



ANNUAL REPORT

2014-15



CONTENTS

03	About This Report
04	Letter of Submission
05	Chairman and Interim Chief Executive's Overview
07	OUR BUSINESS
08	Organisational Profile
08	Our Structure
10	Our Board
11	Effective Governance
12	Financial Highlights
14	Performance Highlights
18	FINANCIAL STATEMENTS
19	Directors' Report
23	Independent Auditor's Report
25	Financial Statements
70	Directors' Declaration
71	STATISTICAL INFORMATION
72	Directors and Committees
74	Employees
78	Customer and Service Performance
83	Financial
97	Legislation
100	Public Interest Disclosures
101	Risk Management and Insurance Arrangements
102	Major Capital Works in Progress
103	HUNTER WATER AUSTRALIA
104	Organisational Profile
106	Directors' Report
109	Auditor's Independence Declaration
110	Independent Auditor's Report
112	Financial Statements
141	Directors' Declaration

About This Report

The 2014-15 Annual Report provides an overview of Hunter Water's activities and performance for the period 1 July 2014 to 30 June 2015. It includes highlights from the year, financial reports, statistical information and the activities of Hunter Water's subsidiary company, Hunter Water Australia Proprietary Limited, of which the assets were divested in December 2014.

Past annual reports can be found at hunterwater.com.au/annualreport.

To provide feedback on this report please email communications@hunterwater.com.au or write to:

Public Affairs
Hunter Water
PO Box 5171
HRMC NSW 2310

Note

For the 2014-15 financial year, Hunter Water's Managing Director was Mr Kim Wood. Mr Wood announced his resignation on 20 August 2015 and Mr Jeremy Bath was subsequently appointed Interim Chief Executive Officer by the Board. This appointment was approved by the NSW Government on 11 September 2015.

Letter of Submission



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

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

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

Dear Treasurer, Minister Perrottet and Minister Blair

We are pleased to submit the Annual Report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2015 for presentation to the Parliament of New South Wales.

Our Annual Report 2015 was prepared in accordance with section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements for 2014–15, which form part of the full report, have been submitted to and certified by the Auditor-General of New South Wales.

Yours sincerely

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

Terry Lawler
Chairman

A handwritten signature in black ink, appearing to read "Jeremy Bath".

Jeremy Bath
Interim Chief Executive

Chairman and Interim Chief Executive's Overview

The past year has seen Hunter Water continue toward fulfilling our vision to become a leading water business. Significant progress was made on the strategic initiative of asset recycling with the goal of improving the credit metrics of the business through the more appropriate use of capital on core infrastructure.

In June 2015 the Board approved the exchange of contracts for the sale of six properties (100% of the land) held for the now cancelled Tillegra Dam. With both sides of politics now opposed to construction of a dam at Tillegra, there was no strategic sense in retaining the land. Additionally, maintenance and land rates were costing Hunter Water more than \$680,000 per annum. Our ownership of the land also provided a significant barrier to the local community's efforts to revitalise Dungog as a legitimate tree changer and tourist destination with a focus on organic and sustainable farming practices.

Planning commenced in early 2015 to increase the volume of water available to the Hunter from the Central Coast pipeline, should it become required in case of a drought. The project to increase capacity to 30 million litres daily will cost \$3 million and is one of a number of outcomes generating additional water supply to come from the Lower Hunter Water Plan.

The commissioning of the Kooragang Island Recycled Water Scheme (KIWS) at Steel River in November 2014 was a milestone achievement for Hunter Water. Five percent of the region's total potable water supply was purchased by Orica, meaning its decision to become KIWS's first customer had an immediate favourable impact on local water supplies. Hunter Water intends to sell the KIWS in 2015/16, further strengthening our credit rating by paying down debt. It should be noted that KIWS's ability to further reduce potable water will continue regardless of ownership of the asset.

The sale of subsidiary Hunter Water Australia (HWA) in December 2014 was achieved with an agreement between management, the Australian Services Union and Professionals Australia that saw the establishment of a six month redeployment pool for employees made redundant due to the successful sale. All eight HWA employees who chose to enter the pool were ultimately successful in securing full time employment inside the six months, either in the private sector or within Hunter Water.

Hunter Water lodged its price submission for the 2016-2020 price path on 30 June 2015. Central to the submission was a one billion dollar capital works portfolio that over the coming ten years will ensure the region is adequately prepared for the forecast growth in population. Hunter Water has submitted to the Independent Pricing and Regulatory Tribunal (IPART) a robust submission that recommends price increases of no more than inflation for the majority of customers and real price decreases for those residing in houses.

Becoming a leading water utility is not only about building but also about improved customer service. In 2014/15, Hunter Water became the first water utility in NSW to provide real time data to its customers outlining the location and expected repair time for breaks to its water network. In its first twelve months of operation, the online outages page attracted more than 27,000 hits from almost 20,000 customers. The page has not only improved our level of customer service but has also reduced the volume of calls received by our Contact Centre by approximately 5,000 calls.

The most hits to the online outages page occurred on 22 April 2015 as part of the April Super Storm event that battered much of the Hunter and caused a flood that unfortunately claimed the lives of four people in Dungog and Maitland. The response of our employees was outstanding and recognised by both sides of politics as well as the Environmental Protection Authority, NSW Health and local media.

The cost of the Super Storm to Hunter Water was immense, with costs to date exceeding \$4.9 million. At the height of the storm more than 5,500 Hunter Water customers lost water. Among the greatest challenge to our emergency crews in the aftermath of the Super Storm was contending with the effects of more than 27 billion litres of storm water that flowed into Grahamstown Dam. With Chichester Dam offline as a result of catastrophic damage to the trunk main linking it with properties both to the north and south of Dungog, Grahamstown Dam was relied upon to supply 100% of the Hunter's drinking needs for a period of almost three weeks. Extensive water sampling as well as expert managing of the water network ensured that while the majority of the region lived without electricity for up to a week, those without water was contained to less than 100 properties three days after the storm.

Despite the widespread impacts of this one in 100 year storm, Beachwatch ranked Hunter beaches as the cleanest in the State for the fifteenth year running. All Hunter beaches were rated as 'Good' or 'Very Good', highlighting our outstanding performance in wastewater management. These great results are set to improve, with a project underway to install a \$14 million ultra-violet disinfection system at Burwood Beach Wastewater Treatment Plant, which will directly benefit the iconic Merewether Beach.

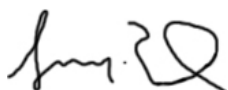
In May of 2015, the Bureau of Meteorology's National Performance Report confirmed that Hunter Water had the lowest average water bill for any major water utility in Australia. While the achievement was based on 2013-14 data, Hunter Water expects next year to again be confirmed as having the lowest average bill during 2014-15. Also of significance from the National Performance Report was the finding that Hunter Water has the lowest operating cost per property of any water utility in the country, a reflection in part of our focus on reducing costs and ensuring our infrastructure is optimised to operate at least cost at all times.

The success of Hunter Water's foray into the tourism market was also achieved during 2014/15. The Hunter's first reservoir, opened in 1882 and then titled Newcastle No 1 Reservoir but today referred to as The Res, 'reopened' in July 2014 and has proven popular with both local media and our customers. At the time of writing, more than 15,000 people have entered a ballot to win a golden ticket for two to visit The Res. Feedback has been overwhelmingly favourable and is a testament to the passion of Hunter Water employees who have managed the restoration of The Res, its tours and promotion.

Lastly, acknowledgement should be made of the resignation of Managing Director Kim Wood. Kim resigned shortly after the completion of the financial year and has moved north to head Queensland's Productivity Commission. Kim's achievements at Hunter Water during the past four years have been many and he leaves with the best wishes of employees and the Board. Kim provided strong leadership and made a number of difficult decisions shortly after his arrival including reducing our capital expenditure by half and overhauling the senior management team. While our journey to become a leading water utility is not complete, we have Kim to thank for the progress we have made during the past four years.



Terry Lawler
Chairman



Jeremy Bath
Interim Chief Executive

OUR BUSINESS

Organisational Profile

Our Board

Effective Governance

Financial Highlights

Performance Highlights

ORGANISATIONAL PROFILE

What We Do

Hunter Water is a State Owned Corporation (SOC) providing drinking water, wastewater, recycled water and some stormwater services to a population of more than 578,000 people across the Lower Hunter.

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

We have 461 employees who are committed to delivering safe, affordable and reliable services to our community. Our employees work closely with contractors, partners, stakeholders and the community to manage an asset base of more than \$2.7 billion worth of water, wastewater and recycled water infrastructure, ensuring a sustainable water future for the Lower Hunter.

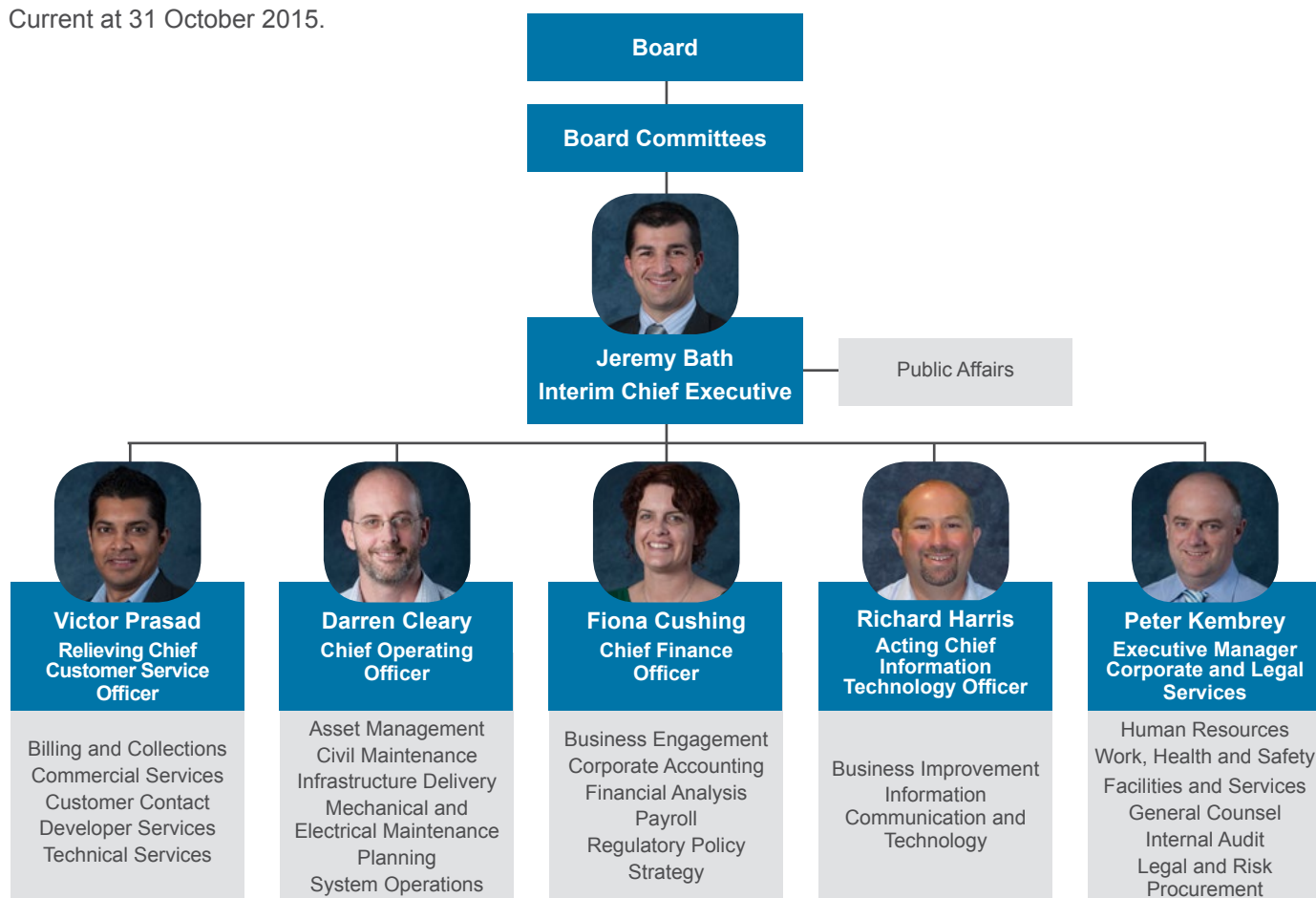
Our Area of Operations

Our services, projects and activities cover 6,671 square kilometres in the areas of Cessnock, Lake Macquarie, Maitland, Newcastle, Port Stephens, Dungog and small parts of Singleton. We deliver an average of 186 megalitres (one megalitre equals one million litres) of water per day. Our water sources are: Grahamstown Dam (182,305ML), Chichester Dam (18,356ML), Tomago Sandbeds (60,000ML) and Anna Bay Sandbeds (16,024ML). We supply bulk water to small parts of the Great Lakes area and are capable of selling up to 35ML per day to the Central Coast.

We maintain an extensive system to transport wastewater (sewage), which includes 4,903km of sewer mains, 425 pumping stations and 19 wastewater treatment works, treating almost 65,000ML of wastewater annually. We also own and operate a small amount of stormwater network in Lake Macquarie, Newcastle and Cessnock.

Our Structure

Current at 31 October 2015.





Our Values

Working Safe

Nothing is more important than working safely.

Right Solutions

We seek to implement the right water service solutions on time to deliver value.

Financially Responsible

We are financially disciplined, seeking affordability for our customers while delivering sustainable services.

People Matter

We create an environment of respect, high performance, accountability and excellence.

Committed to Our Community

We maintain a strong focus on the needs of our community.

Respect for the Environment

We take responsibility for meeting our environmental obligations.

Continuous Improvement

We challenge accepted ways of doing things and address tough issues.

Professional Recovery

We identify and mitigate risks. We anticipate, prepare and rehearse.

Keeping Commitments

We build trust by meeting or exceeding our commitments.

OUR BOARD

At the Centre of Corporate Governance

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

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

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

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

Board of Directors



Terry Lawler
Chairman

BCom, FCA, FAICD, FAIM

Jeff Eather
Deputy Chair

BCom, CPA, FGIA, MAICD

Grahame Clarke

BAppSc, MEngSc

Peter Dalglish

BSc, GDipMktgMgmt, MAICD

Professor Maree Gleeson (OAM)

BSc, PhD, FAICD

Susan Ivens

BA, DipEd, MBA, LLB
Retired 31 March 2015

Ruth Lavery

BCom, MPH, CA, FFin, MAICD

Kim Wood

Managing Director (to 30 September 2015)

BEng, DipEng, MBA, FIEAust, FAIM

Peter Kembrey
Company Secretary

BA, LLB, Dip. Legal Prac.

For details on the Board of Directors refer to the Directors' Report on page 19.

EFFECTIVE GOVERNANCE

Regulatory Framework

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

Operating Licence

Our Operating Licence is set by the Independent Pricing and Regulatory Tribunal of NSW (IPART) and is issued by our portfolio Minister. We have a five year Operating Licence which came into effect on 1 July 2012.

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

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

Pricing

Our overall pricing structure is periodically reviewed and determined by IPART. Prices that applied for 2014-15 were set by IPART in June 2013. For further details on pricing refer to the Pricing Structure in Statistical Information (page 89) and the Hunter Water website. Information about the price determination process can be found on IPART's website.

Wastewater Systems

The Environment Protection Authority (EPA) is responsible for the issue of licences under the *Protection of the Environment Operations Act 1997* for the wastewater pipe network, pumping stations and treatment systems.

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

Access to Water

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

Drinking Water Quality

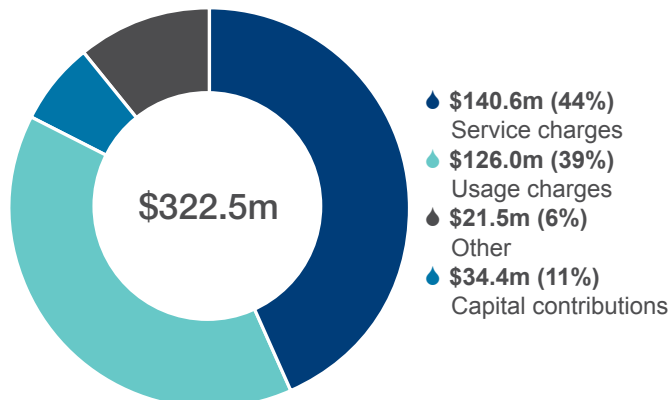
We supply high quality drinking water to our customers. The drinking water supplied is regularly tested throughout the water supply system and consistently complies with the National Health and Medical Research Council's Australian Drinking Water Quality Guidelines. The Guidelines set out requirements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

Under the Operating Licence, Hunter Water is required to comply with guidelines which provide a solid foundation for assessing drinking water quality. We work closely with NSW Health to ensure that drinking water quality is managed appropriately.

Regulatory Stakeholder	Area of Regulation	Regulatory Instrument/s
Independent Pricing and Regulatory Tribunal of NSW (IPART)	Pricing, operations, service standards, customer protections, drinking water quality	Operating Licence Price Determination Customer Contract
NSW Treasury	Obligation to shareholders	Statement of Corporate Intent
NSW Environment Protection Authority (EPA)	Licensing of discharge to environment	Environment Protection Licences
DPI Water - part of the NSW Department of Primary Industries	Water extraction licensing	Water Management Licences
NSW Health	Drinking water quality	Memorandum of Understanding with Department of Health

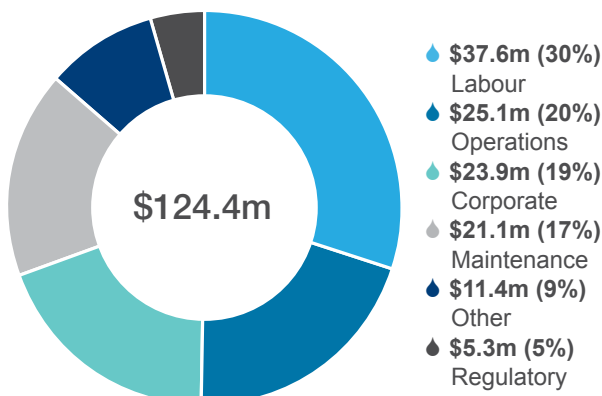
FINANCIAL HIGHLIGHTS

----- Total Income -----



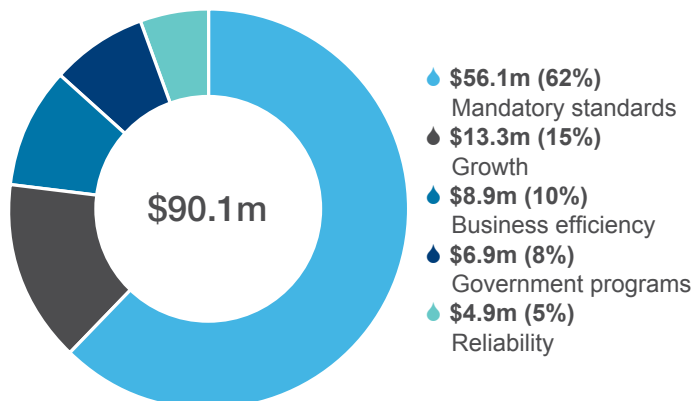
Total income from continuing operations for 2014-15 was \$322.5m, \$12.5m higher than the previous financial year. Regulated revenue was \$3.0m below budget levels as a result of carbon tax refunds paid to customers. External sales were also below budget levels due to the operations of Hunter Water Australia Pty Limited ceasing in December 2014. Capital contributions were \$6.2m above budget levels reflecting an increased volume in developer assets contributed.

----- Operating Expenditure -----



Total operating expenditure from continuing operations for 2014-15 was \$124.4m, \$9.6m higher than 2013-14, primarily driven by higher maintenance and contract expenses. Operating expenses in 2014-15 are \$14.4m below budget.

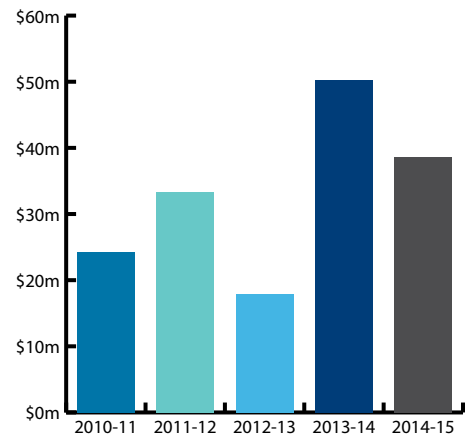
----- Total Asset Investment -----



Hunter Water invested \$90.1m on new and upgraded assets including completion of the High Voltage Network upgrade and Kooragang Industrial Water Scheme as well as commencing upgrades of chemical storage facilities. Investment in 2014-15 was reduced compared to previous years, concentrating on meeting regulatory requirements and maintenance of our infrastructure following a period of asset investment growth.

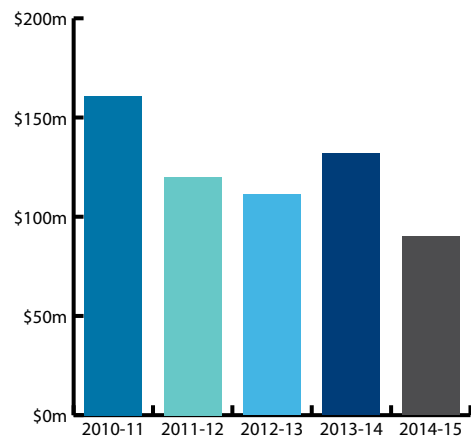
----- Profit After Tax -----

Profit after tax for 2014-15 was \$39.9m, \$10.4m lower than 2013-14. The main driver of the lower profit result was the valuation decrement applied to property holdings at Tillegra (\$23.9m) which was partially offset by higher capital contributions.



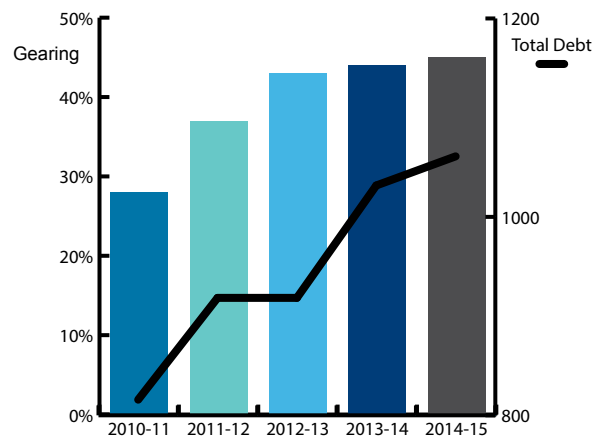
----- Capital Expenditure -----

The capital portfolio in 2014-15 included replacement of and upgrades to water and wastewater networks, treatment plants and progress on large projects. Investment in 2014-15 was reduced compared to previous years, concentrating on meeting regulatory requirements and maintenance of our infrastructure following a period of growth.



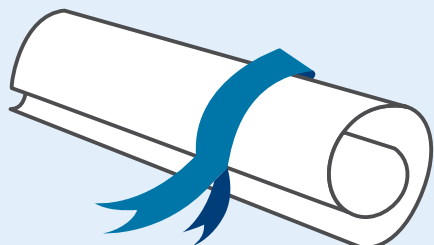
----- Debt -----

Debt and gearing increased in 2014-15 compared to 2013-14. The growth rate of borrowings does not reflect the trend in previous years as a reduced capital program along with efficiencies gained in operational costs and the sale of Hunter Water's Head Office resulted in a decreased requirement for borrowings.



PERFORMANCE HIGHLIGHTS

Our People: Management Development and Industry Training



In 2014-15 we launched a revamped Management Development Program, with current and future leaders attending training. Forty two Hunter Water employees have attained their Certificate IV in Frontline Management through Hunter TAFE, a nationally recognised qualification. TAFE provided feedback that the calibre and study efforts of our participant leaders was outstanding: seven employees received special achievement awards for their exceptional results.

In addition, 12 of Hunter Water's Civil Maintenance employees completed the Certificate III in Water Operations. The course provided participants with an external qualification that recognises their skills and experience, and builds further capability for those newer to the team.

Our People: Hunter Water Matters



Following a public sector survey in 2014 that showed Hunter Water employees wanted more regular communication throughout the business, we developed an employee engagement program called Hunter Water Matters.

The program was launched as a means of improving communication between Hunter Water and its employees. Initiatives include inviting inspirational speakers to present to employees, a weekly newsletter that provides the essential four pieces of corporate news, and employee videos that showcase key projects.

Right Infrastructure: Grahamstown Wave Protection Wall



We have completed a 1.2 kilometre wave protection wall built on the banks of Grahamstown Dam to prevent erosion and protect the public.

The \$1 million wall stops waves that result from heavy winds damaging the dam's banks and running onto the nearby road and footpath.

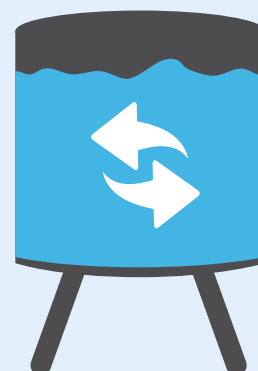
The work was undertaken with consideration of the visual amenity of the area and is the fifth major project undertaken on the dam in its 50 year history.

Right Infrastructure: Kooragang Recycled Water Scheme

In November 2014 we unveiled a \$73 million advanced water treatment plant which supplies water to Orica's Kooragang Island site, reducing its use of drinking water by the equivalent of more than 12,000 homes annually.

Treated effluent is diverted from Shortland Wastewater Treatment Works via a 750 metre pipeline, before undergoing further purification and delivery to the customer. The plant has the capacity to purify up to 3.3 billion litres of treated effluent each year.

At capacity the Kooragang Recycled Water Plant will almost double the water recycling rate in the Lower Hunter to nearly eight billion litres per year (8.1% of treated wastewater).



Effective Governance: Water Wise Rules

Water Wise Rules came into effect across the Lower Hunter on 1 July 2014 as part of the Lower Hunter Water Plan, following an extensive awareness campaign.

The Rules are designed to save one billion litres of water per year by preventing wastage of water outdoors. Hoses must be fitted with a trigger nozzle, watering is allowed before 10am and after 4pm, and hosing of hard surfaces such as driveways is restricted.

Members of the public are encouraged to report breaches of the Rules, which Hunter Water acts upon with reminder letters, home visits and as a last resort - fines. Compliance with the Rules has been high, with only 60 reported breaches over the year.



Effective Governance: Reducing Aged Debt

We reduced our aged debt (debt more than 90 days old) by 13.2% during 2014-15. At 30 June 2015, there were 5,053 customers on long term payment plans.

In the past 12 months we have rebuilt our internal resource team which now has a team of collection and hardship specialists whose roles are to assess the most effective method for collection of debts. Most chronic aged debts and all customers in the Account Assistance (hardship) Program are managed in-house.

In March 2015 we launched a community partnership with nine of the region's prominent welfare groups to address the growing issue of customer financial hardship. Working with the likes of Samaritans and St Vincent de Paul, Hunter Water will credit up to \$300 to the accounts of customers in genuine financial hardship. For qualifying customers, Hunter Water will also suspend interest charges, provide protection from actions such as debt collection, and assist with a payment plan to help pay off any existing debt.



PERFORMANCE HIGHLIGHTS

Effective Governance: Tillegra Land Sales



In June our Board of Directors approved the sale of the entirety of Hunter Water's Tillegra land holdings.

Hunter Water issued an expression of interest in March 2015 which allowed prospective buyers to submit offers for parcels of land in a range of different packages. There were 32 responses to the expression of interest. Negotiations with preferred parties took place in May and June and 10 parties submitted final offers for consideration by the Board.

The Board approved the exchange of contracts with six successful parties.

Financially Responsible: Treatment Operations Contract



The operations and maintenance of Hunter Water's 19 wastewater treatment works, 6 water treatment works and the Kooragang Recycled Water Scheme was transferred to international operator Veolia under a new treatment operations contract.

The new contractual arrangement delivers a \$23 million saving over 10 years. The contract was awarded in early July 2014.

Veolia assumed full responsibility for operations and maintenance of the facilities on 2 October 2014, an impressive transition period for a contract of this size and complexity.

Financially Responsible: Asset Recycling



During 2014-15 we divested two assets - our Newcastle Head Office in July and our consulting subsidiary Hunter Water Australia in December.

The Head Office sale gained a then record price per square metre, with Hunter Water entering into a 10 year lease of the building with an option to extend by a further five years. The sale of Hunter Water Australia has allowed us to focus on core business and remove ownership of a subsidiary company that operates in the highly volatile consulting business.

The laboratory business and assets as part of Hunter Water Australia were sold to Australian Laboratory Services Pty Limited (ALS) and the engineering consulting business and assets was sold to a management buy-out consortium in conjunction with private investors.

Satisfied Community: April Super Storm Response

In April a severe and slow moving east coast low caused widespread flooding and damage to the Hunter. Our response to the “Super Storm” was outstanding. We responded quickly and recovered professionally from this incident that saw safety alerts at Chichester and Grahamstown dams.

The task of repairs was immense, with 50 metres of a large water main washed away near Seaham and the same pipeline damaged north of Dungog. The major impacts of the storm were 5,500 customers without water (the majority for a short period of time), a turbidity event in Grahamstown Dam caused by the inflow of 27 billion litres of stormwater, and the loss of power to 283 of our 425 wastewater pump stations and 12 of our wastewater treatment plants.

Overall Hunter Water delivered 50,000 bottles of water to our affected customers, including a number of direct home deliveries for elderly or incapacitated customers.



Satisfied Community: The Res Tours

In 2014 we commenced public tours of our region’s first drinking water reservoir, Newcastle No1. ‘The Res’ was built in 1882 and held water pumped from the Hunter River near Maitland. The Res was decommissioned in the 1970s and remained locked up for almost 50 years.

The Res has now been made accessible with stairs and ventilation, and fitted with lights and projectors used as part of the tour. Tours run once per month, with visitors leaving with a better appreciation of water after learning about the history of Newcastle’s water supply and how Hunter Water has helped the region grow to what it is today.

We launched The Res with strong community and media support and more than 15,000 registrations for the public ballot. Tours now run monthly. The Res has also been nominated for inclusion on the State Heritage Register with an outcome to be known next year.



Satisfied Community: Hunter Water’s Centre for Education

We have opened the region’s first purpose built education centre at the Kooragang Recycled Water Scheme’s Steel River site. The Centre for Education is a project four years in the making and has involved a cross divisional team effort.

In June we ran number of trial tours of the \$1.2 million Centre for Education, which showcases recycled water and urban water management processes and includes a tour of the \$73 million recycled water plant.

School students visiting the centre learn about the water cycle, recycled water technology and Hunter Water’s role in managing our customers’ water and wastewater needs. The educational program for Year 7 and 8 high school students has been developed by local teachers and is designed to fall within the Stage 4 science curriculum. Free excursions and tours of the plant will soon be offered to Year 7 and 8 science students from across the Lower Hunter.



FINANCIAL STATEMENTS

Directors' Report
Independent Auditor's Report
Financial Statements
Directors' Declaration

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 2015.

Directors

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

Mr T Lawler	Chairman
Mr K Wood	Managing Director (to 30 September 2015)
Mr J Eather	Deputy Chairman
Ms S Ivens	(to 31 March 2015)
Prof M Gleeson	
Mr P Dalglish	
Ms R Lavery	
Mr G Clarke	

Company Secretary

Mr P Kembrey

Auditors

Audit Office of New South Wales

Bankers

Commonwealth Bank of Australia

Information on Directors

T Lawler B Com, FCA, FAICD, FAIM

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

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

Kim Wood was appointed as Managing Director of Hunter Water Corporation in November 2011 and is also a Director of Hunter Water Australia Pty Limited. He was previously the CEO of Queensland's Allconnex Water, which he helped establish in 2010. He has extensive utility experience as a CEO, having led a number of power and water utilities across Australia. Mr Wood was the inaugural CEO of City West Water and then went on to head the Victorian electricity transmission business, GPU PowerNet. Other CEO roles have included the Northern Territory Power and Water Corporation, and Queensland power generator Stanwell Corporation. His experience includes past private sector leadership roles in the telecommunications industry, firstly as Managing Director of GEC Plessey Telecommunications and later with publicly listed company, DataFast. Mr Wood has also had extensive experience as a company director, including several industry association directorships. He has prior senior management experience with the Australian operations of both Hewlett Packard and Bell South. He originally commenced his working career as an engineer with Victoria's State Electricity Commission.

J Eather B Com, CPA, FGIA, MAICD

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

S Ivens BA, Dip Ed, MBA, LLB

Ms Ivens was appointed as Director in April 2012 and retired in March 2015. Ms Ivens has made a strong contribution to the Hunter business community, particularly through roles in the health industry, including Managing Director of Toronto Private and Maitland Private Hospitals. Ms Ivens has a high level of experience in the planning, development and management of successful businesses, as well as corporate governance and involvement with various Boards and Committees. She is currently a member of the Regional Development Australia Hunter Committee and was the first woman to receive the prestigious Hunter Businessperson of the Year award in 2006.

M Gleeson B.Sc, PhD, FAICD

Professor Maree Gleeson was appointed as a Director in January 2013. Professor Gleeson has held leadership positions in health services, tertiary education, medical research and government. Previously she was the Executive Director of the Hunter Medical Research Institute and is currently a Director of the Hunter Valley Research Foundation, the Central Coast Local Health District Board, and a member of the National Health and Medical Research Council Principal Advisory Committee on Preventative and Community Health. Professor Gleeson has extensive experience as a non-executive director with a strong background in corporate governance, strategic planning, capital developments, risk management and compliance.

P Dalglish BSc, GDipMktgMgmt, MAICD

Peter Dalglish was appointed as a Director in July 2013 and is also a Director of Hunter Water Australia Pty Limited. Mr Dalglish is a water industry specialist with over 35 years' experience in all facets of the industry including management of large-scale wastewater treatment operations and infrastructure projects, corporate planning and system performance review. Mr Dalglish is currently a Director of Chester Consulting Pty Ltd and Strathfield Golf Club who has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

R Lavery B Com MPH CA F.Fin MAICD

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

G Clarke BAppS MEngSc

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

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

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

Meetings of Directors

	Board Meetings		Committee Meetings									
	A	B	Audit and Risk		Corporate Governance		Community and Environment		Economic Regulatory		Capital Works	
			A	B	A	B	A	B	A	B	A	B
T Lawler	11	11	4	4	4	4	*	*	*	*	2	4
K Wood	11	11	4	4	4	4	3	4	2	2	3	4
J Eather	11	11	4	4	4	4	1	1	*	*	4	4
S Ivens	7	8	*	*	2	3	3	4	*	*	*	*
M Gleeson	11	11	4	4	*	*	4	4	*	*	*	*
P Dalglish	10	11	*	*	3	4	*	*	1	2	4	4
R Lavery**	10	11	3	3	*	*	*	*	2	2	*	*
G Clarke**	10	11	*	*	*	*	3	3	2	2	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.

** = Director appointed on 23 June 2014 with no formal notification of appointment until August 2014.

Principal Activities

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

Results and Dividends

The operating profit for continuing operations before income tax for the year ended 30 June 2015 was \$52.2m compared with \$64.7m for the previous year. An annual dividend of \$21.3m has been declared for the year ended 30 June 2015.

Review of Operations

Financial

The terminology used in reporting the results is as follows:

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

The financial year profit result is unfavourable to budget by \$14.0m primarily due to the unbudgeted write down of \$23.4m for land held at Tillegra. This unfavourable result has been partially off-set by favourable capital contributions, operating costs and depreciation expense.

Subsequent Events

At the meeting of the Parent Entity Board of Directors in June 2015 approval to exchange sale contracts was provided for the land and buildings held at Tillegra. Exchange of all six properties has occurred since 30 June 2015.

The transfer of the defined benefit superannuation liability of the Controlled Entity (Hunter Water Australia Pty Limited) to the Parent Entity occurred effective 1 July 2015 following the approval of the NSW Treasurer. The transfer of the liability does not have an effect on the liability balance of the Economic Entity.

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

Directors' Indemnification

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

The indemnity relates to:

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

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

Change in State of Affairs

During July 2014 Hunter Water Corporation sold the head office building on Honeysuckle Drive, Newcastle and a ten year operating lease on the head office building began in July 2014.

Hunter Water Australia Pty Limited ceased operations in December 2014 following an asset sale of the engineering consultancy operations and laboratory operations. It is expected that the company will be wound-up and de-registered during 2015-16. The transfer of the defined benefit liability of Hunter Water Australia to Hunter Water Corporation occurred in July 2015.

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2015.

Audit and Risk Committee

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

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

The Committee's main objectives are to:

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

Corporate Governance Committee

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

The Committee's main objectives are to:

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

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

Mr T Lawler	Chairman, Committee Chair
Mr J Eather	Director
Ms S Ivens	Director (to 31 March 2015)
Mr P Dalglish	Director

Directors' Benefits

During or since the end of the year 30 June 2015 no Director of the Economic Entity has received or become entitled to receive a benefit, other than those disclosed at Note 30 – Related Party Disclosures of the financial statements, by reason of a contract entered into by the Parent Entity or the Controlled Entity with:

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

Code of Conduct

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

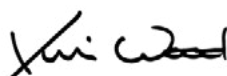
Environmental Regulation

Operations of the Parent Entity are subject to licences issued under the Protection of the Environment Operations Act 1997. During the financial year 2014/15 two official cautions were issued to Hunter Water under the Protection of the Environment Operations Act 1997. On 16 July 2014 Hunter Water entered into an Enforceable Undertaking with the Environment Protection Authority in relation to a chemical spill at a Waste Water Pump Station. The Enforceable Undertaking required Hunter Water to financially contribute to environmental remediation works at Black Neds Bay. Hunter Water has put in controls to prevent a recurrence of the events that led to the issuing of the official cautions and the Enforceable Undertaking.

Yours Sincerely



Terry Lawler
Chairman



Kim Wood
Managing Director

Newcastle
27 August 2015

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the statements of financial position as at 30 June 2015, the income statements, the statements of other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

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

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

Directors' Responsibility for the Financial Statements

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

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 an 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 management, 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 the 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, that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and 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.



James Sugumar
Director, Financial Audit Services

31 August 2015
SYDNEY

FINANCIAL STATEMENTS

Start of audited financial statements.

Consolidated Income Statement for the Year Ended 30 June 2015

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue					
Services	2	322,345	309,727	322,348	309,928
Other revenue	2	182	261	7,182	4,261
Total Revenue		322,527	309,988	329,530	314,189
Expenses					
Operational expenses	3	(124,421)	(114,831)	(124,421)	(116,376)
Depreciation and amortisation	4	(41,473)	(40,866)	(41,473)	(40,866)
Finance costs	4	(67,852)	(68,117)	(67,881)	(68,117)
Superannuation expense	4	(7,901)	(7,384)	(7,901)	(7,384)
Asset revaluation decrement	4	(23,896)	(11,976)	(23,896)	(11,976)
Other	4	(4,749)	(2,161)	(4,749)	(2,161)
Total Expenses		(270,292)	(245,335)	(270,321)	(246,880)
Profit Before Income Tax		52,235	64,653	59,209	67,309
Income tax expense	5(a)	(13,616)	(15,056)	(15,590)	(16,274)
Profit from Continuing Operations		38,618	49,598	43,618	51,036
Profit from Discontinued Operation Net of Tax	6	1,262	729	-	-
Profit for the Year		39,879	50,327	43,618	51,036
Profit is attributable to:					
Owners of Hunter Water Corporation		39,879	50,327	43,618	51,036
		39,879	50,327	43,618	51,036

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

Consolidated Statement of Other Comprehensive Income for the Year Ended 30 June 2015

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Profit for the Year		39,879	50,327	43,618	51,036
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Net increase/(decrease) in property plant and equipment revaluation reserve	22(a)	(51,196)	(508)	(51,196)	(508)
Income tax effect relating to net (increase)/decrease in property plant and equipment revaluation reserve	5(c)	15,327	72	15,327	72
Remeasurement of defined benefit superannuation liability		(6,297)	1,834	(7,341)	1,078
Income tax effect relating to remeasurement of defined benefit superannuation liability	5(c)	1,883	(426)	2,202	(323)
Other comprehensive income for the period, net of tax		(40,283)	972	(41,007)	319
Total Comprehensive Income for the Year		(404)	51,299	2,611	51,354
Total comprehensive income for the year is attributable to:					
Owners of Hunter Water Corporation		(404)	51,299	2,611	51,354
		(404)	51,299	2,611	51,354
Continuing Operations		(2,390)	49,917	2,611	51,354
Discontinued Operations		1,986	1,382	-	-
		(404)	51,299	2,611	51,354

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

Consolidated Statement of Financial Position as at 30 June 2015

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current Assets					
Cash and cash equivalents	8	12,713	7,287	10,171	5,192
Trade and other receivables	9	41,011	46,873	40,212	41,971
Inventories	11	2,277	2,676	2,277	2,676
Assets classified as held for sale	12	26,994	25,211	26,994	25,211
Total Current Assets		82,994	82,048	79,653	75,051
Non-Current Assets					
Other financial assets	10	-	-	900	900
Property, plant and equipment	13	2,612,523	2,653,470	2,623,346	2,660,796
Intangible assets	14	27,472	22,925	27,472	22,647
Other Non-Current Assets	9	423	-	423	-
Total Non-Current Assets		2,640,416	2,676,396	2,652,140	2,684,344
Total Assets		2,723,411	2,758,444	2,731,793	2,759,395
Current Liabilities					
Trade and other payables	16	76,672	77,789	76,648	78,846
Current tax liabilities	17	948	12,949	948	12,949
Borrowings	18	100,686	61,937	103,952	65,304
Provisions	19	41,621	62,812	41,621	58,401
Total Current Liabilities		219,928	215,488	223,169	215,499
Non-Current Liabilities					
Borrowings	18	960,345	969,713	960,345	969,713
Provisions	19	105,382	96,338	98,249	87,699
Deferred tax liabilities	20	134,861	155,126	139,913	160,495
Total Non-Current Liabilities		1,200,588	1,221,176	1,198,508	1,217,907
Total Liabilities		1,420,516	1,436,664	1,421,676	1,433,406
Net Assets		1,302,895	1,321,780	1,310,117	1,325,988
Equity					
Share capital	21	102,850	100,000	102,850	100,000
Reserves	22(a)	512,264	555,937	512,264	555,937
Retained profits	22(b)	687,781	665,842	695,003	670,050
Total Equity		1,302,895	1,321,780	1,310,117	1,325,988

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

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

Economic Entity		Share Capital	Reserves	Retained Profits	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014		100,000	555,937	665,842	1,321,780
Profit for the year		-	-	39,879	39,879
Transfer from revaluation reserve to retained earnings on disposal		-	(7,804)	7,804	-
Other comprehensive income		-	(35,868)	(4,415)	(40,283)
Total comprehensive income for the year		-	(43,673)	43,268	(404)
Transaction with owners in their capacity as owners:					
Distributions to owners					
Dividends provided for or paid		7	-	(21,330)	(21,330)
Contributions with owners					
Equity Injections		2,850	-	-	2,850
Balance at 30 June 2015		102,850	512,264	687,781	1,302,895
Balance at 1 July 2013		100,000	557,709	648,069	1,305,777
Profit for the year		-	-	50,327	50,327
Transfer from revaluation reserve to retained earnings on disposal		-	(1,336)	2,337	1,001
Other comprehensive income		-	(436)	1,408	972
Total comprehensive income for the year		-	(1,772)	54,072	52,301
Transaction with owners in their capacity as owners:					
Dividends provided for or paid		7	-	(36,300)	(36,300)
Balance at 30 June 2014		100,000	555,937	665,842	1,321,780
Parent Entity					
	Notes	Share Capital \$'000	Reserves \$'000	Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2014		100,000	555,937	670,050	1,325,988
Profit for the year		-	-	43,618	43,618
Transfer from revaluation reserve to retained earnings on disposal		-	(7,804)	7,804	-
Other comprehensive income		-	(35,868)	(5,139)	(41,007)
Total comprehensive income for the year		-	(43,673)	46,284	2,611
Transaction with owners in their capacity as owners:					
Distributions to owners					
Dividends provided for or paid		7	-	(21,330)	(21,330)
Contributions with owners					
Equity Injections		2,850	-	-	2,850
Balance at 30 June 2015		102,850	512,264	695,003	1,310,117
Balance at 1 July 2013		100,000	557,709	652,222	1,309,931
Profit for the year		-	-	51,036	51,036
Transfer from revaluation reserve to retained earnings on disposal		-	(1,336)	2,337	1,001
Other comprehensive income		-	(436)	755	319
Total comprehensive income for the year		-	(1,772)	54,127	52,356
Transaction with owners in their capacity as owners:					
Dividends provided for or paid		7	-	(36,300)	(36,300)
Balance at 30 June 2014		100,000	555,937	670,050	1,325,988

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

Consolidated Statement of Cash Flows for the Year Ended 30 June 2015

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		298,678	318,954	291,079	305,807
Payments to suppliers and employees (inclusive of goods and services tax)		(141,930)	(148,885)	(133,996)	(138,435)
		156,748	170,069	157,083	167,372
Dividends received		-	-	7,000	6,564
Interest received		224	341	172	299
Proceeds from environmental levy and developers		7,578	7,101	7,579	7,101
Borrowing costs		(72,319)	(72,241)	(72,319)	(72,241)
Income taxes paid		(30,646)	(26,705)	(30,299)	(25,550)
Net cash flows from operating activities	23	61,585	78,564	69,216	83,544
Cash Flows from Investing Activities					
Purchases of property, plant and equipment		(88,425)	(133,259)	(88,780)	(133,300)
Proceeds from sales of property, plant and equipment		35,759	254	27,871	246
Net cash (outflows) from investing activities		(52,666)	(133,005)	(60,909)	(133,054)
Cash Flows from Financing Activities					
Proceeds from borrowings		92,202	65,000	100,911	66,698
Repayment of borrowings		(62,268)	(19,377)	(70,789)	(25,439)
Equity Contribution	21	2,850	-	2,850	-
Dividends paid	7	(36,300)	(15,600)	(36,300)	(15,600)
Net cash flows from financing activities		(3,516)	30,023	(3,327)	25,659
Net Increase / (Decrease) in Cash and Cash Equivalents		5,403	(24,418)	4,979	(23,851)
Cash and cash equivalents at beginning of the year		7,287	31,645	5,192	29,043
Effects of exchange rate changes on cash and cash equivalents		23	60	-	-
Cash and cash equivalents at end of the year	8	12,713	7,287	10,171	5,192
Cash Flows from Discontinued Operations	6	447	(567)	-	-

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

Note 1. Summary of Significant Accounting Policies

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

The Economic Entity's and Parent Entity's financial statements for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 27 August 2015.

A. Basis of Preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with and are compliant with Australian Accounting Standards (and Interpretations) issued by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars, the *Public Finance and Audit Act 1983*, the *State Owned Corporations Act 1989* and the associated requirements of the Public Finance and Audit Regulation 2010. The Directors have determined that the Economic Entity is a for-profit entity for financial reporting purposes. In preparing the financial statements, the accounting policies described below are based on the requirements applicable to for-profit entities in these mandatory and statutory requirements.

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

Historical Cost Convention

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Certain classes of property, plant and equipment and intangibles are measured at the lower of fair value and recoverable amount;
- Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell;
- Defined benefit superannuation liabilities are stated at the present value of accrued benefit obligation less fair value of the fund assets;
- Employee benefit provisions are stated at the present value of the future obligation for the relevant liabilities concerned;
- Borrowings are measured at amortised cost.

Rounding to the Nearest \$000

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

Currency of Amounts in Report

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

B. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Parent Entity (Hunter Water Corporation) and the wholly-owned Controlled Entity (Hunter Water Australia Pty Limited) as at 30 June 2015 and the results of the Parent Entity and Controlled Entity for the year then ended in accordance with AASB 10 *Consolidated Financial Statements*. The Parent Entity had 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 Parent Entity has reviewed AASB 10 and considers that changes within the standard does not change the concept of control and that the Parent Entity still maintains control of the Controlled Entity under the amended standard. The Controlled Entity is detailed in Note 33 to the accounts.

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

C. Revenue Recognition

Revenue is 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 calculating

revenue based on water supply that has left water sources (using system flow data), less a component for non-revenue generating supply.

(ii) External Sales

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

(iii) Contributions for Capital Works

Contributions from developers can be in the form of both monetary and non-monetary assets. In accordance with Australian Accounting Interpretation 18, where physical asset contributions are received in return for connection to a service delivery network, contributions are recognised as revenue and assets at cost upon connection. Subsequent measurement of the assets is in accordance with AASB 13 *Fair Value Measurement* using the income approach.

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

(iv) Property Sales

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

(v) Investment Income

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

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

(vi) Dividends

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

(vii) Government Grants

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

D. Income Tax

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

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

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

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

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

Tax Consolidation Legislation

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

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

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

E. Cash and Cash Equivalents

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

F. Trade Receivables

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

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

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

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

G. Inventories

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

H. Assets Classified as Held for Sale

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

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

I. Property, Plant and Equipment

Acquisitions and Capitalisation

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

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

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

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

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

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

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

In line with AASB 123 *Borrowing Costs*, the entity capitalises borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset. The interest rate which has been used to capitalise borrowing costs is currently 6.64% (2014: 6.90%).

Fair Value

The Parent Entity values its non current assets in accordance with AASB 116 *Property, plant and equipment*, AASB 13 *Fair Value Measurement* and NSW Treasury's accounting policy TPP14-01 Valuation of Physical Non-Current Assets at Fair Value. Non-current assets are valued at fair value using the Income Approach. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at reporting date. The Parent Entity's policy is to revalue assets, except land and non-operational buildings, over a five year cycle by selecting assets according to a predetermined schedule of five asset sub groups. Land and non-operational buildings are revalued every three years.

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

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

AASB 13 identifies three fair value valuation techniques being:

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

A fair value hierarchy exists within AASB 13. The hierarchy establishes the most reliable evidence of fair value.

Level 1 inputs include quoted prices in an active market for identical assets.

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

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

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

Refer to Note 15 for details on fair value assessment.

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

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

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

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

During 2014-15 the Parent Entity engaged an external expert to re-assess the Fair Value of the land held at Tillegra using a comprehensive land valuation. These properties are now classified as held for sale at Fair Value less costs to sell. The net decrease in Fair Value has been recognised in the Income Statement.

Depreciation

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

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

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

Class of Fixed Asset	Useful Life (years)
System Assets	
Sewer	
- Sewermains	80-120
- Sewer Pump Stations	10-50
- Wastewater Treatment Works	10-100
Water	
- Watermains	80-150
- Water Chlorinators	15-50
- Water Pump Stations	10-100
- Water Resources	20-100
- Water Treatment Works	10-100
- Meters	15-20
Stormwater	100-150
Recycled Water	80-150
General Support	
Fleet	10-15
General equipment	3-50
Buildings	25-100

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

J. Intangible Assets

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

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

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

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

Intangible assets are initially recognised at cost. After initial recognition they are carried at fair value in accordance with AASB 13 *Fair Value Measurement* using the income approach.

K. Leases

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

L. Trade and Other Payables

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

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

M. Borrowings

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

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

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

N. Employee Benefits

Short-Term Obligations

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

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

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

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

Annual leave that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service is measured at present value in accordance with AASB 119 *Employee Benefits*. Actuarial advice obtained by NSW Treasury has confirmed the use of a nominal approach for the annual leave on annual leave liability. In accordance with NSWTC 15/09 Accounting for Long Service Leave and Annual Leave a factor of 7.9% of the nominal value of annual leave has been used to calculate the present value of the annual leave liability. Hunter Water has assessed that there is no material difference in the nominal approach plus the 7.9% factor compared to a discounted rate to determine the net present value of this leave liability. The discount rate used in this assessment was 2.5% (3.0%: 2014).

Other Long-term Employee Benefit Obligations

(ii) Long Service Leave

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

(iii) Retirement Benefit Obligations

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

Defined Contribution Superannuation Schemes

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

Defined Benefit Superannuation Schemes

The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Economic Entity contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The Economic Entity's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

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

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

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

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

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

(iv) Termination Benefits

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

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

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

O. Other Provisions

Other provisions exist when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

P. Dividends

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

Q. Goods and Services Tax (GST)

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

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

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

Commitments are disclosed inclusive of GST where applicable.

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

Certain new accounting standards and interpretations applicable to the Economic Entity and Parent Entity have been published that are not mandatory for 30 June 2015 reporting periods. NSW Treasury have mandated that the Economic Entity and Parent Entity may not early adopt any of these new standards and interpretations. The Economic Entity and Parent Entity assessment of the impact of these new standards and interpretations which may impact the Economic Entity and Parent Entity are set out below:

(i) AASB 9 – Financial Instruments (Effective for Reporting Periods Commencing on or After 1 January 2018)

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

U. Comparative Information

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

2014 comparatives for the Economic Entity have been restated due to disclosure requirements in relation to the discontinued operations of the Controlled Entity. Refer to Note 6 for 2014 comparatives and details of discontinued operations.

Note 2. Revenue

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Services - Regulated				
Tariff - service charges	140,568	138,203	140,568	138,203
Tariff - usage charges	125,990	131,122	125,990	131,122
Environmental charge	6,624	6,373	6,624	6,373
Other income	7,104	6,869	7,104	6,869
	280,286	282,567	280,286	282,567
External sales	3,159	37	3,159	37
	3,159	37	3,159	37
Developer contributions – cash	8,405	728	8,405	728
Developer contributions – assets	25,945	22,614	25,945	22,614
	34,350	23,342	34,350	23,342
Corporate services	-	-	3	201
Other	4,550	3,781	4,550	3,781
	4,550	3,781	4,553	3,982
	322,345	309,727	322,348	309,928
Other Income				
Interest income	182	261	182	261
Dividends	-	-	7,000	4,000
	182	261	7,182	4,261
	322,527	309,988	329,530	314,189

Note 3. Operational Expenses

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Employee-related costs		37,643	36,887	37,643	38,432
Other maintenance expenses		21,273	17,002	21,273	17,002
Materials		4,008	4,307	4,008	4,307
Energy		13,011	13,866	13,011	13,866
Plant and vehicles		3,537	2,939	3,537	2,939
Contract, property and other		44,950	39,830	44,950	39,830
		124,421	114,831	124,421	116,376
Maintenance expense					
Maintenance-related employee expenses		18,866	18,267	18,866	18,267
Other maintenance expenses		21,273	17,002	21,273	17,002
		40,139	35,269	40,139	35,269

Note 4. Expenses

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000

Profit before income tax includes the following specific net gains and expenses:

(i) Depreciation and Amortisation

Amortisation	14 (a) and (b)	6,220	4,690	6,220	4,690
Depreciation	13 (b) and (c)	35,253	36,176	35,253	36,176
Total depreciation and amortisation expense		41,473	40,866	41,473	40,866

(ii) Finance Costs

Amortisation of discount / (premium) on loans		(705)	(875)	(705)	(875)
Long term borrowings - interest		55,195	54,480	55,195	54,480
Short term borrowings - interest		116	230	145	230
Net (Gain) / Loss on borrowings refinanced		1,066	746	1,066	746
Other interest expense		214	308	214	308
Government guarantee fee		15,360	15,398	15,360	15,398
Capitalised finance costs		(3,394)	(2,170)	(3,394)	(2,170)
		67,852	68,117	67,881	68,117

(iii) Superannuation Expense

Superannuation expense - defined benefits funds		3,173	4,953	3,173	4,953
Superannuation expense - contributions		4,728	2,431	4,728	2,431
		7,901	7,384	7,901	7,384

(iv) Asset Revaluation Decrement

		23,896	11,976	23,896	11,976
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(v) Net (Gain) / Loss on Disposal of Property, Plant and Equipment

		4,749	2,161	4,749	2,161
		4,749	2,161	4,749	2,161

(vi) Expenses Include:

Changes in restoration provision	19	1,083	(519)	1,083	(515)
Other charges against assets - Bad and doubtful debts	9	15	(28)	15	(28)
Rental expenses - Minimum lease payments		4,284	2,214	4,284	2,214

Note 5. Income Tax

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
A. Income Tax Expense					
Current tax		23,338	26,310	22,677	26,313
Deferred tax		(5,165)	(10,607)	(5,952)	(9,704)
Under/(over) provided in prior years		(3,785)	(335)	(1,135)	(335)
		14,388	15,368	15,590	16,274
Income tax expense is attributed to:					
Continuing Operations		13,616	15,056	15,590	16,274
Discontinued Operations		771	312	-	-
		14,388	15,368	15,590	16,274
Deferred income tax (revenue)/expense included in income tax expense comprises:					
(Decrease)/increase in deferred tax liabilities		1,229	(6,398)	(5,240)	(1,793)
(Decrease)/increase in deferred tax assets		(6,394)	(7,242)	(712)	(7,911)
Income tax expense is attributed to:					
Profit from Continuing Operations		52,235	64,653	59,209	67,309
Profit from Discontinued Operations		2,033	1,042	-	-
B. Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable					
Profit from continuing operations before income tax expense		52,235	64,654	59,209	71,309
Profit from discontinued operations before income tax expense		2,033	1,042		
Subtract inter-company dividend income			-	(7,000)	(4,000)
Profit before income tax excluding dividend		54,268	65,695	52,209	67,309
Tax rate of 30% (2014 - 30%)		16,280	19,708	15,663	20,193
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Entertainment non-deductible expenses		4	2	3	1
Non-deductible expenses		1,112	13	1112	13
Other Assessable income		-	373	-	373
Sundry Temporary Differences		789	(4,373)	(40)	(3,950)
Australian owned Research and Development concession claim		(12)	(21)	(12)	(21)
		18,173	15,702	16,725	16,609
Under/(over) provision in prior years		(3,785)	(335)	(1,135)	(335)
Income Tax Expense		14,388	15,368	15,590	16,274
C. Tax Expense/(Income) Relating to Items of Comprehensive Income					
Net increase/(decrease) in property plant and equipment revaluation reserve	22(a)	(15,327)	72	(15,327)	72
Actuarial gains/(losses) on defined benefits fund		(1,883)	(426)	(2,202)	(323)
		(17,210)	(354)	(17,530)	(252)
D. Tax Consolidation Legislation					

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

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

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

Note 6. Discontinued Operation

A. Description

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

B. Financial Performance and Cash Flow Information

The financial performance and cash flow information presented are for the year ended 30 June 2015 and the year ended 30 June 2014.

	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue	11,222	14,639	-	-
Expenses	(9,189)	(13,598)	-	-
Profit before income tax	2,033	1,041	-	-
Income tax expense	(771)	(312)	-	-
Profit after income tax of discontinued operation	1,262	729	-	-
Net cash inflows / (outflows) from operating activities	(607)	(4,980)	-	-
Net cash inflow / (outflows) from investing activities (includes inflow from sale of assets)	8,244	49	-	-
Net cash inflow / (outflows) from financing activities	(7,190)	4,364	-	-
Net increase / (decrease) in cash generated from discontinued operations	447	(567)	-	-

C. Details of Sale of Discontinued Operations

Consideration Received:

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

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

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

Note 7. Dividends Paid or Provided for

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening Balance	36,300	15,600	36,300	15,600
Add: dividend declared at 20.7 cents per share (2014: 36.3 cents per share)	21,330	36,300	21,330	36,300
Less: dividend paid at 35.3 cents per share (2014: 15.6 cents per share)	(36,300)	(15,600)	(36,300)	(15,600)
	21,330	36,300	21,330	36,300

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

Note 8. Cash and Cash Equivalents

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank and on hand	6,602	7,283	4,060	5,192
Foreign currency at bank and on hand	-	4	-	-
Deposits at call	6,111	-	6,111	-
	12,713	7,287	10,171	5,192

Deposits at call are bearing interest rates between 1.95% and 1.50% (2014: 2.70% and 2.45%)

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

A. Reconciliation to Cash at the End of the Year

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

Balances as above	12,713	7,287	10,171	5,192
Balances per Statement of Cash Flows	12,713	7,287	10,171	5,192

Note 9. Trade and Other Receivables

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current				
Trade debtors *	39,778	44,511	38,979	41,360
Allowance for Impairment	(383)	(368)	(383)	(368)
	39,395	44,143	38,596	40,992
Prepayments	1,616	1,503	1,616	979
Work In Progress	-	1,227	-	-
Dividend receivable	-	-	-	-
	1,616	2,730	1,616	979
Total	41,011	46,873	40,212	41,971
Non-current				
Stock Receivable	423	-	423	-
	423	-	423	-

* Trade debtor unread meter accrual at 30 June 2015 was \$19.4m (\$18.1m: 2014).

A. Movement in the Allowance for Impairment

Amounts written off during the year	368	396	368	396
Amounts recovered during the year	(122)	(43)	(11)	(43)
Amounts recovered during the year	-	-	-	-
Increase/(decrease) in allowance recognised in Income Statement	138	15	27	15
Balance at end of year	383	368	383	368

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

Note 10. Other Financial Assets

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current					
Other (non-traded) investments					
Shares in controlled entities - at cost		-	-	900	900
		-	-	900	900

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

Note 11. Inventories

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current					
Consumable stores at cost		2,277	2,676	2,277	2,676
		2,277	2,676	2,277	2,676

Note 12. Assets Held for Sale

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current					
Land and buildings held for sale		26,994	25,211	26,994	25,211
		26,994	25,211	26,994	25,211

The land and buildings held for sale at 30 June 2015 include all land and buildings owned by Hunter Water at Tillegra as well as two parcels of non-operational land. Costs to sell assets held for sale total \$0.7m (\$0.3m: 2014).

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

Refer to Note 15(B) for valuation process.

Note 13. Property, Plant and Equipment

A. Property, Plant and Equipment

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Work in Progress \$'000	Total \$'000
Economic Entity						
At 1 July 2013 - Fair Value						
Gross carrying amount	3,239,222	24,166	121,906	68,386	238,724	3,692,404
Accumulated depreciation	(1,055,210)	(13,867)	-	(43,390)	-	(1,112,467)
Net carrying amount	2,184,012	10,299	121,906	24,996	238,724	2,579,937
At 30 June 2014 - Fair Value						
Cost	-	8,002	-	-	223,779	231,781
Market valuation	-	-	54,248	7,721	-	61,969
Fair value - income approach	2,359,990	4,602	-	-	-	2,364,592
	2,359,990	12,604	54,248	7,721	223,779	2,658,342
Accumulated depreciation	-	(4,872)	-	-	-	(4,872)
Net carrying amount	2,359,990	7,732	54,248	7,721	223,779	2,653,470
At 1 July 2014 - Fair Value						
Cost	-	8,002	-	-	223,779	231,781
Market valuation	-	-	54,248	7,721	-	61,969
Fair value - income approach	2,359,990	4,602	-	-	-	2,364,592
	2,359,990	12,604	54,248	7,721	223,779	2,658,342
Accumulated depreciation	-	(4,872)	-	-	-	(4,872)
Net carrying amount	2,359,990	7,732	54,248	7,721	223,779	2,653,470
At 30 June 2015 - Fair Value						
Cost	-	-	-	-	88,346	88,346
Market valuation	-	-	6,539	3,753	-	10,292
Fair value - income approach	2,509,697	4,188	-	-	-	2,513,885
	2,509,697	4,188	6,539	3,753	88,346	2,612,523
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	2,509,697	4,188	6,539	3,753	88,346	2,612,523
Parent Entity						
At 1 July 2013 - Fair Value						
Gross carrying amount	3,239,222	16,192	121,906	68,386	250,494	3,696,200
Accumulated depreciation	(1,055,210)	(9,409)	-	(43,390)	-	(1,108,009)
Net carrying amount	2,184,012	6,782	121,906	24,996	250,494	2,588,190
At 30 June 2014 - Fair Value						
Cost	-	-	-	-	234,235	234,235
Market valuation	-	-	54,248	7,721	-	61,969
Fair value - income approach	2,359,990	4,602	-	-	-	2,364,592
	2,359,990	4,602	54,248	7,721	234,235	2,660,796
At 1 July 2014 - Fair Value						
Cost	-	-	-	-	234,235	234,235
Market valuation	-	-	54,248	7,721	-	61,969
Fair value - income approach	2,359,990	4,602	-	-	-	2,364,592
	2,359,990	4,602	54,248	7,721	234,235	2,660,796
At 30 June 2015 - Fair Value						
Cost	-	-	-	-	99,169	99,169
Market valuation	-	-	6,539	3,753	-	10,292
Fair value - income approach	2,509,697	4,188	-	-	-	2,513,885
	2,509,697	4,188	6,539	3,753	99,169	2,623,346

B. Reconciliations

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

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Economic Entity 30 June 2014					
Net carrying amount 1 July 2013	2,184,012	10,299	121,906	24,996	2,341,213
Additions	150,701	2,539	-	835	154,075
Disposals	(1,676)	(54)	-	(77)	(1,807)
Transfers between classes	58,349	(44)	(58,226)	-	79
Transfers (to)/from assets held for sale	-	-	(2,254)	(17,541)	(19,795)
Revaluation increments/(decrements)	2,231	(2,403)	(7,178)	98	(7,252)
Depreciation expense	(33,627)	(2,605)	-	(590)	(36,822)
Net carrying amount 30 June 2014	2,359,990	7,732	54,248	7,721	2,429,691
Parent Entity 30 June 2014					
Net carrying amount 1 July 2013	2,184,012	6,782	121,906	24,996	2,337,696
Additions	150,701	2,278	-	835	153,814
Disposals	(1,676)	(53)	-	(77)	(1,806)
Transfers between classes	58,349	(44)	(58,226)	-	79
Transfers (to)/from assets held for sale	-	-	(2,254)	(17,541)	(19,795)
Revaluation increments/(decrements)	2,231	(2,403)	(7,178)	98	(7,252)
Depreciation expense	(33,627)	(1,959)	-	(590)	(36,176)
Net carrying amount 30 June 2014	2,359,990	4,602	54,248	7,721	2,426,561

C. Reconciliations

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

	System Assets \$'000	General Support \$'000	Land \$'000	Buildings \$'000	Total \$'000
Economic Entity 30 June 2015					
Net carrying amount 1 July 2014	2,359,990	7,732	54,248	7,721	2,429,691
Additions	232,853	1,400	444	610	235,308
Disposals	(1,080)	(3,091)	(7,105)	(17,297)	(28,574)
Transfers between classes	-	-	-	-	-
Transfers (to)/from assets held for sale	-	-	(36,271)	13,059	(23,212)
Revaluation increments/(decrements)	(48,343)	(320)	(4,777)	(97)	(53,538)
Depreciation expense	(33,723)	(1,533)	-	(243)	(35,499)
Net carrying amount 30 June 2015	2,509,697	4,188	6,539	3,753	2,524,177
Parent Entity 30 June 2015					
Net carrying amount 1 July 2014	2,359,990	4,602	54,248	7,721	2,426,561
Additions	232,853	1,205	444	610	235,113
Disposals	(1,080)	(12)	(7,105)	(17,297)	(25,494)
Transfers between classes	-	-	-	-	-
Transfers (to)/from assets held for sale	-	-	(36,271)	13,059	(23,212)
Revaluation increments/(decrements)	(48,343)	(320)	(4,777)	(97)	(53,538)
Depreciation expense	(33,723)	(1,287)	-	(243)	(35,253)
Net carrying amount 30 June 2015	2,509,697	4,188	6,539	3,753	2,524,177

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

Note 14. Intangible Assets

	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Work in Progress \$'000	Total \$'000
Economic Entity						
At 1 July 2013 - Cost						
Gross carrying amount	1,548	41,093	1,346	4,378	9,157	57,522
Accumulated amortisation	(54)	(34,958)	(1,209)	(1,945)	-	(38,166)
Net carrying amount	1,494	6,135	137	2,433	9,157	19,355
At 30 June 2014 - Cost						
Gross carrying amount	-	988	-	129	-	1,117
Accumulated amortisation	-	(803)	-	(36)	-	(839)
Fair value - income approach	1,093	6,240	189	1,692	13,433	22,647
Net carrying amount	1,093	6,425	189	1,785	13,433	22,925
At 1 July 2014 - Cost						
Gross carrying amount	-	988	-	129	-	1,117
Accumulated amortisation	-	(803)	-	(36)	-	(839)
Fair value - income approach	1,093	6,240	189	1,692	13,433	22,647
Net carrying amount	1,093	6,425	189	1,785	13,433	22,925
At 30 June 2015						
Gross carrying amount	-	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-	-
Fair value - income approach	1,298	15,178	-	1,171	9,825	27,472
Net carrying amount	1,298	15,178	-	1,171	9,825	27,472
Parent Entity						
At 1 July 2013 - Cost						
Gross carrying amount	1,548	40,218	1,346	4,270	9,157	56,539
Accumulated amortisation	(54)	(34,258)	(1,209)	(1,922)	-	(37,443)
Net carrying amount	1,494	5,960	137	2,348	9,157	19,096
At 30 June 2014						
Fair value - income approach	1,093	6,240	189	1,692	13,433	22,647
At 1 July 2014 - Cost						
Fair value - income approach	1,093	6,240	189	1,692	13,433	22,647
At 30 June 2015						
Fair value - income approach	1,298	15,178	-	1,171	9,825	27,472

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

A. Reconciliations

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

	Easements \$'000	Software External \$'000	Software Internal \$'000	Other \$'000	Total \$'000
Economic Entity 2014					
Net carrying amount 1 July 2013	1,494	6,135	137	2,433	10,199
Additions	156	6,719	-	1,463	8,338
Disposals	-	(29)	-	-	(29)
Transfers between classes	(1)	(117)	53	(15)	(79)
Transfers (to)/from assets held for sale	-	-	-	(161)	(161)
Revaluation increments/(decrements)	(556)	(2,651)	-	(762)	(3,969)
Amortisation expense	-	(3,633)	(1)	(1,173)	(4,807)
Net carrying amount 30 June 2014	1,093	6,425	189	1,785	9,492
Parent Entity 2014					
Net carrying amount 1 July 2013	1,494	5,960	137	2,348	9,938
Additions	156	6,605	-	1,442	8,203
Disposals	-	(29)	-	-	(29)
Transfers between classes	(1)	(117)	53	(15)	(79)
Transfers (to)/from assets held for sale	-	-	-	(161)	(161)
Revaluation increments/(decrements)	(556)	(2,651)	-	(762)	(3,969)
Amortisation expense	-	(3,528)	(1)	(1,161)	(4,690)
Net carrying amount 30 June 2014	1,093	6,240	189	1,692	9,214

B. Reconciliations

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

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

Note 15. Fair Value Measurement of Non-Financial Assets

A. Fair Value Hierarchy

2015

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

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

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

2014

	Level 2	Level 3	Total Fair Value
	\$'000	\$'000	\$'000
Economic Entity			
System assets	-	2,359,990	2,359,990
Land and buildings	61,969	-	61,969
General support	-	7,732	7,732
Assets held for sale	25,211	-	25,211
Intangibles	-	9,492	9,492
	87,180	2,377,214	2,464,395
Parent Entity			
System assets	-	2,359,990	2,359,990
Land and buildings	61,969	-	61,969
General support	-	4,602	4,602
Assets held for sale	25,211	-	25,211
Intangibles	-	9,214	9,214
	87,180	2,373,806	2,460,987

B. Valuation Techniques, Inputs and Processes

Asset Category	Fair Value Approach	Inputs into Fair Value Assessment
System Asset	At initial recognition fair value is based on a cost approach.	Income approach is adopted by discounting future cash flows expected to be generated from the use of these assets. Regulated revenue is determined via an IPART price determination that was issued in June 2013. These regulated future cash flows are considered the primary factor that a market participant would consider when evaluating these assets.
	No active market exists for these assets.	
Land and Buildings (non-operational)	Income approach adopted based on current regulated IPART price determination (June 2013).	Level 3 input
	At initial recognition fair value is based on a cost approach.	Market approach is adopted based on the valuations undertaken in 2012-13 financial year. An active property market exists in the regions that land and buildings are held. Valuation based on market prices from observable inputs from comparable assets.
Assets Held for Sale	Most recent revaluation based on market conditions based in an active market occurred in 2012-13.	Level 2 input
	All properties initially recognised on a cost approach. Valuations have been obtained for properties held for sale and in line with AASB 5 are recognised at the lower of carrying value and fair value (less costs to sell). This includes land and buildings held at Tillegra which are currently held for sale.	Market approach is adopted based on valuations. An active property market exists in the region. Costs to sell are indicative of previous sales. Observable inputs from comparable assets but not identical.
General Support	Valuation based on active market and similar assets (not identical).	Level 2 input
	At initial recognition fair value is based on a cost approach.	Income approach is adopted by discounting future cash flows expected to be generated from the use of these assets. Regulated revenue is determined via an IPART price determination that was issued in June 2013. These regulated future cash flows are considered the primary factor that a market participant would consider when evaluating these assets.
	Income approach adopted based on current regulated IPART price determination (June 2013).	Level 3 input

C. Reconciliation of Recurring Level 3 Fair Value Measurements

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

2015

	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Economic Entity				
Fair value as at 1 July 2014	2,359,990	7,732	9,492	2,377,214
Additions	232,853	1,400	14,950	249,203
Disposals	(1,080)	(3,091)	(238)	(4,409)
Depreciation/amortisation	(33,723)	(1,533)	(6,275)	(41,531)
Revaluation increment/(decrement) recognised in other comprehensive income	(48,343)	-	-	(48,343)
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(320)	(183)	(503)
Transfers to Level 2	-	-	(99)	(99)
Fair Value at 30 June 2015	2,509,697	4,188	17,647	2,531,532
Parent Entity				
Fair value as at 1 July 2014	2,359,990	4,602	9,214	2,373,806
Additions	232,853	1,205	14,934	248,993
Disposals	(1,080)	(12)	-	(1,092)
Depreciation/amortisation	(33,723)	(1,287)	(6,220)	(41,230)
Revaluation increment/(decrement) recognised in other comprehensive income	(48,343)	-	-	(48,343)
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(320)	(183)	(503)
Transfers to Level 2	-	-	(99)	(99)
Fair Value at 30 June 2015	2,509,697	4,188	17,647	2,531,532

Transfer Between Level 2 and 3 Measurements

Intangibles associated with assets held for sale were transferred from intangibles (level 3) to assets held for sale (level 2) during 2014-15.

(ii) The following table represents the changes in level 3 items for the year ended 30 June 2014 for recurring fair value measurements:

2014

	System Assets	Other Fixed Assets	Intangibles	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Economic Entity				
Adoption of AASB 13 at 1 July 2013	2,184,012	10,299	10,199	2,204,510
Additions	150,701	2,539	8,338	161,578
Disposals	(1,676)	(54)	(29)	(1,759)
Depreciation/amortisation	(33,627)	(2,605)	(4,807)	(41,038)
Revaluation increment/(decrement) recognised in other comprehensive income	2,231	(1,839)	-	392
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(564)	(3,969)	(4,533)
Transfers from Level 2	58,226	-	-	58,226
Transfers to Level 2	-	-	(161)	(161)
Transfers between asset classes	123	(44)	(79)	-
Fair Value at 30 June 2014	2,359,990	7,732	9,492	2,377,214
Parent Entity				
Adoption of AASB 13 at 1 July 2013	2,184,012	6,782	9,938	2,200,732
Additions	150,701	2,278	8,203	161,183
Disposals	(1,676)	(53)	(29)	(1,758)
Depreciation/amortisation	(33,627)	(1,959)	(4,690)	(40,275)
Revaluation increment/(decrement) recognised in other comprehensive income	2,231	(1,839)	-	392
Revaluation increment/(decrement) recognised in Consolidated Income Statement	-	(564)	(3,969)	(4,533)
Transfers from Level 2	58,226	-	-	58,226
Transfers to Level 2	-	-	(161)	(161)
Transfers between asset classes	123	(44)	(79)	-
Fair Value at 30 June 2014	2,359,990	4,602	9,214	2,373,806

Transfer Between Level 2 and 3 Measurements

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

Intangibles associated with assets held for sale were transferred from intangibles (level 3) to assets held for sale (level 2).

D. Measurement of Fair Value

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

Description	Fair Value at 30 June 2015
	\$'000
System Assets	2,509,697
Other fixed assets	4,188
Intangibles	17,647

Unobservable Input item	30 June 2015 Calculation of Fair Value	Relationship of Unobservable Inputs to Fair Value
Time Period	The weighted average remaining life of the asset base: 70 years (2014: 76 years)	The longer the remaining life, the higher the fair value
Real Discount Rate	Pre-tax weighted average cost of capital: 4.7% (2014: 4.8%)	The higher the discount rate, the lower the fair value
Estimates of Future Revenues	Estimates of future regulated revenue streams have been based on the final 2013 IPART determination. This calculates annual revenue requirements on; - Full cost recovery on estimated operating expenditure relating to infrastructure assets - A return on the Regulated Asset Base (RAB) and future capital expenditure relating to projects currently in progress. - A weighted average cost of capital return of 4.6%.	The higher the discounted future revenues, the higher the fair value
Estimates of Future Expenditure	Operating expenditure from the final 2015-16 operating budget and Strategic Plan forecasts. Capital expenditure relating to capital projects currently in progress from the final 2015-16 operating budget and Strategic Plan forecasts.	Changes in regulated expenditure have little effect on asset values as it has been assumed that future expenditure will be recovered in future IPART pricing determinations. The higher the discounted future non-regulated expenditure, the lower the fair value.

i) Due to the long life of the Parent Entity's infrastructure assets, the calculation of the fair value based on the income approach, which is carried out using a 70 year financial model, is sensitive to variations in key assumptions. Significant assumptions underpinning the modelling process have been based on the final 2013 IPART determination. Beyond that determination a level of pricing support has been assumed to ensure the current asset base is maintained with an acceptable weighted average cost of capital return of 4.6% (the determined IPART post tax WACC methodology). In the absence of approved future price increases after 1 July 2016, estimates of future revenues have been based on a building block model approach as utilised by IPART. This bases prices on full cost recovery on estimated operating expenditure relating to infrastructure assets as well as a return on the Regulated Asset Base and future capital expenditure relating to projects currently in progress.

Outcomes from the Parent Entity's model are sensitive to variations in the forecast expenditure and expected rate of return and as such, revaluation outcomes can vary. Overall a conservative approach has been taken to minimise the risk of material differences attributable to the uncertainty in future periods. Sensitivity analysis was undertaken on the two key components within the valuation model being the weighted average cost of capital return (WACC) and the long term growth in tariff revenue. A 25 basis point change in WACC results in a change in valuation of \$19m (\$23m: 2014) with all other inputs remaining unchanged. A 5 basis point change in the long term growth in tariff revenue results in a change in valuation of \$41m (\$39m: 2014) with all other inputs remaining unchanged. After assessment of the sensitivity analysis it was determined that if these movements did occur that there would be no material impact on the Income Statement.

ii) A pre-tax weighted average cost of capital (WACC) of 4.7% (2014:4.8%) has been used as the discount rate. While varying assumptions could be made as to the value of specific WACC inputs, the Economic Entity considers the WACC recently calculated by IPART for the Final Price Determination in June 2013 to be most appropriate as prices determined by IPART and used in the income approach calculation are based on this rate and it forms the basis of charges for Hunter Water services provided to customers.

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

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

Note 16. Trade and Other Payables

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current				
Trade creditors	9,239	5,068	9,236	5,415
Deposits received for services	10,369	9,923	10,369	9,923
Accrued expenses	57,064	62,798	57,043	63,508
	76,672	77,789	76,648	78,846

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

Note 17. Current Tax Liabilities

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Provision for Income Tax Payable				
Opening Balance	12,949	9,019	12,949	9,019
Under/(over) provision for income tax in prior year	(163)	54	(163)	1,093
Amount paid relating to prior year	(12,785)	(9,073)	(12,785)	(10,113)
Amount payable for current year	22,376	29,533	22,376	28,339
Amount paid relating to current year	(21,428)	(16,585)	(21,428)	(15,391)
	948	12,949	948	12,949

Note 18. Borrowings

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Intercompany Loan	-	-	3,265	3,367
Other loans	1,061,031	1,031,650	1,061,031	1,031,650
	1,061,031	1,031,650	1,064,297	1,035,017
Represented By:				
Current	100,686	61,937	103,952	65,304
Non-current	960,345	969,713	960,345	969,713
	1,061,031	1,031,650	1,064,297	1,035,017

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of \$30m (2014:\$30m)

The Parent Entity has a contingent loan facility with Commonwealth Bank of Australia \$0.1m which was not drawn down at 30 June 2015 and a purchase card facility with National Australia Bank of \$0.9m which was not drawn down at 30 June 2015. Previous facilities of the Controlled Entity have been cancelled prior to 30 June 2015.

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

The Treasurer approved funding of up to \$1,090m with NSW TCorp for the 2015 year (2014: \$1,080m), of which \$1,061m was used at 30 June 2015 (\$1,032m at 30 June 2014).

The Minister has approved an intercompany loan for \$10m of which \$3.3m was used at 30 June 2015.

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

Fair Value Approach

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

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

Note 19. Provisions

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current					
Dividends		21,330	36,300	21,330	36,300
Restoration		1,143	-	1,143	-
Rectification		97	1,287	97	1,287
Employee benefits - short term		983	5,475	983	2,414
Employee benefits - long term*		18,068	19,752	18,068	18,400
		41,621	62,812	41,621	58,401
Non Current					
Restoration		-	318	-	60
Employee benefits		105,382	96,020	98,249	87,639
		105,382	96,338	98,249	87,699
*Employee benefits expected to be settled after 12 months		6,866	8,475	6,866	7,123

Movements in Dividends Provision 2015

	Economic Entity		Parent Entity	
	Current		Current	
Carrying amount 1 July 2014	36,300		36,300	
Less: dividend paid	(36,300)		(36,300)	
Add: dividend declared	21,330		21,330	
Carrying amount at 30 June 2015	21,330		21,330	

Movements in Restoration Provision 2015

	Current	Non Current	Current	Non Current
Carrying amount 1 July 2014	-	318	-	60
(Payments)/receipts	1,143	-	1,143	-
Over/(under) provision adjustment 2015	-	(318)	-	(60)
Carrying amount at 30 June 2015	1,143	-	1,143	-

Movements in Rectification Provision 2015

	Current	Current
Carrying amount 1 July 2014	1,287	1,287
(Payments)/receipts	(1,190)	(1,190)
Carrying amount at 30 June 2015	97	97

Note 20. Deferred Tax Liabilities

	Notes	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Amounts recognised in profit or loss					
Tax bases without an asset carrying amount		604	1,138	-	-
Stock on hand		810	1,389	810	803
Accruals		(333)	302	(333)	(469)
Borrowing costs		2,049	2,265	2,049	2,265
Provisions		(10,539)	(14,773)	(11,311)	(14,034)
Prepayments		232	277	232	254
Property, plant and equipment		(46,324)	(41,047)	(42,807)	(37,127)
		(53,501)	(50,450)	(51,360)	(48,308)
Amounts recognised in the Statement of Comprehensive Income					
Superannuation actuarial gains/(losses)		(29,719)	(27,836)	(26,807)	(24,605)
Revaluation of property, plant and equipment		218,080	233,411	218,080	233,407
		188,362	205,576	191,273	208,803
Total		134,861	155,126	139,913	160,495

Economic Entity

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

	Opening Balance at 1 July 2013	Prior Year Under/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2014
Movements					
Tax bases without an asset carrying amount	5,224	-	(4,086)	-	1,138
Stock On Hand	1,434	-	(45)	-	1,389
Accruals	(325)	-	627	-	302
Borrowing costs	1,141	-	1,124	-	2,265
Provisions (including doubtful debts)	(38,480)	-	(4,555)	426	(42,609)
Prepayments	290	-	(14)	-	277
Property, plant and equipment	199,317	-	(6,881)	(72)	192,365
	168,602	-	(13,830)	354	155,126

Parent Entity

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

	Opening Balance at 1 July 2013	Prior Year Under/over Provision	To Profit or Loss	Directly to Equity	Closing Balance at 30 June 2014
Movements					
Tax bases without an asset carrying amount	5,159	-	(5,159)	-	-
Stock On Hand	801	-	2	-	803
Accruals	(140)	-	(329)	-	(469)
Borrowing costs	1,141	-	1,124	-	2,265
Provisions (including doubtful debts)	(32,986)	-	(5,975)	323	(38,637)
Prepayments	271	-	(17)	-	254
Property, plant and equipment	199,272	-	(2,920)	(72)	196,281
	173,518	-	(13,274)	252	160,495

The deferred tax liability that is expected to be settled within the next twelve months for the economic entity is \$7.9m (\$8.6m: 2014).

Note 21. Share Capital

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 July: ordinary shares each fully paid	100,000	100,000	100,000	100,000
Shares fully paid and issued during year	2,850	-	2,850	-
At 30 June: ordinary shares each fully paid	102,850	100,000	102,850	100,000

Hunter Water Corporation's two shareholders at 30 June 2015 were:

- The Minister for Finance, Services and Property; and
- The Treasurer.

Each shareholder holds their shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from Hunter Water Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the entity's Statement of Corporate Intent with the shareholders. Shares issued and fully paid at 30 June 2015 total 102,850,000 (100,000,000: 2014).

During the reporting period, an additional 2,850,000 shares had been issued by the Corporation due to an equity cash contribution from shareholders of \$2.85m. The shares have been issued and fully paid during the reporting period. The equity injection relates to the NSW Government's Housing Acceleration Fund 2 scheme.

Note 22. Reserves and Retained Profits

	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000

A. Reserves

Asset revaluation	512,264	555,937	512,264	555,937
	512,264	555,937	512,264	555,937

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets and assets held for sale, as described in Accounting Policy Note 1.

Movement in Reserves

Asset revaluation				
Balance at beginning of year	555,937	557,709	555,937	557,709
Fixed asset revaluation increments/(decrements) from revaluations				
System assets	(48,343)	2,231	(48,343)	2,231
General support	0	(1,850)	0	(1,850)
Buildings	(142)	(45)	(142)	(45)
Land	(2,710)	(844)	(2,710)	(844)
	(51,196)	(508)	(51,196)	(508)
Tax effect - deferred tax liability on revaluation reserve	14,559	(387)	14,559	(387)
Tax effect of assets held for sale	768	458	768	458
	15,327	72	15,327	72
Transfer of reserve on disposal	(7,804)	(1,336)	(7,804)	(1,336)
	512,264	555,937	512,264	555,937

B. Retained Profits

Retained profits at 1 July 2014	665,842	648,069	670,050	652,222
Net profit	39,879	50,327	43,618	51,036
Transfer from revaluation reserve to retained earnings	7,804	2,337	7,804	2,337
Net income/(loss) recognised direct in equity	(4,415)	1,409	(5,139)	755
Dividends	(21,330)	(36,300)	(21,330)	(36,300)
Retained profits at 30 June 2015	687,781	665,842	695,003	670,050

Note 23. Statement of Cash Flows - Operating Activities

	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities:				
Net profit for the year from operations	39,879	50,327	43,618	51,036
Net superannuation (income)/expense	3,459	5,264	3,173	4,953
Depreciation and amortisation	23,896	41,629	23,896	40,866
Revaluation decrement	41,775	11,976	41,473	11,976
(Profit)/loss on sale of non-current assets	(3,435)	2,116	1,592	2,124
Capital asset (non-cash) contributions	(25,945)	(22,614)	(25,945)	(22,614)
Net exchange differences	(23)	(60)	-	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	3,714	265	1,602	3,333
(Increase)/decrease in inventories	(23)	(8)	(23)	(8)
(Increase)/decrease in other operating assets	(113)	(25)	(638)	49
(Increase)/decrease in work in progress	1,227	(364)	-	-
Increase/(decrease) in trade creditors	10,093	(3,019)	7,890	(2,982)
Increase/(decrease) in other operating liabilities	(8,004)	4,305	(7,651)	4,408
Increase/(decrease) in provision for income taxes payable	(12,000)	3,930	(11,337)	3,998
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)	(4,258)	(15,266)	(3,373)	(13,274)
(Increase)/decrease in capitalised borrowing costs	(3,394)	(2,170)	(3,394)	(2,170)
Increase/(decrease) in other provisions	(5,262)	2,279	(1,667)	1,849
Net cash inflow from operating activities	61,585	78,564	69,216	83,544

Note 24. Contractual Commitments

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Capital Commitments				
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable within one year	33,845	19,356	33,845	22,063
Payable later than one year but not later than five years	1,090	1,171	1,090	1,545
Payable later than five years	-	-	-	-
	34,935	20,527	34,935	23,609

GST component of total contractual commitments for the Economic Entity at 30 June 2015 totals \$3.2m (\$1.9m: 2014).

Note 25. Lease Expenditure Commitments

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Operating lease commitments in relation to operating leases not provided for and payable:				
Within one year	4,230	4,289	4,230	2,583
Later than one year but not later than five years	12,259	7,727	12,259	3,928
Later than five years	11,674	-	11,674	-
	28,164	12,016	28,164	6,511
Representing:				
Cancellable operating leases	3,922	7,335	3,922	6,458
Non-cancellable operating leases	24,242	4,681	24,242	53
	28,164	12,016	28,164	6,511

The Economic Entity has a cancellable operating lease for fleet vehicles that commenced in June 2007. This operating lease may be terminated by the Economic Entity or the Lessor at any time by giving one month's notice in writing. If terminated by the Economic Entity penalties will apply. An additional operating lease for fleet vehicles was entered into in December 2014 for a five year period within which time the original leased vehicles will be transferred to the new operator.

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

At 30 June 2014 there were previously two significant non-cancellable operating leases of the Economic Entity for the lease of general office premises and a laboratory. These operating leases are no longer part of the Economic Entity as these leases were novated as part of the asset sales of the Controlled Entity during December 2014. No future obligation exists for the Economic Entity in relation to these leases.

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

All lease expenditure commitments disclosed above are GST inclusive. GST component of total commitments for the Economic Entity at 30 June 2015 totals \$2.6m (\$1.1m: 2014).

Note 26. Superannuation

A. Superannuation Plan

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

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

All the Schemes are closed to new members.

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

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

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

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

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

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

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

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

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

Economic Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability/(asset) at start of the year	23,413	6,054	65,727	95,194
Current service cost	991	316	823	2,129
Net Interest on the net defined benefit liability/(asset)	813	211	2,336	3,359
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(2,319)	(97)	(7,069)	(9,486)
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,132	233	13,695	16,060
Actuarial (gains)/losses arising from liability experience	291	96	255	643
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(1,302)	(313)	(567)	(2,182)
Effects of transfers in/out due to business combinations and disposals	(607)	(113)	-	(720)
Net Defined Benefit Liability/(Asset) at end of the period	23,725	6,430	74,622	104,777
Economic Entity at 30 June 2014				
Net defined benefit liability/(asset) at start of the year	21,483	5,349	64,615	91,447
Current service cost	923	302	815	2,040
Net interest on the net defined benefit liability/(asset)	796	198	2,444	3,438
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(2,439)	(150)	(7,444)	(10,032)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,595	571	5,840	9,007
Actuarial (gains)/losses arising from liability experience	1,128	77	50	1,255
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(1,073)	(293)	(593)	(1,960)
Net defined benefit liability/(asset) at end of period	23,413	6,054	65,727	95,194
Parent Entity at 30 June 2015				
Net defined benefit liability/(asset) at start of the year	22,103	5,675	59,353	87,131
Current service cost	848	284	762	1,895
Net Interest on the net defined benefit liability/(asset)	771	198	2,109	3,078
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less Interest income	(2,120)	(100)	(6,116)	(8,337)
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,084	233	12,168	14,485
Actuarial (gains)/losses arising from liability experience	14	(5)	1,592	1,601
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(1,012)	(232)	(556)	(1,800)
Effects of transfers in/out due to business combinations and disposals	(167)	(19)	-	(186)
Net Defined Benefit Liability/(Asset) at end of the period	22,835	6,078	68,732	97,645
Parent Entity at 30 June 2014				
Net defined benefit liability/(asset) at start of the year	20,038	4,993	58,225	83,256
Current service cost	787	270	765	1,823
Net interest on the net defined benefit liability/(asset)	744	185	2,202	3,131
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(2,164)	(123)	(6,578)	(8,864)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	2,317	499	5,115	7,930
Actuarial (gains)/losses arising from liability experience	1,317	117	168	1,602
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(936)	(265)	(545)	(1,746)
Net defined benefit liability/(asset) at end of period	22,103	5,675	59,353	87,131

C. Reconciliation of the Fair Value of Fund Assets

Economic Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at beginning of the year	31,080	1,786	89,774	122,640
Interest income	1,079	62	3,110	4,250
Actual return on Fund assets less interest income	2,319	97	7,069	9,486
Employer contributions	1,302	313	567	2,182
Contributions by participants	434	-	356	790
Benefits paid	(9,018)	(1,307)	(7,001)	(17,326)
Taxes, premiums and expenses paid	1,009	(31)	482	1,460
Transfers in/(out)	(1,784)	(200)	-	(1,984)
Fair value of fund assets at end of the year	26,420	721	94,357	121,497
Economic Entity at 30 June 2014				
Fair value of fund assets at beginning of the year	28,280	2,004	83,681	113,965
Interest income	1,029	73	3,087	4,189
Actual return on Fund assets less interest income	2,439	150	7,444	10,032
Employer contributions	1,073	293	593	1,960
Contributions by participants	506	-	422	927
Benefits paid	(3,014)	(679)	(5,725)	(9,418)
Taxes, premiums and expenses paid	767	(55)	272	984
Fair value of fund assets at end of the year	31,080	1,786	89,774	122,640
Parent Entity at 30 June 2015				
Fair value of fund assets at beginning of the year	27,366	1,439	77,643	106,447
Interest income	945	48	2,688	3,681
Actual return on Fund assets less interest income	2,120	100	6,116	8,337
Employer contributions	1,012	232	556	1,800
Contributions by participants	395	-	351	746
Benefits paid	(5,547)	(711)	(5,281)	(11,538)
Taxes, premiums and expenses paid	965	(22)	409	1,352
Transfers in/(out)	(624)	(67)	-	(691)
Fair value of fund assets at end of the year	26,631	1,020	82,483	110,134
Parent Entity at 30 June 2014				
Fair value of fund assets at beginning of the year	25,121	1,616	72,582	99,320
Interest income	909	58	2,676	3,643
Actual return on Fund assets less interest income	2,164	123	6,578	8,864
Employer contributions	936	265	545	1,746
Contributions by participants	433	-	368	801
Benefits paid	(2,922)	(565)	(5,329)	(8,816)
Taxes, premiums and expenses paid	724	(59)	223	889
Fair value of fund assets at end of the year	27,366	1,439	77,643	106,447

D. Reconciliation of the Defined Benefit Obligation

Economic Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligations at beginning of period	54,493	7,840	155,501	217,834
Current service cost	991	316	823	2,129
Interest cost	1,891	272	5,446	7,610
Contributions by fund participants	434	-	356	790
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,132	233	13,695	16,060
Actuarial (gains)/losses arising from liability experience	291	96	255	643
Benefits paid	(9,018)	(1,307)	(7,001)	(17,326)
Taxes, premiums and expenses paid	1,009	(31)	482	1,460
Transfers in/(out)	(2,391)	(312)	-	(2,703)
Present value of defined benefit obligations at end of the year	50,145	7,151	168,979	226,275
Economic Entity at 30 June 2014				
Present value of defined benefit obligations at beginning of period	49,763	7,353	148,297	205,412
Current service cost	923	302	815	2,040
Interest cost	1,825	270	5,532	7,627
Contributions by fund participants	506	-	422	927
Actuarial (gains)/losses arising from changes in financial assumptions	2,595	571	5,840	9,007
Actuarial (gains)/losses arising from liability experience	1,128	77	50	1,255
Benefits paid	(3,014)	(679)	(5,725)	(9,418)
Taxes, premiums and expenses paid	767	(55)	272	984
Present value of defined benefit obligations at end of the year	54,493	7,840	155,501	217,834
Parent Entity at 30 June 2015				
Present value of defined benefit obligations at beginning of period	49,468	7,114	136,995	193,578
Current service cost	848	284	762	1,895
Interest cost	1,716	247	4,797	6,760
Contributions by fund participants	395	-	351	746
Actuarial (gains)/losses arising from changes in demographic assumptions	314	43	(579)	(222)
Actuarial (gains)/losses arising from changes in financial assumptions	2,084	233	12,168	14,485
Actuarial (gains)/losses arising from liability experience	14	(5)	1,592	1,601
Benefits paid	(5,547)	(711)	(5,281)	(11,538)
Taxes, premiums and expenses paid	965	(22)	409	1,352
Transfers in/(out)	(791)	(86)	-	(877)
Present value of defined benefit obligations at end of the year	49,466	7,098	151,215	207,779
Parent Entity at 30 June 2014				
Present value of defined benefit obligations at beginning of period	45,159	6,609	130,807	182,576
Current service cost	787	270	765	1,823
Interest cost	1,653	243	4,878	6,774
Contributions by fund participants	433	-	368	801
Actuarial (gains)/losses arising from changes in demographic assumptions	0	0	(0)	(0)
Actuarial (gains)/losses arising from changes in financial assumptions	2,317	499	5,115	7,930
Actuarial (gains)/losses arising from liability experience	1,317	117	168	1,602
Benefits paid	(2,922)	(565)	(5,329)	(8,816)
Taxes, premiums and expenses paid	724	(59)	223	889
Present value of defined benefit obligations at end of the year	49,468	7,114	136,995	193,578

E. Reconciliation of the Effect of the Asset Ceiling

Economic Entity at 30 June 2015	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-
Parent Entity at 30 June 2015				
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-

F. Fair Value of Fund Assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers and assets are not separately invested for each entity. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset Category	Total (A\$'000)	Level 1 (A\$'000)	Level 2 (A\$'000)	Level 3 (A\$'000)
Short term securities	2,641,516	95,603	2,545,913	-
Australian fixed interest	2,656,598	958	2,638,759	16,881
International fixed interest	1,003,849	(110)	1,003,959	-
Australian equities	10,406,940	9,898,541	503,999	4,400
International equities	13,111,481	9,963,287	2,585,150	563,044
Property	3,452,609	948,421	718,406	1,785,782
Alternatives	7,170,187	622,102	3,020,225	3,527,860
Total	40,443,180	21,528,802	13,016,411	5,897,967

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

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

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

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

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

As at	30 June 2015
Short term securities	6.5%
Australian fixed interest	6.6%
International fixed interest	2.5%
Australian equities	25.7%
International equities	32.4%
Property	8.6%
Alternatives	17.7%
Total	100.0%

G. Fair Value of Fund Assets

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

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

The fair value of the Pooled Fund assets include as at 30 June 2015 of \$209.2 million (\$173.9m: 2014) in NSW government bonds.

H. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2015
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% 2015/2016 to 2018/2019; 3.50% 2019/2020; 3.00% pa 2021/2022 to 2024/2025; 3.50% pa thereafter
Rate of CPI increase	2.50% 2015/2016; 2.75% 2016/2017 and 2017/2018; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2012 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below.

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

	Base Case	Scenario A -1.0% Discount Rate
Discount rate	3.03%	2.03%
Rate of CPI increase	as above	as above
Salary inflation rate	as above	as above
Defined benefit obligation (A\$)	226,274,861	260,239,783

	Base Case	Scenario C +0.5% Rate of CPI Increase
Discount rate	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa
Salary inflation rate	as above	as above
Defined benefit obligation (A\$)	226,274,861	240,573,156

	Base Case	Scenario E +0.5% Salary Increase Rate
Discount rate	as above	as above
Rate of CPI increase	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa
Defined benefit obligation (A\$)	226,274,861	228,010,488

	Base Case	Scenario G +5% Pensioner Mortality Rates
Defined benefit obligation (A\$)	226,274,861	223,976,870

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

I. Funding Arrangements

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

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

The recommended contribution rates for the Economic Entity are:

State Superannuation Scheme (Parent Entity)	1.60X (multiple of member contributions)
State Superannuation Scheme (Controlled Entity)	0.00X (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 (2014: 8.3% pa);
- Expected rate of return on fund assets backing other liabilities of 7.3% pa (2014: 7.3% pa);
- Expected salary increase rate of 2.7% pa (2014: 4.0% pa);
- Expected rate of CPI increase of 2.5% pa (2014: 2.5% pa).

Expected Contributions

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected employer contributions for the Economic Entity	750	888	562

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

Maturity Profile of Defined Benefit Obligation

The weighted average duration of the defined benefit obligation for Parent Entity is 13.4 years (2014: 13.5 years).

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2015), and a deficit of \$5.5m (2014: \$8.4m) was reported for the Economic Entity.

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
2015			
Accrued benefits	34,987	4,764	87,227
Net market value of fund assets	(26,420)	(721)	(94,357)
Net (surplus)/deficit	8,568	4,043	(7,130)
2014			
Accrued benefits	40,124	5,426	85,519
Net market value of fund assets	(31,080)	(1,786)	(89,774)
Net (surplus)/deficit	9,044	3,641	(4,255)

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

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

Note 27. Consultancies

The total amount paid or payable to consultants engaged by the Parent Entity during the reporting period was \$2.3m (\$2.1m: 2014).

Note 28. Contingent Liabilities

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

No significant claims for damages are being negotiated (2014: nil). This does not include matters covered by insurance.

Note 29. Auditors' Remuneration

Notes	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Audit Office of New South Wales				
Audit review of financial statements	254	247	216	210
Other audit fees	5	5	5	5
	259	252	221	215

Note 30. Related Party Disclosures

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

A. Controlled Entities

The Controlled Entity Hunter Water Australia Pty Limited is 100% owned by Hunter Water Corporation (2014: 100%). Hunter Water Australia Pty Limited acquired assets and liabilities on 2 March 1998 of the Engineering Consulting, Water Treatment Consulting, Survey and Laboratories Business Units formerly undertaken by Hunter Water Corporation for a consideration of \$1.5m. This consideration comprised 0.9m shares of \$1 each and a loan of \$0.6m, which has subsequently been repaid.

This subsidiary was incorporated in Australia.

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

	Entity	Economic Entity		Parent Entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Transactions with Controlled Entities					
Sales					
Contracts (insurances, etc)	HWA	-	-	3	201
Total sales		-	-	3	201
Purchases					
Purchases - consultancy services and contracts	HWA	-	-	8,546	21,544
Interest paid	HWA	-	-	29	96
Dividend received	HWA	-	-	7,000	6,564
Payables (excl GST)					
Sales and purchases	HWA	-	-	5	3,387
Tax funding agreements	HWA	-	-	-	4,096
Inter-company loan	HWA	-	-	3,265	3,367
Total payables		-	-	3,270	10,850
Other Transaction with Related Parties					
Purchases					
Consulting Services					
- AMPControl SWG Pty Ltd		3,244	4,081	3,244	4,081
- PKF Lawler Partners Pty Ltd		12	14	12	14
- PKF Lawler Partners Audit and Assurance *		21 *	28 *	21 *	28 *
Recruitment Services					
- Peoplefusion Pty Ltd		775	417	775	415
Membership and Subscription Fees					
- WSAA		183	167	183	167
Sponsorships					
- Dial B4 You Dig		54	57	54	57
- Hunter Region Botanic Gardens		25	-	25	-
- Hunter Valley Research Foundation		14	-	14	-
- University of Newcastle		120	-	120	-
Self Managed Super Fund					
- Onesm Pty Ltd		-	16	-	16
- Lawler Superannuation Fund		7	5	7	5
- Kim and Liz Self Managed Super Fund		45	-	45	-
Entertainment					
- Newcastle Club		4	1	4	1
Sales					
- WSAA		-	28	-	-
Outstanding Balances with Related Parties					
Payables					
- Dial B4 You Dig		-	6	-	6
- Peoplefusion Pty Ltd		53	18	53	18
- University of Newcastle		15	-	15	-
- WSAA		-	12	-	12

*PKF Lawler Partners Audit Assurance merged with another entity that had been engaged in July 2013 to provide audit services to Hunter Water Corporation prior to the merger of the entities.

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

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

The intercompany loan payable to HWA has a term of 5 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 32.

Note 31. Segment Information

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

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

Note 32. Key Management Personnel Disclosures

A. Directors and Any Director Related Entities

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

Mr T Lawler	Chairman
Mr K Wood	Managing Director
Mr J Eather	Deputy Chairman
Ms S Ivens	(to 31 March 2015)
Prof M Gleeson	
Mr P Daghish	
Ms R Lavery	
Mr G Clarke	
Mr P Kembrey	Company Secretary

B. Other Key Management Personnel

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

Sally Royal	Hunter Water Corporation	Chief Shared Services Officer (to 27 March 2015)
Jeremy Bath	Hunter Water Corporation	Chief Customer Services Officer (from 10 December 2014)
Dean Taylor	Hunter Water Corporation	Chief Customer Services Officer (to 10 December 2014)
Joanne Martin	Hunter Water Corporation	Chief Information Officer
Fiona Cushing	Hunter Water Corporation	Chief Finance Officer
Darren Cleary	Hunter Water Corporation	Chief Operating Officer
Jim Keary	General Manager	Hunter Water Australia Pty Limited (to 31 July 2014)
Dean Taylor	General Manager	Hunter Water Australia Pty Limited (from 31 July 2014 to 31 December 2014)
Fiona Cushing	General Manager	Hunter Water Australia Pty Limited (from 1 January 2015)

C. Key Management Personnel Compensation

	Economic Entity		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Short term employee benefits	2,210	2,144	2,071	1,857
Termination payments	495	116	495	116
Long term employee benefits	195	39	190	27
Post employment benefits	218	240	199	205
	3,118	2,538	2,955	2,204

Note 33. Controlled Entities

Parent Entity

Hunter Water Corporation

Controlled Entities

	Equity Holding	
	2015	2014
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%

Note 34. Events Occurring After Balance Date

At the meeting of the Parent Entity Board of Directors in June 2015 approval to exchange sale contracts was provided for the land and buildings held at Tillegra. Exchange of all six properties has occurred since 30 June 2015.

The transfer of the defined benefit superannuation liability of the Controlled Entity (Hunter Water Australia Pty Limited) into the defined benefit superannuation fund of the Parent Entity occurred effective 1 July 2015 following the approval of the Treasurer. The transfer of the liability has not had an effect on the liability balance of the Economic Entity.

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

Note 35. Financial Instruments

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

Financial Instrument categories:

Financial Assets	Note	Category
Cash and cash equivalents	8	N/A
Trade and other receivables	9	Loans and receivables at amortised cost
Financial Liabilities	Note	Category
Borrowings	18	Financial liabilities measured at amortised cost
Trade and other payables	16	Financial liabilities measured at amortised cost

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

An analysis of the various risks is outlined below:

A. Market Risk

(i) Interest Rate Risk

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

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

Type of Debt	Actual	Benchmark	Allowable Range
Pre 1st December 2010 Fixed rate debt	3.82	Eroding to zero	Eroding to zero
Post 1st December 2010 Fixed rate debt	4.70	6.25	3.00 to 7.00
CPI Linked debt	8.01	12.80	6.00 to 14.00

The weighted average interest rates are shown below:

Economic Entity

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

The comparative information with regard to the 2014 year is as follows:

2014	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	2.20%	7,271	-	12	7,283
Trade and other receivables	8.50%	-	10,333	36,540	46,873
Other financial assets	n/a	-	-	-	-
		7,271	10,333	36,552	54,156
Financial Liabilities					
Borrowings	5.38%	137,368	894,282	-	1,031,650
Trade and other payables	n/a	-	-	77,789	77,789
		137,368	894,282	77,789	1,109,439

Parent Entity

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

The comparative information with regard to the 2014 year is as follows:

2014	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets					
Cash and cash equivalents	2.20%	5,184	-	8	5,192
Trade and other receivables	8.50%	-	10,333	31,639	41,971
Other financial assets	n/a	-	-	900	900
		5,184	10,333	32,547	48,063
Financial Liabilities					
Borrowings	5.37%	137,368	897,649	-	1,035,017
Trade and other payables	n/a	-	-	78,846	78,846
		137,368	897,649	78,846	1,113,863

Sensitivity Analysis

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

	Increase/(decrease) to Post-tax Profit		Increase/(decrease) to Equity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Economic Entity				
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	107	74	107	74
If Interest rates are 100 basis points lower	(107)	(74)	(107)	(74)
Borrowings				
If Interest rates are 100 basis points higher	(1,213)	(1,037)	(1,213)	(1,037)
If Interest rates are 100 basis points lower	1,213	1,037	1,213	1,037
Parent Entity				
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	69	62	69	62
If Interest rates are 100 basis points lower	(69)	(62)	(69)	(62)
Borrowings				
If Interest rates are 100 basis points higher	(1,241)	(1,079)	(1,241)	(1,079)
If Interest rates are 100 basis points lower	1,241	1,079	1,241	1,079

(ii) Foreign Exchange Risk

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

The Controlled Entity, Hunter Water Australia Pty Limited, previously provided consultancy services to customers in the United States, Fiji and Papua New Guinea. These operations ceased in December 2014 and no future foreign exchange risk exists as no accounts or receivables are held in any foreign currency. Exposure to foreign currency risk at reporting date is as follows (all amounts are shown in notional Australian dollars):

	2015			2014		
	USD \$'000	FJD \$'000	PNG \$'000	USD \$'000	FJD \$'000	PNG \$'000
Trade Receivables	-	-	-	-	11	291
Bank	-	-	-	-	-	4
	-	-	-	-	11	295

B. Liquidity Risk

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

As part of its neural benchmark debt portfolios the Economic Entity has also established the specific target for when total debt exceeds more than \$50m (\$50m: 2014), that no more than 20% of the total face value debt (based on the portfolio in the year of maturity) is to mature in any 12 month period. When preparing the Statement of Corporate Intent, the Economic Entity must also submit to its Board for endorsement the proposed financial accommodation that will be required for the coming year (this is then required to be approved by the Treasurer of NSW).

In order to further manage liquidity risk, the Parent Entity has a \$30m (\$30m: 2014) overdraft facility with NSW TCorp which is used to meet short-term cash flow requirements as deemed by management. Any surplus funds are invested in an at call deposit ("11am") account, also held with NSW TCorp.

While current liabilities exceed current assets at 30 June 2015 the Economic Entity continues to trade as a going concern. The Economic Entity has sufficient funds to meet its obligations until 30 June 2016.

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

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

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular NSWTC 11/12: *Payment of Accounts*. NSWTC 11/12 specifies that supplier payments are to be made within 30 days unless an alternative period is provided.

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

Economic Entity

	Carrying Amount \$'000	Total Contractual Cash Flows \$'000	Within 1 Year \$'000	Within 1-2 Years \$'000	Within 2-5 Years \$'000	Maturity Dates Over 5 Years \$'000
2015						
Trade and other payables	71,453	71,453	71,453	-	-	-
Borrowings	1,061,031	1,321,748	151,741	99,719	429,183	641,104
Total	1,132,484	1,393,201	223,194	99,719	429,183	641,104
2014						
Trade and other payables	77,789	77,789	77,789	-	-	-
Borrowings	1,031,650	1,319,374	114,412	112,670	369,463	712,829
Total	1,109,439	1,397,163	192,201	112,670	369,463	712,829

Parent Entity

	Carrying Amount \$'000	Total Contractual Cash Flows \$'000	Within 1 Year \$'000	Within 1-2 Years \$'000	Within 2-5 Years \$'000	Maturity Dates Over 5 Years \$'000
2015						
Trade and other payables	71,432	71,432	71,432	-	-	-
Borrowings	1,064,297	1,325,784	151,741	99,719	429,183	645,141
Total	1,135,728	1,397,216	223,173	99,719	429,183	645,141
2014						
Trade and other payables	78,846	78,846	78,846	-	-	-
Borrowings	1,035,017	1,322,741	114,412	122,670	369,463	716,196
Total	1,113,863	1,401,587	193,258	122,670	369,463	716,196

C. Credit Risk

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

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

The only financial assets that are past due or impaired are sales receivables of the Statement of Financial Position.

	Economic Entity			Parent Entity		
	Total ¹	Past Due but Not Impaired ¹	Considered Impaired	Total ¹	Past Due but Not Impaired ¹	Considered Impaired
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30- 90 days overdue	5,190	5,190	-	5,190	5,190	-
> 90 days overdue	3,515	3,132	383	3,496	3,113	383

¹ The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the receivables total recognised in the Statement of Financial Position.

End of audited financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Hunter Water Corporation, Clause 11 of the Public Finance and Audit Regulation 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 general purpose financial statements exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entity as at 30 June 2015, and its financial performance for the year then ended.

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

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

On behalf of the Directors



T Lawler
Chairman



K Wood
Managing Director

Dated: 27 August 2015
Newcastle

STATISTICAL INFORMATION

Directors and Committees

Employees

Customer and Service Performance

Financial

Legislation

Public Interest Disclosures

Risk Management and Insurance Arrangement

Major Capital Works in Progress

DIRECTORS AND COMMITTEES

Board of Directors

Hunter Water's Board of Directors is comprised of up to nine members, including the Managing Director, appointed by the voting shareholders, currently the NSW Treasurer and Minister for Finance, Services and Property. Hunter Water's constitution requires that on an annual basis, two of the Directors, with the exception of the Managing Director, shall retire from office and be eligible for reappointment. For details on Directors refer to the Directors' Report in the Financial Statements (page 19).

Committees and Memberships

Committee and Membership	Corporate Support and Contact	Meeting Frequency	Major Areas Coverage
Audit and Risk J Eather (Chair) T Lawler M Gleeson R Lavery	Claire Drelincourt	At least four meetings per year	To assist the Board with External financial reporting, Internal control and risk management, External Audit, Internal Audit, Compliance and Ethics, and Fraud and Corruption Prevention and Detection.
Corporate Governance T Lawler (Chair) J Eather K Wood P Dalglish S Ivens (Retired 31 March 2015)	Peter Kembrey	Four meetings per year and as required	To ensure effective corporate governance within Hunter Water and to advise the Board on remuneration policy and matters concerning Board evaluation and composition.
Community and Environment M Gleeson (Chair) G Clarke (Appointed August 2014) K Wood S Ivens (Retired 31 March 2015)	Emma Berry	Four meetings per year	To ensure Hunter Water continues to maintain a proactive and strategic approach in relation to sustainable use of resources and delivery of services in the context of its trading, social and natural environment.
Capital Works P Dalglish (Chair) T Lawler J Eather K Wood G Clarke	Darren Cleary	At least four meetings per year	To assist the Board by providing strategic overview of the Capital Works and Research and Development programs.

Community Consultative Forum Membership and Attendance

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

During 2014-15 membership and attendance at the Community Consultative Forum was as follows:

Representative	Attendance at Meetings Held	
	A	B
Mr K Wood	3	3
Mr R Banyard	3	3
Ms I Berthold/Mr J Thompson	2	3
Ms L Bowden	3	3
Mr D Compton	2	3
Cr G Dingle	2	3
Cr Rod Doherty/Cr Suellen Wrightson	2	3
Mr J Hopson	3	3
Ms C Gillard	2	3
Ms A Hugo	2	3
Cr H Johnston	3	3
Mr W Lennox	2	3
Mr K McDonald	3	3
Ms C Pasenow/Mr R Muscat	3	3
Ms J Lambert	2	3
Cr K Paxinos	0	3

A = Number of meetings attended.

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

EMPLOYEES

Average Total Remuneration Package of Executive

Band	Range \$	Average Remuneration*		Gender	
		2015 (\$)	2014 (\$)	Female	Male
Band 4	422,501-488,100	516,925	509,444	-	1
Band 3	299,751-422,500	-	-	-	-
Band 2	238,301-299,750	261,296	250,776	2	2
Band 1	167,100-238,300	238,005	223,668	-	1
Total				2	4

*Including superannuation.

In 2014-15, 3.26% of Hunter Water's employee-related expenditure was related to senior executives compared with 3.22% in 2013-14.

Executive Positions at 30 June 2015

Senior Officer	Position	Qualifications
Jeremy Bath	Chief Customer Services Officer	BCom, BA (Communications)
Darren Cleary	Chief Operating Officer	BE, ME
Fiona Cushing	Chief Finance Officer	BSc, MAcc, CPA, GAICD
Joanne Martin	Chief Information Officer	BBus (Banking and Finance), GAICD
Kim Wood	Managing Director	BEng, DipEng, MBA, FIE (Aust), FAIM

Workforce Profile

	2011	2012	2013	2014	2015
Males	325	326	329	326	314
Females	156	157	148	140	147
Total	481	483	477	466	461
Permanent	350	383	403	405	394
Temporary	56	47	15	3	15
Part-time	57	51	59	58	52
Total	463	481	477	466	461
Redundancies	3	1	7	7	8
Recruitment	25	57	52	24	30
Unplanned absences (%)	2.6	2	2.4	3.7	3.4

Workforce Diversity

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

Human Resources Policies and Practices

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

Trends in the Representation of EEO Groups¹

Equal Employment Opportunity (EEO) Target Groups:

	% of Total Employees ²				
	2011	2012	2013	2014	2015
Women	32.8	34	33	29	30
Aboriginal people and Torres Strait Islanders	0.7	0.6	0.8	0.6	0.6
People whose first language was not English	5.3	5	4.9	4.5	4.8
People with a disability	2.4	1.8	1.7	5.4	3.7
People with a disability requiring work-related adjustment	0.5	0.4	0.4	4.5	4.6

Note: Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

¹ Employee numbers are as at 30 June 2015.

² Excludes casual employees.

Trends in the Distribution of EEO Groups ¹

Distribution Index:

	Benchmark or Target	2011	2012	2013	2014	2015
Women	100	89	86	88	88	88
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	102	109	102	103	105
People with a disability	100	103	103	100	98	91
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	96	90

Note: Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

¹ Employee numbers are as at 30 June 2015.

² Excludes casual employees.

³ A Distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other employees. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other employees. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution index is automatically calculated by the software provided by Office of the Director of Equal Opportunity in Public Environment (ODEOPE). N/A displayed where there are less than 20 employees in a particular EEO group.

Multicultural Policies and Services Program (previously EAPS)

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

Equal Employment Opportunity Statement

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

EEO and Multicultural Policies and Services Analysis

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

Women

In the past 12 months Hunter Water continued to have equal numbers of males and females in senior management positions. Hunter Water is predominantly an engineering and technical services discipline based organisation. When allied with the field-based maintenance operations, where approximately 20% of our workforce are engaged in physically intensive labour, this has resulted in lower female participation in these roles despite merit-based and EEO principles always being enforced in the recruitment and selection process. Hunter Water continues to participate in the University of Newcastle Lucy Mentoring Program where senior female employees act as mentors to female university students including coaching and facilitation of work experience.

Aboriginal People and Torres Strait Islanders

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

People Whose First Language is Not English

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

People With a Disability

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

People With a Disability Requiring Work-Related Adjustment

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

Employee Safety Performance

	2010-11	2011-12	2012-13	2013-14	2014-15
Lost time injury frequency rates	3.9	0	0	2.8	4.1
Total hours lost	2,802	1,189	1,149	1,079	2,762
Lost time injuries	4	0	0	3	4
Minor injuries	18	14	10	27	29
Prosecutions	0	0	0	0	0

There were four lost time injuries involving employees during 2014-15. In two employees were rehabilitated back into the workforce in their pre-injury role, Hunter Water continues to work with the other two employees to rehabilitate them back into their pre-injury roles.

Continued commitment to contractor safety management has resulted in an improvement in overall performance.

There were no WorkCover notices issued or prosecutions during 2014-15.

Overseas Travel Commenced During 2014-15

The Chief Operating Officer travelled overseas on a Veolia fellowship under the Treatment Operations Contract. Hunter Water did not incur any costs for this trip. No other Hunter Water employees travelled overseas during 2014-15.

CUSTOMER AND SERVICE PERFORMANCE

Customer Base

Customer	Number of Properties 2014-15	Income Raised 2014-15 \$m Actual
Residential	184,127	178.37
Multi-Residential ¹	40,684	27.54
Commercial	9,740	30.12
Industrial	1,130	16.5
Bulk Supply	2	0.26
Other ²	3,139	14.49
Total	238,822	267.28

¹ Includes total number of individual flats.

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

Rainfall Received (Millimetres) - 12 Months Ending 19 April 2015¹

Year	Newcastle	Grahamstown	Chichester
2010-11	1,022	1,001	1,225
2011-12	1,091	1,423	1,735
2012-13	959	1,085	1,343
2013-14	928	813	863
2014-15	990	901	1133
Long Term Average	1,118	1,037	1,264
Years of Record	150	48	88

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

Water Supplied (Megalitres) - 12 Months Ending 19 April 2015

Source	2011	2012	2013	2014	2015
Chichester	25,277	22,113	23,996	27,086	23,580
Tomago	0	0	0	1,123	0
Grahamstown	40,398	38,921	42,094	40,167	39,888
Total Major Sources	65,675	61,035	66,060	68,376	63,468
Anna Bay ¹	1,572	1,444	1,793	2,295	1,941
Lemon Tree Passage	761	714	768	812	792
Total²	680,081	631,931	686,221	71,483	67,015

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

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

Water Consumption (Megalitres) - 12 Months Ending 19 April 2015

	2011 ML	2011 (%)	2012 ML	2012 (%)	2013 ML	2013 (%)	2014 ML	2014 (%)	2015 ML	2015 (%)
Domestic	37,087	55%	34,911	55%	38,370	56%	40,150	56%	37,723	56%
Non-Domestic	21,068	31%	19,225	30%	21,026	31%	21,306	30%	18,572	28%
Bulk Supply	315	0%	11	0%	29	0%	299	0%	380	0%
Total Consumption	58,470	86%	54,147	86%	59,424	87%	61,755	86%	56,675	84%
Authorised (HWC own use)	2,226	3%	2,058	3%	2,004	3%	2,139	3%	2,045	3%
Apparent Losses	1,255	2%	1,168	2%	1,281	2%	1,333	2%	1,225	2%
Real Losses	6,058	9%	5,820	9%	5,912	9%	6,523	9%	7,327	11%
Gross Non-Revenue Generating	9,539	14%	9,046	14%	9,198	13%	9,995	14%	10,597	16%
Total Supply	68,009		63,193		68,622		71,750¹		67,272	

¹ Includes water received from a bulk supplier, 267ML in 2014 and 257ML in 2015

Water System Incidents

Incident / Solution	2010-11	2011-12	2012-13	2013-14	2014-15
Poor pressure	115	56	90	63	76
Pump problem	4	5	1	3	40
Seepage	201	332	249	178	234
Main flush	690	692	788	1,191	1,264
Main repair	1,534	1,246	1,539	1,479	1,431
Hydrant defect	745	716	744	866	905
Valve defect	249	231	212	237	229
Repair pathcock / maincock	2,875	2,711	2,680	2,788	2,793
Meter defect	525	518	599	694	994
Service defect repaired by Operations employees	1,664	1,507	1,682	1,555	1,958
Service defect repaired by private plumber	640	727	631	688	899
Complaint unconfirmed	430	408	324	373	416
Other	1,667	1,536	1,473	1,417	1,519
Tap rewashers	69	85	50	45	26
Trunkmain repairs	3,012	2,725	2,500	2,666	2,856
Total	14,420	13,495	13,562	14,243	15,640

Water Transport System Reliability

	2010-11	2011-12	2012-13	2013-14	2014-15
Main breaks per 100kms main - trunkmains included in length of mains	31.2 ¹	25.2 ¹	31.9 ^{1,2}	30.2 ^{1,2}	28.9
Discoloured water complaints per 1000 properties connected (tenancy)	1.9	2.1	3	2.9	2.7

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

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

Wastewater System Incidents

Incident / Solution	2010-11	2011-12	2012-13	2013-14	2014-15
Chokage cleared - main	2,773	2,116	1,938	2,529	2,515
Chokage cleared - branch	2,665	1,969	1,837	2,175	2,205
Private plumbers job ¹	547	536	431	490	586
House drains cleared	0	3	4	4	4
Storm overflow	232	310	386	239	460 ³
Gravity sewer break	25	28	35	35	46
Rising main break	32	37	39	40	45
Pump station malfunction	13	16	12	6	66 ³
Vacuum sewer jobs	63	58	40	21	46
Pump effluent line	5	8	4	10	12
No work required	135	122	88	117	112
Complaint unconfirmed	212	276	208	187	244
Charge job ²	2	0	1	1	1
Other	853	838	784	1,091	1,219
Total	7,557	6,317	5,807	6,945	7,561

¹ Problem in customer's private drains or fittings.

² Completed by Hunter Water and customer billed.

³ Increase in storm overflow and pump station malfunction incidents due to April Super Storm event.

Wastewater Transport System Reliability

	Number of Main Breaks and Chokes	Length of Sewermain (km)	Ratio of Main Breaks/Chokes per 100km of Main
Total	2,651	4,943	53.6

	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1000 Properties
Total	2,315	227,514	10.2

General Statistics

Water	2010-11	2011-12	2012-13	2013-14	2014-15
Population in area ^{1,2}	560,603	567,526	561,549	572,092	578,523
Population supplied with water ¹	539,364	539,909	545,256	550,347	558,390
Properties where water is available ³	236,369	237,164	239,036	242,590	247,355
Properties connected to water (metered) ³	227,695	230,140	232,964	235,835	238,822
Capacity of major sources (ML)	288,000	288,000	288,000	276,686	276,686
Total supply from sources (ML) ⁴	67,100	62,275	68,622	71,750	67,272
Average day net supply (ML) ⁴	183.8	170.2	188.0	196.6	184.3
Maximum day net supply (ML) ⁴	317.4	240.8	313.9	315.5	277.7
Maximum week net supply (ML/day) ⁴	298.3	212.2	273.3	293.4	251.4
Minimum day net supply (ML) ⁴	120.4	136.2	138.5	142.0	140.0
Average consumption per residential tenement (kL/annum)	174.8	162.9	175.8	181.3	167.8
Five year rolling average consumption (kL) ⁵	182.0	176.4	175.4	175.7	172.5
Watermains laid during year (km)	58.0	58.3	48.6	65.5	59.1
Watermains abandoned during year (km)	21.2	24.0	8.0	21.2	3.5
Watermain length revisions during the year (km)	2.62	(-0.9)	(-150)	(-2.2)	28.0
Total watermains in service (km) ⁷	4,898.1	4,930.0	4,820.0	4,893.0	4,945.0
Length of watermain per connected property (m)	21.51	21.42	20.69	20.75	20.71
Water supplied free of charge: charitable, public and miscellaneous purposes (kL)	423,194	415,704	449,055	458,848	433,560
Water supplied free of charge: dollar value (\$)	723,662	789,838	934,034	977,346	949,497
Wastewater	2010-11	2011-12	2012-13	2013-14	2014-15
Population supplied with water and sewer ¹	519,858	516,726	523,211	527,692	535,010
Properties where sewer is available ³	224,986	227,690	229,938	232,861	235,830
Properties connected to sewer ³	215,748	218,459	221,434	224,326	227,514
Sewermain laid during the year (km)	68.2	65.1	68.3	54.5	44.3
Sewermain abandoned during the year (km)	0.4	3.5	1.3	3.5	3.5
Total sewermain in service (km)	4,730	4,792	4,852	4,903	4,943
Length of sewermain per liable property (m)	21.0	21.0	21.1	21.1	21.0
Wastewater supplied free of charge: dollar value (\$)	107,775	109,205	127,229	144,155	138,048
Drainage	2010-11	2011-12	2012-13	2013-14	2014-15
Properties liable ³	67,938	68,387	68,848	69,287	69,732

Dissection of Population - June 2015 ¹			2014-15
Region	Population in Area	Served Water	Served Sewer
Newcastle	161,499	161,499	160,756
Lake Macquarie	204,591	202,188	195,155
Maitland	76,898	75,198	72,656
Cessnock	55,664	48,942	44,405
Port Stephens	70,538	66,883	61,002
Dungog	9,333	3,427	942
Sub Total	578,523	558,137	534,916
Singleton (Part Branxton)	-	168	94
Great Lakes (East Karuah/Alicetown)	-	85	-
Total	578,523	558,390	535,010

	2010-11	2011-12	2012-13	2013-14	2014-15
Ratio of properties connected to water and sewer, and water only ⁶	96.40%	95.70%	96.00%	95.90%	95.80%

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

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

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

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

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

⁶ Includes five main local government areas only.

⁷ 2012-13: Length of mains adjusted with new GIS data. Total length dropped compared to previous years due to more accurate data.

Waste Statement

Hunter Water continued to recycle waste from operational activities and construction projects wherever it is practical and cost effective to do so. During 2014-15, 86% of solid waste was reused or recycled. Effective management of waste spoil from operational activities continues to be a major focus with plans to upgrade and licence waste storage facilities at North Lambton Depot over the next 12 months.

Consumer Response

The top complaint drivers for Hunter Water are billing, water quality, sewer odour and sewer overflow. In 2013-14 Hunter Water reviewed its application of the definition of a complaint, with the intention of achieving consistency with Sydney Water and other utilities, in-line with IPART's requirements. Complaints are now only reported where Hunter Water is at fault in addition to customers referring complaints to the Energy and Water Ombudsman of NSW (EWON).

The revised complaint definition has been applied to 2014-15 figures and retrospectively to the results for 2013-14. This has contributed to a 'step change' in the figures for some indicators from 2012-13 to 2013-14. This approach is now providing results that are consistent with other authorities. There has been a five percent decrease in total complaints recorded for 2014-15 compared to 2013-14. Following is commentary regarding each of the key complaint drivers for Hunter Water.

Water Quality - Water quality complaints are those related to issues with the colour, taste and odour of water. There were a total of seven hundred and eight complaints in 2014-15. 80% related to dirty water and 20% to taste and odour. Hunter Water has a regular flushing program in place as part of routine maintenance of mains throughout Hunter Water's system to minimise dirty water complaints.

Water Pressure and Continuity - Water pressure matters are recognised where a customer receives less than 20m pressure (defined in the Operating Licence as a Water Pressure Failure) or where a customer has reported lower pressure than normally experienced. Water continuity issues typically relate to the failure of a water main or a water pump station. Only fifteen water service complaints were received in 2014-15 this was two less than the previous year.

Sewer Overflow and Odour - The number of sewer overflow and odour complaints increased by 60 compared to 2013-14. The main driver for this increase is the extreme weather event (East Coast Low) experienced during April 2015 which impacted overall operation of Hunter Water's sewer system.

Billing - Billing complaints fell by 50 (or 8.5%) compared to last year. This is attributed to a lower number of complaints related to meter accuracy and collection activities.

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

The scheme provides customer access to an external dispute resolution body, which offers an independent review of complaints. Hunter Water remains committed to an effective and responsive internal complaints management process and considers the services provided by EWON as an integral part of this process. EWON provides an alternative that is external to Hunter Water to support customers who may not be satisfied with the solution that is initially offered. External dispute volumes have remained stable compared to the same period for 2013-14. The majority of complaints are now resolved more efficiently through improvements to the complaints handling process.

Commitment Tracker - Fulfilling commitments made to customers is essential in decreasing complaints and is in line with Hunter Water's value of "keeping our promises".

A Customer Commitment Tracker has been implemented which captures all complaints where Hunter Water has made a commitment to its customer for follow-up action. These commitments are now being tracked and monitored by the Executive Management Team on a quarterly basis.

Total Number of Complaints

Table 1. Total Number of Complaints (Excluding EWON)

	2010-11	2011-12	2012-13	2013-14	2014-15
Total Water and Sewer Complaints	1,690	1,650	1,621	1,577	1506
Per 1000 Properties	7.4	7.3	7.0	6.8	6.3

Table 2 - Main Features of Complaints by Category

	2010-11	2011-12	2012-13	2013-14	2014-15
Water quality	636	660	684	794	708
Per 1000 properties	2.8	2.9	2.9	3.4	3.0
Water services	60	39	54	17	15
Per 1000 properties	0.3	0.2	0.2	0.1	0.1
Sewer services	483	481	344	173	233
Per 1000 properties	2.3	2.2	1.6	0.8	1.0
Drainage	21	18	16	2	9
Per 1000 properties	0.09	0.08	0.08	0.03	0.04
Billing	490	477	523	591	541
Per 1000 properties	2.2	2.1	2.2	2.5	2.3

Table 3 - EWON Complaints

	2010-11	2011-12	2012-13	2013-14	2014-15
EWON	104	123	126	127	120

FINANCIAL

Information on the Statement of Financial Position of the Economic Entity

Receivables

Receivables are shown as an asset on the Statement of Financial Position and total \$41.44m.

	June 2015 \$m	June 2014 \$m
Tariff Income - billed	13.97	18.82
Tariff Income - unbilled	19.45	18.08
Sundry Debtors	1.91	2.97
Net GST Receivable from ATO	3.72	3.77
Community Service Obligations	0.67	0.82
Prepayments	1.62	1.50
Miscellaneous Debtors	0.48	1.28
	41.82	47.24
Less Provision for Doubtful Debts	(0.38)	(0.37)
Total Receivables	41.44	46.87

Information regarding the major categories follows.

- A Tariff Income – unbilled: This item is an estimate of unbilled water and sewer usage for properties up to the reporting date that has been accrued.
- B Net GST Receivable from ATO: The Economic Entity is liable to pay GST on all taxable acquisitions. For the Parent Entity GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant accounting standards and Treasury circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Parent Entity are GST-free, but its purchases predominantly include GST, the Parent Entity receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable for the Economic Entity at 30 June 2015 (inclusive of accruals) and included in receivables was \$3.72m.
- C Community Service Obligations: The Parent Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant government department for endorsement and inclusion in the State Budget.

Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with the Department of Trade and Investment, Regional Infrastructure and Services. The Parent Entity's CSO claims for 2014-15 were for rebates given to pensioners and exempt properties, for example churches. The 2014-15 claim and cash received were as follows:

	Amount Claimed \$m	Cash Received \$m	Outstanding (Prepayment) \$m
Pensioner Rebate	12.29	11.69	0.60
Exempt Properties	1.99	1.92	0.07
Total CSO Claim and Cash Received	14.28	13.61	0.67

The amount owing of \$0.67m represents the rebates unclaimed at year end from the month of June.

Investments

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

	June 2015 \$m	June 2014 \$m
Cash at Bank	6.60	7.29
T-Corp Deposits	6.11	-
	12.71	7.29
Interest Earned	0.23	0.17
Average Interest (on average monthly investment balance)	1.96%	2.20%

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

Fixed Assets - Property, Plant and Equipment

	June 2015 \$m	June 2014 \$m
Opening WDBV	2,429.69	2,341.21
Less - Depreciation Charge	(35.50)	(36.82)
Less - Disposals	(28.57)	(1.81)
Add - Additions	209.36	131.46
Add - Externally Funded Assets	25.95	22.61
Add - Transfers Between Classes	(23.21)	(19.72)
Revaluation - Increment	169.35	1,243.23
Revaluation - Decrement	(222.88)	(1,250.48)
Total Fixed Assets - Property, Plant and Equipment	2,524.18	2,429.69

The total assets of \$2,524m at 30 June 2015 represents an increase of \$94m on the balance as at 30 June 2014 of \$2,430m.

Intangible Assets

	June 2015 \$m	June 2014 \$m
Opening WDBV	9.49	10.20
Less - Amortisation Charge	(6.28)	(4.81)
Less - Disposals	(0.24)	(0.03)
Add - Additions	14.95	8.34
Add - Transfers Between Classes	(0.10)	(0.24)
Revaluation - Decrement	(0.18)	(3.97)
Total Intangible Assets	17.65	9.49

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

Borrowings

The Parent Entity has engaged NSW Treasury Corporation (TCorp) to provide a Liability Advisory Role to assist in the management and structuring of the financial liability portfolio. Management of the portfolio is in accordance with the approved parameters. These parameters are to maintain a portfolio structure which comprises debt that has an average life to maturity of between 3 years and 5 years. At 30 June 2015 the portfolio duration was 4.70. During 2014-15 the face value of the Parent Entity's financial liability portfolio increased by \$28.93m.

The average interest yield cost of debt held at 30 June 2015 was 5.05%. A profile of the Parent Entity's Financial Liability Portfolio is as follows:

	June 2015 \$m	June 2014 \$m
Number of Loans	37	35
Face Value	1,054.48	1,025.55
Net Premium / Discount on Loans	6.55	6.10
Current Capital Value	1,061.03	1,031.65
Market Value	1,159.69	1,115.82
Come and Go Facility	-	-
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	100.69	61.94
Non Current	960.35	969.71
Total Market Value Borrowings	1,061.03	1,031.65
Debt Maturity Profile		
Come and Go Facility	-	-
Within 1 year	-	-
Between 1-5 years	480.85	396.46
Over 5 years	580.18	635.19
	1,061.03	1,031.65

Employee Provisions

At 30 June 2015 the liability for Employee Provisions totalled \$124.43m representing an increase of \$3.19m during the year and comprised:

	June 2015 \$m	June 2014 \$m
Long Service Leave	14.36	17.43
Defined-Benefit Superannuation	104.78	95.19
Accrued Sick / Annual Leave	4.89	6.34
Other	0.40	2.28
	124.43	121.25

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

	June 2015 \$m	June 2014 \$m
Current	19.05	25.23
Non Current	105.38	96.02
	124.43	121.25

At 30 June 2015 the Economic Entity's defined benefit superannuation provision was \$104.78m. At 30 June 2014 the defined benefit superannuation provision was \$95.19m.

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

Breakdown of Landholdings as at 30 June 2015

Code	Description	Number of Properties	Value \$m
1	Land fully utilised as an integral part of the Parent Entity's system.	378	28.17
2	Land partly used with the unused residue required for future integral needs.	1	0.04
3	Land not currently used but fully required for future integral needs.	4	0.83
4	Land partly used, the residue having potential for alternative use.	19	2.98
5	Land with significant potential for alternative use.	87	52.71
6	Land not currently used but potentially required for future integral needs	16	0.65
Total Breakdown of Landholdings as at 30 June 2015		505	85.39

Landholdings are re-valued and assessed in accordance with the NSW Treasury Accounting Policy (TPP14-01) *Valuation of Physical Non-Current Assets at Fair Value*. The last full land revaluation was undertaken during 2014-15.

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

Property Disposals

There were no property transactions with a value greater than \$5,000,000 that did not go to public auction or tender in the 2014/15 financial year.

**Material Capital Expenditure Contracts as at 30 June 2015 (GST-Exclusive)
(Contracted for at balance date but not provided for)**

Contract Number	Contract Description	Committed Amount \$m
CP323705	Morpeth WWTW Stage 2 - Hydraulic Upgrade	11.74
CP265415	Design, Development and Construction of High Voltage Upgrade Projects (Package 1)	4.45
CP323806	Design Construct Commission Shortland	4.23
CP324305	Belmont 6 Rising Main Replacement	1.83
CP324405	Fluoride Upgrade Construction Costs	1.82
CP306005	Design, Development and Construction of High Voltage Upgrade Projects (Package 1)	1.46
CP328904	Grahamstown WTP Bulk Alum and Fluoride	1.36
CP289806	Karuah UV Upgrade Design and Construction	0.59
CP334002	Dungog WWTW Stage 1 Upgrade Concept EIA	0.52
CP323010	Civil Assets Build and Deploy Phase	0.52
CP319803	EPCM Project Plan Engagement	0.46
CP326504	Rehabilitation of Reservoir Roofs	0.42
CP316403	Fabrication and Installation of Hand Rails WWPS	0.37
CP324803	Active Leak Detection Survey	0.32
CP339203	PLC and Telemetry Upgrade Project Package	0.32
CP324405	Fluoride Upgrades EPCM Management Fee	0.31
CP329703	Waratah West WWPS Upgrade Design	0.29
CP339103	Merewether Pressure Sewerage System Installation	0.28
CP320905	Dungog WTP PLC Upgrade	0.28
CP314807	Aboriginal Site Salvage	0.28
CP327203	Switchboard Replacement Project	0.24
CP306006	Burwood Beach WWTW HV Upgrade	0.22
	Other Commitments Less Than \$0.200m	2.61
		34.94

Operating Program

Operating Program 2015 Economic Entity

A summary of actual and budgeted results for 2014-15 and comparisons with 2013-14 results and budget is as follows:

	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000	Budget 2014 \$'000
Income				
Net Tariff Income	280.29	283.54	282.57	275.96
Interest on Investments	0.18	0.13	0.26	0.20
Profit / (Loss) on Sale of Assets	(4.75)	2.50	(2.16)	-
External Sales	3.16	15.12	0.04	16.05
Contribution from Capital Works	34.35	28.10	23.34	19.01
Other (inc Non-Regulated Income)	4.55	3.23	3.78	2.91
Total Income	317.78	332.62	307.83	314.14
Expenditure				
Operating Expenses	129.15	143.55	116.74	137.08
Superannuation Interest Expense	3.17	4.61	5.48	4.50
Revaluation Expense	23.90	-	11.98	-
Depreciation and Amortisation	41.47	50.77	40.87	45.30
Interest Payable	52.49	52.30	52.72	55.22
Financial Charges	15.36	15.20	15.40	16.66
Total Expenditure	265.54	266.43	243.17	258.76
Profit Before Tax	52.24	66.19	64.65	55.38

Operating Program 2016 Economic Entity

	Budget 2016 \$'000
Income	
Net Tariff Income	283.54
Interest on Investments	0.13
Profit / (Loss) on Sale of Assets	2.50
External Sales	15.12
Contribution from Capital Works	28.10
Other (inc Non-Regulated Income)	3.23
Total Income	332.62
Expenditure	
Operating Expenses	143.55
Superannuation Interest Expense	4.61
Depreciation and Amortisation	50.77
Interest Payable	52.30
Financial Charges	15.20
Total Expenditure	266.43
Operating Profit Before Tax	66.19

Five Year Financial Summary and Ratio Analysis

1. Statement of Financial Position (Economic Entity)

	2015 \$m	2014 \$m	2013 \$m	2012 \$m	2011 \$m
Current assets					
Cash and cash equivalents	12.71	7.29	31.64	10.72	6.82
Trade and other receivables	41.01	46.87	45.67	42.19	45.48
Inventories	2.28	2.68	2.67	2.50	2.16
Assets held for sale	26.99	25.21	5.52	13.36	0.13
Total current assets	82.99	82.05	85.50	68.77	54.59
Non current assets					
Fixed assets	2,639.99	2,676.40	2,599.29	2,910.90	3,481.66
Investments / other	0.42	-	-	-	-
Total non current assets	2,640.42	2,676.40	2,599.29	2,910.90	3,481.66
Total assets	2,723.41	2,758.44	2,684.80	2,979.67	3,536.25
Current liabilities					
Trade and other payables	76.67	77.79	81.80	53.69	63.71
Borrowings	100.69	61.94	1.37	75.07	19.02
Provisions	41.62	62.81	40.79	43.68	42.47
Current tax liabilities	0.95	12.95	9.02	4.80	3.54
Total current liabilities	219.93	215.49	132.98	177.24	128.74
Non current liabilities					
Borrowings	960.35	969.71	984.72	843.30	796.73
Provisions / other	240.24	251.46	261.32	410.38	559.19
Total non current liabilities	1,200.59	1,221.18	1,246.04	1,253.68	1,355.92
Total liabilities	1,420.52	1,436.66	1,379.02	1,430.92	1,484.66
Net assets	1,302.90	1,321.78	1,305.78	1,548.75	2,051.59
Capital and retained earnings					
Share capital	102.85	100.00	100.00	100.00	100.00
Asset revaluation reserve	512.26	555.94	557.71	827.86	1,279.65
Retained profits	687.78	665.84	648.07	620.89	671.94
Total equity	1,302.90	1,321.78	1,305.78	1,548.75	2,051.59

2. Income Statement (Economic Entity)

Trading Operations	2015 \$m	2014 \$m	2013 \$m	2012 \$m	2011 \$m
Revenue					
Tariff	280.29	282.57	271.65	234.46	227.96
Other	7.71	3.82	23.32	22.42	17.03
Less: operating costs	124.42	114.83	133.77	119.93	107.07
Gross margin	163.58	171.55	161.20	136.95	137.92
Other income					
Investments	0.18	0.26	0.35	0.44	0.54
Other expenditure					
Financing charges	67.85	68.12	73.57	66.23	57.08
Depreciation and amortisation	41.47	40.87	43.93	52.37	35.68
Superannuation adjustment	7.90	7.38	7.69	1.89	1.62
Other	28.65	14.14	34.19	0.44	26.29
Profit before contributions for capital works	17.89	41.31	2.17	16.46	17.79
Contributions for capital works	34.35	23.34	23.19	31.13	16.17
Net Profit	52.24	64.65	25.36	47.59	33.96

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

3. Financial Ratios

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

	2015	2014	2013	2012	2011
A - Gross Profit (%)	56.80	59.90	54.65	53.31	56.30
B - Working Capital (ratio)	0.38	0.38	0.64	0.39	0.42
C - Cash Ratio	0.06	0.03	0.24	0.06	0.05
D - Equity to Total Liabilities (ratio)	0.92	0.92	0.95	1.08	1.38
E - Interest Cover (times)	1.95	2.11	1.90	1.86	1.77
F - Return on Equity (%)	3.26	6.77	0.29	2.28	2.30
G - Real Rate of Return (%)	3.60	4.63	3.44	3.12	2.76
H - Return on Total Net Assets (%)	1.98	3.90	0.75	1.18	0.94

Comments on Financial Ratios

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

A - Gross Profit

Gross Profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. Decrease in 2014-15 driven by the write down of Tillegra assets.

B - Working Capital

Working Capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments. The working capital for 2014-15 has remained constant from 2013-14.

C - Cash Ratio

Cash Ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. This ratio has marginally increased this year due to a higher level of cash being held due to the timing of payments to creditors.

D - Equity to Total Liabilities

Equity to Total Liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of Hunter Water, in that it shows the level of financial equity in the business as represented by how many times net assets if liquidated would cover total liabilities. The ratio has decreased in the past four years due to increased debt levels, and the impairment of fixed assets, but remained constant in 2014-15 compared to the previous year.

E - Interest Cover

Interest Cover is calculated as funds from operations plus interest expense and financial charges divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments. This ratio shows that Hunter Water is achieving profits sufficient to cover financing costs.

F - Return on Equity

Return on Equity is calculated as operating profit divided by the sum of Share Capital and Retained Profits. Return on Equity for 2014-15 is 3.26%, which is lower than 2013-14 due to a lower operating profit largely as a result of the write down of Tillegra assets and an increase in equity during 2014-15.

G - Real Rate of Return

Real Rate of Return (RRR) is calculated as operating profit plus net interest and financial charges divided by written down book value of infrastructure assets and works in progress. RRR reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return the Corporation may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 3.60%.

H - Return of Total Net Assets

Return on Total Net Assets (RONA) is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2014-15 RONA is 1.98%.

Pricing Structure

The Independent Pricing and Regulatory Tribunal (IPART) sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. The 2014-15 prices reported in this table were determined by IPART in mid-2013.

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

- The sewerage service charge for residential flats and units increased from 65% to 75% of the charge paid by houses.
- The sewerage service for small businesses with a standalone 20mm was reduced to be the same as for a residential house.
- A new category was added for stormwater charges for residential flats, units and townhouses.
- The typical residential bill for an individually metered house rose by no more than the rate of inflation in the period 2013-14 to 2014-15.

IPART will conduct a review of Hunter Water's prices during 2015-16. A new set of prices should take effect for a four year period starting 1 July 2016.

Water

Water Service Charge (\$) Filtered and Unfiltered (Metered and Unmetered)		2014-15 Main Prices	2013-14 Main Prices
Residential Properties		\$17.51	\$17.02
Non-Residential Properties		2014-15 Main Prices	2013-14 Main Prices All Cycles
Meter/ Diameter Pipe Size (mm)	Meter Equivalent ¹		
20 stand alone		\$17.51	\$17.02
25	1.00	\$28.59	\$27.78
32	1.64	\$46.83	\$45.51
40	2.56	\$73.17	\$71.11
50	4.00	\$114.33	\$111.11
65	6.76	\$193.24	\$187.79
80	10.24	\$292.69	\$284.44
100	16.00	\$457.33	\$444.44
150	36.00	\$1,028.99	\$999.99
200	64.00	\$1,829.32	\$1,777.76
250	100.00	\$2,859.00	\$2,778.00
300	144.00	\$4,116.96	\$4,000.32
350	196.00	\$5,603.64	\$5,444.88

¹ Meter Equivalent rate applied from 2013-14 onwards.

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

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

Sewer

Sewer Service Charge (\$) (Metered and Unmetered)	2014-15 Main Prices	2013-14 Main Prices
Residential Properties		
Houses	585.61	\$569.11
Multi Premises (Residential) - i.e. Flats and Units		
Per each residential property located in a multi premises (minimum charge) ¹	409.93	\$384.15
Minimum charge not applicable		\$363.20

¹ Service charge per flat/unit is determined as the higher of the calculated charge using the minimum charge above or the calculated charge using the 'Residential Properties' prices above.

Non-residential Properties	Meter Equivalent¹	2014-15 Main Prices	2013-14 Main Prices
20mm stand alone		585.61	\$569.11
25mm	1.00	\$1,818.35	\$1,767.10
32mm	1.64	\$2,979.18	\$2,895.22
40mm	2.56	\$4,654.97	\$4,523.78
50mm	4.00	\$7,273.38	\$7,068.40
65mm	6.76	\$12,292.02	\$11,945.60
80mm	10.24	\$18,619.86	\$18,095.10
100mm	16.00	\$29,093.53	\$28,273.60
150mm	36.00	\$65,460.45	\$63,615.60
200mm	64.00	\$116,374.14	\$113,094.40
250mm	100.00	\$181,834.59	\$176,710.00
300mm	144.00	\$261,841.81	\$254,462.40
350mm	196.00	\$356,395.80	\$346,351.60

¹ Meter Equivalent rate applied from 2013-14 onwards.

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

Stormwater

Stormwater Service Charge (\$)	2014-15 (\$)	2013-14 (\$)
Residential (Not Within a Multi Premise)	\$79.05	\$85.67
Residential Multi Premise and Mixed Multi Premise	\$29.24	\$31.69
Non-residential		
Small (< 1,000m ²) or low impact	\$79.05	\$85.67
Medium (1,001 - 10,000m ²)	\$142.90	\$154.84
Large (10,001 - 45,000m ²)	\$908.90	\$984.91
Very Large (> 45,000m ²)	\$2,887.78	\$3,129.29

Recycled Water (Mandatory Schemes)

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

Backlog and Other Sewerage Services

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

Exempt Services

	Meter Equivalent	2014-15 Main Prices	2013-14 Main Prices
Exempt Proportion		20%	20%
Water Service - Exempt			
Residential Properties:			
House		\$3.50	\$3.40
Unit/flat		\$3.50	\$3.40
Non-residential Properties:			
Non-residential Stand Alone		\$3.50	\$3.40
25mm	1.00	\$5.72	\$5.56
32mm	1.64	\$9.37	\$9.10
40mm	2.56	\$14.63	\$14.22
50mm	4.00	\$22.87	\$22.22
65mm	6.75	\$38.65	\$37.56
80mm	10.24	\$58.54	\$56.89
100mm	16.00	\$91.47	\$88.89
150mm	36.00	\$205.80	\$200.00
200mm	64.00	\$365.86	\$355.55

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

Sewer Service - Exempt	Meter Equivalent	2014-15 Main Prices	2013-14 Main Prices
Residential Properties:			
House		\$117.12	\$113.82
Unit/flat		\$81.99	\$76.83
Non-residential Properties:			
Non-residential Stand Alone		\$117.12	\$113.82
25mm	1.00	\$363.67	\$353.42
32mm	1.64	\$595.84	\$579.04
40mm	2.56	\$930.99	\$904.76
50mm	4.00	\$1,454.68	\$1,413.68
65mm	6.75	\$2,458.40	\$2,389.12
80mm	10.24	\$3,723.97	\$3,619.02
100mm	16.00	\$5,818.71	\$5,654.72
150mm	36.00	\$13,092.09	\$12,723.12
200mm	64.00	\$23,274.83	\$22,618.88
Pensioner Rebate		\$271.00	\$263.00

During 2014-15, Hunter Water obtained the Treasurer's approval under section 18(2) of the *Independent Pricing and Regulatory Tribunal Act 1992* to make two separate variations to existing IPART determinations.

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

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

Statement of Corporate Intent

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water and its voting shareholders. These targets are in turn driven down through Hunter Water in divisional budgets. The SCI performance targets for the 2014-15 financial year and the actual results are as follows:

	2014-15 SCI Target (\$m)	2014-15 Actual (\$m)
Operating Profit before Income Tax Expense	66.2	54.3
Income Tax Expense	19.6	14.4
Net Debt	1,081.6	1,048.3

Hunter Water achieved unfavourable performance for 2014-15 compared to the SCI target due primarily to the impact of a revaluation decrement on land and building assets held at Tillegra (\$26.1m).

Liability Management Performance

Hunter Water contracts the services of an external specialist (currently NSW T-Corp) to actively manage the Entity's debt portfolio. At 30 June 2015 key statistics on the debt portfolio were as follows:

	Actual 2014-15 (\$m)	Target 2014-15 (\$m)
Current capital value (\$)	1,061.03	1,080.50
Average cost of debt (%)	5.05%	5.67%
Duration		
Pre-dec 2010 nominal debt (years)	3.82	Eroding to zero
Post-dec 2010 nominal debt (years)	4.70	6.25
Inflation linked debt	8.01	12.80

Major Acquisitions Over \$0.5 Million

Project	2014-15 Expenditure (\$m)
Wastewater Treatment Works Upgrade	20.13
High Voltage Network Upgrade	12.41
Kooragang Recycled Water Project	6.76
Ellipse 8 Upgrade	4.41
Belmont 6 Rising Main Replacement	3.79
Fluoridation Systems Upgrade	2.78
Integrated Quality Management System	1.53
Maitland North Rothbury Water Distribution Stage 3	0.88
Fern Bay to Williamstown Trunkmain	0.70
Other Major Acquisitions (mostly made up of replacements in Hunter Water's Water and Sewer Networks)	24.75
Total Expenditure	78.13

Credit Card Certification

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

Consultancies

Consultants \$50,000 and Over

Consultant	Project	Cost \$
Veolia Water Australia Pty Ltd	Treatment operations transition	416,774
Hunter H2O Holdings Pty Ltd	Strategy studies and condition assessments	274,098
GHD Pty Ltd	Contaminated lands advice Tomago	135,217
Jacobs Group (Australia) Pty Ltd	Wastewater pump station risk profile assessment	132,882
SMEC Australia Pty Ltd	Seaham weir releases investigation	103,091
Energetics Pty Ltd	Energy management technical support	100,320
Amec Poster Wheeler Australia Pty Ltd	Environmental investigation Chichester Dam	80,000
BMT WBM Pty Ltd	Development assessment Dungog	65,623
Aecom Australia Pty Ltd	Environmental investigation Dungog	57,674
Aurecon Australasia Pty Ltd	Water chlorination consultancy	50,817
Total Consultants	10	1,416,496

Consultants Less Than \$50,000

Category	Number	Cost (\$)
Engineering	23	367,024
Corporate	28	265,573
Environmental	10	139,338
Finance	3	69,858
Total	64	841,793
Total Consultants	74	2,258,289

Research and Development

During 2014-15 Hunter Water undertook and collaborated on research and development on 11 projects covering water, wastewater, asset management, energy efficiency, ecology and catchment management subjects. This research was conducted in association with other organisations such as Monash University, University of New South Wales, University of Newcastle, Australia National University, Water Services Association of Australia, Water Research Australia and NSW Trade and Investment. The projects were undertaken either to address identified knowledge gaps in areas of Hunter Water's operations to meet strategic business goals or to provide information for regulatory authorities regarding the Corporation's operations.

Collaborative Projects Active in 2014-15 but With Expenditure in Previous Years

Assessing the extent to which E. coli is a reliable faecal indicator

- WSAA WWTW Energy Benchmarking Study
- WSAA Pump Station Energy Benchmarking Study
- Nutrient Sources of Tilligerry Creek using Stable Isotope Analysis
- Fate of Cyanobacterial Cells Through Drinking Water Treatment Unit Operations
- Catchments as Water Quality Treatment Assets

Collaborative Projects With Expenditure in 2014-15

Project	\$
Eastern King Prawn Habitat Study	10,000
Optimal management of critical water and wastewater pressurised mains	30,000
Coastal Isotope Study	17,780
Fate of Cyanobacterial Cells Through Drinking Water Treatment Unit Operations	7,500
Fate of Cyanobacterial Cells Through Drinking Water Treatment Unit Operations	15,000
Total	80,280

Donations and Sponsorship

To Non-Government Community Organisations

Organisation(s)	Project	Purpose of Project	Target Clients	Type	Amount
Birubi Point Community Pre School Volunteer and Management Committee	Birubi Point Community Preschool Water Works Project	Raise awareness of water conservation among pre-school aged children	Pre-schoolers and their families in Port Stephens	Sustainability Grant	\$3,821
Club Azzurri	Futsal Field Irrigation System	Install rainwater tank to supply water for irrigation of fields	Multicultural visitors to the club	Sustainability Grant	\$2,000
Holy Family Primary School	From Streets to Beach Mural Project	Beautification project that teaches children the importance of keeping our catchments clean	Primary school children	Sustainability Grant	\$4,000
Orana Community Preschool	Backyard Environmental Enrichment Project – Stage 1	Raise awareness of water conservation among pre-school aged children	Pre-schoolers and their families in Wallsend	Sustainability Grant	\$2,000
Samaritans, Woodberry Men's Shed	Get Tanked	Install rainwater tank to supply water for the community garden on the school grounds	Woodberry school students and their families	Sustainability Grant	\$2,186
Transition Newcastle Inc.	Transition Streets	A pilot program that includes water and electricity saving ideas to monitor residents awareness of sustainability	Selected Lake Macquarie and Newcastle residents	Sustainability Grant	\$1,000
Planet Dungog	Planet Dungog	A music festival to help Dungog recover after the April Super Storm	Residents of Dungog and surrounding areas	Sustainability Grant	\$2,000
Surfest	Surfest	Sponsorship for local surfing event that draws attention to the high quality of Hunter beaches	Hunter and international surfing community	Community Infrastructure Grant	\$5,000
Total	Total Field Days	Sponsorship for community event that brings land owners together to encourage catchment care	Farmers and people living in the catchment area	Community Infrastructure Grant	\$5,000
Hunter Regional Botanic Garden	Hunter Region Botanic Gardens	Contribute to the ongoing viability of Hunter Region Botanic Gardens	Hunter community and tourists	Community Infrastructure Grant	\$32,000
Merewether Golf Club	Storm water recycling	Allow for stormwater to be harvested and used on greens for irrigation	Golf club members and visitors	Community Infrastructure Grant	\$14,798
Wetland Environmental Education	Envirothon	Education competition that teaches children about their catchments	School students	Community Infrastructure Grant	\$3,000
Dungog Festival	Dungog Festival	Support film festival to help communicate Water Wise Rules and promote Hunter Water land sales in area	Dungog and surrounding community	Community Infrastructure Grant	\$20,000

Rotary Club	Light up Newcastle Lantern Festival	Community event that celebrates the Chinese New year and raises money for Mission to Seafarers	Newcastle community	Community Infrastructure Grant	\$10,000
Lifeline Newcastle	Lifeline Newcastle	Donation matched by employee contributions	Wider community	Charity	\$1,000
Xavier Lovett education foundation	Xavier Lovett education foundation	An education foundation set up for an employee's young son whose mother passed away	Beneficiary	Charity	\$5,000
Hunter Prostate Alliance	Hunter Prostate Alliance	Donation to Hunter Prostate Alliance to coincide with Father's Day	Wider community	Charity	\$500
Cancer Council	Cancer Council Relay for Life	Sponsorship of community event that raises money for cancer research	Wider community	Charity	\$2,750
Total	Total Agricultural College Scholarships	For students studying in areas of catchment health	Students studying catchment health	Scholarship	\$6,000
Newcastle University	Newcastle University Scholarships	For students studying in areas relating to Hunter Water and undergoing hardship	Students undergoing hardship	Scholarship	\$20,000
Total					\$142,055

Payment Performance

Invoices Paid on Time Within Each Quarter

Quarter	Total Invoices Paid on Time			Total Invoices Paid Within Quarter \$
	Target No. %	Actual No. %	Paid on Time \$	
September	95%	94%	\$99,255,244	\$108,595,263
December	95%	92%	\$64,080,103	\$68,362,336
March	95%	89%	\$64,324,028	\$72,962,354
June	95%	92%	\$93,991,655	\$101,009,085

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

Analysis of Total Invoices Paid Within Each Quarter

Quarter	Paid on Time	Less than 30 Days Overdue	Between 30 and 60 Days Overdue	Between 60 and 90 Days Overdue	More than 90 Days Overdue	Total Invoices Paid Within Quarter
September	\$99,255,244	\$7,604,952	\$1,517,079	\$155,931	\$62,057	\$108,595,263
December	\$64,080,103	\$3,832,117	\$295,694	\$86,316	\$68,105	\$68,362,336
March	\$64,324,028	\$8,040,966	\$301,152	\$160,230	\$135,979	\$72,962,354
June	\$93,991,655	\$6,616,065	\$198,784	\$125,576	\$77,005	\$101,009,085

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.

Cost of Producing Annual Report

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

Significant Audit Matters

Hunter Water is required to disclose in the Annual Report as per Section 7 of the *Annual Reports (Statutory Bodies) Act 1984* No 87 a response to any significant matters raised by the external auditor, the Audit Office of NSW. The following significant matters were raised by the Audit Office in its Client Service Report for the year ended 30 June 2015.

Tillegra Land

Following the Government's decision not to construct the Tillegra Dam in 2012, Hunter Water Corporation (the Corporation) developed a Land Use and Management Plan for its Tillegra land holdings in November 2013. Subsequent to this plan the land was placed on the market for sale by expression of interest in April 2015. At 30 June 2015, the parcels of land have been classified as held for sale at \$27 million in the financial statements.

The Corporation's assessment of the market values for the Tillegra land parcels identified the following:

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

- The decreases have been recognised as an expense in the income statements.
- The total revaluation decrements for the past three years amounted to \$62.4 million.
- I have reviewed the assessment of market values and the associated accounting treatment which appears satisfactory.

Hunter Water's Response

At 30 June 2015 the land at Tillegra was classified as held for sale at the value noted above. Subsequent to 30 June 2015 contracts have exchanged for the sale of all of Hunter Water's land holdings at Tillegra.

Sale of Hunter Water Australia

On 25 September 2014, the Board of Hunter Water Australia Pty Limited (the Company) resolved to dispose of the Company's assets/liabilities. In December 2014, the assets were sold. The results of the sale are as below:

Description	Amount (\$ million)
Carrying amount of assets	5.7
Carrying amount of liabilities	(-4.7)
Net assets	1.0
Net proceeds from sale	6.0
Gain on sale before income tax	5.0
Income tax expense	(-1.5)
Gain on sale after income tax	3.5

- Following the disposal, the Company ceased operations on 31 December 2014. The directors plan to voluntarily wind-up the Company in the near future.
- I have reviewed the disposal transactions and the accounting treatment and did not identify any exceptions.

Hunter Water's Response

It is planned that the Company will be voluntarily wound-up and deregistered during 2015-16 following the transfer of the defined benefit superannuation liabilities of the Company to Hunter Water.

LEGISLATION

Right to Information

During 2014-15, Hunter Water received 14 formal *Government Information (Public Access) Act 2009* (GIPA) applications, all of which were determined within the statutory timeframe.

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

Hunter Water conducts regular community surveys on how Hunter Water can better engage with the public. Information regarding these activities is regularly updated on the Hunter Water website and communicated via these other methods, including:

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

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

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

Number of Applications by Type of Applicant and Outcome¹

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information Not Held	Information Already Available	Refuse to Deal With Application	Refuse to Confirm/Deny Whether Information is Held	Application Withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	7	5	2	0	0	1	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	2	1	0	0	0	1	0	0
Members of the public (other)	3	2	0	0	0	0	0	0

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

Number of Applications by Type of Application and Outcome¹

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information Not Held	Information Already Available	Refuse to Deal With Application	Refuse to Confirm/Deny Whether Information is Held	Application Withdrawn
Personal information applications ²	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	12	8	2	0	0	2 ³	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

² A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

³ Two applications were refused due to their advanced deposit or fee not being paid.

Invalid Applications

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

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

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

² More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once for each application). This also applies to the table which follows.

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

	Number of Occasions When Application Not Successful
Responsible and effective government	2
Law enforcement and security	1
Individual rights, judicial processes and natural justice	9
Business interests of agencies and other persons	2

Environment, culture, economy and general matters	1
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Timeliness

	Number of Applications
Decided within the statutory timeframe (20 days plus any extensions)	14
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	14

Number of Applications Reviewed Under Part 5 of the Act (by Type of Review and Outcome)

	Decision Varied	Decision Upheld	Total
Internal review	0	0	0
Review by Information Commissioner ³	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

³ The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Applications for Review Under Part 5 of the Act (by Type of Applicant)

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

Applications Transferred to Other Agencies

	Number of Applications Transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

Legislative Change

There was no material legislative change during 2014-15.

PUBLIC INTEREST DISCLOSURES

Reporting Period July 2014 to June 2015

Number of public interest disclosures received by Hunter Water 0

Number of public officials who made public interest disclosures to Hunter Water 0

Information on public interest disclosures received:

- Corrupt conduct 0

- Maladministration 0

- Serious and substantial waste of public money 0

- Government information contravention 0

- Local government pecuniary interest contravention 0

Number of public interest disclosures (received since 1 Jan 2013)

That have been finalised in this reporting period 0

Has Hunter Water established an internal reporting policy? Yes

Has Hunter Water taken action to meet its employee awareness obligations? Yes

Actions taken to increase awareness include:

- Inductions for new employees

- Provision of intranet resources

RISK MANAGEMENT AND INSURANCE ARRANGEMENTS

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

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

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

Key Risks	Description	Treatment Actions
Environmental compliance	Business practice outcomes do not meet environmental obligations	<ul style="list-style-type: none"> • Implement Environmental Compliance Improvement Strategy • Deliver upgrade strategies for wastewater treatment works
Business system failure	Business systems unable to support efficient delivery of core services	<ul style="list-style-type: none"> • Infrastructure review and replacement program • Network telecommunication review • Information technology core application and systems refresh
Service continuity	Imbalance in water supply/ demand and wastewater service/ demand	<ul style="list-style-type: none"> • Annual planning and risk review for water and wastewater networks and wastewater treatment works • Progress adaptation planning, including vulnerability mapping
Asset failure	Operational asset failure with resultant inability to deliver core services	<ul style="list-style-type: none"> • Condition assessment and management plans for key assets • Implement centralised dispatch for civil maintenance • Review treatment plant maintenance strategy • Establish contingency plans for critical assets
Illegal or unethical behaviour	Sustained and systemic Breach of Code of Conduct	<ul style="list-style-type: none"> • Develop procedures to strengthen trade waste management • Deliver information security IT projects • Deliver Information Management Program

MAJOR CAPITAL WORKS IN PROGRESS

Project	Cost (\$)	Commenced	Status
Kooragang Island Recycled Water Works - Stage 1	73,000,000	Feb-07	Complete
High Voltage Major Upgrade	50,500,000	Sep-09	Complete
Shortland Wastewater Treatment Works Sludge Handling Upgrade	17,696,000	Jun-14	Underway
Morpeth WWTW Upgrade - Stage 2 (Hydraulic Upgrade)	19,969,000	Nov-14	Underway
Burwood Beach WWTW Disinfection	15,769,000	Jun-14	Underway
Maitland 14 WWPS Upgrades (Housing Acceleration Fund HAF2 Upgrades)	7,900,000	Jan-15	Underway
Tarro to Beresfield WPS Augmentation	6,950,000	Jan-13	Underway
Belmont 6 Rising Main Renewal (sec 1-3)	5,900,000	Nov-13	Underway
WTP Fluoride Upgrade - various sites	5,790,000	Dec-14	Underway
Remediation of Inlet Works Belmont & Cessnock WWTW	2,887,000	Dec-14	Underway
Grahamstown WTP Bulk Storage Facility	2,555,000	Jun-14	Underway

Note the status is at 30 June 2015.

Definitions

Underway: Design commenced.

Complete: Practical completion achieved, in operation/implemented.

HUNTER WATER AUSTRALIA

Organisational Profile

Directors' Report

Auditor's Independence Declaration

Independent Auditor's Report

Financial Statements

Directors' Declaration

ORGANISATIONAL PROFILE

About Us

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

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

Company Performance

The total operating income for Hunter Water Australia of \$14.5m plus the gain on asset sale of \$5.0m generated a net profit after tax for the year ending 30 June 2015 of \$0.8m.

Hunter Water Australia paid dividends totalling \$7.0m to the Parent Entity during the 2014-15 financial year.

Significant Audit Matters

Hunter Water Australia Pty Limited is required to disclose in its Annual Report as per section 7 of the *Annual Reports (Statutory Bodies) Act 1984* No. 87 a response to any significant matters raised by the external auditors, the Audit Office of NSW. The following significant matters were raised by the Audit Office in its Client Service Report for the year ended 30 June 2015.

Financial Position

The Company recorded negative net assets of \$1.3 million at balance date. At 30 June 2015, current liabilities of \$7.1 million exceeded current assets of \$5.8 million. However, the Company's ability to pay its debts as and when they become due and payable under the *Corporations Act 2001* is supported by the following:

- I have received a letter of financial support from Hunter Water Corporation to support the Company's ability to meet its creditor payments,
- The Company's unfunded superannuation defined benefit liabilities will be assumed by its Parent Entity, Hunter Water Corporation, on 1 July 2015 as approved by the Treasurer, and
- Hunter Water Corporation is Government owned.

Hunter Water Australia's Response

Hunter Water Australia agrees with the Audit Office that it is able to pay its debts as and when they become due and payable as noted above.

Sale of Hunter Water Australia

On 25 September 2014, the Board of Hunter Water Australia Pty Limited (the Company) resolved to dispose of the Company's assets/liabilities. In December 2014, the assets were sold. The results of the sale are as below:

Description	Amount (\$ million)
Carrying amount of assets	5.7
Carrying amount of liabilities	(4.7)
Net assets	1.0
Net proceeds from sale	6.0
Gain on sale before income tax	5.0
Income tax expense	(1.5)
Gain on sale after income tax	3.5

Following the disposal, the Company ceased operations on 31 December 2014. The directors plan to voluntarily wind-up the Company in the near future.

I have reviewed the disposal transactions and the accounting treatment and did not identify any exceptions.

Hunter Water Australia Response

The directors plan to voluntarily wind-up and de-register the Company during 2015-16 following the transfer of the defined benefit superannuation liabilities of the Company to Hunter Water Corporation.

DIRECTORS' REPORT

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited (the Company) for the year ended 30 June 2015.

Directors

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

Mr T Lawler Chairman

Mr J Eather

Mr P Dalglish

Mr K Wood

Information on Directors

T Lawler B Com, FCA, FAICD, FAIM

Mr Lawler was appointed as the Chairman of the Board in March 2012. Mr Lawler resigned as Chairman in June 2013 and as a Director in July 2013. Mr Lawler was reappointed as Director and Chairman in June 2014. Mr Lawler is also the Chairman of Hunter Water Corporation. Mr Lawler is Chairman of PKF Lawler Corporate Finance Pty Limited. He is also Chair of Life Without Barriers Limited and Chair of Ampcontrol Group. Mr Lawler is a Director of Powerdown Australia Pty Limited, Peoplefusion Pty Limited and is an advisory board member of Urban Purveyor Group Pty Limited. He has previously been the Chairman of National Rail Corporation Limited, Newcastle Knights Limited and a director of Newcastle Port Corporation.

J Eather B Com, CPA, FGIA, MAICD

Mr Eather was appointed as a Director in June 2009. Mr Eather is also a Director of Hunter Water Corporation. Mr Eather is the Managing Director of The Callaghan Institute, a business and economic research and advisory practice he established in 2007. Previously he was CEO Media for the SOUL Group, where he was directly responsible for the running of NBN Television. During his 27 years with the NBN and SOUL Groups, he was actively involved in the expansion of the Group from its media base to the converging world of telecommunications. Mr Eather is a Director of the Newcastle Permanent Building Society and has previously been Chairman of the University of Newcastle Foundation.

P Dalglish BSc, GDipMktgMgmt

Mr Dalglish was appointed as a Director in July 2013 and is also a Director of Hunter Water Corporation. Mr Dalglish is a water industry specialist with over 35 years' experience in all facets of the industry including management of large-scale wastewater treatment operations and infrastructure projects, corporate planning and system performance review. Mr Dalglish is currently a Director of Chester Consulting Pty Ltd and Strathfield Golf Club who has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

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

Mr Wood was appointed as a Director in February 2012 and resigned in July 2013. Mr Wood was reappointed as a Director in June 2014. Mr Wood is also the Managing Director of Hunter Water Corporation. Mr Wood was previously the CEO of Queensland's Allconnex Water, which he helped establish in 2010. He has extensive utility experience as a CEO, having led a number of power and water utilities across Australia. Mr Wood was the inaugural CEO of City West Water and then went on to head the Victorian electricity transmission business, GPU PowerNet. Other CEO roles have included the Northern Territory Power and Water Corporation, and Queensland power generator Stanwell Corporation. His experience includes past private sector leadership roles in the telecommunications industry, firstly as Managing Director of GEC Plessey Telecommunications and later with publicly listed company, DataFast. Mr Wood has also had extensive experience as a company director, including several industry association directorships. He has prior senior management experience with the Australian operations of both Hewlett Packard and Bell South. He originally commenced his working career as an engineer with Victoria's State Electricity Commission.

Meetings of Directors

Board Meetings

	Number of Meetings Attended	Number of Meetings Held During the Time the Director Held Office
J Eather	10	11
P Dalglish	10	11
T Lawler	11	11
K Wood	11	11

Principal Activities

The principal activities of the Company in 2014-15 were the provision of specialist support and operations services in the fields of water, wastewater, stormwater, environmental and strategic services.

The Company had operated Hunter Water Corporation's water and wastewater treatment facilities under contract to the Parent, Hunter Water Corporation. After a competitive tender process for the ongoing operations of Hunter Water Corporation's treatment facilities the Company was not successful in securing the contract and consequently the contract held by the company for the operation of the water and wastewater treatment facilities ceased on 30 September 2014 after it was transferred to another service provider.

During December 2014 the Company sold all assets relating to business operations. This effectively ceased operations of the Company as at 31 December 2014.

Results and Dividends

The net profit after tax, for the financial year ended to 30 June 2015, was \$758,123 compared with a net profit after tax of \$1,977,100 for the previous year.

During the year, special dividends were paid to the Shareholder of \$7,000,000. The first dividend was declared on 31 October 2014 for \$2,000,000 whilst the second dividend was declared on 29 January 2015 for \$5,000,000. Both dividend payments have been made.

Review of Operations

The entity formerly comprised of five Business Units whose performance was independently monitored. The Business Units were made up of Treatment Operations, Process Engineering and Planning, Design and Project Management, Electrical and SCADA and Laboratories.

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

As a result of the asset sales and the ceasing of operations the financial statements have been prepared on a liquidation basis and not as a going concern.

Subsequent Events

The transfer of the defined benefit superannuation liability of the Company into the defined benefit fund of the Parent Entity occurred effective 1 July 2015 following approval of the Treasurer.

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

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

Directors' Indemnification

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

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

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

Change in State of Affairs

In June 2014, the Company was advised that it was unsuccessful in retaining the contract to operate the water and waste water treatment facilities for the Parent Entity, Hunter Water Corporation. The Company ceased operating Hunter Water Corporation assets on 30 September 2014.

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

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

True and Fair View

The financial statements and notes give a true and fair view of the financial position as at 30 June 2015 and the performance for the financial year ended 30 June 2015.

Future Developments

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 109.

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 T Lawler
Chairman



Mr J Eather
Director

Dated 27 August 2015
Newcastle

AUDITOR'S INDEPENDENCE DECLARATION



To the Directors
Hunter Water Australia Pty Limited

Auditor's Independence Declaration

As auditor for the audit of the financial statements of Hunter Water Australia Pty Limited for the year ended 30 June 2015, I declare, to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style.

James Sugumar
Director, Financial Audit Services

26 August 2015
SYDNEY

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Hunter Water Australia Pty Limited

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

I have audited the accompanying financial statements of Hunter Water Australia Pty Limited (the Company), which comprise the statement of financial position as at 30 June 2015, the income statement, statement of other 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 2015 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* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

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 an 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 management, 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:

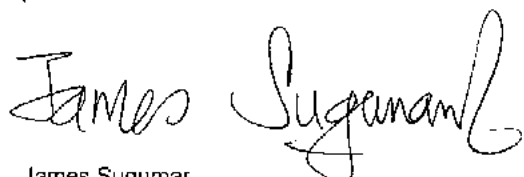
- about the future viability of the Company
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they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

Independence

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Hunter Water Australia Pty Limited on 26 August 2015, would be in the same terms if provided to the directors as at the time of this auditor's report.



James Sugumar
Director, Financial Audit Services

31 August 2015
SYDNEY

FINANCIAL STATEMENTS

Start of audited financial statements.

Income Statement for the Year Ended 30 June 2015

	Notes	2015 \$	2014 \$
Profit from Discontinued Operations	2	758,123	1,977,100
Profit for the Year		758,123	1,977,100
Attributable to:			
Owners of Hunter Water Australia Pty Limited		758,123	1,977,100
		758,123	1,977,100

The Income Statement should be read in conjunction with the accompanying notes on pages 117 to 140.

Statement of Other Comprehensive Income for the Year Ended 30 June 2015

	Notes	2015 \$	2014 \$
Profit for the year		758,123	1,977,100
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		1,043,923	438,787
Income tax on remeasurement of defined benefit plans	11	(319,626)	(131,637)
Other comprehensive income for the year net of tax		724,297	307,150
Total other comprehensive income for the year		1,482,420	2,284,250
Continuing operations		-	-
Discontinued operations		1,482,420	2,284,250
		1,482,420	2,284,250

The Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes on pages 117 to 140.

Statement of Financial Position as at 30 June 2015

	Notes	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	5	2,542,036	2,093,421
Other financial assets	6	3,265,356	3,366,812
Trade and other receivables	7	23,341	8,911,944
Current tax assets	8	-	107,051
Total Current Assets		5,830,733	14,479,228
Non-Current Assets			
Plant and equipment	9	-	3,130,445
Intangible assets	10	-	277,836
Deferred tax assets	11	-	3,356,022
Total Non-Current Assets		-	6,764,303
Total Assets		5,830,733	21,243,531
Current Liabilities			
Trade and other payables	12	20,031	3,056,897
Provisions	13	-	4,412,933
Superannuation – defined benefit liability	14	7,132,381	-
Total Current Liabilities		7,152,412	7,469,830
Non-Current Liabilities			
Provisions	13	-	575,510
Superannuation – defined benefit liability	14	-	8,063,391
Total Non-Current Liabilities		-	8,638,901
Total Liabilities		7,152,412	16,108,731
Net Assets		(1,321,679)	5,134,800
Equity			
Contributed equity	15	900,010	900,010
Retained earnings		(2,221,689)	4,234,790
Total Equity		(1,321,679)	5,134,800

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 117 to 140.

Statement of Changes in Equity for the Year Ended 30 June 2015

	Notes	Retained Profits \$	Contributed Equity \$	Total \$
Opening balance at 1 July 2014		4,234,790	900,010	5,134,800
Profit for the year		758,123	-	758,123
Other comprehensive income:				
Remeasurement of defined benefit plans		1,043,923	-	1,043,923
Income tax on remeasurement of defined benefit plans		(319,626)	-	(319,626)
Total other comprehensive income		724,297	-	724,297
Total comprehensive income for the year		1,482,420	-	1,482,420
Transfer from deferred tax assets - discontinued operations	11	(938,899)	-	(938,899)
Transactions with owners in their capacity as owners	4	(7,000,000)	-	(7,000,000)
Balance at 30 June 2015		(2,221,689)	900,010	(1,321,679)

	Notes	Retained Profits \$	Contributed Equity \$	Total \$
Opening balance at 1 July 2013		5,950,540	900,010	6,850,550
Profit for the year		1,977,100	-	1,977,100
Other comprehensive income:				
Remeasurement of defined benefit plans		438,787	-	438,787
Income tax on remeasurement of defined benefit plans		(131,637)	-	(131,637)
Total other comprehensive income		307,150	-	307,150
Total comprehensive income for the year		2,284,250	-	2,284,250
Transactions with owners in their capacity as owners	4	(4,000,000)	-	(4,000,000)
Balance at 30 June 2014		4,234,790	900,010	5,134,800

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 117 to 140.

Statement of Cash Flows for the Year Ended 30 June 2015

Discontinued Operations

	Notes	2015 \$	2014 \$
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		23,940,305	37,278,701
Payments to suppliers and employees (inclusive of GST)		(24,996,215)	(34,125,494)
		(1,055,910)	3,153,207
Interest received		52,417	138,726
Income taxes (paid) / refund received		1,307,867	(1,155,216)
Net cash flows from operating activities	16	304,374	2,136,717
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(308,484)	(394,295)
Proceeds from sale of assets		8,031,871	24,878
Loan to HWC		(640,864)	4,267,525
Net cash flows from investing activities		7,082,523	3,898,108
Cash Flows from Financing Activities			
Dividends paid	4	(7,000,000)	(6,563,777)
Net cash flows from financing activities		(7,000,000)	(6,563,777)
Net increase / (decrease) in cash held		386,897	(528,952)
Cash at beginning of financial year		2,093,421	2,601,720
Effects of exchange rate changes on cash		61,718	20,653
Cash at the end of the financial year	5	2,542,036	2,093,421
Cash Flows from Discontinued Operations		2,542,036	2,093,421

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 117 to 140.

Notes To and Forming Part of the Financial Statements

Note 1. Summary Of Significant Accounting Policies

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

The Company's financial statements for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board on 27 August 2015.

A. Basis of Preparation

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

The Board has determined that the Company is a for-profit entity for financial reporting purposes. The accounting policies applied are based on the requirements applicable to for-profit entities on these mandatory or statutory requirements. As a result of the asset sales in December 2014 the financial statements have been prepared on a liquidation basis as the Company will enter liquidation in the foreseeable future including the voluntary wind up and deregistration of the Company.

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

Statement of compliance

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

Historical cost convention

The financial statements have been prepared on an accruals basis using the historical cost convention with the exception of Provisions and Superannuation defined benefit liability. Refer to Notes 13 and 14 for details.

Rounding

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

Currency

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

B. Revenue Recognition

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

Revenue from consulting services was recognised in the accounting period in which the service was rendered. For time and materials contracts, revenue was recognised as the service was rendered. For fixed-price contracts, revenue was recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 3.

D. Cash and Cash Equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts.

E. Trade Receivables

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

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

Trade receivables are required to be settled 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

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

The carrying amount of plant and equipment was reviewed annually by Management (refer to Note 11 Impairment of assets below).

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

Valuation of plant and equipment

Physical non-current assets were valued in accordance with NSW Treasury's 'Valuation of Physical Non-Current

Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

All items of Plant and Equipment were considered to be non-specialised assets with short useful lives and were measured at depreciated historical cost, as a surrogate for fair value.

Depreciation

Depreciation was 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 were 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 prior to sale were:

Class of Asset	Useful Life
Computers	2 to 5 years
Support Assets	3 to 10 years
Leasehold Improvements	5 to 20 years

The useful life of Leasehold Improvements was 20 years.

H. Intangible Assets

Intangible assets consist of software and other intangible assets. Research expenditure was recognised as an expense as incurred.

Software assets were classified as intangible assets and were amortised over one to three years.

Following initial recognition, the cost model was applied as it was considered that there was 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 were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss was recognised where the asset's carrying amount exceeded 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 were grouped at the lowest levels for which there were separately identifiable cash inflows (cash-generating units).

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

J. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, were charged as expenses on a straight-line basis over the term of the lease. Lease incentives received were 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 were unpaid.

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

Trade Accounts payable are normally settled within 30 days.

L. Employee Benefits

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

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

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

Annual leave that was not expected to be taken within twelve months was measured at present value in accordance with AASB 119 Employee Benefits. Expected future payments were discounted using the Indicative Mid-Rates of selected Commonwealth Government Securities. The liability for annual leave was recognised in the provision for employee benefits.

(ii) Long service leave

The liability for long service leave was 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 was given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the Indicative Mid-Rates of selected Commonwealth Government Securities. This is consistent with the estimated term of the post-employment benefit obligations.

(iii) Retirement benefit obligations

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

Defined contribution superannuation schemes

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

Defined benefit superannuation schemes

The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Company contributed to three defined benefit superannuation schemes in the NSW Public Sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The Company's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

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

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

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

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

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

M. Provisions

A provision for make good had been made for the cost of dismantling the leasehold improvements and restoring the Company's Steel River property in accordance with the lease agreement. While the company held the lease (to 31 December 2014), the provision was calculated in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

N. Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the entity categories, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets/liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

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

Refer Note 27 for further disclosures regarding fair value measurements of financial and non-financial assets and liabilities.

O. 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.

P. 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.

Q. Foreign Currency Transactions and Balances

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

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

Certain new accounting standards and interpretations applicable to the Company have been published that are not mandatory for the year ended 30 June 2015. As the Company intends to voluntarily wind up operations in the foreseeable future new accounting standards issued but not yet operative have not been included in these statements.

S. Comparatives

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

2014 comparatives for discontinued operations have been adjusted in line with disclosure requirements. Refer to Note 2 for details of discontinued operations.

Note 2. Discontinued Operations

A. Description

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

	2015 \$	2014 \$
Profit from Discontinued Operations		
Revenue	14,457,122	35,355,100
Expenses ¹	17,057,769	32,529,795
Gain on Sale of Assets	5,026,837	-
Profit before Income Tax	2,426,191	2,825,305
Income Tax Expense	1,668,068	848,205
Profit from Discontinued Operations	758,123	1,977,100
¹ Expenses Include:		
Depreciation and amortisation	378,668	1,014,363
Auditors remuneration for financial statement audit	38,000	36,800

Audit fees for 2015 will be paid for by Hunter Water Corporation the Parent Entity.

B. Details of Sale of Discontinued Operations

	2015 \$
Consideration Received	
Proceeds of sale	6,816,406
less: Costs related to sale	(738,784)
Total disposal consideration	6,077,622
less: Carrying amount of net assets sold	(1,050,785)
Gain on sale before income tax	5,026,837
less: Income tax expense	1,668,068
Gain on sale after income tax	3,358,769

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

Property, plant and equipment	3,343,543
Prepaid expenses	334,339
Work in progress	844,299
Deferred tax assets	1,210,367
Total Assets	5,732,547
Employee Benefits	4,073,819
Other Liabilities	265,098
Prepaid income	192,877
Superannuation – defined benefit liability	149,968
Total Liabilities	4,681,762
Net Assets	1,050,785

Note 3. Income tax

	2015 \$	2014 \$
A. Income Tax Expense		
Current tax	771,387	955,312
Deferred tax	896,681	(107,107)
	1,668,068	848,205
Income tax expense attributed to:		
Profit from Continuing Operations	-	-
Profit from Discontinued Operations	1,668,068	848,205
B. Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit from continuing operations before income tax and financial instrument fair value movements	-	-
Profit from discontinued operations before income tax and financial instrument fair value movements	2,426,188	2,825,305
Tax at the Australian rate of 30%	727,856	847,592
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	940,212	613
	1,668,068	848,205
C. Tax Expense/(Income) Relating to Items in Other Comprehensive Income		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	11	(319,626)
	(319,626)	(131,637)

D. Tax Consolidation Legislation

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

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

The entities also entered into a tax sharing and funding agreement. Under the terms of this agreement, the Company would reimburse the Parent Entity for any current income tax payable by the Parent Entity arising in respect of their activities. The reimbursements were payable at the same time as the associated income tax liability fell due and were therefore recognised as a current tax-related receivable by the Parent Entity (see Note 21). In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entity in case of a default by the Parent Entity.

Note 4. Dividends Paid or Provided for

	2015 \$	2014 \$
Opening balance	-	2,563,777
Add: dividend declared	7,000,000	4,000,000
Less: dividend paid	(7,000,000)	(6,563,777)
	-	-

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

Note 5. Cash and Cash Equivalents

	2015 \$	2014 \$
Cash at bank and on hand	2,542,036	2,093,421
	2,542,036	2,093,421

Bank Overdraft Facility

The Company previously had a bank overdraft facility available to the extent of \$200,000 as approved by the NSW Treasurer in accordance with the *Public Authorities (Financial Arrangements) Act 1987*. The overdraft facility was cancelled prior to 30 June 2015.

Refer to Note 27 for further information regarding fair value measurement and interest rate risk. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 6. Other Financial Assets

Current	2015 \$	2014 \$
Loan with Parent Entity	3,265,356	3,366,812
	3,265,356	3,366,812

The loan terms allow a draw down on the loan given two business days notice, and ability to recall the balance in full given 30 days notice.

The Company's exposure to interest rate risk is discussed in Note 27. The maximum exposure to credit risk at the end of the reporting period is the carrying amount mentioned above.

Note 7. Trade and Other Receivables

	2015 \$	2014 \$
Current		
Trade debtors	23,341	5,321,371
Other current receivables	-	2,200
Prepayments	-	524,816
Work in Progress	-	2,255,272
Security Deposits	-	9,053
Accrued Income	-	799,232
	23,341	8,911,944

Refer to Note 27 for more information regarding fair value measurement, the risk management policy of the group and the credit quality of the Company's trade receivables. The Company's exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Note 8. Current Tax Assets / (Liabilities)

	2015 \$	2014 \$
Provision for Income Tax Payable		
Opening balance	(107,051)	(38,783)
Less amount paid relating to prior year	107,051	38,783
add: amount payable for current year	771,387	1,086,949
less: amount paid relating to current year	(771,387)	(1,194,000)
	-	(107,051)

Note 9. Plant and Equipment

Plant and equipment comprise the following at depreciated historical cost, as a surrogate for fair value:

	Computers \$	Support Assets \$	Leasehold Improvements \$	Total \$
At 1 July 2013				
Gross carrying amount	2,078,745	4,426,150	1,444,141	7,949,036
Accumulated depreciation	(1,519,543)	(2,643,328)	(269,175)	(4,432,046)
Net carrying amount	559,202	1,782,822	1,174,966	3,516,990
At 30 June 2014				
Gross carrying amount	2,561,962	4,299,410	1,444,141	8,305,513
Accumulated depreciation	(2,094,975)	(2,744,928)	(335,165)	(5,175,068)
Net carrying amount	466,987	1,554,482	1,108,976	3,130,445
At 1 July 2014				
Gross carrying amount	2,561,962	4,299,410	1,444,141	8,305,513
Accumulated depreciation	(2,094,975)	(2,744,928)	(335,165)	(5,175,068)
Net carrying amount	466,987	1,554,482	1,108,976	3,130,445
At 30 June 2015				
Gross carrying amount	-	-	-	-
Accumulated depreciation	-	-	-	-
Net carrying amount	-	-	-	-

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:

	2015 \$	2014 \$
Reconciliation - computers		
Net carrying amount at start of the year	466,987	559,203
Additions	34,025	182,693
Disposals	(423,782)	(614)
Depreciation expense	(77,230)	(274,295)
Net carrying amount at end of the year	-	466,987

	2015 \$	2014 \$
Reconciliation - support assets		
Net carrying amount at start of the year	1,554,482	1,782,822
Additions	160,392	77,991
Disposals	(1,579,459)	(619)
Depreciation expense	(135,415)	(305,712)
Net carrying amount at end of the year	-	1,554,482

	2015 \$	2014 \$
Reconciliation - leasehold improvements		
Net carrying amount at start of the year	1,108,976	1,174,966
Make good - steel river premises - disposed	(1,075,981)	-
Depreciation expense	(32,995)	(65,990)
Net carrying amount at end of the year	-	1,108,976

Note 10. Intangible Assets

Intangible assets comprise the following at cost:

	Software \$	Other \$	Total \$
At 1 July 2013			
Gross carrying amount	898,875	108,122	1,006,997
Accumulated amortisation	(723,345)	(23,359)	(746,704)
Net carrying amount	175,530	84,763	260,293
At 30 June 2014			
Gross carrying amount	684,763	128,823	813,586
Accumulated amortisation	(500,045)	(35,705)	(535,750)
Net carrying amount	184,718	93,118	277,836
At 1 July 2014			
Gross carrying amount	684,763	128,823	813,586
Accumulated amortisation	(500,045)	(35,705)	(535,750)
Net carrying amount	184,718	93,118	277,836
At 30 June 2015			
Gross carrying amount	-	-	-
Accumulated amortisation	-	-	-
Net carrying amount	-	-	-

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:

	2015 \$	2014 \$
Reconciliation - software		
Net carrying amount at start of the year	184,718	175,530
Additions	15,750	114,143
Disposals	(149,583)	-
Amortisation expense	(50,885)	(104,955)
Net carrying amount at end of the year	-	184,718
Reconciliation - other		
Net carrying amount at start of the year	93,118	84,763
Additions	-	20,700
Disposals	(88,116)	-
Amortisation expense	(5,002)	(12,345)
Net carrying amount at end of the year	-	93,118

Note 11. Deferred Tax Assets

	2015 \$	2014 \$
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Work in progress	-	(585,850)
Workers compensation prepayment	-	(22,816)
Employee benefits	938,899	3,971,308
Provision for make good	-	77,413
Other operating expenditure payable	-	9,660
Depreciation and amortisation	-	(82,029)
Unrealised tax foreign currency loss	-	(11,664)
	938,899	3,356,022
Amounts transferred to equity		
Deferred tax assets transferred to equity - discontinued operations	(938,899)	-
	(938,899)	-
Amounts recognised in other comprehensive income		
Income tax on remeasurement of defined benefit plans	(319,626)	(131,637)
	(319,626)	(131,637)
Movements:		
Opening balance at 1 July	3,356,022	3,248,915
Credited/(charged) to the Income Statement	(2,417,123)	107,107
Credited/(charged) to Equity	(938,899)	-
Closing balance at 30 June	-	3,356,022

Note 12. Trade and Other Payables

	2015 \$	2014 \$
Current		
Trade creditors	21,508	2,180,166
Other creditors	(1,477)	574,290
Income in Advance	-	302,441
	20,031	3,056,897

Details regarding liquidity risk and market risk including maturity analysis of above payables are disclosed in Note 27.

Note 13. Provisions

	2015	2014
	\$	\$
Current		
Employee benefits - short term	-	67,069
Employee benefits - long term	-	3,877,217
Employee benefits - termination	-	468,647
	-	4,412,933
Non-current		
Employee benefits	-	317,466
Make good – steel river premises	-	258,044
	-	575,510

Reconciliations

Reconciliation of Provision for Make Good – Steel River Premises at the beginning and end of the current and previous financial years is set out below:

	2015	2014
	\$	\$
Reconciliation - Make Good - Steel River Premises		
Opening balance	258,044	261,922
Increase/(decrease) in provision	(258,044)	(3,878)
	-	258,044

Provisions are classified as current liabilities if the Company does not have unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date. No current employee benefits exist at 30 June 2015 (30 June 2014: \$4,412,933). No long term employee benefits at 30 June expect to be settled after 12 months from the reporting date (30 June 2014: \$3,834,412).

The provision for Make Good was based on an estimate of the cost of dismantling the improvements to the Steel River premises and restoring the site on which it is located. The provision was derecognised on novation of the lease to another unrelated entity on 31 December 2014.

Note 14. Other Liabilities

	Notes	2015	2014
		\$	\$
Current			
Superannuation - defined benefit liability	18	7,132,381	-
		7,132,381	-
Non-current			
Superannuation - defined benefit liability	18	-	8,063,391
		-	8,063,391

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

Note 15. Contributed Equity

	2015	2014
	\$	\$
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 16. Statement of Cash Flows - Operating Activities

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

	2015 \$	2014 \$
Profit for the Year	758,123	1,977,100
Depreciation and amortisation	301,528	763,298
Superannuation Expense	286,571	310,941
(Profit)/loss on sale of non-current assets	(5,026,837)	(24,878)
Net exchange differences	(22,837)	(59,534)
Make good lease costs	-	(3,878)
(Increase)/decrease in trade debtors	5,237,651	(1,520,703)
(Increase)/decrease in work in progress	2,255,272	1,484
(Increase)/decrease in deferred tax assets	2,097,497	(238,744)
(Increase)/decrease in other operating assets	1,306,235	(100,616)
Increase/(decrease) in trade creditors	(3,036,866)	670,180
Increase/(decrease) in inter-company tax payable	878,438	(68,268)
Increase/(decrease) in other provisions	(4,730,399)	430,335
Net cash flows from operating activities	304,374	2,136,717

Note 17. Commitments

Lease Commitments

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

	2015 \$	2014 \$
Within one year	-	1,550,821
Later than one year but not later than five years	-	3,453,486
Later than five years	-	-
	-	5,004,307
Representing:		
Cancellable operating leases	-	796,877
Non-cancellable operating leases	-	4,207,430
	-	5,004,307

Operating Lease Commitments

Previously there were two significant non-cancellable operating leases of the Company for the lease of Head Office premises and a laboratory. As part of the asset sales in December 2014 both leases were novated across to the purchaser of the Company assets. There is no future obligation for the Company.

Future non-cancellable operating leases not provided for and payable (exclusive of GST):

	2015 \$	2014 \$
Within one year	-	1,078,960
Later than one year but not later than five years	-	3,128,470
Later than five years	-	-
	-	4,207,430

Note 18. Superannuation Defined Benefit Plans

Superannuation benefits for new entrants are 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.

A. Superannuation Position

Following is the 30 June 2015 superannuation position:

Member Numbers	SASS	SANCS	SSS	2015	2014
Contributors	-	-	-	-	22
Deferred benefits	-	-	2	2	2
Pensioners	1	-	12	13	13
Pensions fully commuted	-	-	5	5	5

Superannuation Position	SASS \$	SANCS \$	SSS \$	2015 \$	2014 \$
Accrued liability ¹	679,042	52,782	17,763,909	18,495,733	24,256,222
Estimated reserve account balance	211,185	299,100	(11,873,637)	(11,363,351)	(16,192,831)
Deficit/(surplus)	890,227	351,883	5,890,271	7,132,381	8,063,391
Future service liability ²	-	-	-	-	1,335,100
Net (asset)/liability to be recognised in statement of financial position	890,227	351,883	5,890,271	7,132,381	8,063,391

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

² The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

B. Superannuation Plan

Nature of the Benefits Provided by the Fund

The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement or withdrawal. Employees 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)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the Schemes are closed to new members.

Description of the Regulatory Framework

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

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

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

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

Description of Other Entities' Responsibilities for the Governance of the Fund

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

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

Description of Risks

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

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

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

Description of Significant Events

There were no fund amendments, curtailments or settlements during the year.

C. Reconciliation

Net Defined Benefit Liability/ (Asset)

	SASS \$	SANCS \$	SSS \$	2015 \$	2014 \$
Net defined benefit liability at start of year	1,309,842	378,756	6,374,793	8,063,391	8,191,237
Current service cost	142,661	31,474	60,695	234,830	216,890
Net interest on the net defined benefit liability	41,584	12,073	227,397	281,054	307,217
Actuarial return on fund assets less interest income	(199,014)	3,002	(952,834)	(1,148,847)	(1,168,051)
Actuarial (gains)/losses arising from changes in financial assumptions	48,038	-	1,526,595	1,574,633	1,076,395
Actuarial (gains)/losses arising from liability experience	277,217	101,079	(1,336,096)	(957,800)	(347,131)
Employer contributions	(290,050)	(81,144)	(10,278)	(381,472)	(213,166)
Effects of transfers in/out due to business combinations and disposals	(440,049)	(93,357)	-	(533,407)	-
Net defined benefit liability at end of year	890,227	351,883	5,890,271	7,132,381	8,063,391

Fair Value of Fund Assets

	SASS \$	SANCS \$	SSS \$	2015 \$	2014 \$
Fair value of fund assets at beginning of the year	3,714,631	346,874	12,131,326	16,192,832	14,645,359
Interest income	134,110	13,229	421,707	569,046	546,275
Actuarial return on fund assets less interest income	199,014	(3,002)	952,834	1,148,847	1,167,569
Employer contributions	290,050	81,144	10,278	381,472	213,166
Contributions by fund participants	38,763	-	4,795	43,558	126,739
Benefits paid	(3,471,152)	(595,944)	(1,720,179)	(5,787,275)	(601,800)
Taxes, premiums and expenses paid	43,557	(8,511)	72,876	107,922	95,524
Transfers in/(out) due to business combinations and disposals	(1,160,160)	(132,891)	-	(1,293,051)	-
Fair value of fund assets at end of the year	(211,185)	(299,100)	11,873,637	11,363,351	16,192,832

Defined Benefit Obligation

	SASS \$	SANCS \$	SSS \$	2015 \$	2014 \$
Present value of defined benefit obligations at beginning of the year	5,024,473	725,630	18,506,119	24,256,222	22,836,596
Current service cost	142,661	31,474	60,695	234,830	216,890
Interest cost	175,694	25,302	649,103	850,100	853,010
Contributions by fund participants	38,763	-	4,795	43,558	126,739
Actuarial (gains)/losses arising from changes in financial assumptions	48,038	-	1,526,595	1,574,633	1,076,395
Actuarial (gains)/losses arising from liability experience	277,217	101,079	(1,336,096)	(957,800)	(347,131)
Benefits paid	(3,471,152)	(595,944)	(1,720,179)	(5,787,275)	(601,800)
Taxes, premiums and expenses paid	43,557	(8,511)	72,876	107,922	95,523
Transfers in/(out) due to business combinations and disposals	(1,600,209)	(226,248)	-	(1,826,458)	-
Present value of defined benefit obligations at end of the year	679,042	52,782	17,763,909	18,495,733	24,256,222

Effect of the Asset Ceiling

	SASS \$	SANCS \$	SSS \$	2015 \$	2014 \$
Adjustment for effect of asset ceiling at beginning of the year	-	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-	-	-

Fair Value Of Fund Assets

All fund assets are invested by STC at arm's length through independent fund managers and assets are not separately invested for each entity.

As at 30 June 2015

Asset Category	Total (A\$'000)	Quoted prices in active markets for identical assets Level 1 (A\$'000)	Significant observable inputs Level 2 (A\$'000)	Unobservable inputs Level 3 (A\$'000)
Short Term Securities	2,641,516	95,603	2,545,913	-
Australian Fixed Interest	2,656,598	958	2,638,759	16,881
International Fixed Interest	1,003,849	(110)	1,003,959	-
Australian Equities	10,406,940	9,898,541	503,999	4,400
International Equities	13,111,481	9,963,287	2,585,150	563,044
Property	3,452,609	948,421	718,406	1,785,782
Alternatives	7,170,187	622,102	3,020,225	3,527,860
Total	40,443,180	21,528,802	13,016,411	5,897,967

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

	30 June 2015
Short Term Securities	6.5%
Australian Fixed Interest	6.6%
International Fixed Interest	2.5%
Australian Equities	25.7%
International Equities	32.4%
Property	8.6%
Alternatives	17.7%
Total	100.0%

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

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

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

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

D. Fair Value of Entity's Own Financial Instruments

The fair value of the Pooled Fund assets as at 30 June 2015 include \$209.2 million in NSW government bonds.

E. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2015
Discount rate	3.03% pa
Salary increase rate (excluding promotional increases)	2.50% pa to 30 June 2019, then 3.50% pa to 30 June 2020, 3.00% pa from 1 July 2020 to 30 June 2025, and 3.50% pa thereafter
Rate of CPI increase	2.50% pa to 30 June 2016, then 2.75% pa from 1 July 2016 to 30 June 2018, and 2.50% pa thereafter
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund

F. Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2015 under several scenarios is presented below.

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

	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount Rate	3.03%	2.03%	4.03%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	18,495,733	21,770,345	15,860,704
	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount Rate	as above	as above	as above
Rate of CPI increase	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A\$)	18,495,733	20,036,779	17,098,552
	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount Rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (A\$)	18,495,733	18,495,733	18,495,733
	Base Case	Scenario G +5% pensioner mortality rates	Scenario H -5% pensioner mortality rates
Defined benefit obligation (A\$)	18,495,733	18,281,160	18,722,920

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

G. Asset-Liability Matching Strategies

We are not aware of any asset and liability matching strategies currently adopted by the plan.

H. Funding Arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

The following is a summary of the 30 June 2015 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

Surplus/Deficit	SASS \$	SANCS \$	SSS \$	2015 \$	2014 \$
Accrued benefits	295,288	-	9,053,625	9,348,912	14,338,008
Net market value of fund assets	211,185	299,100	(11,873,637)	(11,363,351)	(16,192,831)
Net (surplus)/deficit	506,473	299,100	(2,820,012)	(2,014,439)	(1,854,823)

Contribution recommendations

The recommended contribution rates for 2015 for the Company are:

- State Authorities Superannuation Scheme 0.00X (multiple of member contributions)
- State Authorities Non-Contributory Superannuation Scheme 0.0% (% of member salary)
- State Superannuation Scheme 0.00X (multiple of member contributions)

Economic Assumptions

The economic assumptions adopted for the 30 June 2012 actuarial investigation of the Pooled Fund are:

Weighted-Average Assumptions	
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	2.7% pa to 30 June 2018, then 4.0% pa thereafter
Expected rate of CPI increase	2.5% pa

Expected Contributions

	SASS	SANCS	SSS	2015	2014
	\$	\$	\$	\$	\$
Expected employer contributions	-	-	-	-	255,843

Maturity Profile of Defined Benefit Obligation

The weighted average duration of the defined benefit obligation is 14.7 years.

Note 19. Contingent Liabilities and Assets

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

No claims for damages are being negotiated as at 30 June 2015 (nil in 2014).

Note 20. Auditors' Remuneration

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

	2015	2014
	\$	\$
Audit of financial reports (exclusive of GST)	38,000	36,800
	38,000	36,800

Audit fees for 2015 will be paid for by Hunter Water Corporation the Parent Entity.

Note 21. Related Party Disclosures

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

The Parent Entity Hunter Water Corporation owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.+

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

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

A formal loan agreement has been entered into with the Parent Entity under normal terms and conditions. Interest is payable monthly at market rates.

A. Parent Entity

Transactions with Parent Entity	2015 \$	2014 \$
Sales		
Contracts and consultancy services	8,546,341	21,543,551
Purchases		
Contracts	3,472	200,864
Interest received	29,067	96,251
Dividends paid	(7,000,000)	(6,563,777)
Outstanding Balances at Year End	2015 \$	2014 \$
Receivables		
Sales and purchases	5,009	3,387,325
Tax funding agreements	-	3,463,073
Inter-company loan	3,265,356	3,366,812
Total receivables	3,270,365	10,217,210

B. Related Entity/Party

Transactions with Related Entities	Entity	2015 \$	2014 \$
Sales			
Engineering consultancy	Water Services Assoc of Aust	-	27,600
Total sales		-	27,600
Purchases			
Labour hire	People Fusion	-	2,135
Total purchases		-	2,135

Note 22. Key Management Personnel Disclosures

A. Directors and Any Director Related Entities

The Directors of Hunter Water Australia Pty Limited during the financial year were:

Mr T Lawler Chairman

Mr J Eather

Mr P Dalglish

Mr K Wood

All Directors of Hunter Water Australia Pty Limited were also Directors of the Parent Entity, Hunter Water Corporation during the year.

B. Other Key Management Personnel

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

Name	Position
Ms F Cushing	Acting General Manager (from 1 January 2015)
Mr P Kembrey	Company Secretary (from 27 November 2014)
Mr D Taylor	Acting General Manager (from 1 August 2014 to 31 December 2014)
Mr J Keary	General Manager (to 31 July 2014)
Mr P Thompson	Manager Process Engineering (to 31 December 2014)
Mr D Bailey	Manager Treatment Operations (to 31 October 2014)
Mr C Smith	Manager Planning, Assets and Environmental (to 31 December 2014)
Mr J Smith	Manager Design and Project Delivery (to 31 December 2014)
Mr D Bowerman	Manager Electrical and SCADA (to 31 December 2014)
Ms A Swan	Manager Laboratories (to 18 December 2014) and Company Secretary (to 27 November 2014)
Mrs M Griffin	Commercial Manager (to 31 December 2014)

C. Key Management Personnel Compensation

	2015 \$	2014 \$
Short term employee benefits	1,518,240	1,632,547
Termination benefits	205,006	-
Long term employee benefits	24,514	51,933
Post employment benefits	130,349	223,127
	1,878,109	1,907,607

Note 23. Management Consultants Fees

	2015 \$	2014 \$
Management consultants paid or payable	79,511	564,061

Note 24. Segment Information

The Company operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia.

On 31 December 2014 operations of the Company ceased as a result of the asset sales during December 2014.

Note 25. Economic Dependency

The Company operated independently of the Parent Entity. All transactions were on normal commercial terms and conditions. A significant portion of sales (approximately 59%) were derived from the Parent Entity, Hunter Water Corporation.

Note 26. Events Occurring After Balance Date

The transfer of the defined benefit liability of the Company into the defined benefit fund of the Parent Entity will occur on 1 July 2015 following the approval of the Treasurer.

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

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

Note 27. Financial Risk Management

A. 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 provided consultancy services to customers based in Papua New Guinea, Fiji and New Zealand.

Currency risk arises from future commercial transactions and recognised assets denominated in a currency that is not the Company's functional currency. In December 2014 the Company ceased operating in foreign countries and at balance date is no longer exposed to such risks.

The Company managed currency risk by regularly billing in hourly rates upon completion of tasks and continuous monitoring of forecast cash flows. Management set up a policy requiring the Company to manage its foreign exchange risk against the Australian dollar. The Company was required to hedge any major foreign exchange risk exposure arising from future commercial transactions using forward contracts or derivatives in the form of currency option contracts. The Company's exposure to currency risk at the reporting date was as follows:

All carrying amounts of the financial assets and liabilities are denominated in notional Australian dollars. At 30 June 2015 all foreign bank accounts have been closed and there are no receivables outstanding from foreign based customers.

	2015	2014
	\$	\$
<i>Bank</i>		
Papua New Guinea	-	4,149
	-	4,149

	2015	2014
	\$	\$
<i>Trade Receivables</i>		
Papua New Guinea	-	290,771
Fiji	-	10,569
	-	301,340

Currency Risk Sensitivity Analysis

The Company ceased trading activities in December 2014 and at 30 June 2015 no foreign bank accounts are active and no foreign trade receivables exist. Sensitivity analysis is provided for 2014 comparatives only. All impacts of foreign currency transactions have been realised at 30 June 2015.

A 10 percent strengthening of the Australia dollar against the following currencies at 30 June 2015 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	2015		2014	
	Profit or (Loss)	Equity	Profit or (Loss)	Equity
	\$	\$	\$	\$
Papua New Guinea Kina	-	-	(29,492)	(29,492)
Fiji Dollar	-	-	(1,057)	(1,057)
	-	-	(30,549)	(30,549)

A 10 percent weakening of the Australian dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk as the company currently holds only interest bearing financial assets. The financial assets held are all variable rate instruments.

The Company no longer has an overdraft facility but previously had one available up to \$200,000.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were:

	2015	2014
	\$	\$
<i>Variable rate instruments</i>		
Financial assets		
Cash	2,542,036	2,087,666
Intercompany loan	3,265,356	3,366,812
	5,807,392	5,454,478

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 was performed on the same basis for 2014.

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 2014.

2015	Profit or (Loss) 1% increase \$	Equity 1% increase \$
Variable rate interest rates	58,074	58,074
	58,074	58,074

2014	Profit or (Loss) 1% increase \$	Equity 1% increase \$
Variable rate interest rates	54,545	54,545
	54,545	54,545

B. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The loan held with the Parent Entity can be drawn down given 2 business days' notice, and can be recalled in full given 30 days' notice. Previously the Company maintained an unsecured \$200,000 bank overdraft. This facility no longer exists.

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

2015	carrying amount \$	contractual cash outflows \$	3 months or less \$	4 months or more \$
Trade and other payables	21,508	21,508	21,508	-
	21,508	21,508	21,508	-

2014	carrying amount \$	contractual cash outflows \$	3 months or less \$	4 months or more \$
Trade and other payables	2,180,166	2,180,166	2,180,166	-
	2,180,166	2,180,166	2,180,166	-

C. 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 59 percent of the Company's revenue is attributable to sales transactions with the Parent Entity. Geographically there is no concentration of credit risk.

The Company's credit policy required new customers to be analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review included determining the customer type and receiving credit worthiness reports for non-government entities and in some cases trade references. Credit limits were established for each customer, which represented the maximum amount without requiring approval from the General Manager; these limits were reviewed annually. Customers that failed to meet the Company's benchmark creditworthiness were to transact with the Company on a prepayment basis only.

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

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. This risk approach will continue during the liquidation phase of the Company as risk mitigation will continue during this process.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's strategy is to maintain a sufficient level of cash and investments to meet current and future needs of the company and during the liquidation phase.

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	2015 \$	2014 \$
Cash and cash equivalents	5	2,542,036	2,093,421
Investments	6	3,265,356	3,366,812
Trade Receivables	7	23,341	6,131,856
		5,830,733	11,592,089

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2015 \$	2014 \$
Domestic	23,341	5,020,031
Papua New Guinea	-	290,771
Fiji	-	10,569
	23,341	5,321,371

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2015 \$	2014 \$
Parent Entity	5,009	3,387,325
Other Government entity	11,896	1,099,176
Incorporated entity (Proprietary or Public Company)	6,436	819,136
Unincorporated entity or sole trader	-	15,734
	23,341	5,321,371

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 ageing of trade receivables at the reporting date was:

	2015		2014	
	Gross \$	Impairment \$	Gross \$	Impairment \$
Not past due	5,009	-	5,000,463	-
Past due 2 to 6 months	11,896	-	279,818	-
Past due 6 to 12 months	6,436	-	34,678	-
Past due more than one year	-	-	6,412	-
	23,341	-	5,321,371	-

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	2015 \$	2014 \$
Movement in allowance for impairment		
Balance at 1 July	-	-
Amounts recovered during the year	-	-
Balance at 30 June	-	-

All trade receivables at 30 June 2015 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.

D. Fair Value Measurement

Fair Value Compared to Carrying Amount

At 30 June 2015 the Company no longer had a foreign bank account or foreign receivables. Comparatives for 2014 have been provided.

Financial assets are generally recognised at cost. Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value. The following table details the financial assets where the fair value differs from the carrying amount:

	2015 Carrying Amount	2015 Fair Value	Fair Value Level	2014 Carrying Amount	2014 Fair Value
	\$	\$		\$	\$
Cash - Papua New Guinea Kina	-	-	2	4,154	4,149
Debtors - Papua New Guinea	-	-	2	251,738	290,771
Debtors - Fiji	-	-	2	10,717	10,569

End of audited financial statements.

DIRECTORS' DECLARATION

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

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

b) Comply with the applicable Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001*, Part 3 of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2010*.

There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors:



Mr T Lawler
Chairman



Mr J Eather
Director

Dated 27 August 2015
Newcastle

INDEX

About this report.....	3
Australian Drinking Water Quality Guidelines.....	11
Board committees.....	21-22
Board members.....	10, 19-20
Chairman's and Interim Chief Executive's report	5
Community Consultative Forum.....	73
Consultants.....	93
Contact us.....	143
Debt.....	13
Drinking water quality.....	11
Environmental Protection Authority.....	11
Equal employment opportunity.....	76-77
Executive team.....	8
Financial statements.....	25-69
General statistics	80
Government Information (Public Access) (GIPA).....	97
Hunter Water Australia Pty Limited.....	103-141
Independent Pricing and Regulatory Tribunal.....	11, 47, 79, 89, 91
Multicultural polices and services program.....	74,76
Operating expenditure.....	25
Operating Licence.....	11
Organisational structure.....	8
Overseas travel.....	77
Pricing.....	11, 89-92
Property sales.....	85
Recycled water.....	91
Research and development.....	93
Risk management and insurance.....	101
Waste Statement	81
Water Wise Rules.....	15
Workplace health and safety.....	77
Vision and mission.....	9

CONTACT US

The contact details for Hunter Water are:

Telephone

Customer Enquiries

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

Report a Fault

1300 657 000
(24 hours, 7 days)

Teletypewriter (TTY) Service

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

Fax

02 4979 9625

Translation Service

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

In Person

Head Office

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

Postal Address

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HRMC NSW 2310

Customer Centres

Lake Macquarie Customer Centre

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

Maitland Customer Centre

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

Customer centres are located within Council offices.

Email

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Annual Report Availability

hunterwater.com.au/annualreport



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