.
- Launched our Quarterly Solutions newsletter for major customers and introduced round table planning sessions with major developers.
- Commenced work on the Lower Hunter Water Plan in collaboration with the Metropolitan Water Directorate to secure our region's water supplies in drought and for the future.
- Through our Community Funding Program, we teamed up with Newcastle's Honeysuckle Business Precinct to raise an incredible \$55,000 for the Leukaemia Foundation World's Greatest Shave, making us the second highest fundraiser in NSW and among the top 10 fundraisers nationally.



customer contract

A periodic review of the Hunter Water Customer Contract was undertaken this year by the Independent Pricing and Regulatory Tribunal of NSW (IPART) in consultation with Hunter Water, our customers and key stakeholders, and came into effect on 1 July 2011.

Our previous Customer Contract had been in place since 2003 and an opportunity to provide improved clarity and further benefits to our customers was identified. The review process involved widespread consultation including discussions with staff in key customer roles and went on to consult with our customers, key stakeholder groups, the Public Interest Advocacy Group (PIAG) and the Energy and Water Ombudsman of NSW (EWON).

A survey was also conducted with our customer panel, primarily to gauge customer views on service rebates. Outcomes from this work were presented to the Hunter Water Consultative Forum to seek further input into the development of the Customer Contract.

The key changes include improved definition of the responsibilities of Hunter Water and our customers, new service rebates, enhanced customer service and support provisions, and better clarity in general.

Providing excellent service is as important to us as our other key priorities of protecting the environment, protecting public health and operating as a successful business. We are pleased with the results of the new Customer Contract and more importantly, believe it is a positive outcome for our customers.

partnership approach

Our commitment to working in partnership with major developers and major customers has been a key focus over the past 12 months.

The introduction of dedicated account managers for our major customers

has enabled us to be proactive in understanding and responding to the key issues and challenges impacting development projects and the industry as a whole.

Facilitated by our account managers, we have also introduced round table planning sessions enabling early issues identification and opportunities for major customers and key stakeholders to share information to achieve innovative and cost effective solutions.

More than 100 regional developers, major customers and development and planning industry identities took the opportunity to exchange ideas and information with us at our annual Developer Forum in July 2011.



> Developer Forum 2011

Development partnerships secured in 2010-11 include:

- Significantly reducing reliance on valuable drinking water, including a \$48 million recycled water scheme in collaboration with The Vintage which will allow for up to 410 megalitres of recycled water to be delivered to businesses each year.
- Bringing several businesses together on growth planning at Williamstown achieved security of supply for the region through a collaborative approach for funding of an extensive wastewater treatment scheme.

- Negotiating tailored bond arrangements with development partners has enabled regional development to proceed in the face of financial pressures created by the Global Financial Crisis.

We will continue working closely with our major customers and developers through open communication via our Quarterly Solutions newsletter and delivering consistently superior levels of customer service through our account management strategy.

securing our water future

A new water plan is being developed to secure our region's water supplies in drought and for the future.

The Lower Hunter Water Plan is being developed by the Metropolitan Water Directorate, in the NSW Department of Finances and Services, in collaboration with Hunter Water and other agencies.

The plan is looking at solutions that can help our region meet the needs of a growing population and make it through a drought without running out of water.

Water supply in the lower Hunter is vulnerable to drought – our dams fill quickly but they empty quickly as well. Our water levels drop faster than most other major Australian urban centres during drought because we have shallow water storages and high evaporation rates. The NSW Department of Planning has also predicted that our community will increase by an extra 160,000 people by 2031.

Government agencies are working together on the plan to consider a range of options to secure our region's water supply including demand management, recycling, stormwater harvesting, desalination, and surface water and groundwater sources.

The plan will be developed in consultation with the community

customers

and stakeholders. An Independent Advisory Panel including experts with local knowledge of the lower Hunter region will also oversee development of the plan. This will ensure that whatever the outcome, it will be the best solution for the lower Hunter community.

supporting our community

Each year we support lower Hunter community groups in a range of environmental and social initiatives through the Hunter Water Community Funding Program.

Under this program, our community grants are renewed every 12 months to enable us to provide an immediate boost to local projects that address environmental, water and social issues in the lower Hunter, while also building a network of community partners that share our vision for a sustainable future.

In 2010-11 we were pleased to continue our long-standing affiliation

with some of Newcastle's most vital community services including Hunter Surf Life Saving, Hunter Wetlands Centre Australia, Surfest and the Hunter-Central Rivers Catchment Management Authority.

We also teamed up with Newcastle's Honeysuckle Business Precinct, including NIB, GHD, Sparke Helmore and Hansen Yuncken, for the Leukaemia Foundation's World's Greatest Shave fundraiser. This year the Precinct raised an incredible \$55,000 making us the second highest fundraiser in NSW and among the top 10 fundraisers nationally.

Through our employee funding initiative we encourage our staff to participate in community activities that reflect our core values, including the Sparke Helmore Triathlon, local ocean swims and adventure races.

Together we can achieve more and we are pleased to be involved in important initiatives directly benefitting the community through water conservation, sustainability, environmental and social outcomes.

consulting with our customers and the community

When improving our services and developing infrastructure for our growing region, we are consulting with our customers and community to ensure we achieve the best outcomes for both Hunter Water and the community.

Our Community Consultation team works closely with our infrastructure project managers to support community and stakeholder engagement during infrastructure planning, decision-making and delivery.



> Burwood Beach community open day

The team works to build relationships with our customers and local communities, providing proactive information about projects and ways we are minimising the impacts. Just as each capital works project is different, community consultation is also tailored to understand and address the needs of the local community and stakeholders for each project.

In 2010-11 our consultation activities have ranged from Community Reference Groups, the Hunter Water Consultative Forum, community information sessions and open days



> We are a proud supporter of Surfest's Stars of the Future

to doorknocking, letterbox drops and information updates on our website.

We held a series of community open days at our wastewater treatment works, including our Paxton and Burwood Beach plants. These open days provided a great opportunity for the community to tour our newly upgraded facilities and gain insight into the treatment process. Most importantly, they provided a chance for community members to ask questions and offer feedback face-to-face.

This year we also established the Burwood Beach Community Reference Group (CRG) to provide input to the Burwood Beach Wastewater Treatment Works Stage 3 upgrade project. Comprising an independent chair and eight members from a broad cross-section of the community, the CRG is helping us to identify the issues that need to be considered as part of the upgrade planning process and is being used to provide feedback on preferred options. The CRG held its first meeting in July 2010.

In 2010-11 the Hunter Water Consultative Forum also continued to provide valuable feedback on key issues facing our organisation and customers regarding infrastructure projects, environmental programs, sustainability and customer bills. Established in 1989, the Consultative Forum is an advisory body made up of key community representatives from across the lower Hunter.

resolving customer concerns

Continuing on a downward trend, we reduced total customer complaints in 2010-11 to 7.54 complaints per thousand properties. This result was a great outcome and met our target of 13 complaints per thousand properties.

We also achieved a solid performance in turn-around times to close complaints with 90 per cent of

complaints provided a substantive response within 10 days.

During 2010-11 we continued to focus on improving our complaint handling performance by analysing complaints to understand the gaps in meeting the needs and wants of our customers.

One initiative from this analysis is the Damage to Your Property information packs which are now available to customers on request if they have experienced damage at their property as a result of an operational failure.

These packs assist customers to quickly and easily lodge an application for compensation and are available via a number of channels such as field staff, Customer Centres or our Contact Centre.

connecting online

This year we launched our new website at www.hunterwater.com.au

With a vibrant new look and intuitive navigation, the site is making it easier and faster for our customers to find the information they need. A range

of online forms also provide our customers with a new way to connect with us and make account enquiries.

Another exciting new feature on the site is our interactive major projects map, providing a visual snapshot of our infrastructure projects in the lower Hunter. Our customers and community can use the map to learn more about the projects improving services in their local area.

Other utilities are also using the map to identify opportunities to align their projects with our works. One such partnership has already been realised in our collaboration with Ausgrid on the Branxton Irrigation Water Scheme works.

Our website is an important link to our customers and the community, providing information about our services and operations.





year at a glance

At Hunter Water we are in the environment business – we intervene directly with the water cycle and like most businesses our everyday actions and decisions also have the potential to impact on the environment.

Great water savings have been achieved from water loss, leak detection and water efficiency programs. And in just two years, Hunter Water has implemented abatement

projects that have resulted in greenhouse gas emissions reductions of almost 3,000 tonnes.

Our record investment in new infrastructure is presenting opportunities to implement new decision making tools to better incorporate social, sustainability and environmental considerations into our decision making processes.

highlights

- Through the implementation of energy efficiency projects, we have exceeded our energy savings targets. Since 2008-09 we have delivered \$1.769m in cost savings. Ongoing, our efforts will save 3,098 tonnes per annum of greenhouse gas (GHG) emissions and 3,480 megawatt hours (MWh) each year.
- Our toilet replacement and showerhead exchange programs have been extremely popular and resulted in significant water savings. Major water savings have also been realised from improved efficiency of water use in some of our own assets.
- Our water saving efforts saw Hunter Water named as a finalist in the Savewater national awards and schools sponsorship.
- Our Lower Hunter Recycled Water Initiative was launched and will help to save up to 3.7 billion litres of drinking water per year.
- Through the Smart Grid, Smart City project our smart meter trial to raise awareness of water and energy use is well underway.
- As a foundation member of the Together Today project we are working with lower Hunter organisations on a range of initiatives that are helping our community reduce its environmental impact.
- We finalised our Catchment Management Plan, which provides clear priorities to better protect our catchments and will enable more effective collaboration with all catchment stakeholders.
- Our Heritage and Conservation Register was endorsed by the NSW Heritage Council.



lower hunter recycled water initiative

Our Lower Hunter Recycled Water Initiative is the culmination of several years work on sustainably managing urban water in the lower Hunter.

Working in partnership with three major developers, the Initiative comprises six recycling and greenhouse gas offset projects that will be delivered between 2010 and 2014.

The \$97 million program will save up to 3.7 billion litres of valuable drinking water a year, which is about 5 per cent of our region's annual drinking water.

Greenhouse gas emissions resulting from the Initiative will be fully offset saving 3,900 tonnes of carbon emissions a year.

The Initiative includes construction of the Kooragang Industrial Water Plant, which will provide 9 megalitres of high quality recycled water each day to industrial customers on Kooragang Island. Expected to be fully operational by late 2014, the plant is the largest ever recycled water project undertaken in the lower Hunter.

An education facility will also be constructed at the plant to help raise awareness of sustainable urban water management in the lower Hunter.

Once complete the Lower Hunter Recycled Water Initiative will lift our annual wastewater recycling rate from 9.6 per cent to around 15 per cent, helping to improve water security in our region.

keeping our drinking water clean

A safe and reliable water supply begins in our catchments. The quality of water stored in our dams and sandbeds greatly affects the quality and cost of water delivered to the community.



> Grahamstown catchment

We are working with the community and a range of stakeholders including the Catchment Management Authority, local governments, regulators, the agricultural sector and landowners, to keep our catchments clean.

We have developed a long term Catchment Management Plan for protecting and improving water quality in our rivers and catchments.

The plan identifies activities that can be better controlled to manage risks to drinking water quality from climate change, development and population growth in a rapidly growing lower Hunter.

The Catchment Management Plan provides clear priorities for collaboration across stakeholder groups to ensure safe drinking water for our region.

towards an energy efficient future

We worked hard this year to transform our approach to energy management and greenhouse gas reduction with energy efficiency projects coming to the fore in many of our operational areas.

Since 2008-09 our energy efficiency projects have resulted in approximately \$797,000 per annum in recurring cost savings and \$972,000 in one-off cost savings. Ongoing,

our efforts will save 3,098 tonnes per annum of greenhouse gas (GHG) emissions and 3,480 megawatt hours (MWh) each year.

The upgrade of our largest treatment plant Burwood Beach Wastewater Treatment Works will save 1,250 MWh of energy each year with the plant using 5,560 MWh in 2010-11. This saving equates to 1,158 tonnes of GHG emissions and \$161,000 in cost savings each year.

The upgrade, completed in partnership with the Hunter Treatment Alliance, was driven by growth and a need to improve operating stability to reliably achieve operating licence requirements. Both these actions would normally increase energy use but Hunter Water and the Alliance were able to make 'whole of life' decisions so energy use actually went down.



> Burwood Beach wastewater treatment works

helping our community save water

This year we implemented a range of successful water efficiency initiatives to help our community save water.

The Showerhead Exchange program, which was a joint effort between Hunter Water and lower Hunter councils, encouraged residents to swap their old water guzzling showerhead for a new water efficient model.

Almost 2,000 residents swapped their old showerheads, helping to save over 34 million litres of water and 568 tonnes of greenhouse gas emissions per year.

The New Loo for You toilet replacement program was another popular initiative with residents and saw over 1,700 single-flush toilets replaced with new 4-star dual flush toilets. This is estimated to save the region over 40 megalitres of water per year.

Now in its second year, the 2011 Business Water Savers program provided participating businesses with simple, cost effective measures to improve their water efficiency.

The program has saved participating businesses over 620,000 litres of drinking water per year and involves qualified plumbers conducting a detailed audit of the businesses'



> Installing the new 900mm watermain into the existing system at Shortland

water usage and providing recommendations for retrofits, costs and payback periods.

pipeline reclaimed for future projects

Sustainability was a key success factor to the upgrade of the Tarro to Shortland section of the Chichester Trunk Gravity Main.

Usually decommissioned pipe and construction waste are removed from

the site for waste or scrapping but thanks to an innovative approach the old pipe will serve a purpose again.

By working closely with our pipe supplier Tyco, the old Chichester Trunk Gravity Main pipe is being re-used as scrap metal to manufacture new pipe for our future projects.

The transportation of the old pipe was coordinated with other Hunter Water pipe deliveries to utilise otherwise empty trucks on return journeys to Tyco. This helped reduce the number of trucks on the road and lower greenhouse gas emissions.

This reuse initiative is minimising the environmental impact of our major infrastructure projects, promoting waste minimisation and efficient use of resources, and ultimately providing cost savings for our customers.

The environmental benefits alone from re-using the Tarro to Shortland pipe section include saving more than 5,800 litres of fuel, 225 gigajoules of energy (or 65.2 kilowatt hours) and more than a tonne of carbon emissions.



> Hunter Water's Business Water Savers Award presented to Morisset Multipurpose Centre at the 2011 Hunter Business Chamber Awards



year at a glance

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 not only meets environmental standards but increasingly meets and exceeds customer expectations.

To achieve this we are focused on driving 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.

highlights

- Delivered 2010-11 operating budgets in line with IPART targets.
- Record \$199 million investment in capital works projects delivered on time and to budget.
- The Hunter Treatment Alliance completed over \$100 million of work at three of our largest wastewater treatment plants – Burwood Beach, Branxton and Paxton.
- Significant improvements were undertaken to the water supply system in Dungog and Port Stephens with the construction of two new reservoirs.
- Improving the wastewater transfer system by installing new sewer mains and upgrading a number of wastewater pump stations across Maitland and Morpeth.
- Constructing a new sewage system for over 400 Clarence Town properties.
- The introduction of updated field-based computing technology for our field staff is set to improve worker safety and efficiency.
- Significant upgrades to our Telemetry Network over the last twelve months has set the framework for future innovation and efficiencies in ensuring we continue to meet the expectations of our customers at lowest whole of life cost.
- Launched our interactive major projects map on the Hunter Water website to enable customers and stakeholders to learn more about our capital works and providing an opportunity for utilities and councils to identify and align with our works.
- Water and sewer complaints decreased by 8 per cent.



operational excellence

branxton-vintage project

Hunter Water is providing recycled water to the Vintage Golf Club, Branxton Golf Club and farmers in the Cessnock area through a \$48 million recycled water scheme under the Lower Hunter Recycled Water Initiative.

This recycled water scheme has seen a major upgrade of the Branxton Wastewater Treatment Works and installation of 10km of recycled water pipeline to provide a reliable water supply for irrigation.



> The Vintage Golf Club

This scheme will allow for up to 410 megalitres of recycled water to be delivered to businesses each year. The Vintage appreciates the operational security this project provides in supplying just over 300 megalitres of recycled water that will be used for irrigation of its golf course, hotel lawns and residential reserves.

The use of recycled water within the Branxton community will provide economic opportunities for recycled water customers, reduce the amount of water extracted from local waterways by these customers and reduce the volume of treated effluent discharged to local waterways.

project success for dungog and anna bay

The new \$12 million clear water tank next to Dungog Water Treatment Plant was completed in June 2011.

With a 30 megalitre storage capacity, the new tank can hold up to six hours of treated water in the case of a plant shutdown, providing greater reserves of treated water for our customers living in Dungog, Cessnock, Maitland and Newcastle.

The upgrade marks a significant boost to the treated water reserves for residents in these towns, having increased the plant's storage capacity up to five times.

The Anna Bay reservoir was also completed and will provide additional water supply capacity to cater for the rapidly growing population within the Tomaree Peninsula, as well as fluctuations in population during the holiday period.

These projects are part of our unprecedented \$700 million capital works program of new infrastructure projects including pipes, mains, pumping stations, reservoirs, treatment plants and water recycling facilities that will provide a better service to the community.

innovative alliance celebrates two years of success

In May 2011 the Hunter Treatment Alliance celebrated two years of successful wastewater treatment upgrade projects.

Hunter Water formed the Hunter Treatment Alliance (the Alliance) in March 2009 with Abigroup and CH2M Hill, to deliver significant upgrades to 13 of its wastewater treatment works (WWTW) across the lower Hunter.

The Alliance is a strategic partnership to achieve value for money and share knowledge through a cooperative procurement and project delivery group.

The program of works nominates 13 wastewater treatment upgrade projects with a combined value of around \$240 million to be undertaken over a five year period.

After two years of operation, work is underway on seven of the 13 projects and construction is complete on three of the projects – Paxton, Branxton and Burwood Beach WWTW – with commissioning successfully undertaken at these plants.



> Anna Bay reservoir works in progress

To date over \$100 million has been spent against the \$240 million program budget. The completed wastewater treatment works upgrade projects have been delivered within the approved timeframes and budgets.

Significant milestones for the program include commissioning the \$43 million Burwood Beach WWTW Stage 2 upgrade, and the Paxton and Branxton WWTWs, which are the first plants in the region to use cutting edge membrane bioreactor technology.

The alliance model has allowed delivery of a suite of complex projects on time, which ensures faster project delivery and standardisation across multiple related projects. The knowledge and experience gained from the Alliance program is being captured by Hunter Water staff and will be applied to future Hunter Water projects.



hunter water and ausgrid join forces

A partnership between Hunter Water and Ausgrid to install key water and power infrastructure at the same time has reduced disruptions for the local community as part of a major recycled water project.

The Branxton Irrigation Water Scheme project saw electrical conduits installed during the construction of a 10km recycled water pipeline along Wine Country Drive in Branxton.

The partnership, which developed from stakeholder consultation with local utilities and local government, is a first for Hunter Water and Ausgrid.

The simultaneous activities will save the local community and key tourism area the inconvenience of another trench construction project in the future. Additional benefits to Hunter Water and Ausgrid include cost and time savings, and improved customer relations.

Each year the Branxton Irrigation Water Scheme will send up to 410 megalitres of recycled water from the newly upgraded Branxton Wastewater Treatment Works to local golf clubs and farmers for use on their greens and fairways.

The scheme will also deliver a number of environmental benefits by reducing the amount of water extracted from local waterways for irrigation, as well as the volume of treated wastewater discharged into nearby waterways from the Branxton Wastewater Treatment Works.

innovation and cost saving

The major upgrade of the Branxton Wastewater Treatment Works incorporated several innovative technologies to improve plant efficiencies and reduce upgrade costs.

The upgrade was undertaken by the Hunter Treatment Alliance comprising Hunter Water, Abigroup and CH2M Hill and has seen the first use of the innovative membrane bioreactor technology for wastewater treatment in the lower Hunter.

Using membrane bioreactor technology replaced the need for several components in the original plant design, including a bioreactor and membrane filtration plant. This provided an estimated cost saving of \$3 million and a 10 per cent reduction in energy consumption over the life of the plant.

Completed in March 2011, the upgrade has significantly increased the plant's capacity from 5,000 people to 13,000 people in the townships of Branxton, East Branxton and Greta.

It will also provide an average of 250 megalitres a year of safe and reliable recycled water to the Vintage Golf Course under the Lower Hunter Recycled Water Initiative.

The installation of the 10km recycled water pipeline from the plant to the Vintage commenced in February 2011 and is due for completion by October 2011.



> Works in progress at Branxton wastewater treatment works

performance culture



year at a glance

Our people are our most important asset – without them, achievement of our business goals would not be possible.

In 2010-11 we continued our focus on improving our safety record, as well as fostering a high performance business

culture in which our people are motivated, achievement focused and work cooperatively and collaboratively as one team. Integral to this in coming years is successful management of knowledge sharing.

highlights

- Launch of our new intranet, known as the Reservoir, which is changing how our employees communicate and share knowledge across Hunter Water.
- Achieved a 40 per cent reduction in field staff manual handling injuries.
- Knowledge sharing initiatives were successfully implemented and embedded in our daily work routines to ensure the retention of critical knowledge for future operations.
- In support of our continued health and wellbeing focus, we launched our corporate gym membership program and a record number of staff joined the Global Corporate Challenge.
- Precision Safety Leadership training was provided to all our people managers.
- Provided support and financial assistance to 52 employees working towards formal qualifications.
- Provided additional development opportunities for our Trainee Technical Officers and young engineers through enhancement of our rotation program.



building meaningful partnerships

For over 10 years we have been running our Hunter Water Mentoring Program, which sees more experienced employees guide and advise less experienced colleagues.

The program is an important leadership and management development initiative that nurtures internal relationships and facilitates knowledge transfer and employee skill development.

The 2010 program saw 26 mentors and mentees participate from across all areas of Hunter Water with many cross-divisional partnerships made.

Being involved was a great opportunity for mentors and mentees to practice and hone their feedback, listening and questioning skills, as well as provide and receive expert advice to increase the likelihood of reaching their professional goals.



> Mentor Rob Main with mentee Ashleigh Killingly

While informal mentoring is undertaken every day at Hunter Water, feedback from the structured program has been very positive with both mentors and mentees benefiting professionally from the partnership.

One of our 2010 mentees described the program as one of the most important personal development experiences that they had experienced, while another mentee felt the program provided a new perspective to their thinking and how they saw the organisation.

Mentors also found value in their mentoring partnerships, saying it was satisfying to be able to share their knowledge and experience with others within Hunter Water.

increasing our skills and capability

In 2010-11 we worked towards achieving improved learning outcomes through new initiatives including online learning, blended learning, competency based training and education assistance.

Central to learning and development at Hunter Water is our employee development plan – a tool for employees and their managers to work together to set development goals and activities for the year that will contribute to performance improvements.

This year we also rolled out the first of our highly interactive online learning modules, with the first module covering Code of Conduct. We also worked with 52 employees to undertake formal qualifications, all of whom received education assistance

through our Education Assistance Policy.

Another of our main priorities has been developing our leadership and management capability by providing our managers with behavioural focused training in safety, managing performance, team effectiveness, 360 degree feedback and communication.

This, along with the Leadership Competency framework and our development plans, allows us to target and prioritise the most pressing development needs in order to effectively build the skills and capabilities of our people.

capturing and sharing knowledge

Organisations worldwide are grappling with knowledge loss as the baby boomer generation approach the end of their working careers. For many organisations, the next decade will see 50 per cent of their long term workforce leave, creating a need to work with these employees to pass on their critical knowledge.

Hunter Water finds itself in this very position and in 2010-11 we worked with consultant Sage Co and our staff to trial an approach designed to identify and capture knowledge from our retiring employees.

The approach involved identifying the knowledge that colleagues relied on



performance culture

from retiring employees and posed a risk to operations when the employees retired. A broad range of people from across the organisation provided input to identify areas of dependence and were involved in workshoping various techniques for knowledge transfer. The workshops were successful in providing a forum for open discussion among staff that would not normally come together. They also provided visibility of the people who may be able to assist with this critical knowledge in the future.

In addition, a number of knowledge areas were created and housed in separate knowledge capsules made accessible through our organisation's new intranet.

While focused activities such as these may be necessary in the short and medium term, our long term goal is to embed knowledge transfer techniques into our daily work routines so they build and change to reflect the way our organisation operates.

connecting our people

Our new intranet Reservoir is changing how our employees communicate and share knowledge across the organisation.

Reservoir is a one-stop-shop for information and tools for those working at Hunter Water. It includes policies, forms, publications, maps and links to a range of tools commonly used by staff. Staff can also find information about our organisation, teams, projects, assets, and safety and personal development initiatives.

The standout features are the new interactive tools that are changing how our staff communicate internally. These include discussion boards, forums, calendars, staff directory and our Managing Director's Blog. These tools are making it easier than ever before for our staff to connect with each other to share information and advice.

think safe, work safe, live safe

At Hunter Water we are achieving great outcomes in safety, which is testimony to our growing safety culture encouraging a healthy balance between personal wellbeing, safety and work satisfaction.

In 2010-11 our Occupational Health and Safety (OHS) Team worked with our employees and contractors to implement improved strategies for safety management as well as on ground support and coaching.

Through the provision of Safety Behaviour Leadership training for all supervisors and managers, we have been able to nurture and gain further commitment to our safety value Think Safe, Work Safe, Live Safe.

This year we saw a 55 per cent reduction in the rolling employee Serious Incident Frequency Rate. Gains were made in partnerships with our contractors, particularly the Hunter Treatment Alliance who returned a result of zero lost time injuries. Also as a result of support from the OHS team and changes made following a Continuous Improvement project, we achieved a 40 per cent reduction in field staff manual handling injuries.

Continuing to build on our health and wellbeing focus, we introduced our Fitness Passport, which is a partnership with local gyms and swimming pools. Over 130 employees have signed up to the program and feedback has been extremely positive.

We saw a record number of 14 teams join the Global Corporate Challenge, the world's largest corporate health initiative aimed at improving the fitness levels of office workers. This year our teams walked a total of 138,400,364 steps – a massive 88,576.23 kilometres, which is like walking around the world twice.



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company particulars

directors

Mr	R	Robson	Chairman
Mr	K	Young	Managing Director until 29 July 2011
Ms	B	Crossley	
Mr	R	Chappel	
Mr	G	Kennedy	
Mr	J	Eather	
Prof.	A	Page	Until 30 June 2011
Ms	J	Gardner	Until 30 June 2011
Ms	C	Cifuentes	Appointed 1 February 2011

company secretary

Mr D Taylor

auditors

Audit Office of New South Wales

bankers

Commonwealth Bank of Australia

Hunter Water Corporation and Controlled Entity

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 2011.

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:

Mr	R	Robson	Chairman
Mr	K	Young	Managing Director until 29 July 2011
Ms	B	Crossley	
Mr	R	Chappel	
Mr	G	Kennedy	
Mr	J	Eather	
Prof	A	Page	Until 30 June 2011
Ms	J	Gardner	Until 30 June 2011
Ms	C	Cifuentes	Appointed 1 February 2011

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 (Hunter Water'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 former Director of the Hunter Development Corporation, a Director of Robson Health Care Pty Limited, Chairman of Australian Film and Pipe Pty Ltd, Chairman of Banlaw Pipeline Pty Ltd, Chairman of Cromford Pty Ltd, Chairman of CopperChem Pty Limited and Patron of Newcastle/Hunter Valley Rugby Union.

KJ Young B Eng, MBA, FIE Aust, CPENG, FAICD

Mr Young was appointed Managing Director on 19 July 2004 and ceased being the Managing Director on 29 July 2011. Mr Young was also a Director of Hunter Water Australia Pty Limited until 29 July 2011. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. Mr Young is the Chairman of the Water Services Association of Australia. He is a Director on 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) and Umwelt Services Pty Ltd, 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.

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

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 a Director 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 (Newcastle), CPA, FCIMA, MAICD

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

AW Page ASTC, BE (NSW), PhD (Newcastle), FTSE, Hon FIE Aust, 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 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 (Sydney), MBA (Newcastle), GAICD

Ms Gardner was appointed as a Director on 1 July 2008. Ms Gardner is the former Newcastle Managing Partner of Sparke Helmore Lawyers and previously sat on the National Board of that firm. Previously she also 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 a Member of the Advisory Board to the Faculty of Business and Law at the University of Newcastle, a Director of Hunter United Employees Credit Union and a member of the HMRI Foundation. Ms Gardner has wide experience in the operational and strategic management of a successful professional services business.

CP Cifuentes B EC (Sydney), LLB (UTS) (Hons)

Ms Cifuentes was appointed as a Director on 1 February 2011. She is a public policy and investment markets professional, with over 25 years experience in economics, policy and finance. She is currently a Board Member of the Australian Energy Regulator, a Trustee Director of First State Super, Director of the NSW Treasury Corporation (the State's central borrowing authority), an Independent Member of Perpetual Multi Manager Investment Committee and a Member of the Australian Institute of Superannuation Trustees Governance Committee. She has extensive experience as a non-executive director with a strong background in corporate governance; strategic and budget planning; audit and risk management and compliance. Ms Cifuentes has spent many years in the public sector formulating and implementing government policy across a range of areas including regulated utilities, superannuation, corporations law and finance.

meetings of directors

	Board meetings		Committee meetings			
	A	B	Audit & risk		Corporate governance	
	A	B	A	B	A	B
R Robson	11	12	4	4	3	3
B Crossley	12	12	3	4	3	3
R Chappel	11	12	*	*	*	*
G Kennedy	6	12	*	*	*	*
K Young	12	12	*	*	3	3
J Gardner	11	12	4	4	3	3
A Page	10	12	*	*	*	*
J Eather	12	12	4	4	*	*
C Cifuentes	5	5	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

Hunter Water Corporation and Controlled Entity

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 2011 was \$24.2m compared with \$49.7m for the previous year.

The dividend declared for the financial year ended 30 June 2011 was \$16.6m compared with \$34.1m 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 unfavourable operating result compared to the prior year is largely driven by the write off of the Tillegra Dam project pre construction costs (excl. land) as well as higher operating and interest costs. These are partially offset by lower depreciation and amortisation costs.

subsequent events

There are no matters or circumstances that 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 2011.

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	
Ms	C	Cifuentes	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;
- assist in the structure and content of Board strategy sessions;
- critically evaluate the key points arising from the Board strategy sessions and to ensure follow-up occurs through the normal Board processes;
- 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)



J Eather (Director)

Dated: 25 August 2011 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 comprise the statement of financial position as at 30 June 2011, the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entity it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity, as at 30 June 2011, and of their financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply 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 and the *State Owned Corporations Act 1989* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

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

Independence

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

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



M T Spriggins
Director, Financial Audit Services

1 September 2011
SYDNEY

Hunter Water Corporation and Controlled Entity

income statement for the year ended 30 June 2011

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue					
Services	2	260,964	253,441	249,279	242,520
Other income	2	743	648	4,110	3,705
Total revenue		261,707	254,089	253,389	246,225
Expenditure					
Operational costs	3	(107,071)	(100,329)	(101,910)	(95,172)
Depreciation and amortisation	4	(35,683)	(36,455)	(34,919)	(35,781)
Finance costs	4	(57,079)	(47,409)	(57,310)	(47,591)
Superannuation expense	4	(1,620)	(3,573)	(831)	(2,985)
Other	4	(26,290)	(323)	(26,290)	(323)
Total operating expenditure		(227,743)	(188,089)	(221,260)	(181,852)
Profit before income tax expense		33,964	66,000	32,129	64,373
Income tax expense	5(a)	(9,716)	(16,339)	(8,127)	(14,449)
Net profit for the year from continuing operations		24,248	49,661	24,002	49,924
Profit is attributable to:					
Members of the entity		24,248	49,661	24,002	49,924
Minority Interest		-	-	-	-
		24,248	49,661	24,002	49,924

The Income Statement should be read in conjunction with the accompanying notes on pages 37 to 75

statement of comprehensive income for the year ended 30 June 2011

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the year		24,248	49,661	24,002	49,924
Other comprehensive income					
Net increase/(decrease) in property plant and equipment revaluation reserve		506,761	83,774	506,761	83,774
Income tax relating to net increase/(decrease) in property plant and equipment revaluation reserve	5(c)	(151,662)	(25,135)	(151,662)	(25,135)
Actuarial gains/(losses) on defined benefits fund	25(f)	1,172	(7,403)	1,043	(6,193)
Income tax relating to actuarial gains/(losses) on defined benefits fund	5(c)	(352)	2,220	(313)	1,858
Total other comprehensive income		355,919	53,456	355,829	54,304
Total comprehensive income for the year		380,167	103,117	379,831	104,228
Total comprehensive income for the year is attributable to:					
Members of the entity		380,167	103,117	379,831	104,228
Minority Interest		-	-	-	-
		380,167	103,117	379,831	104,228

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 37 to 75

Hunter Water Corporation and Controlled Entity

statement of financial position as at 30 June 2011

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets					
Cash and cash equivalents	7	6,822	9,691	1,747	7,190
Trade and other receivables	8	43,509	42,695	45,101	44,115
Inventories	10	2,163	2,247	2,163	2,247
Assets held for sale	11	127	2,867	127	2,867
Other assets	12	1,972	1,696	1,304	1,076
Total current assets		54,593	59,196	50,442	57,495
Non-current assets					
Other financial assets	9	-	-	900	900
Other assets	12	-	10,946	-	10,946
Property, plant & equipment	13	3,474,468	2,819,193	3,478,929	2,821,530
Intangible assets	14	7,189	6,738	6,902	6,527
Total non-current assets		3,481,657	2,836,877	3,486,731	2,839,903
Total assets		3,536,250	2,896,073	3,537,173	2,897,398
Current liabilities					
Trade and other payables	15	63,710	61,307	66,776	65,666
Current tax liabilities	16	3,536	6,370	3,597	5,470
Borrowings	17	19,018	145,837	19,018	145,837
Provisions	18	42,476	63,336	39,310	60,261
Total current liabilities		128,740	276,850	128,701	277,234
Non-current liabilities					
Borrowings	17	796,732	516,816	801,732	521,816
Provisions	18	49,920	52,100	45,373	47,166
Deferred tax liabilities	19	509,266	362,282	511,651	364,697
Total non-current liabilities		1,355,918	931,198	1,358,756	933,679
Total liabilities		1,484,658	1,208,048	1,487,457	1,210,913
Net assets		2,051,592	1,688,025	2,049,716	1,686,485
Equity					
Contributed equity	20	100,000	100,000	100,000	100,000
Reserves	21(a)	1,279,649	924,550	1,279,649	924,550
Retained profits	21(b)	671,943	663,475	670,067	661,935
Total equity		2,051,592	1,688,025	2,049,716	1,686,485

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 37 to 75

statement of changes in equity for the year ended 30 June 2011

Economic entity	Notes	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
At 1 July 2010		100,000	924,550	663,475	1,688,025
Net profit for the year from continuing operations		-	-	24,248	24,248
Other comprehensive income		-	355,099	820	355,919
Total comprehensive income for the year		-	355,099	25,068	380,167
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(16,600)	(16,600)
Balance at 30 June 2011		100,000	1,279,649	671,943	2,051,592
Balance 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
Parent entity	Notes	Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 30 June 2010		100,000	924,550	661,935	1,686,485
Net profit for the year from continuing operations		-	-	24,002	24,002
Other comprehensive income		-	355,099	730	355,829
Total comprehensive income for the year		-	355,099	24,732	379,831
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(16,600)	(16,600)
Balance at 30 June 2011		100,000	1,279,649	670,067	2,049,716
Balance at 1 July 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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 37 to 75

Hunter Water Corporation and Controlled Entity

statement of cash flows for the year ended 30 June 2011

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flow from operating activities					
Receipts from customers (inclusive of goods and services tax)		261,573	249,774	252,341	237,822
Payments to suppliers and employees (inclusive of goods and services tax)		(134,552)	(123,535)	(131,922)	(114,494)
Total		127,021	126,239	120,419	123,328
Dividends received		-	-	3,172	3,756
Interest received		539	336	346	222
Proceeds from environmental levy and developers		6,417	5,999	6,417	5,999
Borrowing costs		(45,235)	(42,357)	(45,466)	(42,566)
Income taxes paid		(17,581)	(13,347)	(15,022)	(11,695)
Net cash flows from operating activities	22	71,161	76,870	69,866	79,044
Cash flow from investing activities					
Purchases of property, plant and equipment		(200,829)	(183,010)	(202,111)	(184,408)
Proceeds from sales of property, plant and equipment		2,992	349	2,993	347
Proceeds from investment		-	-	-	-
Net cash flows from investing activities		(197,837)	(182,661)	(199,118)	(184,061)
Cash flow from financing activities					
Proceeds from borrowings		359,236	215,905	359,236	215,905
Repayment of borrowings		(201,327)	(75,211)	(201,327)	(75,211)
Dividends paid	6	(34,100)	(30,400)	(34,100)	(30,400)
Net cash flows from financing activities		123,809	110,294	123,809	110,294
Net increase / (decrease) in cash held		(2,867)	4,503	(5,443)	5,277
Cash at beginning of financial period		9,691	5,190	7,190	1913
Effects of exchange rate changes on cash		(2)	(2)	-	-
Cash at the end of the financial period	7(a)	6,822	9,691	1,747	7,190

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 37 to 75

note 1. summary of significant accounting policies

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

The Economic Entity's and Parent Entity's financial statements for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board on 25 August 2011.

(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 1983.

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, and assets held for sale which are measured at the lower of the carrying amount and fair value less selling costs.

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 2011 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.

Hunter Water Corporation and Controlled Entity

(ii) contributions for capital works

Contributions for capital works includes Environmental Levy receipts and contributions from developers. In accordance with Australian 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 enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

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

tax consolidation legislation

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

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

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

(f) trade receivables

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

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

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) 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.

(h) assets held for sale

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

(i) property, plant and equipment

acquisitions and capitalisation

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

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

Items costing greater than \$500 individually and having a minimum expected operational life of 3 years are capitalised.

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

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

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

In line with 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 8.72% (2010: 9.06%).

Hunter Water Corporation and Controlled Entity

Valuation

The Parent Entity has valued its non current assets in accordance with AASB 116 Property, plant and 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 equivalent replacement asset methodology (MEERA). Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at reporting date.

The Parent Entity's policy is to revalue assets, except land, over a 5 year cycle by selecting assets according to a predetermined schedule of 5 asset sub 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(k) and note 13(d)).

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

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

Land 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 Comprehensive Income. Where a revaluation decrement or impairment loss reverse a revaluation increment previously credited to the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve. In other cases the decrement or impairment loss is recognised in the Income Statement.

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

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

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 watermainss 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	Useful life (yrs)
System assets	
Sewer	
- Sewer mains	80-120
- Sewer Pump Stations	10-75
- Wastewater Treatment Works	10-60
Water	
- Water mains	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.

(j) intangible assets

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

(k) impairment of assets

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

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(l) leases

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

(m) trade and other payables

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

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

(n) borrowings

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

Borrowings are measured initially at cost, being the fair value of consideration received less any transaction costs associated with the borrowing. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method. Additionally, all borrowing costs that have been assessed as eligible for capitalisation have been capitalised in line with AASB 123.

(o) 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. The defined contribution plan receives fixed contributions from the Economic Entity and the Economic Entity's legal or constructive obligation is limited to these contributions.

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 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. Contributions to the defined contribution fund are recognised as expenses as they become payable.

(p) dividends

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

(q) goods and services tax (GST)

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

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

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

Commitments are disclosed inclusive of GST where applicable.

(r) 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.

(s) 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's have been published that are not mandatory for 30 June 2011 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 material impact on the Economic Entity as the Economic Entity does not have any Available-for-Sale investments.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendments removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Economic Entity will apply the amended standard from 1 July 2011. This is expected to reduce the Economic Entity's related party disclosures. There will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 Prepayments of a Minimum Funding Requirement to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Economic Entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the Economic Entity's financial statements.

(iv) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure Requirements (effective from 1 January 2013)

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

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

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(v) [AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets \(effective for annual reporting periods beginning on or after 1 January 2011\)](#)

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from financial assets. This standard does not impact the Economic Entity as it does not sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

(vi) [AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets \(effective from 1 January 2012\)](#)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. This standard does not impact on the Economic Entity as it does not own investment properties.

(t) critical accounting estimates and judgements

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

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

estimated impairment of assets

In accordance with the requirements of AASB136 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.

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

(i) Due to the long life of the Parent Entity's infrastructure assets, the calculation of the recoverable amount, which is carried out using a 77 year financial model, is highly sensitive to variations in key assumptions. Significant assumptions underpinning the modelling process include assumptions regarding the 2014-17 and 2018-21 price paths which are subject to the outcome of IPART's independent reviews and subsequent determination of prices. The major assumptions underlying the impairment calculation for the current reporting period are:

- Time period (the weighted average remaining life of the asset base) 77 years (2010: 78 years);
- Real discount rate (before tax) - 7.51% (2010: 6.90%);
- Growth rate - between -0.78% to 1.24% per annum for a period of 10 years (2010: 1.01% pa); and
- Opening regulatory asset base

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 7.4% (calculated using IPART methodology). In the absence of approved future price increases after 1 July 2013, estimates of future cash inflows have been based on a building block model approach as utilised by IPART. This bases prices on full cost recovery on estimated operating and capital expenditure relating to infrastructure assets.

Estimates of future expenditure have been based on the final 2011-12 operating expenditure budget with some anticipated cost increases factored in for future years in line with the entity's Statement of Corporate Intent.

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

(ii) An estimated pre-tax weighted average cost of capital (WACC) has been used as the discount rate. Calculation of the discount rate applies the standard IPART WACC formula to the 10 year government bond rate. WACC includes a market determined rate that reflects the risks associated with operating the business. The risk-free component of WACC takes into consideration the forward looking long term average expected inflation.

(iii) There is not an open market for the sale of infrastructure assets owned by Hunter Water

actuarial assumptions

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

(i) Valuation method

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

(ii) Economic assumptions

	2011	2010
Salary increase rate (excluding promotional increases)	3.50%	3.50%
Rate of CPI increase	2.50%	2.50%
Expected rate of return on assets	8.60%	8.60%
Expected rate of return on assets backing current pension liabilities	-	-
Expected rate of return on assets backing other liabilities	-	-
Discount rate	5.28%	5.17%

(iii) Demographic assumptions

The demographic assumptions at 30 June 2011 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

note 2. revenue

	Economic entity		Parent entity		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
	Notes				
Services					
Tariff - service charges		113,257	113,655	113,257	113,655
Tariff - usage charges		103,387	98,191	103,387	98,191
Other regulated income		5,690	5,720	5,690	5,720
		222,334	217,566	222,334	217,566
External sales		11,910	11,166	61	88
		11,910	11,166	61	88
Developer contributions - environmental charge		5,625	5,594	5,625	5,594
Developer contributions - cash		1,086	580	1,086	580
Developer contributions - assets		15,088	14,791	15,088	14,791
		21,799	20,965	21,799	20,965
Corporate services		1	(69)	161	101
Other		4,920	3,813	4,924	3,800
		4,921	3,744	5,085	3,901
Total		260,964	253,441	249,279	242,520
Other Income					
Interest income		535	332	342	216
Dividends		-	-	3,558	3,172
Gain/(loss) on disposal of assets		210	318	210	317
Foreign exchange gain/(loss)		(2)	(2)	-	-
		743	648	4,110	3,705
Total revenue		261,707	254,089	253,389	246,225

note 3. operational costs

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Employee-related costs		35,161	31,666	19,010	17,553
Maintenance expense					
Maintenance-related employee expenses		13,984	14,094	13,982	14,086
Other maintenance expenses		20,564	20,694	21,061	21,195
		34,548	34,788	35,043	35,281
Materials		5,134	7,054	3,565	3,670
Energy		9,717	8,716	9,384	8,386
Plant & vehicles		1,906	1,740	1,227	1,006
Contracts, property & other		11,261	7,723	33,444	29,112
Cost of external sales		9,344	8,642	237	164
		37,362	33,875	47,857	42,338
Total		107,071	100,329	101,910	95,172

note 4. profit before income tax

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit before income tax includes the following specific net gains and expenses:					
Net gain/(loss) on disposal of Property, plant and equipment	2	(43)	318	(43)	317
Asset held for sale	2	253	-	253	-
Foreign exchange gain/(loss)	2	(2)	(2)	-	-
		208	316	210	317
Changes in restoration provision		95	(120)	95	(120)
Depreciation and amortisation					
Amortisation	14 (a)	2,332	3,914	2,260	3,867
Depreciation	13 (c)	33,351	32,541	32,659	31,914
Total depreciation and amortisation expense		35,683	36,455	34,919	35,781
Other charges against assets					
Bad and doubtful debts - trade debtors	8	(245)	227	(259)	234
		(245)	227	(259)	234
Finance costs					
Amortisation of discount/(premium) on loans		478	211	478	211
Long term borrowings - interest		42,832	35,979	42,832	35,979
Short term borrowings - interest		989	-	989	-
Net (gain) / loss on borrowings refinanced		491	-	491	-
Other interest expense		160	93	391	275
Governemnt guarantee fee		12,588	11,145	12,588	11,145
Capitalised finance costs		(459)	(19)	(459)	(19)
		57,079	47,409	57,310	47,591
Rental expense relating to operating leases					
Minimum lease payments		3,296	2,876	1,721	1,476
Superannuation expense/(revenue):					
Superannuation revenue - defined benefits funds		(1,525)	(989)	(1,225)	(652)
Superannuation expense - contributions		3,145	4,562	2,056	3,637
		1,620	3,573	831	2,985
Other					
Developer contribution refunds		294	175	294	175
Write-off - Tillegra - write-off of capital		24,869	-	24,869	-
Write-off - decommissioned assets		1,127	148	1,127	148
		26,290	323	26,290	323

note 5. income tax

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Income tax expense					
Current tax	16	13,325	18,642	11,726	16,431
Deferred tax	19	(3,645)	(1,523)	(3,575)	(1,280)
Under/(over) provided in prior years		36	(780)	(24)	(702)
		9,716	16,339	8,127	14,449
Deferred income tax (revenue)/expense included in income tax expense comprises:					
(Decrease)/increase in deferred tax liabilities		(3,577)	(3,041)	(3,490)	(2,748)
(Decrease)/increase in deferred tax assets		(68)	1,518	(86)	1,468
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		33,964	66,000	32,129	64,373
Subtract inter-company dividend income		-	-	(3,558)	(3,172)
Profit before income tax excluding dividend		33,964	66,000	28,571	61,201
Tax at Australian rate of 30% (2010 - 30%)		10,189	19,800	8,571	18,360
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Non-deductible expenses		(509)	(2,681)	(420)	(2,358)
Tax consolidation benefit		-	-	-	(851)
Non-assessable income		-	-	-	-
Non-assessable contributions to capital works		-	-	-	-
Sundry items		-	-	-	-
		9,680	17,119	8,151	15,151
Deferred tax assets acquired		-	-	-	-
Under/(over) provision in prior years		36	(780)	(24)	(702)
		9,716	16,339	8,127	14,449
(c) Tax expense/(income) relating to items of comprehensive income					
Net increase/(decrease) in property plant and equipment revaluation reserve	21(a)	(151,662)	(25,135)	(151,662)	(25,135)
Actuarial gains/(losses) on defined benefits fund		(352)	2,221	(313)	1,858
		(152,014)	(22,914)	(151,975)	(23,277)

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

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

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

note 6. dividends paid or provided for

Notes	Economic entity		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening balance	34,100	30,400	34,100	30,400
Add dividend declared at 16.6 Cents per share (2010: 34.1 Cents per share)	16,600	34,100	16,600	34,100
Less dividend paid at 34.1 Cents per share (2010: 30.4 Cents per share)	(34,100)	(30,400)	(34,100)	(30,400)
	16,600	34,100	16,600	34,100

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

note 7. cash and cash equivalents

Notes	Economic entity		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank and on hand	2,625	921	1,747	490
Foreign currency at bank and on hand	-	-	-	-
Deposits at call	4,197	8,770	-	6,700
	6,822	9,691	1,747	7,190

Deposits at call are bearing interest rates between 4.45% and 4.70% (2010: 2.95% and 4.45%).

(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	6,822	9,691	1,747	7,190
Bank Overdrafts	-	-	-	-
Balances per Statement of Cash Flows	6,822	9,691	1,747	7,190

note 8. trade and other receivables

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current					
Trade debtors		43,789	43,220	41,809	41,469
Allowance for impairment		(280)	(525)	(266)	(525)
		43,509	42,695	41,543	40,944
Dividend receivable		-	-	3,558	3,171
		43,509	42,695	45,101	44,115

(a) Movement in the allowance for impairment					
Balance at beginning of year		525	298	525	291
Amounts written off during the year		(89)	-	(89)	-
Amounts recovered during the year		(202)	-	(202)	-
Increase/(decrease) in allowance recognised in income statement		46	227	32	234
Balance at end of year		280	525	266	525

Details regarding credit risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 34.

note 9. other financial assets

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current					
Other (non-traded) investments					
Shares in controlled entities - at cost		-	-	900	900
		-	-	900	900

note 10. inventories

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current					
Consumable stores at cost		2,163	2,209	2,163	2,209
Consumable stores at net realisable value		-	38	-	38
		2,163	2,247	2,163	2,247

note 11. assets held for sale

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current					
Land held for sale		127	2,867	127	2,867
		127	2,867	127	2,867

note 12. other assets

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current					
Prepayments		1,714	1,435	1,292	1,060
Accrued interest		12	16	12	16
Work in progress		246	245	-	-
		1,972	1,696	1,304	1,076
Non-current					
Discount on loans		-	10,946	-	10,946
		-	10,946	-	10,946

note 13. property, plant & equipment

(a) property, plant & equipment - comprise the following all at director's valuation

Economic entity	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Work in progress \$'000	Total \$'000
At 1 July 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
At 30 June 2011						
Cost or fair value	3,842,961	22,682	154,416	63,797	311,072	4,394,928
Accumulated depreciation and impairment	(870,553)	(12,884)	-	(37,023)	-	(920,460)
Net book amount	2,972,408	9,798	154,416	26,774	311,072	3,474,468

Parent entity	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Work in progress \$'000	Total \$'000
At 1 July 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)
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
At 30 June 2011						
Cost or fair value	3,842,961	15,723	154,416	63,797	319,429	4,396,326
Accumulated depreciation and impairment	(870,553)	(9,821)	-	(37,023)	-	(917,397)
Net book amount	2,972,408	5,902	154,416	26,774	319,429	3,478,929

(b) Reconciliations

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

Economic entity 30 June 2010	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
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 30 June 2010	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
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

(c) Reconciliations

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

Economic entity 30 June 2011	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Carrying amount 1 Jul 2010	2,349,709	9,778	148,364	34,700	2,542,551
Additions	140,226	2,287	5,905	68	148,486
Disposals	(2,719)	(1)	-	(175)	(2,895)
Transfers between classes	14	-	147	-	161
Revaluation: increments/(decrements)	245,396	69	-	(6,766)	238,699
Impairment	269,505	240	-	-	269,745
Depreciation expense	(29,723)	(2,575)	-	(1,053)	(33,351)
Carrying amount 30 June 2011	2,972,408	9,798	154,416	26,774	3,163,396

Parent entity 30 June 2011	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Carrying amount 1 Jul 2010	2,349,709	5,628	148,364	34,700	2,538,401
Additions	140,226	1,849	5,905	68	148,048
Disposals	(2,719)	(1)	-	(175)	(2,895)
Transfers between classes	14	-	147	-	161
Revaluation: increments/(decrements)	245,396	69	-	(6,766)	238,699
Impairment	269,505	240	-	-	269,745
Depreciation expense	(29,723)	(1,883)	-	(1,053)	(32,659)
Carrying amount 30 June 2011	2,972,408	5,902	154,416	26,774	3,159,500

Hunter Water Corporation and Controlled Entity

(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 2010-11 indicated that the net present value of future revenues did support accounting book values of the asset base. As a result of the impairment test outcome, a reversal of previous impairments was processed of \$270m.

In 2011 building and waste water treatment work assets were expertly revalued and the remainder of the property, plant & equipment asset base (excluding land and fleet assets) were indexed by CPI (3.3%).

(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 (excluding work in progress) are set out below:

Economic entity 30 June 2011	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Gross replacement cost	6,047,131	44,665	154,416	64,342	6,310,554
Less: Cumulative Impairment	(2,204,170)	(21,983)	-	(545)	(2,226,698)
Total Gross Assets (after impairment)	3,842,961	22,682	154,416	63,797	4,083,856
Accumulated depreciation	(1,250,013)	(23,387)	-	(37,281)	(1,310,681)
Less: Cumulative Impairment	379,460	10,503	-	258	390,221
Accumulated depreciation (after impairment)	(870,553)	(12,884)	-	(37,023)	(920,460)
Carrying amount 30 June 2011	2,972,408	9,798	154,416	26,774	3,163,396

Parent entity 30 June 2011	System assets \$'000	General support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Gross replacement cost	6,047,131	37,706	154,416	64,342	6,303,595
Less: Cumulative Impairment	(2,204,170)	(21,983)	-	(545)	(2,226,698)
Total Gross Assets (after impairment)	3,842,961	15,723	154,416	63,797	4,076,897
Accumulated depreciation	(1,250,013)	(20,324)	-	(37,281)	(1,307,618)
Less: Cumulative Impairment	379,460	10,503	-	258	390,221
Accumulated depreciation (after impairment)	(870,553)	(9,821)	-	(37,023)	(917,397)
Carrying amount 30 June 2011	2,972,408	5,902	154,416	26,774	3,159,500

note 14. intangible assets

Economic entity At 1 July 2009	Easements \$'000	Software external \$'000	Software internal \$'000	Other \$'000	Total \$'000
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
At 30 June 2011					
Cost or fair value	1,319	26,474	1,338	989	30,120
Accumulated depreciation and impairment	(54)	(21,749)	(605)	(523)	(22,931)
Net book amount	1,265	4,725	733	466	7,189

Parent entity At 1 July 2009	Easements \$'000	Software external \$'000	Software internal \$'000	Other \$'000	Total \$'000
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
At 30 June 2011					
Cost or fair value	1,319	25,773	1,338	887	29,317
Accumulated depreciation and impairment	(54)	(21,242)	(605)	(514)	(22,415)
Net book amount	1,265	4,531	733	373	6,902

(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 2010	Easements \$'000	Software external \$'000	Software internal \$'000	Other \$'000	Total \$'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	-	-	-	-	-
Revaluation: increments/(decrements)	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation expense	-	(3,805)	(51)	(59)	(3,915)
Carrying amount 30 June 2010	1,071	4,911	237	519	6,738

Hunter Water Corporation and Controlled Entity

Parent entity 2010	Easements \$'000	Software external \$'000	Software internal \$'000	Other \$'000	Total \$'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	-	-	-	-	-
Revaluation: increments/(decrements)	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation expense	-	(3,762)	(51)	(54)	(3,867)
Carrying amount 30 June 2010	1,071	4,796	237	423	6,527

(b) Reconciliations

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

Economic entity 2011	Easements \$'000	Software external \$'000	Software internal \$'000	Other \$'000	Total \$'000
Carrying amount 1 Jul 2010	1,071	4,911	237	519	6,738
Additions	88	1,877	772	-	2,737
Disposals	-	(116)	-	-	(116)
Transfers between classes	-	-	(14)	-	(14)
Impairment	106	51	-	19	176
Amortisation expense	-	(1,998)	(262)	(72)	(2,332)
Carrying amount 30 June 2011	1,265	4,725	733	466	7,189

Parent entity 2011	Easements \$'000	Software external \$'000	Software internal \$'000	Other \$'000	Total \$'000
Carrying amount 1 Jul 2010	1,071	4,796	237	423	6,527
Additions	88	1,729	772	-	2,589
Disposals	-	(116)	-	-	(116)
Transfers between classes	-	-	(14)	-	(14)
Impairment	106	51	-	19	176
Amortisation expense	-	(1,929)	(262)	(69)	(2,260)
Carrying amount 30 June 2011	1,265	4,531	733	373	6,902

note 15. trade and other payables

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current					
Trade creditors		3,737	5,093	7,268	9,722
Deposits received for services		2,513	1,531	2,513	1,531
Accrued expenses		57,460	54,683	56,995	54,413
		63,710	61,307	66,776	65,666

note 16. current tax liabilities

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Provision for income tax payable					
Opening balance		6,370	1,857	5,470	1,430
Add under provision for income tax in prior year		1,422	(698)	1,422	(698)
Less amount paid relating to prior year		(7,793)	(1,160)	(6,892)	(733)
Add amount payable for current year	5(a)	13,325	18,642	11,726	16,431
Less amount paid relating to current year		(9,788)	(12,271)	(8,129)	(10,960)
		3,536	6,370	3,597	5,470

note 17. borrowings

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Overdraft		-	-	-	-
Intercompany loan		-	-	5,000	5,000
Other loans		815,750	662,653	815,750	662,653
		815,750	662,653	820,750	667,653
Represented by:					
Current		19,018	145,837	19,018	145,837
Non-current		796,732	516,816	801,732	521,816
		815,750	662,653	820,750	667,653

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of \$10m (2010:\$10m)

The borrowings are classified as non-trading liabilities and are unsecured. The fair value of loans are disclosed in Note 34.

The Treasurer approved funding of up to \$885m with NSW TCorp for the 2011 year (2010: \$685m), of which \$816m was used at 30 June 2011 (\$663m at 30 June 2010).

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

note 18. provisions

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current					
Dividends		16,600	34,100	16,600	34,100
Restoration		-	91	-	91
Rectification		152	153	152	153
Clarence town sewer project		4,244	7,053	4,244	7,053
Other		430	-	430	-
Employee benefits - short term		13,595	21,939	11,484	18,864
Employee benefits - long term*		7,455	-	6,400	-
		42,476	63,336	39,310	60,261

Non current					
Restoration		578	393	578	393
Employee benefits		49,342	51,707	44,795	46,773
		49,920	52,100	45,373	47,166
* Employee benefits expected to be settled after 12 months		7,455	-	6,400	-

Movements in dividends provision 2011	Current	Current
Carrying amount 1 July 2010	34,100	34,100
Less: dividend paid	(34,100)	(34,100)
Add: dividend declared	16,600	16,600
Dividends provision balance 30 June 2011	16,600	16,600

Movements in restoration provision 2011	Current	Non Current	Current	Non Current
Carrying amount 1 July 2010	91	393	91	393
(Payments)/receipts	-	-	-	-
Over/(under) provision adjustment 2011	(91)	185	(91)	185
Restoration provision balance 30 June 2011	-	578	-	578

Movements in rectification provision 2011	Current	Current
Carrying amount 1 July 2010	153	153
(Payments)/receipts	(1)	(1)
Rectification provision balance 30 June 2011	152	152

Movements in clarence town sewer project provision 2011	Current	Current
Carrying amount 1 July 2010	7,053	7,053
(Payments)/receipts	(2,809)	(2,809)
Over/(under) provision adjustment 2011	-	-
Clarence town sewer project provision balance 30 June 2011	4,244	4,244

note 19. deferred tax liabilities

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Amounts recognised in profit or loss					
Tax bases without an asset carrying amount		(9)	(11)	(9)	(9)
Stock on hand		(649)	-	(649)	-
Accruals		2,212	3,764	2,494	3,980
Provisions		(11,779)	(11,106)	(11,137)	(10,379)
Inventories		74	748	-	674
Prepayments		269	15	269	-
Land held for sale		38	860	38	860
Property, plant and equipment		(15,635)	(14,720)	(15,739)	(14,838)
		(25,479)	(20,450)	(24,733)	(19,712)
Amounts recognised in the statement of comprehensive income					
Superannuation actuarial gains/(losses)		(13,169)	(13,520)	(11,530)	(11,843)
Revaluation of property, plant and equipment		547,914	396,252	547,914	396,252
		534,745	382,732	536,384	384,409
Total		509,266	362,282	511,651	364,697
Movements:					
Opening balance at beginning of year		362,282	340,891	364,698	342,702
Credited/(charged) to the income statement	5(a)	(3,645)	(1,523)	(3,575)	(1,280)
Credited/(charged) to the statement of comprehensive income	5(c)	152,014	22,914	151,975	23,277
Add under provision for deferred tax in prior year		(1,385)	-	(1,447)	(2)
Closing balance at end of year		509,266	362,282	511,651	364,697

note 20. contributed equity

	Notes	Economic Entity		Parent Entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'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 2011 were:

The Premier, Minister for Western Sydney;
and the Treasurer.

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

note 21. reserves and retained profits

	Notes	Economic entity		Parent entity	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

(a) Reserves

Asset revaluation		1,279,649	924,550	1,279,649	924,550
		1,279,649	924,550	1,279,649	924,550

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		924,550	865,911	924,550	865,911
Fixed asset revaluation increments from revaluations					
System assets		245,396	87,805	245,396	87,805
General support		69	52	69	52
Buildings		(6,766)	-	(6,766)	-
Land		-	2,433	-	2,433
		238,699	90,290	238,699	90,290
Fixed asset decrements from impairment					
System assets		269,505	-	269,505	-
General support		240	-	240	-
Buildings		-	-	-	-
Intangible assets		176	-	176	-
		269,921	-	269,921	-
Tax effect - deferred tax liability on revaluation reserve		(151,662)	(25,135)	(151,662)	(25,135)
Less: assets held for sale tax effect		-	-	-	-
Revaluation decrement of revaluation of:					
Write-back of written down value of decommissioned assets		(1,859)	(5,908)	(1,859)	(5,908)
Transfer to retained profits with respect to decommissioned assets		-	(597)	-	(597)
Available for sale reserve:					
Balance at beginning of year		-	-	-	-
Valuation gain/(loss) recognised		-	(11)	-	(11)
Deferred tax arising on revaluation		-	-	-	-
		1,279,649	924,550	1,279,649	924,550

(b) Retained profits

Retained profits at the beginning of year		663,475	653,097	661,935	650,446
Net profit		24,248	49,661	24,002	49,924
Net income/(loss) recognised direct in equity		820	(5,183)	730	(4,335)
Dividends provided for		(16,600)	(34,100)	(16,600)	(34,100)
Retained profits at end of year		671,943	663,475	670,067	661,935

note 22. statement of cash flows

Notes	Economic entity		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Net profit for the year from continuing operations	24,248	49,661	24,002	49,924
Net superannuation (income)/expense	(1,525)	(989)	(1,225)	(652)
Depreciation and amortisation	35,683	36,455	34,919	35,781
Profit on sale of non-current assets	(210)	(318)	(210)	(317)
Write off Tillegra pre-construction costs	24,869	-	24,869	-
Write-off - decommissioned assets	1,127	148	1,127	148
Capital asset (non-cash) contributions	(15,088)	(14,791)	(15,088)	(14,791)
Net exchange differences	2	2	-	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	(814)	(3,650)	(987)	(2,277)
(Increase)/decrease in inventories	84	55	84	55
(Increase)/decrease in other operating assets	5,860	(2,974)	5,906	(2,853)
(Increase)/decrease in work in progress	(1)	70	-	-
Increase/(decrease) in trade creditors	(1,192)	(40,048)	(2,486)	(38,558)
Increase/(decrease) in other operating liabilities	6,998	49,605	6,999	49,285
Increase/(decrease) in provision for income taxes payable	(2,834)	4,513	(3,871)	4,040
Increase/(decrease) in net deferred tax liabilities (recognised on the income statement)	(5,031)	(1,524)	(3,024)	(1,283)
(Increase)/decrease in capitalised borrowing costs	(458)	-	(458)	-
Increase/(decrease) in other provisions	(557)	655	(691)	542
Net cash inflow from operating activities	71,161	76,870	69,866	79,044

note 23. contractual commitments

Notes	Economic entity		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Capital commitments				
Capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable within one year	55,382	107,726	56,507	109,223
Payable later than one year but not later than five years	1,100	10,146	1,100	10,191
	56,482	117,872	57,607	119,414
(b) Other expenditure commitments				
Other commitments contracted for at balance date but not recognised as liabilities:				
Payable within one year	753	897	976	1,476
Payable later than one year but not later than five years	280	151	280	166
Payable later than five years	-	-	-	-
	1,033	1,048	1,256	1,642

All contractual commitments disclosed above are GST-inclusive.

note 24. lease expenditure commitments

Notes	Economic entity		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Operating lease commitments in relation to non-cancellable operating leases are payable as follows:				
Within one year	3,335	3,674	1,844	2,143
Later than one year but not later than five years	5,751	7,143	2,210	3,404
Later than five years	3,556	4,603	81	144
	12,642	15,420	4,135	5,691
Representing:				
Cancellable operating leases	4,588	6,311	3,831	5,466
Non-cancellable operating leases	8,054	9,109	304	225
	12,642	15,420	4,135	5,691

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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

(b) reconciliation of the present value of the defined benefit obligation

Present value of partly funded defined benefit obligations at the beginning of the year	157,750	147,221	139,911	130,369
Current service cost	1,713	1,795	1,525	1,601
Interest cost	7,949	8,040	7,043	7,112
Contributions paid by fund participants	993	1,068	859	875
Actuarial (gains)/losses	(1,162)	7,372	(841)	6,835
Benefits paid	(8,334)	(7,746)	(7,098)	(6,881)
Present value of partly funded defined benefit obligations at the end of the year	158,909	157,750	141,399	139,911

(c) Reconciliation of the fair value of fund assets

Fair value of fund assets at the beginning of the year	106,923	102,807	93,625	89,625
Expected return on fund assets	8,939	8,641	7,813	7,512
Actuarial gains/(losses)	10	(31)	202	642
Employer contributions	2,247	2,184	1,980	1,852
Contributions paid by fund participants	993	1,068	859	875
Benefits paid	(8,334)	(7,746)	(7,098)	(6,881)
Fair value of fund assets at the end of the year	110,778	106,923	97,381	93,625

(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	158,909	157,750	141,399	139,911
Fair value of fund assets at end of year	(110,778)	(106,923)	(97,381)	(93,625)
Subtotal	48,131	50,827	44,018	46,286
Net liability/(asset) recognised in statement of financial position at end of year	48,131	50,827	44,018	46,286

Hunter Water Corporation and Controlled Entity

	Economic entity		Parent entity		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
(e) Expense/(income) recognised in income statement					
Current service cost	1,712	1,796	1,525	1,601	
Interest cost	7,948	8,040	7,043	7,112	
Expected return on fund assets (net of expenses)	(8,939)	(8,641)	(7,813)	(7,513)	
Expense/(income) recognised	721	1,195	755	1,200	
(f) Amounts recognised in the statement of comprehensive income					
Actuarial losses/(gains) recognised in year	(1,172)	7,403	(1,043)	6,193	
Expense/(income) recognised	(1,172)	7,403	(1,043)	6,193	
(g) Historical information					
Economic entity	2011	2010	2009	2008	2007
SASS	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	41,510	40,008	36,881	34,704	36,158
Fair value of fund assets	(27,852)	(27,158)	(25,850)	(28,473)	(32,900)
(Surplus)/deficit in fund	13,658	12,850	11,031	6,230	3,259
Experience adjustments - fund liabilities	914	2,315	694	(1,381)	313
Experience adjustments - fund assets	349	(212)	4,365	4,460	(1,870)
SANCS					
Present value of defined benefit obligation	6,866	6,687	6,394	6,212	6,382
Fair value of fund assets	(2,878)	(2,775)	(2,925)	(3,809)	(4,741)
(Surplus)/deficit in fund	3,988	3,912	3,469	2,403	1,640
Experience adjustments - fund liabilities	12	391	379	114	(182)
Experience adjustments - fund assets	2	(17)	644	636	(273)
SSS					
Present value of defined benefit obligation	110,532	111,055	103,946	86,452	86,341
Fair value of fund assets	(80,048)	(76,990)	(74,032)	(86,246)	(95,445)
(Surplus)/deficit in fund	30,484	34,065	29,914	206	(9,104)
Experience adjustments - fund liabilities	(2,088)	4,667	14,940	(2,045)	(7,522)
Experience adjustments - fund assets	(361)	260	16,640	14,136	(5,082)

(h) Fund assets

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

	2011	2010
Australian equities	33.4%	31.0%
Overseas equities	29.5%	26.8%
Australian fixed interest securities	5.7%	6.1%
Overseas fixed interest securities	3.1%	4.3%
Property	9.9%	9.5%
Cash	5.1%	9.6%
Other	13.3%	12.7%

(i) 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.

	SASS	SANCS	SSS
	\$'000	\$'000	\$'000

(j) Actual return on fund assets

Actual return on fund assets – 2011	2,282	224	6,409
Actual return on fund assets – 2010	2,432	264	6,710

(k) Expected contributions

Expected employer contributions	975	324	767
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(l) 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 (2010: 8.3% pa)
Expected rate of return on fund assets backing other liabilities of 7.3% pa (2010: 7.3% pa),
Expected salary increase rate of 4.0% pa (2010: 4.0% pa),
Expected rate of CPI increase of 2.5% pa (2010: 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 2011), and a deficit of \$11.92m was reported.

Hunter Water Corporation and Controlled Entity

	SASS	SANCS	SSS
Economic entity	2011	2011	2011
	\$'000	\$'000	\$'000
Accrued benefits	37,178	6,226	79,296
Net market value of fund assets	(27,852)	(2,877)	(80,048)
Net (surplus)/deficit	9,326	3,349	(752)
	SASS	SANCS	SSS
	2010	2010	2010
	\$'000	\$'000	\$'000
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

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 \$12.507m (2010: \$19.608m).

note 27. contingent liabilities

The Parent Entity has acquired approx. 3,700 ha of land associated with the proposed Tillegra Dam project, which is now not proceeding. Whilst the acquisition of these properties has been completed, there remain several landowners who are yet to either purchase an alternative property and/or relocate from their current property. The Parent Entity retains a range of contractual obligations 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 the future of the land is yet to be determined.

No significant claims for damages are being negotiated (2009-10: nil). This does not include matters covered by insurance.

note 28. auditors' remuneration

Notes	Economic entity		Parent entity	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Amounts received or due and receivable by the auditors, from entities within the Economic Entity				
Audit review of financial statements	146	128	122	104
	146	128	122	104

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 (2010: 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		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

(b) The following related party transactions occurred during the financial year

Transactions with Controlled Entities

Sales

- Contracts (fleet etc)	HWA	-	-	184	182
- Consultancy services	HWA	-	-	87	32
Total sales		-	-	271	214
Purchases - consultancy services & contracts	HWA	-	-	20,776	21,692
Interest paid	HWA	-	-	233	182
Dividend received	HWA	-	-	3,172	3,756

Other Transaction with Related Parties

Purchases of environmental consultations	Umwelt	50	1	50	1
	Together Today	11	34	11	34
Legal advice	Sparke Helmore	311	192	311	192
Membership & subscription fees	WSAA	194	75	194	75
	EWON	54	-	54	-
Sponsorships	University of Newcastle	-	11	-	11
	Hunter Valley Research Foundation	22	-	22	-
Property lease	Spamil	91	-	91	-
Employee superannuation fund	First State Super	3,967	-	2,749	-
Financial management & advisory	NSW Treasury Corporation	49,408	-	45,211	-
Purchases of air conditioning maintenance services	Church Air Conditioning	23	21	23	21

Hunter Water Corporation and Controlled Entity

Entity	Economic entity		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Outstanding balances with controlled entities				
Receivables (excl GST)				
- Sales and purchases	HWA	-	76	12
- Tax funding agreements	HWA	-	211	900
- Dividend receivable	HWA	-	3,558	3,172
Total receivables		-	3,845	4,084
Payables (excl GST)				
- Sales and purchases	HWA	-	3,364	5,294
- Tax funding agreements	HWA	-	1,997	2,352
- Inter-company loan	HWA	-	5,000	5,000
- Interest accrued on intercompany loan	HWA	-	20	18
Total payables		-	10,381	12,664

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 11AM 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 until 29 July 2011
Ms B Crossley	
Mr R Chappel	
Mr G Kennedy	
Mr J Eather	
Prof A Page	Until 30 June 2011
Ms J Gardner	Until 30 June 2011
Ms C Cifuentes	Appointed 1 February 2011

(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 & Communications	Hunter Water Corporation
Stephen Phillips	General Manager Customer & 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

(c) Key management personnel compensation

Short term employee benefits	2,958	2,690	2,692	2,468
Long term employee benefits	69	66	59	57
Post employment benefits	361	415	314	365
	3,388	3,171	3,065	2,890

note 32. controlled entities

Parent entity:

Hunter Water Corporation

Controlled entities	Equity holding	
	2011	2010
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%

note 33. events occurring after balance date

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

note 34. 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 (currently NSW TCorp) to actively manage the Entity's debt portfolio. The current management agreement with NSW TCorp commenced on 1 December 2010, prior to that date NSW TCorp held only an advisory role.

An analysis of the various risks is outlined below:

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities. The Economic Entity's debt portfolio is all held at fixed interest rates, with the exception of a small parcel of CPI linked debt. The \$10m overdraft facility held with NSW TCorp has a floating rate.

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 for each type of debt that the Entity holds. This serves to restrict the Economic Entity's exposure to potential changes in the market value of the portfolio and movements in interest rates. 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 Current neutral benchmarks for each type of debt that the Entity holds are shown below:

Type of debt	Actual	Benchmark	Allowable range
Pre 1st december 2010 fixed rate debt	4.781	Eroding to zero	Eroding to zero
Post 1st december 2010 fixed rate debt	4.614	6.25	3.75 to 8.75
CPI linked debt	13.433	12.80	8.80 to 16.80

The weighted average interest rates are shown below:

Economic entity

2011	Weighted average effective interest rate	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	4.22%	6,807	-	15	6,822
Trade & other receivables	10.50%	-	11,170	32,339	43,509
Other financial assets	n/a	-	-	-	-
Other assets	n/a	-	-	1,972	1,972
		6,807	11,170	34,326	52,303
Financial liabilities					
Borrowings	5.89%	8,294	807,456	-	815,750
Trade & other payables	n/a	-	-	63,710	63,710
		8,294	807,456	63,710	879,460

The comparative information with regard to the 2010 year is as follows:

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%	-	13,775	28,920	42,695
Other financial assets	n/a	-	-	-	-
Other assets	n/a	-	-	12,642	12,642
		9,679	13,775	41,574	65,028
Financial liabilities					
Borrowings	5.95%	-	662,653	-	662,653
Trade & other payables	n/a	-	-	61,307	61,307
		-	662,653	61,307	723,960

Parent entity

2011		Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	3.75%	1,739	-	8	1,747
Trade & other receivables	10.5%	-	11,170	33,931	45,101
Other financial assets	n/a	-	-	900	900
Other assets	n/a	-	-	1,304	1,304
		1,739	11,170	36,143	49,052
Financial liabilities					
Borrowings	5.89%	8,294	812,456	-	820,750
Trade & other payables	n/a	-	-	66,776	66,776
		8,294	812,456	66,776	887,526

The comparative information with regard to the 2010 year is as follows:

2010		Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial assets					
Cash & cash equivalents	3.85%	7,182	-	8	7,190
Trade & other receivables	9%	-	13,775	30,340	44,115
Other financial assets	n/a	-	-	900	900
Other assets	n/a	-	-	12,022	12,022
		7,182	13,775	43,270	64,227
Financial liabilities					
Borrowings	5.95%	-	667,653	-	667,653
Trade & other payables	n/a	-	-	65,666	65,666
		-	667,653	65,666	733,319

Hunter Water Corporation and Controlled Entity

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	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000

Economic entity

If interest rates are 100 basis points higher	5,284	4,202	5,284	4,202
If interest rates are 100 basis points lower	(5,284)	(4,202)	(5,284)	(4,202)

Parent entity

If interest rates are 100 basis points higher	5,319	4,257	5,319	4,257
If interest rates are 100 basis points lower	(5,319)	(4,257)	(5,319)	(4,257)

(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) :

	2011		2010	
	USD \$'000	CAD \$'000	USD \$'000	CAD \$'000
Trade Receivables	-	-	-	-
Bank	.*	-	.*	-
	-	-	-	-

* 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 20 years.

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

In order to further manage liquidity risk, the Parent Entity has a \$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 with the Commonwealth Bank for short-term cash management purposes.

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

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

Economic entity

2011	Carrying amount \$'000	Total contractual cash flows \$'000	Within		Maturity dates				
			1 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	50,861	50,861	50,861	-	-	-	-	-	-
Interest payable	12,849	289,965	46,999	45,309	39,746	34,752	30,314	92,845	
Borrowings	815,750	815,750	19,019	73,177	49,888	145,001	75,989	452,676	
Total	879,460	1,156,576	116,879	118,486	89,634	179,753	106,303	545,521	

Economic entity

2010	Carrying amount \$'000	Total contractual cash flows \$'000	Within		Maturity dates				
			1 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	53,178	53,178	53,178	-	-	-	-	-	-
Interest payable	8,129	173,830	33,392	28,187	23,772	20,528	16,546	51,405	
Borrowings	662,653	662,653	145,653	75,340	73,695	-	79,601	288,364	
Total	723,960	889,661	232,223	103,527	97,467	20,528	96,147	339,769	

Parent entity

2011	Carrying amount \$'000	Total contractual cash flows \$'000	Within		Maturity dates				
			1 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	53,908	53,908	53,908	-	-	-	-	-	-
Interest payable	12,868	289,965	46,999	45,309	39,746	34,752	30,314	92,845	
Borrowings	820,750	820,750	19,019	73,177	49,888	145,001	75,989	457,676	
Total	887,526	1,164,623	119,926	118,486	89,634	179,753	106,303	550,521	

Hunter Water Corporation and Controlled Entity

Parent entity

2010	Carrying amount \$'000	Total contractual cash flows \$'000	Within		Maturity dates				
			1 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	57,518	57,518	-	-	-	-	-	-
Interest payable	8,148	173,830	33,392	28,187	23,772	20,528	16,546	51,405	
Borrowings	667,653	667,653	145,653	75,340	73,695	-	79,601	293,364	
Total	733,319	899,001	236,563	103,527	97,467	20,528	96,147	344,769	

(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 Statement of Financial Position.

	Economic entity			Parent entity		
	Total ^{(1),(2)} \$'000	Past due but not impaired ^{(1),(2)} \$'000	Considered impaired ⁽¹⁾ \$'000	Total ^{(1),(2)} \$'000	Past due but not impaired ^{(1),(2)} \$'000	Considered impaired ⁽¹⁾ \$'000
30- 90 days overdue	6,779	6,717	62	5,898	5,836	62
> 90 days overdue	5,795	5,577	218	5,485	5,281	204

⁽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 Statement of Financial Position.

(d) Fair values

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. All other financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair value except for shares in subsidiaries which are held at historical cost.

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.

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the fair values of the Economic and Parent entity's assets and liabilities at 30 June 2011.

Economic entity

	2011				2010			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets								
Cash and cash equivalents	6,822	-	-	6,822	9,691	-	-	9,691
Total assets	6,822	-	-	6,822	9,691	-	-	9,691

Liabilities

Borrowings	-	845,666	-	845,666	-	662,653	-	662,653
Total liabilities	-	845,666	-	845,666	-	662,653	-	662,653

Parent entity

	2011				2010			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets								
Cash and cash equivalents	1,747	-	-	1,747	7,190	-	-	7,190
Total assets	1,747	-	-	1,747	7,190	-	-	7,190

Liabilities

Borrowings	-	850,666	-	850,666	-	667,653	-	667,653
Total liabilities	-	850,666	-	850,666	-	667,653	-	667,653

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 32 to 75) exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entity as at 30 June 2011, 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



R Robson
Chairman



J Eather
Director

Dated: 25 August 2011
Newcastle

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

For details on Directors refer to the Directors' Report in the financial statements.

9.1.2 current committees and memberships

Committee & membership	Corporate support & contact	Meeting frequency	Major areas coverage
Audit and Risk			
J Eather (Chair) R Robson B Crossley J Gardner C Cifuentes	A Fullick	Four meetings per year and as required	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.
Corporate Governance			
R Robson (Chair) J Gardner B Crossley K Young	D Taylor	Three meetings per year and as required	To overview strategic direction and business performance of the Corporation.
Remuneration			
R Robson (Chair) J Eather B Crossley	K Young	Once per year and as required	To provide overall guidance and endorsement of strategies for succession planning of key management roles and overall remuneration strategy.
Community, Environment & Sustainability			
B Crossley (Chair) A Page G Kennedy J Eather C Cifuentes K Young	P Dennis	Three meetings per year and as required	To ensure the Corporation continues to maintain a proactive and strategic approach in relation to sustainable use of resources and delivery of services.
Capital Works			
A Chappel (Chair) J Eather G Kennedy K Young J Gardner C Cifuentes A Page	R Main	Three meetings per year and as required	To assist the Board by providing strategic overview of the Capital Works and Research and Development programs.
Major Customers			
K Young (Chair) R Robson B Crossley A Chappel A Page G Kennedy	S Phillips	As required	To provide direction on strategic and commercial parameters associated with business dealings with major customers.
Tillegra Dam			
A Chappel (Chair) 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 proposed dam. Note: This Committee formally disbanded 30 June 2011 and had not met during the 2010-11 reporting year.
Out-of-Session			
R Robson (Chair) J Eather K Young	D Taylor	As required	This committee has been delegated authority to exercise the powers and authority of the Board, on matters outside the normal Board meeting timeframe.

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	*	*	*	*	0	0	0	0	16	16
J Gardner	1	1	2	2	1	1	*	*	*	*	*	*
K Young	*	*	3	3	3	3	0	0	0	0	16	16
B Crossley	1	1	3	3	*	*	0	0	0	0	*	*
A Chappel	*	*	*	*	3	3	0	0	0	0	*	*
G Kennedy	*	*	2	3	1	3	0	0	*	*	*	*
J Eather	1	1	1	1	3	3	*	*	*	*	16	16
A Page	*	*	1	3	2	3	0	0	0	0	*	*
C Cifuentes	*	*	1	1	1	1	*	*	*	*	*	*

A = Number of meetings attended.

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

* = Not a member of the relevant committee.

For information on attendance at Board meetings and the Audit and Compliance and Corporate Governance Committee meetings refer to the Directors' Report in the financial statements.

9.1.4 consultative forum membership and 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 in relation to Hunter Water's activities and operational performance requirements.

During 2010-11 membership and attendance at the Consultative Forum was as follows:

Representative	Attendance at meetings held			
	Sep-10	Dec-10	Mar-11	Jun-11
Mr K Young		√	√	√
Mr J O'Hearn (acting as Hunter Water Convenor in place of K Young)	√			
Cr W Harrison	√	√		√
Cr G Edwards (representing Lake Macquarie City Council in place of 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	√			
Cr H Johnston		√	√	√
Mr J Pauling		√		√
Ms F Marshall (as a guest of representative for Hunter-Central Rivers CMA)	√			

9.2 employees

9.2.1 executive positions at 30 June 2011 (paid at equivalent of SES Level 1 or above)

Position	2006-07	2007-08	2008-09	2009-10	2010-11
Managing Director	1	1	1	1	1
Senior Executives	5	5	7	7	7
Number of roles filled by women	1	1	2	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	2010-11
Name	Kevin Young		
Position	Managing Director		
Appointed	19 July 2004	Reappointed 19 July 2009	
Remuneration Package	\$375,026	\$386,277	\$407,522
Performance Pay	\$62,504	\$65,667	\$65,667

Excellent year for capital delivery, operational cost control and operational licence performance. Achieved improvements in water efficiency, recycling and energy efficiency metrics. Has continued 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 as Chair of the Water Services Association of Australia.

9.2.3 workforce profile

	2006	2007	2008	2009	2010	2011
Males	307	318	311	318	315	325
Females	130	123	131	137	148	156
Total	437	441	442	455	463	481
Permanent	358	360	354	356	350	383
Temporary	26	31	35	48	56	47
Part-time	53	50	53	51	57	51
Total	437	441	442	455	463	481
Redundancies	5	3	7	10	3	1
Recruitment	42	54	55	54	25	57
Unplanned absences (%)	2.29	2.71	1.9	2.04	2.57	1.98

equal employment opportunity (EEO) target groups:

9.2.4 trends in the representation of EEO groups ⁽¹⁾

	% of total staff ⁽²⁾						
	Benchmark or target	2006	2007	2008	2009	2010	2011
Women	50%	30%	28%	30%	30%	32%	32%
Aboriginal people and Torres Strait Islanders	2.60%	0.90%	0.90%	0.70%	0.70%	0.60%	0.62%
People whose first language was not English	19%	5%	5%	5%	4.80%	5.20%	4.80%
People with a disability	N/A	5%	4.80%	4.80%	4%	3%	2%
People with a disability requiring work-related adjustment	1.1% (2011)	0.70%	0.50%	0.50%	0.40%	0.40%	0.42%

9.2.5 trends in the distribution of EEO groups ⁽¹⁾

	Benchmark or target	Distribution index ^{(2), (3)}					
		2006	2007	2008	2009	2010	2011
Women	100	87	89	90	90	91	90
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	103	104	104	104	104	103
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. Employees can elect to withdraw this information from their employment profile.

⁽¹⁾ Staff numbers are as at 30 June 2011.

⁽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 multicultural policies and services program (previously EAPS)

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 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. 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 i.e. 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 and 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 whereby people of an Aboriginal and Torres Strait Islander background are encouraged to apply and receive support in their application. We are also in the process of implementing an Aboriginal Employment Strategy to increase participation in the workplace.
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 whereby 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.

9.2.7 employee safety performance

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Change %
Lost time frequency rates	0	2.56	2.47	1.1	9.3	3.85	-142%
Total hours lost	2,458	1,464	2,204	2,044	5,436	2,802	-94%
Lost time injuries	0	2	2	1	9	4	-125%
Minor injuries	91	106	68	24	17	18	6%
Prosecutions	0	0	0	0	0	0	0

9.2.8 overseas travel commenced during 2010-11

Name	Destination city, country	Departure date	Duration (days)	Reason for travel
Peter Dennis	Shanghai, China & Montreal, Canada	17-Sep-10	9 Days (17/09/10 - 26/09/10)	4 days Shanghai as part of Australian China Environment Development Partnership Project (Under AUSAID) 5 days Montreal for International Water Association Conference
Greg Bone	Seattle, USA	12-Oct-10	26 Days (12/10/10 - 07/11/10)	Seattle public utilities capital works project
Kevin Young	Tokyo, Japan	14-Jan-11	8 Days (14/01/11 - 22/01/11)	Attend as guest speaker at conference hosted by Japanese Water and Wastewater Association
Rob Main	Oakland/Seattle, USA	9-May-11	1 Day (09/05/11 - 10/05/11)	Public utilities seminar Note: Attended whilst in USA for holidays

9.3 customer and service performance

9.3.1 customer base

Customer	Number of properties 2010-11	Income raised 2010-11 \$m actual
Residential	174,248	142.10
Multi-Residential	37,864 *	20.49
Commercial	9,021	25.31
Industrial	959	13.30
Bulk Supply	2	0.42
Other	5,6012 **	15.22
Total	227,695	216.84

* 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 2011

Year	Newcastle	Grahamstown	Chichester
2002-03	788	837	1,032
2003-04	999	819	1,244
2004-05	910	1,242	1,299
2005-06	695	835	1,016
2006-07	1,081	1,011	1,128
2007-08	1,567	1,585	1,656
2008-09	1,041	1,431	1,619
2009-10	797	796	1,185
2010-11	1,022	1,001	1,225
Long term average	1,121	1,044	1,270
Years of record	146	44	84

9.3.3 water supplied (megalitres) - 12 months ending 19 April 2011

Source	2008	2009	2010	2011
Chichester	26,602	24,342	27,462	25,277
Tomago	0	1,935	4,262	0
Grahamstown	37,709	37,472	35,971	40,398 ^
Total major sources	64,311	63,749	67,695	65,675
Anna Bay	2,295	2,735	2,148	1,572
Lemon Tree Passage	730	834	707	761
Total	67,336	67,319	70,550	68,008

Note: Above figures for Anna Bay include water supplied from the Glovers Hill and the Anna Bay Water Treatment Plants.
Total includes losses from Dungog Water Treatment Plant.

^ The 2011 value for Grahamstown includes process water used at Grahamstown Water Treatment Plant.

9.3.4 water consumption (megalitres) - 12 months ending 19 April 2011

	2008 ML	2008 %	2009 ML	2009 (%)	2010 ML	2010 (%)	2011 ML	2011 (%)
Domestic	36,428	54%	37,199	55%	38,463	55%	37,087	55%
Non-domestic	20,188	30%	20,445	30%	21,081	30%	21,068	31%
Bulk supply	1,235	2%	161	0%	2,316	3%	315	0%
Total consumption	57,851	86%	57,805	86%	61,860	88%	58,470	86%
Authorised (HWC own use)	1,008	1%	1,378	2%	1,156	2%	2,226	3%
Apparent losses	1,222	2%	1,244	2%	1,283	2%	1,255	2%
Real losses	7,255	11%	6,891	10%	6,250	9%	6,058	9%
Gross non-revenue generating	9,485	14%	9,513	14%	8,689	12%	9,539	14%
Total supply	67,336		67,318		70,549		68,009	

Note: The 2011 value includes process water used at Grahamstown Water Treatment Plant.

9.3.5 water system incidents

Incident / solution	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Poor pressure	185	127	87	144	132	115
Pump problem	2	2	1	2	5	4
Seepage	143	244	260	243	152	201
Main flush	1,330	831	638	733	692	690
Main repair	2,030	1,733	1,422	1,590	1,553	1,534
Hydrant defect	1,156	826	811	765	901	745
Valve defect	377	283	244	250	264	249
Repair pathcock / maincock	2,941	2,909	2,845	2,794	3,008	2,875
Meter defect	237	221	280	358	458	525
Service defect repaired by Hunter Water's operations staff	1,658	1,470	1,406	1,695	1,769	1,664
Service defect repaired by private plumber	553	560	551	633	735	640
Complaint unconfirmed	318	300	262	275	314	430
Other	2,209	1,907	1,493	1,520	1,572	1,667
Tap rewashers	89	103	89	92	96	69
Trunkmain repairs	3,936	3,242	2,927	3,812	3,597	3,012
Total	17,164	14,758	13,136	14,906	15,248	14,420

9.3.6 water transport system reliability

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Main breaks per 100kms main - trunkmains included in length of mains	44.6*	37.4*	30.3*	32.6*	32	31.2
Discoloured water complaints per 1,000 properties connected (tenancy)	4.6	3.4	2.2	2.7	3.3	1.9

* 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 2010-11: properties affected by water supply interruption*

Total Interruption	Planned	Unplanned	Combined	** Total %
≤1 hour (≤ 60min)	3,861	11,944	15,805	6.9%
>1 and ≤5 hours (>60 & ≤ 300min)	14,873	40,494	55,367	24.3%
>5 and ≤12 hours (>300 & ≤720min)	463	6,147	6,610	2.9%
>12 and ≤24 hours (>720 & ≤1,440min)	0	39	39	0.0%
>24 hours (>1,440min)	0	2	2	0.0%
No interruption			149,872	65.8%

* 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.

** Combined % of total properties - the total number of water connections (tenancy) is 227,695.

9.3.8 wastewater system incidents

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

* Problem in customer's private drains or fittings.

** 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	2,833	4,730	60

	Number of property breaks & chokes	Number of wastewater properties	Ratio of property breaks & chokes per 1,000 properties
Total	2,739	215,748	12.7

9.3.10 general statistics

Water	2006-07	2007-08	2008-09	2009-10	2010-11
Population in area ^{[1],[2]}	517,273	522,415	527,557	533,874	560,603
Population supplied with water ^[1]	505,712	510,703	515,695	521,736	539,364
Properties where water is available ^[3]	224,442	228,312	231,266	233,509	236,369
Properties connected to water (metered) ^[3]	216,189	220,597	222,454	224,845	227,695
Capacity of major sources (ML)	288,000	288,000	288,000	288,000	288,000
Total supply from sources (ML) ^[4]	74,757	67,244	67,181	70,609	67,100
Average day net supply (ML) ^[4]	204.80	183.70	184.10	193.40	183.80
Maximum day net supply (ML) ^[4]	322.90	279.30	308.50	337.20	317.40
Maximum week net supply (ML/day) ^[4]	296	237.50	284.40	273.40	298.30
Minimum day net supply (ML) ^[4]	145.90	113.00	121.20	105.60	120.40
Average consumption per residential tenement (kl/annum)	194.60	177.40	179.60	183.80	174.80
5 year rolling average consumption ^[5]	205.10	196.20	190.60	188.00	182.00
Watermains laid during year (km)	56.80	82.70	157.30	73.90	58.03
Watermains abandoned during year (km)	32.20	25.30	33.00	32.40	21.24
Watermain length revisions during the year (km)	65.40	-2.60	5.20	6.80	2.62
Total watermains in service (km)	4,637.70	4,692.54	4,821.96	4,856.64	4,898.05
Length of watermain per connected property (m)	21.50	21.20	21.68	21.60	21.51
Water supplied free of charge: charitable, public & miscellaneous purposes (kl)	444,828	398,089	483,778	379,740	423,194
Water supplied free of charge: dollar value	\$604,966	\$564,825	\$614,398	\$647,830	\$723,662
Wastewater	2006-07	2007-08	2008-09	2009-10	2010-11
Population supplied with water & sewer ^[1]	486,310	491,136	495,963	501,000	519,858
Properties where sewer is available ^[3]	214,430	217,065	219,764	221,726	224,986
Properties connected to sewer ^[3]	205,034	208,662	211,015	213,023	215,748
Sewermains laid during the year (km)	57.40	39.70	74.90	50.00	68.23
Sewermains abandoned during the year (km)	10.90	7.70	4.80	10.00	0.43
Total sewermains in service (km)	4,523.40	4,555.60	4,625.60	4,667	4,729.97
Length of sewermain per liable property (m)	22.00	21.80	21.90	21.90	21.02
Drainage	2006-07	2007-08	2008-09	2009-10	2010-11
Properties liable ^[3]	65,958	66,476	66,969	67,404	67,938

Dissection of population - June 2011 ^[1]		2010-11		
Region		Population in Area	Served Water	Served Sewer
Newcastle		157,601	157,601	156,914
Lake Macquarie		202,153	198,453	193,175
Maitland		71,208	69,172	67,401
Cessnock		51,953	45,376	41,519
Port Stephens		69,015	65,005	59,791
Dungog		8,673	3,482	942
Sub total		560,603	539,089	519,742
Singleton (part Branxton)		-	190	116
Great Lakes (East Karuah/Alicetown)		-	85	-
Total		560,603	539,364	519,858

	2006-07	2007-08	2008-09	2009-10	2010-11
Ratio of properties connected to water & sewer, & water only ^[6]	96.60%	96.90%	96.90%	96.70%	96.40%

^[1] Population figures from 2010-11 have used Estimated Resident Population from the Australian Bureau of Statistics. Population prior to this is based on data from the 2006 Census.

^[2] Population in area for 2010-11 includes population in Dungog Local Government Area.

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

^[4] Supply and consumption figures are based on water year, i.e. 12 months ending 19 April 2011.

^[5] Target is to not exceed 215kl/annum, based on 5-year rolling average.

^[6] Includes 5 main local Government areas only.

Financial	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m
Total tariff revenue (includes service & usage charges & other regulated income)	158.03	162.53	174.56	217.57	222.33
Capital indebtedness - external	331.97	414.60	522.00	662.65	815.75

Staffing	2006-07	2007-08	2008-09	2009-10	2010-11
Salaried	279	295	300	296	383
Wages	108	108	101	100	47
Engineers	52	50	54	67	51
Total	439	453	455	463	481

9.3.11 waste statement

We have focused programs to reduce waste and encourage the use of recycled materials. New processes have been implemented during 2010-11 for managing spoil to ensure that it is used beneficially and not taken to landfill.

9.4 financial

9.4.1 information on the statement of financial position of the economic entity

1 receivables

Receivables are shown as a current asset on the Statement of Financial Position and total \$43.509m.

	Jun 11 \$m	Jun 10 \$m
Tariff income - billed	15.365	19.105
Tariff income - unbilled	20.082	15.488
Sundry debtors	3.369	3.066
Net GST receivable from ATO	4.419	5.002
Community service obligations	0.566	0.568
Miscellaneous debtors	(0.012)	(0.009)
Sub total	43.789	43.220
Less provision for doubtful debts	0.280	0.525
Total	43.509	42.695

Information regarding the major categories follows.

Tariff income - unbilled

- a This item is an estimate of water and sewer usage for properties up to the reporting date that has been accrued.

Net GST receivable from ATO

- b 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 2011 (inclusive of accruals) and included in receivables was \$4.419m.

Community service obligations

- c 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 2010-11 were for tariff rebates given to pensioners and exempt properties, for example churches. The 2010-11 claim and cash received were as follows:

	Amount claimed \$m	Cash received \$m	Outstanding (prepayment) \$m
Pensioner rebate	10.275	9.759	0.516
Exempt properties	1.577	1.527	0.050
Total	11.852	11.286	0.566

The amount owing of \$0.566m 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 11 \$m	Jun 10 \$m
Cash at bank	2.625	0.921
T-corp deposits	4.197	8.770
Total	6.822	9.691
Interest earned	0.535	0.332
Average interest (on average monthly investment balance)	4.22%	3.64%

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

3 fixed assets - property plant and equipment

	Jun 11 \$m	Jun 10 \$m
Opening WDBV	2,542.551	2,378.092
Less - depreciation charge	(33.351)	(32.541)
Less - disposals	(2.895)	(6.577)
Add - additions	133.399	101.570
Add - externally funded assets	15.088	14.791
Add - transfers between classes	0.161	(2.940)
Revaluation - increment	238.699	90.156
(Impairment) / impairment reversal	269.745	-
Total property, plant & equipment	3,163,396	2,542.551

The total assets of \$3,163m represent an increase of \$620.8m on the balance as at 30 June 2010.

4 intangible assets

	Jun 11 \$m	Jun 10 \$m
Opening WDBV	6.738	4.222
Less - amortisation charge	(2,332)	(3,915)
Less - disposals	(0.116)	-
Less - transfers between classes	(0.014)	-
Add - additions	2.737	6.431
(Impairment) / impairment reversal	0.176	-
Total intangible assets	7.189	6.738

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

Due to the high level of expertise required to effectively manage financial liabilities, the Entity contracts the services of an external specialist (currently NSW TCorp) to actively manage the Entity's debt portfolio. The current management agreement with NSW TCorp commenced on 1 December 2010, prior to that date NSW TCorp held only an advisory role. During 2010-11 the current capital value of the Parent Entity's financial liability portfolio increased by \$164m.

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 in order to reflect the current market value.

The average interest yield cost of debt held at 30 June 2011 was 5.89%. A profile of the Parent Entity's Financial Liability Portfolio is as follows:

	Jun 11 \$m	Jun 10 \$m
Number of loans	26	51
Face value	820.562	662.653
Net premium / discount on loans	(4.812)	(10.946)*
Current capital value	815.750	651.707
Market capital value	845.666	677.760
Come and go facility	-	-

Interest bearing liabilities included in the Statement of Financial Position are:

	Jun 11 \$m	Jun 10 \$m
Current	19.018	145.837
Non current	796.732	516.816
Total	815.750	662.653*

Debt maturity profile	Jun 11 \$m	Jun 10 \$m
Come and go facility	-	-
Within 1 year	19.018	145.837
Between 1-5 years	344.055	228.636
Over 5 years	452.677	288.180
Total	815.750	662.653*

* The financial statements for 2010 included net premiums/discounts as a separate item within the Statement of Financial Position. In 2011 these are now included as a part of borrowings.

The number of loans has significantly decreased in 2011 as a result of NSW TCorp consolidating some loans based on similar maturity dates.

6 employee provisions

At 30 June 2011 the liability for employee provisions totalled \$70.392m representing a decrease of \$3.254m during the year and comprised:

	Jun 11 \$m	Jun 10 \$m
Long service leave	15.626	16.252
Defined-benefit superannuation	48.131	50.828
Accrued sick / annual leave	6.635	6.566
Total	70.392	73.646

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

	Jun 11 \$m	Jun 10 \$m
Current	21.050	21.939
Non current	49.342	51.707
Total	70.392	73.646

As a result at 30 June 2011 the Economic Entity's superannuation portfolio was under-funded in total by \$48.131m. At 30 June 2010 the portfolio was under-funded by \$50.828m.

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

7 breakdown of landholdings 30 June 2011

Code description	Number of properties	Value \$m
1 Land fully utilised as an integral part of the Parent Entity's system	387	50.455
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	75.738
4 Land being partly used, the residue having potential for alternative use	32	24.726
5 Land with significant potential for alternative use	16	3.400
Total	492	154.416

As at 30 June 2011, the Entity held one property to the value of \$0.127m which was classified as 'Held for Sale' and disclosed in note 11 of the financial statements.

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

8 property disposals

There was one parcel of land disposed of during the financial year. Total proceeds of \$2.940m were received at settlement. This property was no longer required for operational purposes by the Parent Entity. The proceeds from the sale of this property 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 Government Information (Public Access) Act 2009.

9 material capital expenditure contracts as at 30 June 2011 (GST-inclusive)

(Contracted for at balance date but not provided for)

Contract number	Contract description	Committed amount \$m
CG370001	Toronto Delivery Phase	8.978
CG370001	Shortland Delivery Phase	8.768
CG370001	Alliance Works Phase Boulder Bay Wastewater Treatment Works	8.148
CG370001	Burwood ABF Tower Upgrade	4.022
CG363204	Morpeth Wastewater Transportation Upgrade - Stage 2	3.927
CG370001	Alliance Works Phase Branxton Wastewater Treatment Works	3.437
CG159815	DN900 Chichester Trunk Gravity Main (CTGM) - Tarro to Shortland	3.300
CG370003	Alliance Program Management (1 July 11 - 30 Jun 12)	3.239
CG297108	Construction of Wallsend Water Pump Station DN375 External Pipe Work Modifications	3.135
CG370001	Alliance Works Phase Burwood Beach Wastewater Treatment Works	2.434
CG370001	Alliance Works Phase Paxton Wastewater Treatment Works	1.706
CG362103	Construction of Kurri Kurri Wastewater Pump Station, Rising Main and Gravity Main Upgrade	1.040
CG346713	Edgeworth Hydraulics and UV Upgrade	0.960
CG346716	Pipe bursting and Lining of Sewermain at Cardiff, Maitland and East Maitland	0.550
CG370001	Farley TOC Development Phase	0.431
CG122814	Construction of Kurri Kurri Wastewater Treatment Works Upgrade	0.384
CG352608	DD&C Dungog Water Treatment Plant 30ML Clear Water Tanks and Anna Bay 7ML Reservoir	0.341
CG372608	Design and Install Flow Meters at Various Locations	0.275
CP306004	Upgrade of Hunter Water High Voltage Assets - Concept Design	0.235
CG299406	Demolition/Removal of Cockle Creek Watermain Crossings	0.231
CG366504	Construction of Clarence Town Wastewater Treatment Works	0.194
CG335415	Supply and Installation of Flowmeters at Eraring	0.185
CP310300	Provision of Sewer Flow Gauging and Rain Gauging	0.133
CG366509	Design and Construction of Clarence Town Irrigation Scheme	0.113
	Other	0.316
Total		56.482

9.4.2 financial summary and ratio analysis of the economic entity

operating program 2010-11 economic entity

A summary of actual and budgeted results for 2010-11 and comparisons with 2009-10 results and budget is as follows:

	Actual 2010-11 \$'000	Budget 2010-11 \$'000	Actual 2009-10 \$'000	Budget 2009-10 \$'000
Income				
Net tariff income	222,334	238,305	217,566	218,735
Interest on investments	535	425	332	280
Profit (loss) on sale of assets	210	-	318	-
External sales	11,910	12,076	11,166	11,785
Contributions from capital works	21,799	16,913	20,965	16,321
Other (including non-regulated income)	4,919	2,582	3,742	2,403
Total income	261,707	270,301	254,089	249,524
Expenditure				
Operating expenses	134,981	110,247	104,225	105,687
Depreciation & amortisation	35,683	39,072	36,455	32,333
Interest payable	44,950	42,510	36,283	36,857
Financial charges	12,129	17,615	11,126	8,181
Total expenditure	227,743	209,444	188,089	183,058
Profit before tax	33,964	60,857	66,000	66,466

operating program 2011-12 economic entity

	Budget 2011-12 \$'000
Income	
Net tariff income	250,552
Interest on investments	500
External sales	13,252
Contributions from capital works	21,202
Non-regulated income	2,772
Total income	288,278
Expenditure	
Operating expenses	126,059
Depreciation & amortisation	41,358
Interest payable	51,258
Financial charges	15,711
Total expenditure	234,386
Operating profit before tax	53,892

five year financial summary and ratio analysis

1 statement of financial position (economic entity)

	2010-11 \$m	2009-10 \$m	2008-09 \$m	2007-08 \$m	2006-07 \$m
Current assets					
Cash and cash equivalents	6.8	9.7	5.2	16.9	13.2
Other	47.8	49.5	43.6	40.7	37.7
Total current assets	54.6	59.2	48.8	57.6	50.9
Non-current assets					
Property, plant and equipment and intangibles	3,481.7	2,825.9	2,594.8	2,111.7	1,953.7
Investments / Other	-	10.9	7.5	7.3	22.2
Total non-current assets	3,481.7	2,836.8	2,602.3	2,119.0	1,975.9
Total assets	3,536.3	2,896.1	2,651.1	2,176.6	2,026.8
Current liabilities					
Trade and other payables	63.7	61.3	58.0	27.8	40.4
Borrowings	19.0	145.9	75.2	1.1	53.6
Provisions	42.5	63.3	63.5	58.2	55.6
Current tax liabilities	3.5	6.4	1.9	1.9	6.8
Total current liabilities	128.7	276.9	198.6	89.0	156.4
Non-current liabilities					
Borrowings	796.7	516.8	446.7	413.5	278.4
Provisions / Other	559.3	414.4	386.8	268.5	252.6
Total non-current liabilities	1,356.0	931.2	833.5	682.0	531.0
Total liabilities	1,484.7	1,208.1	1,032.1	771.0	687.4
Net assets	2,051.6	1,688.0	1,619.0	1,405.6	1,339.4
Capital and retained earnings					
Issued capital	100.0	100.0	100.0	100.0	100.0
Asset revaluation reserve	1,279.7	924.6	865.9	645.3	592.0
Accumulated funds	671.9	663.4	653.1	660.3	647.4
Total equity	2,051.6	1,688.0	1,619.0	1,405.6	1,339.4

2 income statement (economic entity)

	2010-11	2009-10	2008-09	2007-08	2006-07
	\$m	\$m	\$m	\$m	\$m
Trading operations					
Revenue:					
- Tariff	222.3	217.6	174.6	162.5	158.0
- Other	17.4	15.2	22.8	40.9	39.6
- Operating costs	107.1	100.3	91.4	113.0	112.0
Gross margin	132.6	132.5	106.0	90.4	85.6
Other income:					
- Investments	0.2	0.3	0.7	1.6	1.4
Other expenditure:					
- Financing charges	57.1	47.4	32.3	26.2	18.6
- Depreciation and amortisation	35.7	36.5	34.7	30.6	37.3
- Other	26.3	-	-	-	-
Profit before superannuation adjustment & contributions for capital works	13.7	48.9	39.7	35.2	31.1
Superannuation expense	-1.6 ⁽²⁾	-3.6 ⁽²⁾	-2.8 ⁽²⁾	-1.7 ⁽²⁾	11.5 ⁽¹⁾
Profit before contributions for capital works	12.1	45.3	36.9	33.5	42.6
Contribution for capital works	21.9	20.7	25.1	38.5	46.5
Net profit	34.0	66.0	62.0	72.0	89.2

⁽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 2009 for the 2008-09 reporting period, including the restatement of 2007-08 results

3 financial ratios

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

	2010-11	2009-10	2008-09	2007-08	2006-07
a - Gross profit %	55.32	56.92	53.69	44.44	43.31
b - Working capital	0.42	0.21	0.25	0.65	0.33
c - Cash ratio	0.05	0.04	0.03	0.19	0.08
d - Equity to total liabilities	1.38	1.40	1.57	1.78	1.95
e - Interest cover (times)	1.68	2.03	2.22	2.34	2.68
f - Return on equity (%)	1.77	6.40	5.39	4.71	4.17
g - Real rate of return (%)	2.76	3.67	2.75	2.83	2.47
h - Return on total net assets (%)	0.67	2.90	2.44	2.53	2.33

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.

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.

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, however it has significantly decreased from last year as a result of lower profit and higher financing expenses.

Return on equity

- f Return of equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. ROE for 2010-11 is 1.77%, which is significantly lower than last year due to a lower operating profit.

Real rate of return

- g Real rate of return (RRR) is calculated as operating profit plus net interest plus financial charges divided by written down book value of infrastructure assets and works in progress and reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return 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 2.76%.

Return on total net assets

- h Return on total net assets (RONA) is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2010-11 RONA is 0.67%.

9.4.3 pricing structure

The NSW Independent Pricing and Regulatory Tribunal (IPART) sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. The 2010-11 prices were set by IPART in July 2009 as part of a four-year price determination applying from July 2009 to 30 June 2013. The water service prices set by IPART were reduced from 1 March 2011 as a result of the decision not to proceed with Tillegra Dam. The table below separately shows the reduced water service prices applying from 1 March 2011. Customers also received a rebate in bills issued between March and June 2011 as a refund of the Tillegra Dam component included in prices charged between July 2009 and February 2011. For customers with a standard 20mm water connection, this rebate was \$36. Higher rebates applied to connection sizes greater than 20mm. The rebate amounts were calculated by IPART.

Water

Water service charge (\$)		2010-11 - Nominal \$				2009-10 - Nominal \$	
		Main prices		Dungog only		Main prices	Dungog only
Pipe size	Meter equivalent value	Bill cycles 1 & 2 (a)	Bill cycle 3 (b)	Bill cycles 1 & 2 (a)	Bill cycle 3 (b)	All cycles	
20mm	1.00	\$27.39	\$6.28	\$71.37	\$28.37	\$39.94	\$112.82
25mm	1.56	\$42.80	\$9.82	\$111.52	\$44.32	\$62.40	\$176.28
32mm	2.56	\$70.12	\$16.09	\$182.71	\$72.62	\$102.25	\$288.82
40mm	4.00	\$109.56	\$25.14	\$285.50	\$113.47	\$159.76	\$451.28
50mm	6.25	\$171.19	\$39.28	\$446.09	\$177.29	\$249.62	\$705.13
65mm	10.56	\$289.32	\$66.38	\$753.89	\$299.63	\$421.85	\$1,191.67
80mm	16.00	\$438.25	\$100.56	\$1,141.98	\$453.87	\$639.03	\$1,805.13
100mm	25.00	\$684.77	\$157.12	\$1,784.35	\$709.17	\$998.48	\$2,820.52
150mm	56.25	\$1,540.74	\$353.53	\$4,014.79	\$1,595.64	\$2,246.58	\$6,346.16
200mm	100.00	\$2,739.08	\$628.49	\$7,137.40	\$2,836.70	\$3,993.92	\$11,282.06
250mm	156.25	\$4,279.83	\$982.02	\$11,152.19	\$4,432.34	\$6,240.49	\$17,628.22
300mm	225.00	\$6,162.95	\$1,414.11	\$16,059.16	\$6,382.57	\$8,986.31	\$25,384.64
350mm	306.25	\$8,388.46	\$1,924.76	\$21,858.30	\$8,687.39	\$12,231.37	\$34,551.31

(a) Bill cycles 1 and 2 cover the billing periods from 1 July 2010 to 28 February 2011.

(b) Bill cycle 3 is the period from 1 March 2011 to 30 June 2011. The charge for this period is reduced due to removal of Tillegra Dam costs from the prices.

Water usage charge (\$/kl) (≤ 50,000 kL)	2010-11 Nominal \$		2009-10 Nominal \$	
	Main prices	Dungog only	Main prices	Dungog only
Filtered water	\$1.71	\$1.71	\$1.57	\$1.57
Unfiltered water	\$1.31	\$1.31	\$1.20	\$1.20
Filtered water (> 50,000 kL)				
Kurri Kurri	\$1.69		\$1.55	
Lookout	\$1.58		\$1.45	
Newcastle	\$1.54		\$1.41	
Seaham - Hexham	\$1.37		\$1.26	
South Wallsend	\$1.61		\$1.48	
Tomago - Kooragang	\$1.32		\$1.22	
Dungog Shire - only for water sourced from Chichester Dam within Shire		\$1.32		\$1.22
All other locations	\$1.71		\$1.57	
Gosford-Wyong usage charge (\$/kL)	\$1.29		\$1.27	

Sewer

Sewer service charge (\$)					
Residential properties:		2010-11 Nominal \$		2009-10 Nominal \$	
Pipe size	Meter equivalent value	Main prices	Dungog only	Main prices	Dungog only
20mm	1.00	\$489.36	\$489.36	\$462.43	\$462.43
25mm	1.56	\$764.64	\$764.64	\$722.54	\$722.54
32mm	2.56	\$1,252.78	\$1,252.78	\$1,183.82	\$1,183.82
40mm	4.00	\$1,957.47	\$1,957.47	\$1,849.71	\$1,849.71
50mm	6.25	\$3,058.54	\$3,058.54	\$2,890.18	\$2,890.18
65mm	10.56	\$5,168.93	\$5,168.93	\$4,884.39	\$4,884.39
80mm	16.00	\$7,829.85	\$7,829.85	\$7,398.84	\$7,398.84
100mm	25.00	\$12,234.14	\$12,234.14	\$11,560.70	\$11,560.70
150mm	56.25	\$27,526.84	\$27,526.84	\$26,011.56	\$26,011.56
200mm	100.00	\$48,936.60	\$48,936.60	\$46,242.77	\$46,242.77
250mm	156.25	\$76,463.44	\$76,463.44	\$72,254.33	\$72,254.33
300mm	225.00	\$110,107.34	\$110,107.34	\$104,046.24	\$104,046.24
350mm	306.25	\$149,868.32	\$149,868.32	\$141,618.49	\$141,618.49
Non-residential properties:					
Pipe size	Meter equivalent value				
20mm	1.00	\$978.73	\$978.73	\$924.86	\$924.86
25mm	1.56	\$1,529.26	\$1,529.26	\$1,445.08	\$1,445.08
32mm	2.56	\$2,505.56	\$2,505.56	\$2,367.63	\$2,367.63
40mm	4.00	\$3,914.93	\$3,914.93	\$3,699.42	\$3,699.42
50mm	6.25	\$6,117.08	\$6,117.08	\$5,780.35	\$5,780.35
65mm	10.56	\$10,337.86	\$10,337.86	\$9,768.78	\$9,768.78
80mm	16.00	\$15,659.71	\$15,659.71	\$14,797.69	\$14,797.69
100mm	25.00	\$24,468.30	\$24,468.30	\$23,121.39	\$23,121.39
150mm	56.25	\$55,053.68	\$55,053.68	\$52,023.12	\$52,023.12
200mm	100.00	\$97,873.20	\$97,873.20	\$92,485.55	\$92,485.55
250mm	156.25	\$152,926.86	\$152,926.86	\$144,508.67	\$144,508.67
300mm	225.00	\$220,214.68	\$220,214.68	\$208,092.48	\$208,092.48
350mm	306.25	\$299,736.66	\$299,736.66	\$283,236.98	\$283,236.98

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	\$320.12	\$320.12	\$302.50	\$302.50
Note: Service charge per flat/unit is determined as the higher of the minimum charge per property or the calculated charge using the service charges for residential properties listed above.				
Non residential sewer usage charge (\$/kL)	\$0.63	\$0.63	\$0.62	\$0.62

Stormwater

Stormwater service charge (\$)	2010-11 Nominal \$		2009-10 Nominal \$	
	Main prices	Dungog only	Main prices	Dungog only
Residential properties:				
	\$78.38		\$75.42	
Non-residential properties:				
Small (< 1,000m ²) or low impact	\$78.38		\$75.42	
Medium (1,001 - 10,000m ²)	\$141.68		\$136.32	
Large (10,001 - 45,000m ²)	\$901.19		\$867.11	
Very Large (> 45,000m ²)	\$2,863.29		\$2,755.00	
Recycled water (residential schemes)				
Gillieston Heights				
Service charge (20mm base \$/year)	\$21.77		\$21.36	
Usage charge (\$/kL)	\$1.27		\$1.15	
Chisholm				
Service charge (20mm base \$/year)	\$21.77		\$21.36	
Usage charge (\$/kL)	\$1.27		\$1.15	
Backlog & other sewerage services				
Environmental Improvement Charge (EIC) (\$)	\$33.86	\$33.86	\$33.23	\$33.23
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 (\$)		\$109.47		\$207.80

Service charges for properties exempt from standard prices

Water service charge - exempt		2010-11 - Nominal \$				2009-10 - Nominal \$	
Pipe size	Meter equivalent value	Main prices		Dungog only		Main prices	Dungog only
		Bill cycles 1 & 2	Bill cycle 3	Bill cycles 1 & 2	Bill cycle 3	All cycles	All cycles
20mm	1.00	\$11.20	\$2.57	\$29.19	\$11.60	\$16.34	\$46.16
25mm	1.56	\$17.51	\$4.02	\$45.62	\$18.13	\$25.53	\$72.12

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

Sewer service charge - exempt		2010-11 Nominal \$		2009-10 Nominal \$	
Pipe size	Meter equivalent value	Main prices	Dungog only	Main prices	Dungog only
20mm	1.00	\$199.26	\$199.26	\$188.29	\$188.29
25mm	1.56	\$310.85	\$310.85	\$293.73	\$293.73
32mm	2.56	\$510.11	\$510.11	\$482.02	\$482.02
40mm	4.00	\$797.04	\$797.04	\$753.16	\$753.16
50mm	6.25	\$1,245.38	\$1,245.38	\$1,176.81	\$1,176.81
65mm	10.56	\$2,104.19	\$2,104.19	\$1,988.34	\$1,988.34
80mm	16.00	\$3,188.16	\$3,188.16	\$3,012.64	\$3,012.64
100mm	25.00	\$4,981.50	\$4,981.50	\$4,707.25	\$4,707.25
150mm	56.25	\$11,208.38	\$11,208.38	\$10,591.31	\$10,591.31
200mm	100.00	\$19,926.00	\$19,926.00	\$18,829.00	\$18,829.00
250mm	156.25	\$31,134.38	\$31,134.38	\$29,420.31	\$29,420.31
300mm	225.00	\$44,833.50	\$44,833.50	\$42,365.25	\$42,365.25
350mm	306.25	\$61,023.38	\$61,023.38	\$57,663.81	\$57,663.81

Note: Exempt water and sewer service charges apply to eligible churches, nursing homes and other benevolent organisations upon application.

Pensioner rebate	\$227.00	\$227.00	\$212.00	\$212.00
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9.4.4 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 2010-11 financial year and the actual results are as follows:

	2010-11 SCI target \$m	2010-11 actual \$m
Operating profit before income tax expense	60.9	34.0
Income tax expense	16.5	9.7
Net Debt	851.7	815.8

Operating profit was lower than target primarily as a result of the write off of Tillegra Dam pre-construction costs and unfavourable tariff income, caused by refunds relating to the Tillegra Dam project cancellation and lower water consumption. These are partially offset by increased capital contributions, lower interest due to a change in methodology for calculating the 2010-11 government guarantee fee and lower depreciation and amortisation.

9.4.5 liability management performance

The Corporation contracts the services of an external specialist (currently NSW T-Corp) to actively manage the Entity's debt portfolio. The current management agreement with NSW T Corp commenced on 1 December 2010, prior to that date NSW T-Corp held only an advisory role. At 30 June 2011 key statistics on the Corporation's debt portfolio were as follows:

	Actual 2010-11	Target 2010-11
Current capital value \$	\$815,750,164	\$862,293,000
Average cost of debt %	7.54%	8.38%
Duration (years):		
Pre-Dec 2010 nominal debt	4.78	eroding to zero
Post-Dec 2010 nominal debt	4.61	3.75 to 8.75
Inflation linked debt	13.43	8.80 to 16.80

9.4.6 credit card certification

Usage of corporate credit cards is in accordance with Corporation policy, Treasurer's directions and Premier's memoranda.

9.4.7 major acquisitions over \$0.5 million for 2010-11

Project	2010-11 Expenditure (\$m)
Wastewater treatment works upgrade (includes treatment plants at Branxton, Burwood Beach, Boulder Bay, Paxton, Clarence Town, Toronto, Edgeworth, Dora Creek, Kurri Kurri, Shortland and Farley)	90.47
Morpeth wastewater transportation upgrade	10.29
Dungog water treatment plant - additional clear water tank	8.73
Replacement of Chichester trunk gravity watermain - Tarro to Shortland	7.72
Branxton irrigation water scheme	3.23
Windale wastewater pump station upgrade	3.19
Anna Bay reservoir	2.49
Other major acquisitions (mostly made up of replacements in Hunter Water's water and sewer networks)	55.94
Total expenditure	182.06

9.4.8 consultancies

Hunter Water undertook 200 consultancies from 1 July 2010 to 30 June 2011.

Consultants over \$50,000		
Consultant	Project	Cost
Engineering		
Hunter Water Australia P/L	Dungog WTP upgrade concept design & EIA	\$812,721
Hunter Water Australia P/L	Grahamstown WTP stage 111 upgrade concept design & EIA	\$800,695
Hunter Water Australia P/L	Tomago pre-treatment facility at Grahamstown WTP - detail design and tender documentation	\$230,891
Hunter Water Australia P/L	Rutherford to Greta condition assessment	\$168,994
Hunter Water Australia P/L	Condition of lookout to Belmont trunk watermains.	\$158,401
Hunter Water Australia P/L	Shortland stage 2 WWT upgrade - detail design	\$136,520
Hunter Water Australia P/L	Shortland WWTW - mixed liquor return to inlet works	\$111,166
Hunter Water Australia P/L	Rising main risk model development	\$95,256
Hunter Water Australia P/L	DN375 watermain & PRV at Rathmines - detailed design	\$92,364
Hunter Water Australia P/L	Condition assessment for trunk watermain FMEA's 2010-11.	\$86,925
Hunter Water Australia P/L	Balickera water pump station - post construction advice	\$80,514
Hunter Water Australia P/L	Pressure management strategy - Warners Bay	\$74,955
Hunter Water Australia P/L	Burwood Beach aerobic digestion trial	\$70,379
Hunter Water Australia P/L	Grahamstown WTP upgrade stage 3	\$68,352
Hunter Water Australia P/L	Wastewater treatment asset revaluation 2010-11.	\$66,137
Hunter Water Australia P/L	Kooragang recycled water project concept design & EIS	\$65,892
Hunter Water Australia P/L	Peer review services for the treatment alliance - Branxton	\$65,690
Hunter Water Australia P/L	Morpeth stage 2 wastewater transportation upgrade - contract management services	\$64,520
Hunter Water Australia P/L	Stoney to Buttai risk assessment and reliability strategy	\$59,629
Hunter Water Australia P/L	Newcastle wet weather stage 2 servicing strategy	\$59,180
Hunter Water Australia P/L	Abermain to Paxton condition assessment	\$53,396
Hunter Water Australia P/L	Priority sewerage program investigation	\$51,996
Aurecon Australia Pty Ltd	MS9 & Silsoe Street, WWPS & rising main - concept design	\$646,750
Aurecon Australia Pty Ltd	Branxton irrigation water scheme - detailed design	\$405,727
Aurecon Australia Pty Ltd	Adamstown wet weather system - concept design	\$390,663
Aurecon Australia Pty Ltd	Morpeth stage 2 wastewater transportation upgrade - detail design	\$75,692

Consultant	Project	Cost
Engineering		
Sinclair Knight Merz	Cessnock water supply system upgrade stage 1b - concept & detailed design	\$797,889
Sinclair Knight Merz	Hunter River catchment effluent management master plan	\$239,599
Sinclair Knight Merz	Windale WWT stage 2 upgrade - concept design	\$239,095
Sinclair Knight Merz	Kurri Kurri WWTW rectification works - detail design	\$86,162
Worley Parsons (Patterson Britton)	Maitland North Rothbury water supply upgrade - stage 4 - concept design & EIA	\$278,805
Worley Parsons (Patterson Britton)	Maitland North Rothbury stage 4 package B & C detail design & tender documentation	\$227,652
Worley Parsons (Patterson Britton)	Windella reservoir - detail design & tender documentation	\$222,877
Worley Parsons (Patterson Britton)	Toronto wastewater transportation stage 1 upgrade - detail design package 1	\$63,307
Dept. Services, Tech. & Administ	Tillegra Dam investigation & design	\$721,730
Dept. Services, Tech. & Administ	Thornton North recycled water reservoir, pump station & chlorination facility - concept design	\$51,255
Hunter Land Development P/L	Williamtown wastewater transfer scheme - concept & detail design	\$564,896
Evans & Peck Pty Ltd	Treatment Alliance independent cost estimator	\$161,560
Evans & Peck Pty Ltd	Procurement support services (estimating, valuing claims, procurement advice, risk management & value management)	\$125,294
GHD Pty Ltd	Aberglasslyn stage 2 wastewater system upgrade - concept & detail design	\$209,866
MWH Australia Pty Ltd	East Lakes wastewater servicing strategy (Belmont & Edgeworth)	\$141,900
Downer EDI Engineering Pty Ltd	Upgrade of Hunter Water Corporation high voltage assets	\$136,220
Services, Technology & Admin	Kurri Kurri, Cessnock, Branxton & Dungog flow gauging study	\$117,651
Civil Co-op Pty Ltd	Procurement support services (estimating)	\$103,525
CH2M Hill Australia Pty Ltd	Burwood Beach preliminary options development	\$70,780
University of Technology, Sydney	Research - Grahamstown adaptive management strategy - algal nutrient limitation & sediment source studies	\$55,000
Environmental		
Hunter Water Australia P/L	Environmental advice & services for capital projects	\$181,163
Hunter Water Australia P/L	Tillegra Dam camp site - concept & environmental assessment	\$51,736
BMT WBM Pty Ltd	Tillegra Dam finite volume modelling for Hunter estuary	\$71,961
Information technology		
Entatek Pty Ltd	Provision of business analyst services for MARS discovery project	\$72,750
CDRU NSW Pty Ltd	Vendor management services	\$60,000
Organisational review		
ARUP Pty Ltd	Development and implementation of portfolio management and EPMO frameworks stages 2b & 3	\$264,044
ARUP Pty Ltd	Development & implementation of portfolio management and EPMO frameworks stage 2a	\$59,500
Total consultants over \$50,000	(53 consultancies)	\$10,369,618

Consultants less than \$50,000		
Category	Number	Cost
Engineering	126	\$1,877,205
Environmental	14	\$139,561
Information Technology	1	\$38,413
Legal	3	\$42,886
Organisational review	2	\$36,100
Training	1	\$3,000
Total consultants under \$50,000	(147 consultancies)	\$2,137,166
Total consultants	(200 consultancies)	\$12,506,784

9.4.9 research and development

During 2010-11 the Corporation undertook and collaborated on research and development on 11 projects covering water, corrosion and wastewater subjects. This research was conducted both internally and in association with other organisations such as Hunter Water Australia Pty Ltd, the Water Research Centre, the University of New South Wales, Water Quality Research Australia and the University of Technology Sydney. 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. Rising main risk cost model development	98,769
2. Burwood Beach UV disinfection system quantitative microbial health risk assessment	41,382
3. Burwood Beach aerobic digestion trials	38,092
4. Shortland mixed liquor trials	32,417
Continuing projects	\$
1. Grahamstown adaptive management strategy – sediment nutrient sources investigation	36,000
2. Burwood Beach anaerobic digestion trials	32,316
3. Grahamstown adaptive management strategy – algal growth limiting nutrients investigation	24,000
4. Monitoring organic matter in drinking water systems	20,000
5. Burwood Beach UV disinfection system pilot study planning	11,495
6. Biological filtration for removal of algal	10,000
7. Burwood Beach anaerobic digestion trials with eudiometer	4,665

9.4.10 land disposal

There was one parcel of land disposed of during the financial year situated at Bennetts Green. Total proceeds of \$2.940m were received at settlement. This property was surplus to Hunter Water Corporation's operational purposes. The proceeds from the sale of this property 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 Government Information (Public Access) Act 2009.

9.4.11 donations and sponsorships

To Government Organisations as approved by Board of Directors

Organisation	Description	Type	Amount
NSW Department of Environment, Climate Change and Water	Green Globe Awards	Grant	\$12,500.00
Newcastle University Sport	Learn to Swim / Swim and Survive	Grant	\$10,000.00
Francis Greenway High School	Boomerangs for NAIDOC Week	Grant	\$300.00
Hunter-Central Rivers Catchment Management Authority	Williams River Catchment Crawl 2011	Grant	\$5,000.00
Hunter-Central Rivers Catchment Management Authority	'Protect Our Creek' Schools Brochure	Grant	\$2,000.00
Hunter New England Area Health	Think H2O in Schools	Grant	\$18,000.00
Merewether High School	Social Science awards	Grant	\$200.00
Newcastle City Council	Busking competition	Grant	\$181.82
Port Stephens Council	Sustainable Living Program	Grant	\$3,500.00
Rathmines Public School	Water Tank	Grant	\$4,501.00
Waratah Public School P&C Association	Rainwater conservation project	Grant	\$1,315.00
Wetlands Environmental Education Centre	Envirothon	Grant	\$3,000.00
Hunter-Central Rivers Catchment Management Authority	Corporate sponsorship	Sponsorship	\$25,000.00
NSW Office of Water	Sponsorship of 2010-11 Peter Cullen Postgraduate Scholarship	Sponsorship	\$8,004.00
Total			\$93,501.82

To Non-Government Community Organisations as approved by Board of Directors

Organisation	Description	Type	Amount
Camp Quality Ltd	Giggle Ball sponsorship	Charity	\$3,000.00
Country Breast Awareness Group	Donation	Charity	\$200.00
WaterAid Australia	Donation	Charity	\$2,000.00
Wesley Mission	Donation	Charity	\$1,439.50
Westpac Rescue Helicopter Service	Donation	Charity	\$3,000.00
Leanna & Bethany Foundation	Donation	Charity	\$454.55
Lifeline Newcastle & Hunter	Donation	Donation	\$1,500.00
Adventure Racing Team	Employee participation	Employee funding	\$777.27
Sparke Helmore Triathlon	Employee participation	Employee funding	\$1,384.57
Hunter Water Twilight Nine Golf Club	Employee participation	Employee funding	\$1,500.00
Ocean Swims	Employee participation	Employee funding	\$874.96
Compass Housing Services	Vegetable Garden Project	Grant	\$1,818.18
Dungog Campdraft/Rodeo Association	Community event - 2011 rodeo	Grant	\$400.00
Gresford District Bushmans Carnival	Community event - 2011 rodeo	Grant	\$500.00
Hunter Bush Poets Association	Yarnspinning Competition	Grant	\$100.00
Hunter Region Botanic Gardens	Community newsletter	Grant	\$2,000.00
Hunter Region Landcare Network	Landcare Assistance Fund	Grant	\$10,000.00

To Non-Government Community Organisations as approved by Board of Directors cont'd

Organisation	Description	Type	Amount
Lake Macquarie Landcare	Minimising Our Ecological Footprint	Grant	\$7,500.00
Macquarie Pre-Schools Cooperative	Carey Bay Preschool Water Saving	Grant	\$3,509.00
First Belmont Scout Group	Loving the Lake	Grant	\$2,000.00
Tilligerry Tidy Towns	Tilligerry Water for the Environment	Grant	\$1,120.00
Tilligerry Habitat Association	Installation of Irrigation System	Grant	\$3,636.36
Tomaree Community College	Water Tank Community Garden	Grant	\$2,000.00
Trees In Newcastle	Coastal Revegetation	Grant	\$5,000.00
WaterAid Australia	Water quality projects	Grant	\$5,820.00
Engineers Australia Awards	Corporate sponsorship	Sponsorship	\$4,000.00
Hunter Surf Lifesaving	Corporate sponsorship	Sponsorship	\$40,000.00
Hunter Valley Research Foundation	Corporate sponsorship	Sponsorship	\$10,000.00
Surfest	Corporate sponsorship	Sponsorship	\$15,000.00
Hunter Wetlands Centre	Corporate sponsorship	Sponsorship	\$15,000.00
Together Today Cooperative	Together Today Awards	Sponsorship	\$10,000.00
Total			\$155,534.39

9.4.12 payment performance

table 1. invoices paid on time within each quarter

Quarter	Total invoices paid on time			Total invoices paid within quarter
	Target %	Actual %	Paid on time	
September	95%	92.5%	\$78,743,895	\$82,304,378
December	95%	94.0%	\$65,396,574	\$69,200,050
March	95%	93.6%	\$58,412,273	\$60,512,704
June	95%	92.0%	\$66,392,319	\$70,111,934

The actual percentage paid on time is based on number of invoices paid on time to total number of invoices and is not based on dollar amount.

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	\$78,743,895	\$2,335,285	\$1,069,946	\$130,891	\$24,362	\$82,304,378
December	\$65,396,574	\$2,093,399	\$964,904	\$148,933	\$596,240	\$69,200,050
March	\$58,412,273	\$1,569,710	\$214,524	\$167,615	\$148,582	\$60,512,704
June	\$66,392,319	\$2,886,256	\$492,130	\$129,051	\$212,177	\$70,111,934

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.

9.4.13 cost of producing annual report

In accordance with statutory requirements, Hunter Water notes that the estimated external production costs for the 2010-11 Annual Report was \$12,040 (ex-GST).

9.5 legislation

9.5.1 right to information

From 1 July 2010 the Freedom of Information Act was replaced with the Government Information (Public Access) Act 2009 (GIPA). Although the right to information remained comparable, the reporting requirements between the two Acts have differed, therefore information is presented in the current year only.

table a: number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Application withdrawn
Members of the public (other)	-	1	-	2	-	-	-

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

table b: number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Application withdrawn
Access applications (other than personal information applications)	-	1	-	2	-	-	-

table c: invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	2
Total invalid applications received	2
Invalid applications that subsequently became valid	0 - all treated as 'informal requests'

table d: other public interest considerations against disclosure: matters listed in table to section 14 of Act*

	Number of occasions when application not successful
Responsible and effective government	-
Law enforcement and security	-
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	1
Environment, culture economy and general matters	-
Secrecy provisions	-
Exempt documents under interstate Freedom of Information legislation	-

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only one choice per application).

table e: timeliness

	Number of applications
Decided within the statutory timeframe	2
Decided after 35 days (by agreement with applicant)	-
Not decided within time (deemed refusal)	-
Total	2

Note: Tables not shown were omitted as no data to report.

9.5.2 legislative change

There were no significant judicial decisions or legislative changes affecting Hunter Water or its customers during the financial year.

In other information worth noting, effective from 1 September 2010 a new single regulation named the Hunter Water Regulation 2010 replaced both the Hunter Water (General) Regulation 2005 and the Hunter Water (Special Areas) Regulation 2003.

9.6 major capital works in progress

Project	Cost	Commenced	Status
Boulder Bay Wastewater Treatment Works Stage 2 Upgrade	\$25.5m	May-10	Underway
Branxton Irrigation Water Scheme	\$3m	Feb-11	Underway
Branxton Wastewater Treatment Works Upgrade	\$48.3m	Nov-09	Underway
Burwood Beach Wastewater Treatment Works Stage 2 Upgrade	\$44m	Oct-09	Completed
Cardiff Wastewater Pump Station Upgrade	\$4m	Nov-10	Underway
Cessnock Water Supply Upgrade Stage 1B – Reservoir and Lead-in Mains	\$20m	Oct-10	Underway
Chichester Gravity Trunkmain Upgrade (Beresfield to Stoney Pinch Reservoir)	\$13m	May-11	Underway
Chichester Gravity Trunkmain Upgrade (Tarro to Shortland)	\$20m	May-10	Nearing completion
Clarence Town Sewage Scheme	\$12.5m	Dec-08	Nearing completion
Dungog Clear Water Tank	\$12m	Mar-10	Nearing Completion
Edgeworth Wastewater Treatment Works Upgrade	\$2.7m	Oct-10	Underway
Mayfield to Broadmeadow Wastewater System Upgrade	\$16m	May-11	Underway
Morpeth Wastewater System Upgrade	\$15m	Jun-10	Underway
Paxton Wastewater Treatment Works Upgrade	\$18m	Feb-10	Complete
Raymond Terrace Wastewater System Upgrade	\$5m	Apr-11	Underway
Shortland Wastewater System Upgrade	\$10m	Jun-11	Underway
Tomaree Water Supply Upgrade (Anna Bay Reservoir)	\$3m	Jun-10	Complete
Toronto Wastewater System Upgrade	\$5m	Sep-11	Complete
Toronto Wastewater Treatment Works Upgrade	\$10m	Mar-11	Underway
Wallsend Water Pump Station Upgrade	\$4m	May-10	Underway
Windale Wastewater System Upgrade	\$5m	Oct-10	Underway



about us

Hunter Water Australia Pty Limited is a private commercial company and fully-owned subsidiary of Hunter Water Corporation. Hunter Water Australia operates throughout Australia and internationally providing a range of specialist technical and operational services to water agencies, councils and industry. Unique in its range of operational, technical and laboratory services, Hunter Water Australia draws on decades of frontline operational experience in undertaking its work.

Mr Ron Robson, Chairman of Hunter Water Corporation, chairs Hunter Water Australia's Board. Other directors as at 30 June 2011 are Mr Alan Chappel (Director, Hunter Water Corporation), Mr Jeff Eather (Director, Hunter Water Corporation), and Mr Kevin Young (Managing Director, Hunter Water Corporation).

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

what we do

Hunter Water Australia is a trusted water industry resource working alongside regional clients, local government, water authorities, and international water and waste water agencies on all components of the water cycle.

The company specialises 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
- Dam monitoring and assessment
- Telemetry and automation
- Asset management
- Pricing and institutional studies
- Project delivery management
- Irrigation engineering.

financial performance

The net profit after tax for the year ending 30 June 2011 amounted to \$5,069,746. This was a good result that met all key objectives, including growth, in a year when the opportunities for major consulting work dealing with municipal water and wastewater contracted.

our work

Hunter Water Australia's services fall in three main areas – operations and partnering, consultancy, and laboratory services. Each of these areas performed well in the 2010-11 financial year.

operations and partnering

Hunter Water Australia is an Australian market leader in water and wastewater process design and operational management support. Its experienced team handles infrastructure management and operations for 25 water and wastewater treatment plants, and is integral to supporting the operation of many other treatment plants. The company's focus has been on working closely with its clients to assist with solving specific problems, training operators and improving capabilities.



During 2010-11 Hunter Water Australia expanded to service more operations support and partnering agreements. Work has included capital works planning and procurements, plant optimisation, asset management, plant audits, operator training, development of operational systems and preparing detail designs for new infrastructure. Hunter Water Australia continues to focus on working closely with regional Australian communities to assist them in dealing with the issues they face.

consultancy

Hunter Water Australia's broad operations background is backed by a vast network of specialist consultants to ensure it continues to provide the best solutions for its clients. Over the past financial year, Hunter Water Australia specialists were involved in a range of projects throughout Australia. Two significant projects which received awards were the Bray Park Water Treatment Plant and the Armidale Ozonation Plant.

The Bray Park Water Treatment Plant serves the rapidly-growing region of Tweed Shire in northern NSW. Hunter Water Australia was the principal designer for this project and was involved in all stages of development, including strategic concept, detailed design, commissioning and ongoing project support. The result is a state of the art, 100 megalitre per day immersed membrane facility, which won an Engineers Australia 2010 Engineering Excellence Award.

The Armidale Ozonation Plant treats water from Malpas Dam, resolving taste and odour problems that can occur. Hunter Water Australia achieved this with installation of a biological activated carbon and ozonation process, which provides significant

operational and economic advantages. This plant also won several 2010 Engineering Excellence Awards.

laboratory

Hunter Water Australia's laboratory is a one of a kind regional service. The laboratory specialises in water, wastewater and biosolid testing and has specialised staff trained in both sampling and analysis, as well as proven expertise in quality monitoring. Widely regarded as an invaluable industry resource, Hunter Water Australia's facility now holds National Association of Testing Authorities (NATA) accreditation for sampling, chemical and microbiological parameters. All analysis and sampling are in accordance with American Public Health Association (APHA) Standard Methods and/or Australian Standards. Hunter Water Australia also holds ISO 9001 registration for the laboratory's management system.

growing list of specialisations

Hunter Water Australia continues to expand its capabilities and specialisations. Heading this list is the company's telemetry support team which has grown considerably in the last year and is now working with clients throughout Australia. In addition to this, Hunter Water Australia has introduced several new training programs and committed a record level of time and resources to the development of staff. This focus is considered a significant advantage especially for junior staff working with the company. There has also continued to be a very active research and development agenda, which is not only good for the future of the company but also for the development of the staff involved.

other 2010-11 highlights

expanding talent base

As Hunter Water Australia grows it continues to expand its talent base across Australia with over



> Callum Menzies and Daniel Turnbull at the Balickera Pump Station

190 employees working in Sydney, Melbourne, Perth, Townsville, Goulburn and Cooma. These staff provide clients in these areas with more accessible, direct contact and support. As the company continues to grow, the team will expand further throughout Australia.

moving toward triple certification

Hunter Water Australia has continued to move toward triple certification of its business management systems covering quality, safety and environmental management. The company currently has third party certification over its quality management system, which is certified to the Quality Management System Standard ISO 9001. Hunter Water Australia also participates in a comprehensive third party financial management and audit regime that involves both inter-company and external audits. The move toward triple certification aims to further improve Hunter Water Australia's market position by providing its clients with ever-improving services and capabilities.

research and development

To ensure its knowledge remains current and comprehensive, Hunter Water Australia maintains an active research and development component in its work practices. This includes formalised research projects and long term initiatives aimed at providing Hunter Water Australia with new business opportunities. With five research and development initiatives underway, Hunter Water Australia remains committed to providing its clients with the most contemporary and valuable solutions to any water or wastewater challenge.





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company particulars

directors

Mr	R	Robson (Chairman)
Mr	KJ	Young
Mr	RA	Chappel
Mr	J	Eather

registered office

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

19 Spit Island Close, Steel River,
Mayfield West
NSW 2304

company secretary

Ms A Swan

auditors

Audit Office of New South Wales

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

ABN – 19 080 869 905

bankers

Commonwealth Bank of Australia

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 2011.

directors

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

Mr R Robson Chairman

Mr KJ Young (Resigned 28 July 2011)

Mr RA Chappel

Mr J Eather

information on Directors

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 Limited, Chairman of Banlaw Pty Ltd, Chairman of Australian Film & Pipe Pty Ltd, Chairman of Cromford Pty Ltd, Chairman of Copper Chem Pty Ltd 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. Mr Young is also Chairperson of the Water Services Association of Australia (WSAA), Director of Together Today and Director of the Hunter Valley Research Foundation. Mr Young resigned from the Board on 28 July 2011.

RA 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. Mr Chappel is also a Director of Lyndisto Pty Ltd, Chappel Family Trust and Koola Family Trust. 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 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 Newcastle University Foundation and is a Director of the Heal for Life Foundation, Kath & Kim Pty Ltd and Kath & Kim Property Trust.

meetings of directors

Board meetings	Number of meetings attended	Number of meetings held during the time the Director held office
R Robson	11	13
K Young	12	13
R Chappel	12	13
J Eather	11	13

Hunter Water Australia Pty Limited

principal activities

The principal activities of the Company in 2010-11 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 2011, was \$5,069,746 compared with a net profit after tax of \$4,524,336 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 \$3,171,559 that was declared at 30 June 2010.

A dividend of \$3,558,109 has been declared for the year ending 30 June 2011. This will be paid to the Shareholder during 2011-12.

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 2011.

true and fair view

The financial statements and notes give a true and fair view of the financial position as at 30 June 2011 and the performance for the financial year ended 30 June 2011.

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 114.

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: 28 September 2011 Newcastle

Hunter Water Australia Pty Limited
auditor's 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 2011, 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.

A handwritten signature in black ink that reads "Maria Spriggins". The signature is written in a cursive, flowing style.

M T Spriggins
Director, Financial Audit Services

22 September 2011
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 comprise the statement of financial position as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2011 and its performance for the year ended on that date
 - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with *section 41B* of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- 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 of the financial statements that give true and fair view in accordance with Australian Accounting Standards including the Australian Accounting Interpretations), the PF&A Act and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

My opinion does *not* provide assurance:

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

Independence

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 22 September 2011, 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

29 September 2011
SYDNEY

income statement for the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Income			
Services	2	33,720,064	31,489,540
Other income	2	727,676	653,480
Total income		34,447,740	32,143,020
Expenses			
	3	(27,186,293)	(25,670,451)
Profit before income tax		7,261,447	6,472,569
Income tax on profit			
	4	(2,191,701)	(1,948,233)
Profit for the year		5,069,746	4,524,336
Attributable to:			
Members of the parent entity		5,069,746	4,524,336
		5,069,746	4,524,336

The Income Statement should be read in conjunction with the accompanying notes on pages 121 to 147.

statement of comprehensive income for the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Profit for the year		5,069,746	4,524,336
Other comprehensive income			
Superannuation actuarial gains/(losses)		129,141	(1,209,695)
Income tax on superannuation actuarial gains/(losses)		(38,742)	362,909
Other comprehensive income for the year net of tax		90,399	(846,787)
Total comprehensive income for the year		5,160,144	3,677,550

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 121 to 147.

Hunter Water Australia Pty Limited
statement of financial position as at 30 June 2011

	Notes	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	5,069,916	2,500,207
Trade and other receivables	7	4,880,060	6,634,060
Other	8	3,481,122	2,112,305
Total current assets		13,431,098	11,246,571
Non-current assets			
Plant and equipment	9	3,896,787	4,150,393
Intangible assets	10	286,461	211,116
Investments	11	5,000,000	5,000,000
Deferred tax assets	12	1,997,002	2,352,465
Total non-current assets		11,180,251	11,713,974
Total assets		24,611,349	22,960,545
Current liabilities			
Trade and other payables	13	2,656,804	2,014,930
Current tax liabilities	14	211,119	895,058
Provisions	15	6,724,353	6,247,016
Total current liabilities		9,592,276	9,157,005
Non-current liabilities			
Provisions	15	434,779	391,829
Underfunded defined benefit super	16	4,112,548	4,542,002
Total non-current liabilities		4,547,327	4,933,831
Total liabilities		14,139,603	14,090,836
Net assets		10,471,746	8,869,710
Equity			
Contributed equity	17	900,010	900,010
Retained profits		9,571,736	7,969,700
Total equity		10,471,746	8,869,710

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 121 to 147.

statement of changes in equity for the year ended 30 June 2011

	Notes	Retained profits \$	Contributed equity \$	Total \$
Balance at 1 July 2010		7,969,700	900,010	8,869,710
Surplus/(deficit) for the year		5,069,746	0	5,069,746
Other comprehensive income:				
Superannuation actuarial gains/(losses)		129,141	0	129,141
Income tax on superannuation actuarial gains/(losses)		(38,742)	0	(38,742)
Total other comprehensive income		90,399	0	90,399
Total comprehensive income for the year		5,160,144	0	5,160,144
Transactions with owners in their capacity as owners	5	(3,558,109)	0	(3,558,109)
Balance at 30 June 2011		9,571,736	900,010	10,471,746
		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		7,969,700	900,010	8,869,710

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 121 to 147.

Hunter Water Australia Pty Limited

statement of cash flows for the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		37,573,164	33,062,403
Payments to suppliers and employees (inclusive of GST)		(29,108,533)	(28,188,359)
		8,464,631	4,874,044
Cash flow from investing activities			
Purchases of property, plant and equipment		(586,925)	(482,319)
Proceeds from sales of property, plant and equipment		-	2,086
Net cash flow from investing activities		(586,925)	(480,233)
Cash flow from financing activities			
Dividends paid	5	(3,171,559)	(3,755,627)
Net cash flow from financing activities		(3,171,559)	(3,755,627)
Net increase/(decrease) in cash held		2,571,918	(775,547)
Cash at beginning of financial period		2,500,207	3,277,223
Effects of exchange rate changes on cash		(2,209)	(1,469)
Cash at the end of the financial year	6	5,069,916	2,500,207

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 121 to 147.

note 1. summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Hunter Water Australia Pty Limited as an individual entity.

The Company's financial statements for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Board on 28 September 2011.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 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 2010.

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 (IFRS)
Australian Accounting Standards include Australian International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes of the Company comply with (IFRS).

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.

(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 1 section (f) 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 treaties Australia has with each of those countries.

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

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

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

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

Tax consolidation legislation

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

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

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

(d) Cash and cash equivalents

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

(e) Trade receivables

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

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

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

(f) Work in progress

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

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

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

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

(g) Plant and equipment

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

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

The carrying amount of plant and equipment is reviewed annually by Management to ensure it is not in excess of the recoverable amount from those assets (refer to Note 1 section (i) 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 over the term of the lease. Lease incentives received are recognised as an integral part of the total lease, over the term of the lease.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid.

Payables are recognised at cost, which is considered to approximate amortised cost due to the short term nature of payables. They are not discounted as the effect of discounting would not be material for these liabilities.

Trade Accounts payables are normally settled within 30 days.

(l) Employee benefits

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

Liabilities for salaries and wages including annual leave expected to be settled within 12 months of the reporting date and all unconditional employee benefits are recognised as current employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(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 or constructive obligation is limited to these contributions. Contributions to the defined benefit fund are recognised as expenses as they become payable.

(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 \$3.56M (2010: \$3.17M) 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' \$5.07M (2010: \$4.52M).

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

Commitments are disclosed inclusive of GST where applicable.

(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) 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 2011 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 material impact on the Company as the Company does not have any Available-for-Sale investments.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendments removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Company will apply the amended standard from 1 July 2011. This is expected to reduce the Company's related party disclosures. There will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009 the AASB made an amendment to Interpretation 14 Prepayments of a Minimum Funding Requirement to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Company does not make any such prepayments. The amendment is therefore not expected to have any impact on the Company's financial statements.

Hunter Water Australia Pty Limited

(iv) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure Requirements (effective from 1 January 2013)

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

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

(v) AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 January 2011)

In November 2010 the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from financial assets. This standard does not impact the Company as it does not sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

(vi) AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010 the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. This standard does not impact on the Company as it does not own investment properties.

note 2. income

	2011 \$	2010 \$
Services		
Sale of services	33,720,064	31,489,540
	33,720,064	31,489,540
Other income		
Interest from controlling entity	232,504	182,042
Interest from financial institutions	193,251	114,728
Superannuation Income	300,313	337,158
Net Gain from the sale of assets	-	1,690
Other	1,608	17,863
	727,676	653,480
Total income	34,447,740	32,143,020

note 3. expenses

	2011 \$	2010 \$
Profit before tax includes the following net gains and expenses:		
(a) Expenses		
Employee related expenses (See note (b) below)	17,005,127	14,882,021
Project and contract outlays	5,397,751	6,248,288
Motor vehicles (excluding minimum lease payments)	482,923	503,298
Minimum lease payments	1,570,544	1,524,407
Information technology and communications	553,707	480,617
Foreign currency loss/(gain)	2,315	1,982
Loss/(gain) on disposal of assets	72	-
Bad debts - trade receivables	2,071	-
Interest expense	-	-
Other	1,393,229	1,361,961
	26,407,739	25,002,573
Depreciation and amortisation		
Amortisation - intangibles	72,202	46,963
Depreciation - property, plant and equipment	692,912	627,886
	765,113	674,849
Other charges against assets		
Doubtful debt provision - trade receivables	13,440	(6,972)
Total expenses	27,186,293	25,670,451
(b) Employee related expenses		
Salaries	14,039,379	12,554,572
Employee benefits	1,610,172	1,074,882
Superannuation relating to defined benefit schemes	266,674	327,226
Superannuation relating to defined contribution plans	1,088,902	925,340
	17,005,127	14,882,021

note 4. income tax on profit before financial instrument fair value movements

	Notes	2011 \$	2010 \$
(a) Income tax expense			
Current tax		1,831,377	2,573,827
Deferred tax	12	355,463	(622,571)
Under/(over) provided in prior years		4,861	(3,023)
		2,191,701	1,948,233
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax and financial instrument fair value movements		7,261,447	6,472,569
Tax at the Australian rate of 30%		2,178,434	1,941,771
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Sundry items		8,406	4,624
		2,186,840	1,946,395
Under/(over) provision in prior years		4,861	1,838
		2,191,701	1,948,233
(c) Tax expense (income) relating to items in other comprehensive income			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	12	(38,742)	362,909
		(38,742)	362,909

(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 23). 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

	2011 \$	2010 \$
Opening balance	3,171,559	3,755,627
Add dividend declared	3,558,109	3,171,559
Less dividend paid	3,171,559	3,755,627
	3,558,109	3,171,559

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

	2011 \$	2010 \$
Cash at bank and on hand	873,053	430,069
Deposits at call	4,196,863	2,070,138
	5,069,916	2,500,207

Deposits at call are bearing an interest rate of 4.70% at 30 June 2011 (2010: 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 2011 the whole amount of the overdraft was unused. The Company also has a credit card facility to the extent of \$120,000. All balances are repaid in full at the end of each month and no interest expense has occurred during the year.

note 7. trade and other receivables

	2011 \$	2010 \$
Current		
Trade debtors	4,889,702	6,633,277
Allowance for impairment	(14,784)	-
Other current receivables	5,141	783
	4,880,060	6,634,060

note 8. other current assets

	2011 \$	2010 \$
Prepayments	422,109	374,983
Work in progress	1,906,820	648,729
Security deposits	2,200	-
Accrued income	1,130,447	1,070,111
Accrued interest	19,546	18,481
	3,481,122	2,112,305

note 9. plant and equipment

Fixed assets comprise the following at cost:

	Computers	Support facilities	Leasehold improvements	Total
At 30 June 2009				
Cost or fair value	1,365,043	3,904,907	1,219,975	6,489,925
Accumulated depreciation and impairment	(546,753)	(1,557,838)	(12,705)	(2,117,296)
Net book amount	818,290	2,347,069	1,207,270	4,372,629

At 30 June 2010				
Cost or fair value	1,708,108	3,902,470	1,227,205	6,837,783
Accumulated depreciation and impairment	(816,830)	(1,827,309)	(43,251)	(2,687,390)
Net book amount	891,278	2,075,161	1,183,954	4,150,393

At 30 June 2011				
Cost or fair value	1,714,860	4,007,337	1,227,205	6,949,401
Accumulated depreciation and impairment	(951,120)	(2,027,558)	(73,936)	(3,052,614)
Net book amount	763,740	1,979,778	1,153,269	3,896,787

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial years are set out below:

	2011 \$	2010 \$
Reconciliation - general support assets		
Carrying amount - opening balance	4,150,393	4,372,628
Additions	439,368	410,269
Disposals	(72)	(4,618)
Depreciation expense	(692,902)	(627,886)
Carrying amount - closing balance	3,896,787	4,150,393

note 10. intangible assets

Intangible assets comprise the following at cost:

	Software	Other	Total
At 30 June 2009			
Cost or fair value	473,602	101,823	575,425
Accumulated depreciation and impairment	(392,669)	(952)	(393,621)
Net book amount	80,933	100,871	181,804
At 30 June 2010			
Cost or fair value	549,877	101,823	651,700
Accumulated depreciation and impairment	(435,556)	(5,028)	(440,584)
Net book amount	114,321	96,795	211,116
At 30 June 2011			
Cost or fair value	700,438	101,823	802,260
Accumulated depreciation and impairment	(506,696)	(9,103)	(515,799)
Net book amount	193,742	92,720	286,461

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:

	2011 \$	2010 \$
Reconciliation - software		
Carrying amount - opening balance	114,322	80,934
Additions	147,556	76,274
Amortisation expense	(68,136)	(42,887)
Carrying amount - closing balance	193,743	114,322
Reconciliation - other		
Carrying amount - opening balance	96,794	100,870
Additions	-	-
Amortisation expense	(4,074)	(4,076)
Carrying amount - closing balance	92,720	96,794

note 11. investments

	Notes	2011 \$	2010 \$
Non-current			
Loan with parent entity	23	5,000,000	5,000,000
		5,000,000	5,000,000

note 12. deferred tax assets

	2011 \$	2010 \$
Non current		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Doubtful debts	4,435	-
Work in progress	(501,328)	(172,843)
Workers compensation prepayment	-	(15,273)
Employee benefits	2,591,532	2,612,142
Other operating expenditure payable	7,350	7,200
Depreciation	(105,019)	(78,645)
Unrealised tax foreign currency loss	32	(116)
	1,997,002	2,352,465
Amounts recognised in other comprehensive income		
Superannuation actuarial gains/(losses)	(38,742)	362,909
	(38,742)	362,909
Movements:		
Opening balance at 1 July	2,352,465	1,729,894
Credited/(charged) to the income statement	(355,463)	622,571
Under/(over) provided in previous years	-	-
Closing balance at 30 June	1,997,002	2,352,465

note 13. trade and other payables

	2011 \$	2010 \$
Current		
Trade creditors	1,741,911	1,284,183
Other creditors	679,165	658,159
Income in advance	235,728	72,589
	2,656,804	2,014,930

note 14. current tax liabilities

	2011 \$	2010 \$
Provision for income tax payable		
Opening balance	895,058	424,881
Add under provision for income tax in prior year	4,861	16,120
Less amount paid relating to prior year	(899,919)	(441,000)
Add amount payable for current year	1,870,119	2,206,058
Less amount paid relating to current year	(1,659,000)	(1,311,000)
	211,119	895,058

note 15. provisions

	2011 \$	2010 \$
Current		
Employee benefits	3,166,244	3,075,457
Dividend provided	3,558,109	3,171,559
	6,724,353	6,247,016
Non-current		
Employee benefits	434,779	391,829
	434,779	391,829

Current employee benefits classified as long term are expected to be settled after 12 months from the reporting date.

note 16. other non-current liabilities

	2011 \$	2010 \$
Non-current		
Provision for underfunded defined benefit superannuation	4,112,548	4,542,002
	4,112,548	4,542,002

note 17. contributed equity

	2011 \$	2010 \$
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 18. statement of cash flows

Reconciliation of profit to the net cash flows from operating activities

	2011 \$	2010 \$
Total profit for the year	5,069,746	4,524,336
Depreciation and amortisation	765,113	674,849
Superannuation income	(300,313)	(337,158)
(Profit)/loss on sale of non-current assets	72	(1,690)
Net exchange differences	2,315	1,982
Change in operating assets and liabilities		
(Increase)/decrease in trade debtors	1,753,894	(2,871,545)
(Increase)/decrease in work in progress	(1,258,091)	1,459,840
(Increase)/decrease in tax related receivable	316,721	(259,662)
(Increase)/decrease in other operating assets	(110,727)	(208,384)
Increase/(decrease) in trade creditors	641,874	(105,693)
Increase/(decrease) in inter-company tax payable	(683,939)	470,178
(Decrease)/increase in other provisions	133,737	113,260
Net cash inflow from operating activities	6,330,402	3,460,313

note 19. commitments

Lease commitments

Commitments in relation to leases contracted for the reporting date but not recognised as liabilities (inclusive of GST), payable:

Capital commitments

	2011 \$	2010 \$
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:

	2011 \$	2010 \$
Within one year	1,355,224	1,390,525
Later than one year but not later than five years	3,218,556	3,399,488
Later than five years	3,158,977	4,053,654
	7,732,757	8,843,667

Representing:

	2011 \$	2010 \$
Cancellable operating leases	687,060	767,910
Non-cancellable operating leases	7,045,697	8,075,756
	7,732,757	8,843,666

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 commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2011 \$	2010 \$
Within one year	975,596	966,780
Later than one year but not later than five years	2,911,125	3,055,322
Later than five years	3,158,976	4,053,654
	7,045,697	8,075,756

note 20. 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 2011 superannuation position:

Member numbers	SSS	SASS	SANCS	2011	2010
Contributors	5	10	15	30	36
Deferred benefits	2	-	-	2	3
Pensioners	10	1	-	11	9
Pensions fully commuted	4	-	-	4	4

Superannuation position	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Accrued liability	13,291,555	3,524,458	693,393	17,509,406	17,839,393
Estimated reserve account balance	(10,427,337)	(2,541,725)	(427,795)	(13,396,857)	(13,297,391)
	2,864,218	982,733	265,598	4,112,549	4,542,002
Future service liability (note 1)	(270,923)	(601,219)	(256,470)	(1,128,612)	(1,306,847)
Net (asset)/liability to be recognised in statement of financial position	2,864,218	982,733	265,598	4,112,549	4,542,002

(c) Reconciliation

	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Present value of partly funded defined benefit obligations at beginning of the year	13,364,676	3,744,034	730,683	17,839,393	16,851,460
Current service cost	58,909	95,584	33,246	187,739	195,014
Interest cost	679,783	189,067	36,183	905,033	928,172
Contributions by fund participants	68,421	64,815	-	133,236	193,022
Actuarial (gains)/losses	(328,264)	10,515	(2,721)	(320,470)	536,958
Benefits paid	(551,969)	(579,557)	(103,998)	(1,235,524)	(865,233)
Present value of partly funded defined benefit obligations at end of the year	13,291,556	3,524,458	693,393	17,509,407	17,839,393

	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Fair value of fund assets at beginning of the year	9,825,375	3,009,981	462,035	13,297,391	13,181,995
Expected return on fund assets	831,107	256,669	38,634	1,126,410	1,128,274
Actuarial gains/(losses)	131,954	(320,939)	(2,344)	(191,329)	(672,737)
Employer contributions	122,450	110,756	33,468	266,674	332,070
Contributions by fund participants	68,421	64,815	-	133,236	193,022
Benefits paid	(551,969)	(579,557)	(103,998)	(1,235,524)	(865,233)
Fair value of fund assets at end of the year	10,427,338	2,541,725	427,795	13,396,858	13,297,391

	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Present value of partly funded defined benefit obligations at end of year	13,291,556	3,524,458	693,393	17,509,407	17,839,393
Fair value of fund assets at end of the year	(10,427,338)	(2,541,725)	(427,795)	(13,396,858)	(13,297,391)
Net liability/(asset) recognised in statement of financial position at end of year	2,864,218	982,733	265,598	4,112,549	4,542,002

(d) Expense recognised in the income statement

Components recognised in income statement	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Current service cost	58,909	95,584	33,246	187,739	195,014
Interest cost	679,783	189,067	36,183	905,033	928,172
Expected return on fund assets (Net of expenses)	(831,107)	(256,669)	(38,634)	(1,126,410)	(1,128,274)
Expense/(income) recognised	(92,415)	27,982	30,795	(33,638)	(5,088)

(e) Expenses recognised in the statement of comprehensive income

	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Actuarial (gains)/losses	(460,218)	331,454	(377)	(129,141)	1,209,695

(f) Cumulative amount recognised in the statement of comprehensive income

Actuarial (gains) losses	\$
2004-05	1,361,465
2005-06	(2,530,305)
2006-07	(1,322,582)
2007-08	1,622,799
2008-09	4,380,831
2009-10	1,209,695
2010-11	(129,141)
	4,592,762

(g) Fund assets

	30-Jun-11	30-Jun-10
Australian equities	33.4%	31.0%
Overseas equities	29.5%	26.8%
Australian fixed interest securities	5.7%	6.1%
Overseas fixed interest securities	3.1%	4.3%
Property	9.9%	9.5%
Cash	5.1%	9.6%
Other	13.3%	12.7%

All fund assets are invested by STC at arm's length through independent fund managers.

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

(h) Actual return on plan assets

	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Actual return on fund assets	817,703	241,973	36,290	1,095,966	1,196,022

(i) Principal actuarial assumptions

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

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

Weighted-average assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

The demographic assumptions at 30 June 2011 are those that will be used in the 2009 triennial actuarial valuation.

(j) Employer contributions

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

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

The recommended contribution rates for 2011 and 2010 for the Company are:

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

2011: 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.

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.

The following is a summary of the 30 June 2011 financial position of the Fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans:

Surplus/deficit	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Accrued benefits	9,341,050	3,097,479	621,427	13,059,956	13,144,410
Net market value of fund assets	(10,427,337)	(2,541,725)	(427,795)	(13,396,857)	(13,297,391)
Net (surplus)/deficit	(1,086,287)	555,754	193,632	(336,901)	(152,981)

(k) Nature of asset/liability

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

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

(l) Historic summary

	SSS \$	SASS \$	SANCS \$	2011 \$
Present value of defined benefit obligation	13,291,555	3,524,458	693,393	17,509,406
Fair value of fund assets	(10,427,337)	(2,541,725)	(427,795)	(13,396,857)
(Surplus)/deficit in fund	2,864,218	982,733	265,598	4,112,549
Experience adjustments - fund liabilities	(328,264)	10,515	(2,721)	(320,470)
Experience adjustments - fund assets	(131,954)	320,939	2,344	191,329

	2010 \$	2009 \$	2008 \$	2007 \$
Present value of defined benefit obligation	17,839,393	16,851,460	14,252,029	13,930,749
Fair value of fund assets	(13,297,391)	(13,181,995)	(14,528,458)	(15,340,158)
(Surplus)/deficit in fund	4,542,002	3,669,465	(276,429)	(1,409,409)
Experience adjustments - fund liabilities	536,958	2,138,637	(135,987)	(291,218)
Experience adjustments - fund assets	672,737	2,242,204	1,758,786	(1,031,364)

Expected contributions

	SSS \$	SASS \$	SANCS \$	2011 \$	2010 \$
Expected employer contributions	109,474	123,149	36,030	268,653	374,515

note 21. 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 2011.

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 2014, 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 22. auditors' remuneration

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

	2011 \$	2010 \$
Audit review of financial reports (exclusive of GST)	24,500	24,000
	24,500	24,000

note 23. related party disclosures

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

The Controlling Entity Hunter Water Corporation (HWC) owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.

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

Purchases from the parent entity were made under normal commercial terms and conditions no more favourable than those available to other parties.

A formal loan agreement has been entered into with the parent entity under normal terms and conditions. Interest is payable quarterly at market rates.

Hunter Water Corporation's director, C P Cifuentes, is a Director of First State Superannuation Corporation and NSW Treasury Corporation. Hunter Water Australia makes contributions to First State Superannuation Corporation (FSS) on behalf of its employees. Hunter Water Australia also invests money in a deposit at call account with the NSW Treasury Corporation (TCorp). These transactions with the entities are made under normal terms and conditions no more favourable than those available to other parties.

(a) Controlling entity

	2011 \$	2010 \$
Transactions with controlling entity		
Sales		
Contracts and consultancy services	20,776,461	21,692,223
Purchases		
Contracts	183,790	182,317
Consultancy services	87,498	32,294
Total purchases	271,288	214,611
Interest received	232,504	182,042
Dividends paid	3,171,559	3,755,627

Hunter Water Australia Pty Limited

	2011	2010	
	\$	\$	
Outstanding balances at year end			
Receivables			
Sales and purchases	3,363,953	5,294,204	
Tax funding agreements	1,997,002	2,352,465	
Inter-company loan	5,000,000	5,000,000	
Inter-company loan - interest	19,546	18,481	
Total receivables	10,380,501	12,665,150	
Payables			
Sales and purchases	76,060	12,427	
Tax funding agreements	211,119	895,058	
Dividend payable	3,558,109	3,171,559	
Total payables	3,845,288	4,079,044	
(b) Related entity/party			
	2011	2010	
Entity	\$	\$	
Transactions with related entities			
Purchases			
Superannuation contributions	FSS	1,218,546	-
Total purchases		1,218,546	-
Outstanding balance at year end			
Receivables			
11am cash account	TCorp	4,196,863	-
Total receivables		4,196,863	-

note 24. 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 Spatial Services and Company Secretary
Mrs M Griffin	Commercial Manager

(c) Key management personnel compensation

	2011 \$	2010 \$
Short term employee benefits	1,133,478	1,025,480
Long term employee benefits	44,005	42,843
Post employment benefits	197,397	187,619
	1,374,880	1,255,942

note 25. management consultants fees

	2011 \$	2010 \$
Management consultants paid or payable	68,475	34,444

note 26. segment information

The Company operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia.

note 27. 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 28. 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 29. 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	2011 \$	2010 \$
Cash and cash equivalents	6	5,069,916	2,500,207
Trade receivables	7	4,874,918	6,633,277
Other - current	8	3,481,122	2,112,305
Investments - non-current	11	5,000,000	5,000,000
		18,425,957	16,245,789

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2011 \$	2010 \$
Domestic	4,874,918	6,633,277
	4,874,918	6,633,277

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2011 \$	2010 \$
Controlling entity	2,569,901	4,774,203
Other government entity	1,351,511	1,435,426
Incorporated entity (proprietary or public company)	941,197	419,598
Unincorporated entity or sole trader	12,309	4,049
	4,874,918	6,633,277

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:

	2011 Gross \$	Impairment \$	2010 Gross \$	Impairment \$
Not past due	4,357,401	-	6,517,326	-
Past due 2 to 6 months	422,289	-	114,906	-
Past due 6 to 12 months	57,101	(14,784)	1,045	-
Past due more than one year	52,911	-	-	-
	4,889,702	(14,784)	6,633,277	-

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	2011 \$	2010 \$
Opening balance	-	6,972
Impairment loss recognised	(14,784)	(6,972)
Closing balance	(14,784)	-

All trade receivables at 30 June 2011 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 10.64% per annum for an overdraft up to \$200,000 and then 15.74% for an overdraft above that (2010: 10.39% and 15.49% respectively).

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

2011	carrying amount \$	contractual cash outflows \$	3 months or less \$	4 months or more \$
Trade and other payables	2,656,804	2,656,804	2,656,804	-
	2,656,804	2,656,804	2,656,804	-

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	-

(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 had no exposure to currency risk at the reporting date.

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 10.64% per annum for an overdraft up to \$200,000 and then 15.74% for an overdraft above \$200,000 (2010: 10.39% and 15.49% respectively).

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were:

	2011 \$	2010 \$
Variable rate instruments		
Financial assets	10,068,400	7,497,463
	10,068,400	7,497,463

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 2010.

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 2010.

2011	Profit or (Loss) 1% increase \$	Equity 1% increase \$
Variable rate interest rates	100,684	100,684
	100,684	100,684

	Profit or (Loss) 1% increase \$	Equity 1% decrease \$
Variable rate interest rates	74,975	74,975
	74,975	74,975

(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

Hunter Water Australia Pty Limited
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 2011 and its performance as represented by the results of its operation and its cash flows for the year then ended.
- b) Comply with the applicable Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001*, Part 3 of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*.
- 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: 28 September 2011
Newcastle

overseas travel commenced during 2010-11

Name	Destination city, country	Departure date	Duration	Reason for travel
J Smith	Port Moresby, Papua New Guinea	29-Aug-10	5 days	Project consultancy
J Keary	Port Moresby, Papua New Guinea	29-Aug-10	5 days	Project consultancy
J Keary	Port Moresby, Papua New Guinea	13-Sept-10	4 days	To attend Pacific Water Conference and Expo
E Heslop	Montreal, Canada	16-Sept-10	15 days	To attend IWA World Water Congress
C Laydon	Christchurch, New Zealand	21-Sept-10	12 days	To attend Water Conference
C Jakubowski	Paris, France	26-Mar-11	10 days	To attend IUVA World Congress Exhibition
Y Yan	Paris, France	26-Mar-11	10 days	To attend IUVA World Congress Exhibition
S Blanshard	Los Angeles, USA	26-Mar-11	10 days	To attend AWWA Premier Membrane Conference
M Bloomfield	Los Angeles, USA	26-Mar-11	10 days	To attend AWWA Premier Membrane Conference
J Gleeson	Colombo, Malaysia	29-Mar-11	11 days	Project consultancy
M Dafter	Houston, USA	09-April-11	7 days	To attend training on Electrochemical Impedance Spectroscopy
K Jones	Edinburg, UK	09-Apr-11	9 days	To attend IWA World Water Congress
J Keary	Port Moresby, Papua New Guinea	02-May-11	5 days	Project consultancy
J Keary	Lae, Papua New Guinea	25-Jun-11	5 days	Project consultancy
A Swan	Lae, Papua New Guinea	25-Jun-11	5 days	Project consultancy

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hunter water corporation

Hunter Water October 2011
ISSN 1836-3253

The Hunter Water Corporation 2010-11 Annual Report has been prepared in accordance with the relevant legislation for the Hon Gregory Stephen Pearce, MLC and the Hon Michael Bruce Baird, MP.

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www.hunterwater.com.au

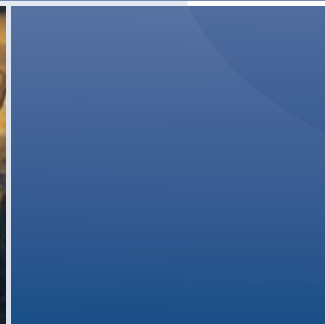
Printed copies are also available on request (1300 657 657).

disclaimer

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



Certified Carbon Neutral, FSC Mixed Sources Certified, 55% recycled (30% pre-consumer, 25% post-consumer), ISO 14001 Environmental Certification, Elemental Chlorine Free.



Call for advice

Enquiries:
1300 657 657 Mon-Fri (8am-5pm)

Emergencies:
1300 657 000 24 hours, 7 days

Translator:
131 450 Mon-Fri (8.30am-5pm)

Send a message

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