ANNUAL REPORT
2014

CONTENTS

About This Report

The 2014 Annual Report provides an overview of Hunter Water's activities and performance for the period 1 July 2013 to 30 June 2014. It includes highlights from the year, financial reports, statistical information and the activities of Hunter Water's subsidiary company, Hunter Water Australia Pty Ltd.

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

Letter of Submission

HUNTER WATER

The Hon. Andrew Constance, MP
Treasurer
Minister for Industrial Relations
Member for Bega
Level 36, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

The Hon. Kevin Humphries, MP
Minister for Natural Resources, Land and Water
Minister for Western NSW
Member for Barwon
Level 15
52 Martin Place
Sydney NSW 2001

Dear Treasurer and Minister

We are pleased to submit the Annual Report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2014 for presentation to the Parliament of New South Wales.

Our Annual Report 2014 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 2013–14, which form part of the full report, have been submitted to and certified by the Auditor-General of New South Wales.

Yours sincerely

Terry Lawler
Chairman

Kim Wood
Managing Director

Chairman and Managing Director's Overview

The past year has been a positive one for Hunter Water with the Corporation improving its performance in key financial and performance metrics. Our after tax profit ($50 million), revenue ($3 million) and dividend ($36 million) all increased while our expenses ($259 million) reduced substantially.

After making significant changes to the business during the past two years, Hunter Water viewed 2013-14 as an opportunity to consolidate the Corporation's returned focus to core business while continuing to investigate and deliver further reforms.

During 2013-14, Hunter Water undertook a capital structure review to ensure it remains financially sustainable into the future. The outcome of this review saw Hunter Water commence an asset recycling program that ultimately saw the Head Office at Honeysuckle sold for $26 million, in the process achieving a record per metre result for the Newcastle CBD.

Hunter Water's substantial landholdings in the Tillegra region is another noncore asset that has been identified as a likely distraction to our key responsibilities of providing safe and reliable water and wastewater. During 2013-14 a Land Use and Management Plan was completed which provided the business and community with a clearer understanding of the Tillegra land holdings' optimum and potential uses. The eventual sale of this land will not only provide the Dungog community with the certainty it needs to ignite the local economy, but also realise funds that will further contribute to Hunter Water's debt management focus.

In June 2014 Hunter Water awarded a $279 million contract to Veolia for the operation and maintenance of its treatment operation plants after an exhaustive open tender process. The validity of the Board's decision in 2012 to take the contract to tender for the first time was demonstrated via a $23 million saving to budget over the life of the contract.

The Hunter is an area that has been identified by the New South Wales Government as one where substantial population growth will occur over the next two decades. This growth has influenced the direction and planning of Hunter Water's capital portfolio, with the Maitland electorate now viewed as a growth corridor where water and wastewater assets must be appropriately sized for the growing population. A $91 million capital program in the Maitland area commenced in 2013-14, building on the $46 million Hunter Water has invested locally in the previous two years.

The role of local beaches to the region is far greater than recreational. Hunter Water monitors the water quality of seventeen local beaches as part of its Operating Licence requirements due to its need to discharge treated wastewater to local waterways. All seventeen local beaches rated very good or good in 2013-14, a result the NSW Government's Beachwatch Program proclaimed as the best in the State. This result is the thirteenth consecutive year that local beaches have claimed the honour of being the cleanest in NSW. Beach water quality at arguably Newcastle's most famous beach, Merewether, will further improve over coming years with Hunter Water in June committing $27 million to a state of the art ultra violet light disinfection scheme at its Burwood Beach Wastewater Treatment Plant.

A key measure of any water utility's performance is in its ability to plan for the future. The necessity to ensure drought readiness was finalised in April with the release of the Lower Hunter Water Plan (LHWP). Developed in conjunction with the Metropolitan Water Directorate over several years, the LHWP is Hunter Water's blueprint for meeting the region's long term water needs.

A key first step in Hunter Water's delivery of the LHWP is the permanent introduction of Water Wise Rules. The Rules commenced on 1 July 2014 and were supported by an extensive, inventive marketing campaign in the three months prior to introduction. Included as part of the campaign was the delivery of 10,000 trigger nozzles to the community via local hardware store stalls, schools, offices of local politicians and at community events.

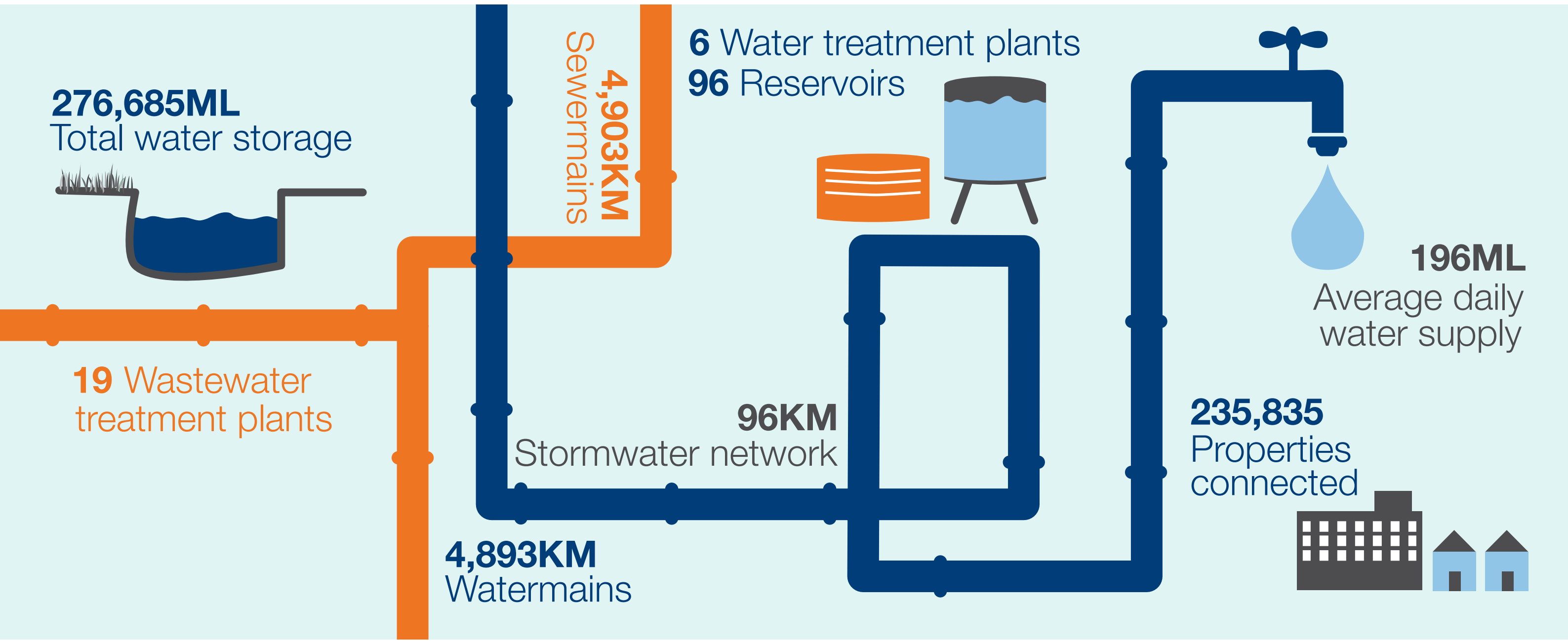
Hunter Water's future success will be determined by our ability to continue our current momentum. What began two years ago with an honest appraisal of the Corporation's middle of the road performance and support for the community, is today an articulated path that is delivering positive change.

Hunter Water is undeniably a different business in 2013-14 to that of just two years ago. We are committed to our community, both in terms of keeping our promises as well as in keeping our prices affordable. The journey that Hunter Water is on is not complete. But the revised path should now be clear to our employees and the half a million people who rely on Hunter Water for safe and reliable water and wastewater services. Hunter Water aspires to be a leading water business and we will not relent in our determination to achieve this vision.

Terry Lawler
Chairman

Kim Wood
Managing Director

OUR BUSINESS



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 approaching 575,000 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 are in the final stages of preparing that reservoir to be opened to the public as part of an educational experience, showcasing the history of Newcastle and its water supply, circa 1890. Today we operate under the *Hunter Water Act 1991* (NSW).

We have 466 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 wholly-owned subsidiary, Hunter Water Australia Pty Ltd, provides specialist technical and operational services to Hunter Water, water agencies, local government and industry in Australia and overseas.

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 196 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 sharing up to 35ML per day with the Central Coast.

We maintain an extensive system to transport wastewater (sewage), which includes 4,903km of sewer mains, 413 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

Board

Board Committees

Jim Keary
General Manager
Hunter Water Australia Pty Ltd

Kim Wood
Managing Director
Hunter Water

Jeremy Bath
Group Manager
Public Affairs

- Media
- Marketing
- Government Relations
- Issues Management
- Internal and External Communications

Darren Cleary
Chief Operating Officer

- Planning
- Lower Hunter Water Plan
- Infrastructure Delivery
- Maintenance Services
- System Operations

Fiona Cushing
Chief Finance Officer

- Corporate Accounting
- Financial Analysis
- Business Engagement
- Regulatory Policy

Joanne Martin
Chief Information Officer

- ICT Operations
- Business Improvement
- ICT Applications
- ICT Projects
- ICT Strategy and Governance

Sally Royal
Chief Shared Services Officer

- Strategy and Risk
- Internal Audit
- People and Safety
- General Counsel
- Property and Business Services
- Procurement

Dean Taylor
Chief Customer Service Officer

- Developer Services
- Billing and Collections
- Commercial Services
- Customer Contact
- Technical Services

Our Vision

To be a **leading water business**. To maximise the potential of the business through **superior performance**. To demonstrate outstanding customer service, financial discipline, unprecedented levels of compliance, exceptional delivery of core services and to be regarded as an employer of choice.

Our Mission

We will provide **affordable and reliable** services. We have an **unrelenting focus** on the needs of all stakeholders. We build into all we do, a **responsible and sustainable** approach to the protection of the environment and public health. We create a culture that **empowers our people** to achieve and keeps them safe. We embrace the highest standards of corporate governance and financial management.

Our People

We will provide a safe and healthy workplace for our employees and partners. We will ensure that we have the right people in the right jobs with the right skills.

Financially Responsible

We will manage our financial position in a sustainable manner in order to ensure that the business remains one of the most affordable service providers whilst also meeting obligations to shareholders.

Right Infrastructure

We will pursue excellence in all we do and deliver and maintain the right infrastructure at the right time at the right cost.

Satisfied Community

We will work to build stronger stakeholder relationships. We will resolve customer issues quickly and effectively.

Effective Governance

We will deliver comprehensive strategic control of the business. We will comply with legislative and regulatory requirements. We will ensure we have in place effective risk management protocols and behave ethically at all times.

OUR BOARD

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 Directors 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.

Our subsidiary company, Hunter Water Australia Pty Ltd, is incorporated under the *Corporations Act 2001* and is governed by its own Board of Directors.

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

For details on the Board of Directors refer to the Directors' Report on page 16.

Terry Lawler
Chairman

BCom, FCA, FAICD, FAIM

Peter Dalglish
BSc, GDipMktgMgmt

Jeff Eather
Deputy Chair

BCom, CPA, FCIM, MAICD

Ruth Lavery
BCom, CA, F.Fin

Appointed 23 June 2014

Barbara Crossley
BnatRes (Hons), MEIA, GAICD

Retired 31 December 2013

Grahame Clarke
BAppSc, MEngSc

Appointed 23 June 2014

Susan Ivens
BA, DipEd, MBA, LLB, FAICD

Kim Wood
Managing Director

BEng, DipEng, MBA, FIEAust, FAIM

Professor Maree Gleeson (OAM)
BSc, PhD, FAICD

Peter Kembrey
Company Secretary

BA, LLB, Dip. Legal Prac.

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 2013-14 were set by IPART in 2013 and came into effect in July 2013. For further details on pricing refer to the Pricing Structure in Statistical Information (page 88) 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 three years under the legislation. The licences also specify operational controls and performance reporting for the wastewater pipe network and pumping stations.

Access to Water

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

Drinking Water Quality

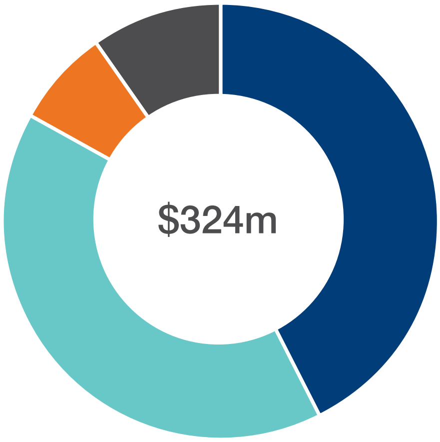
We supply high quality drinking water to our customers. The drinking water supplied is regularly tested throughout the water supply system and consistently complies with the National Health and Medical Research Council's Australian Drinking Water Quality Guidelines. The Guidelines set out requirements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

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

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)	Wastewater licensing	Environment Protection Licences
NSW Office of Water (NOW) - 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 2013-14



$138.2m (43%)
Service charges

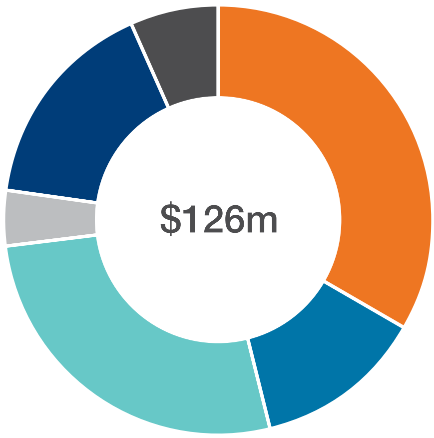
$131.5m (40%)
Usage charges

$31.2m (10%)
Other

$23.3m (7%)
Capital contributions

Total income for 2013-14 was $324m, $6.1m higher than the previous financial year. The 2013-14 usage revenue was almost $8m above 'normal' budget levels reflecting higher water consumption during the year.

Operating Expenditure 2013-14



$42.1m (33%)
Labour

$33.9m (27%)
Operations

$20.2m (16%)
Corporate

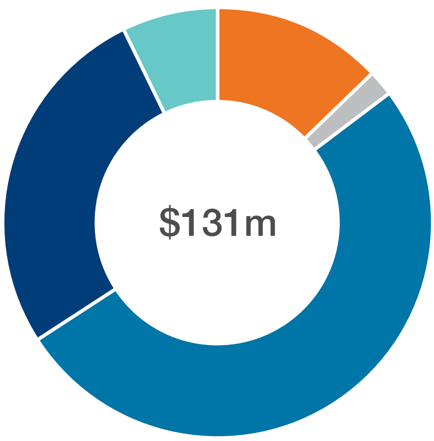
$16.2m (13%)
Maintenance

$8.2m (7%)
Other

$5.3m (4%)
Regulatory

Total operating expenditure for 2013-14 was $126m, $7.9m lower than 2012-13, primarily driven by lower employee related expenses, maintenance expenses and energy costs.

Total Asset Investment 2013-14



$67.0m (51%)
Mandatory standards

$35.4m (27%)
Government programs

$16.9m (13%)
Growth

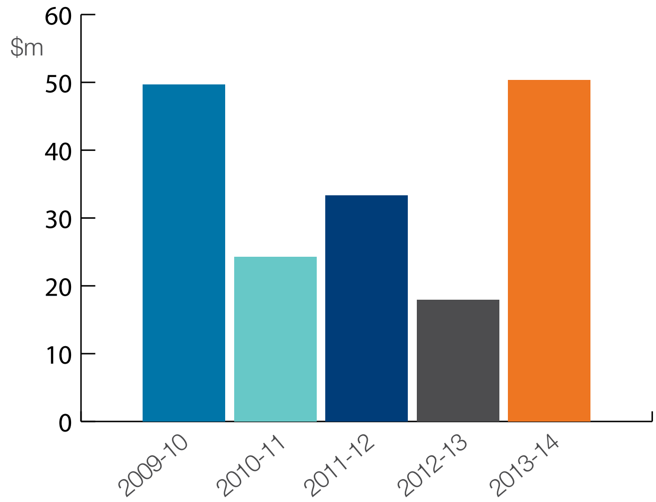
$9.1m (7%)
Business efficiency

$2.7m (2%)
Reliability

We invested $131m on new and upgraded assets including replacing our high voltage network assets; delivering the Kooragang Industrial Water Scheme; upgrading water and wastewater networks to improve performance and provide for growth; and upgrades to wastewater treatment plants.

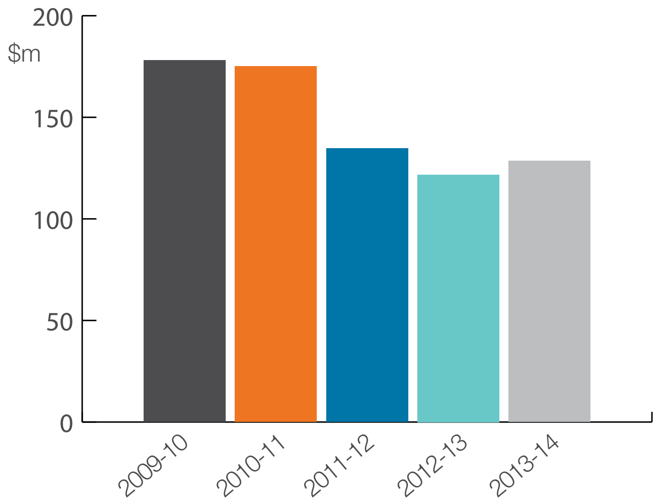
Profit After Tax 2013-14

Profit after tax for 2013-14 was $50m, largely due to higher regulated income, reduction in cost of operations and lower net interest expense driven by lower interest rates. Favourable performance on items was partially offset by valuation decrements of $12m processed against intangible assets and land held at Tillegra.



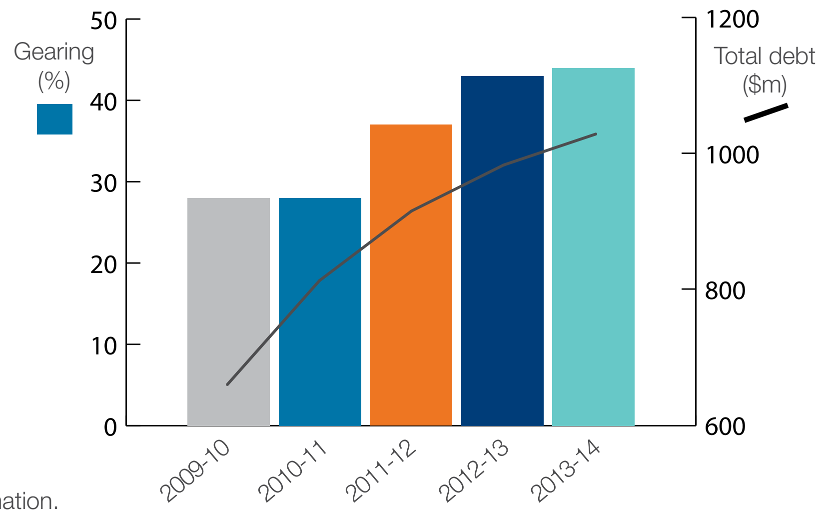
Capital Expenditure 2013-14

Our capital portfolio in 2013-14 included replacement of and upgrades to water and wastewater networks and treatment plants. Investment over the past three years has focused on meeting compliance requirements for our assets following a period building capacity for growth.



Debt 2013-14

Debt and gearing increased in 2013-14 compared to 2012-13. 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 resulted in a decreased requirement for borrowings.



See Financial Statements on pages 15-67 for more information.

PERFORMANCE HIGHLIGHTS

Our People

Developing Leadership

Our People and Safety team launched a series of initiatives in 2013-14 aimed at developing leadership and management capability across the business. For the first time, we partnered with Hunter TAFE to roll out three certified management courses in early 2014 to train and develop first-time supervisors and managers. Safety leadership training programs have been initiated so as to drive an effective values-based safety leadership culture. A more structured and formal pay for performance remuneration system was also introduced in 2013 for all eligible employees to ensure high performing employees could be rewarded and recognised for their efforts.

Supporting Students with Scholarships

In 2013-14 we provided in excess of $100,000 in support for students studying at the University of Newcastle and Tocal Agricultural College. In addition to the financial component of each scholarship, we hosted a 'scholarships welcome' morning tea to introduce the nine recipients of 2014 Hunter Water scholarships to the organisation.

The scholars were from a wide variety of backgrounds including sciences, agriculture and engineering, and met with the Managing Director and Executive Management team as well as with employees from across the organisation who had volunteered their time as potential mentors. Scholars were provided the opportunity to engage and maintain long-term contact with their mentors, who will assist students in gaining professional industry exposure. Scholarships were made available to students living within the Hunter Water area of operation.

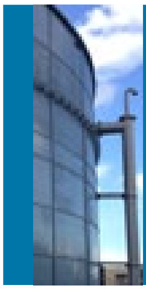
Financially Responsible

We continued to focus on core business and efficient operations during the year whilst delivering quality services to the community. Operational efficiency was demonstrated through the close management of underlying operating costs with operating expenditure being $7.9m lower than 2012-13. The favourable performance in terms of operating costs was a key contributor to the strong profit performance for the year.

A capital structure review was also undertaken in 2013-14 which outlined a number of initiatives for the business to focus on to ensure it remains financially sustainable into the future. Key areas of focus during 2013-14 and for future years include asset recycling, sustainable capital expenditure levels and debt management.

Right Infrastructure

Kooragang Industrial Water Scheme



The Hunter's largest ever recycled water project has been completed, with the centrepiece being a $70 million advanced water treatment facility at Steel River, Mayfield set to save up to 3.3 billion litres of drinking water per year.

The Kooragang Industrial Water Scheme involves treated effluent being taken from Shortland Wastewater Treatment Plant before undergoing purification at Mayfield and being delivered to Kooragang Island.

The project's foundation partner, chemical manufacturer Orica, will go from the number one consumer of drinking water in the Lower Hunter to 19th by taking recycled water from the Plant.

Cessnock CoGeneration Commissioning

We have started using technology at our Cessnock Wastewater Treatment Works that converts sewage into cheap, green electricity.

Built at a cost of $1.5 million with part funding from the Australian Government through the National Urban Water and Desalination Plan, this 'cogeneration' technology works by converting methane gas produced from sewage into electricity that in turn can be used to power a treatment plant. Waste heat is also recovered and used in the treatment process.

We are pursuing a range of opportunities to utilise renewable energy and recover energy from waste streams. It is expected various technologies will allow us to generate savings of $2 million over the next four years.

Williamtown Wastewater Transfer Scheme

The Williamtown Wastewater Transfer Scheme increases the capacity in the wastewater system at Williamtown to allow for new development and the Newcastle Airport expansion.

The scheme includes a new wastewater pumping station within the new Williamtown Aerospace Centre and a second wastewater pumping station on our land off Masonite Road, Tomago.

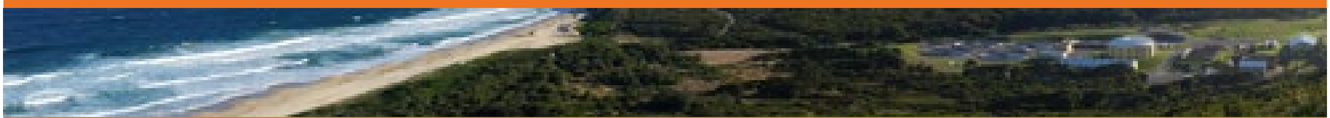
Fourteen kilometres of pipeline has been constructed to link these two pumping stations to the Raymond Terrace Wastewater Treatment Works.

Satisfied Community

Sustainability Grants Program

Thirteen community projects that promoted water education or conservation received funding as part of our Sustainability Grants program. The projects were delivered throughout the Lower Hunter and ranged from habitat rehabilitation to water education in day care centres. By improving people's understanding of the need for water conservation and implementing sustainable projects, these grants provide immediate and long term community benefits.

Community Consultation for Burwood Beach Stage 3 Upgrade



Hunter Water sought community feedback on four options being considered for the future of Burwood Beach Wastewater Treatment Works, including holding an open day at the plant in March.

The open day attracted more than 200 attendees who were provided a guided tour of the plant along with an explanation for the four options on public display.

In conjunction with the regular meeting of the Burwood Beach Wastewater Treatment Works Community Reference Group, this is the most significant undertaking of community consultation we ever conducted and ensures the community has a say in our decision making.

Community Consultative Forum

The Community Consultative Forum involves representatives from community groups and local government from across our area of operations. The Forum met three times in 2013-14 to discuss issues of relevance to the groups represented and to hear about our key projects and initiatives.

The major issues discussed at the Forum in 2013-14 were the Lower Hunter Water Plan, Burwood Beach Wastewater Treatment Plant Stage 3 Upgrade and the management and sale of Hunter Water's Tillegra land holdings.

Local Beaches Rated Best in State

Beachwatch analysed the results of 256 beaches including Sydney ocean beaches, Sydney harbour beaches, Illawarra ocean beaches and mid and far North Coast beaches, with Newcastle's beaches coming out on top as a direct result of good wastewater management.

The water quality at Newcastle's 17 local beaches has been rated the best in the state by the New South Wales Government's Beachwatch program 13 years in a row, with 16 of the Hunter's 17 beaches receiving a perfect score in 2013-14.

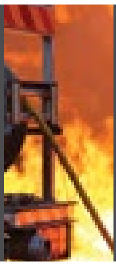
Leakage in Schools Program

The Leakage in Schools program involves fitting school water meters with data loggers that show real time water usage and detect leaks.

We fitted 65 schools throughout our area of operations with data loggers, helping schools to gain a better understanding of their water usage and identifying leaks before they run up an large water bill.

In September 2013, the data logger at the Hunter School of Performing Arts identified a leak running at 20 litres per minute and costing the school $70 per day. Had the school not been a part of our program, the leak may not have been identified until the next bill arrived in November and cost the school an additional $7,000 in water usage.

Bushfire Rebates



We rebated almost 14,000 customer accounts in suburbs that were affected by the October/ November 2013 bushfires, for water used to defend property.

The bushfire rebate was based on the difference between water consumption on the bill for the period during the bushfire and for the same period the previous year. If the difference was less than three kilolitres a minimum allowance equivalent to three kilolitres was still granted.

We intend to provide the rebate in future to any customer whose home is within a one kilometre radius of a Class 3 bushfire, where water is used to defend their property.

Planning for the Introduction of Water Wise Rules

Following the announcement of Water Wise Rules as part of the Lower Hunter Water Plan in April 2014, we embarked on a community education campaign prior to the Rules' implementation in July 2014.

The campaign included media, advertising and events to raise awareness of the Rules and build community acceptance. Some of the notable results were a front page story in the Newcastle Herald, advertising on the back of local buses and sponsoring NBN Evening News' weather segment.

In order to help customers prepare for Water Wise Rules, we conducted trigger nozzle giveaway days at hardware stores throughout the Lower Hunter. The giveaway days were held on weekends and promoted in newspapers, online, on radio and through local Members of Parliament. At 30 June 2014, more than 1,600 customers had received a new trigger nozzle for their hose, ensuring compliance with the relevant Water Wise Rules.

Effective Governance

Lower Hunter Water Plan

The Lower Hunter Water Plan was developed with our consultation by the Metropolitan Water Directorate, a division of the then Department of Finance and Services. The Plan was released in April 2014 and sets out a range of responses to a severe or prolonged drought, and considers the impact on regional water supply over the next two decades from a forecast 20% increase in the local population.

The Plan includes the introduction of Water Wise Rules, which are common sense measures for outdoor water use set to save one billion litres of drinking water per year.

Tillegra Land Use and Management Plan

The Plan recommended land previously set aside for the Tillegra Dam be used for a variety of environmental projects including carbon farming, organic farming, ecotourism and walking tracks, as well as beef cattle, and possibly commercial timber farming.

We commissioned leading international environmental planning consultants AECOM to prepare a Land Use and Management Plan to assist in deciding how to maximise the potential of the more than 6,000 hectares of Tillegra land.

The Plan is the result of hundreds of hours of research, community consultation and an exhaustive examination of the Tillegra region, looking at issues such as ecology and topography, soil type and agriculture, heritage and culture, and socio economic profiling.

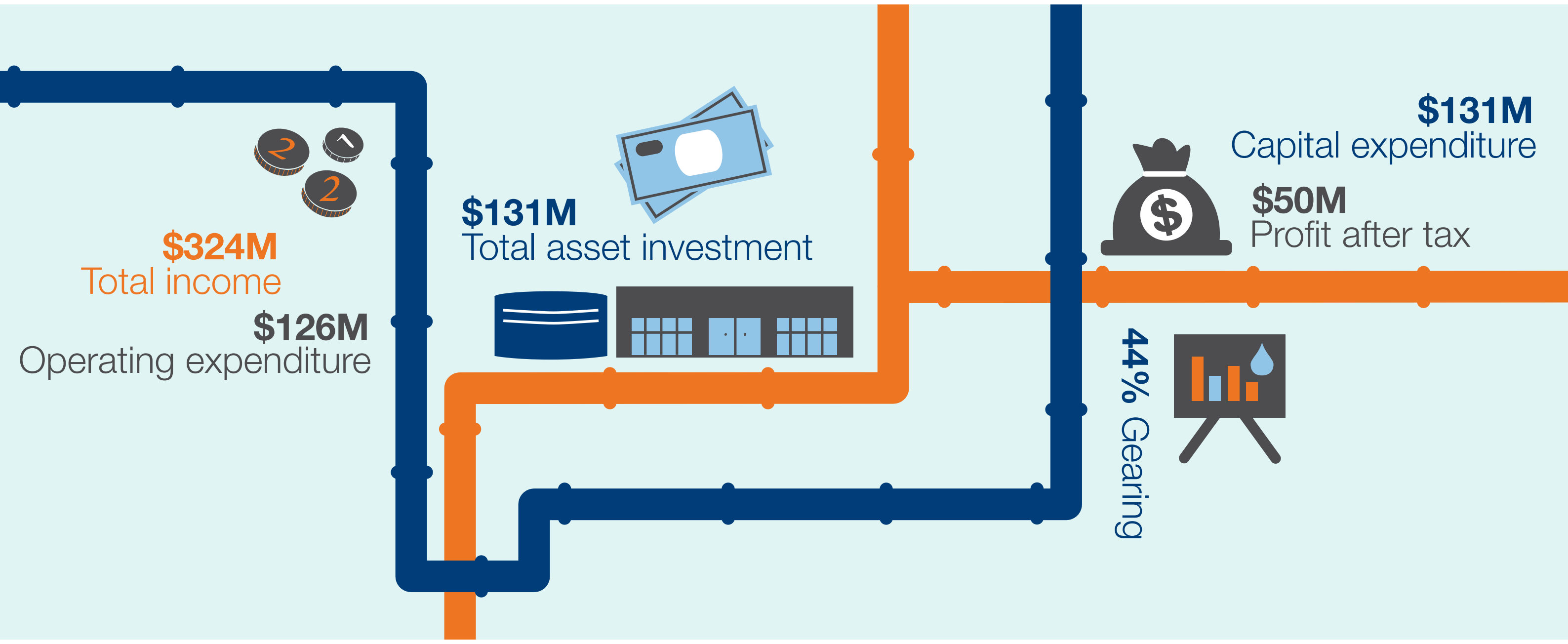
Integrated Quality Management System

In 2012, the $6m Integrated Quality Management System (IQMS) Project commenced, confirming our commitment to deliver high standards of product and service quality across areas including environmental, safety and asset management.

In December 2013, we received certification to AS/NZS 4801 – Occupational Health & Safety Management System. In addition we received a noteworthy effort regarding the implementation and utilisation of the corporate wide, task-based, risk assessment process. New software application Integrum was also rolled out in December 2013 to assist with logging and managing safety, environmental and asset based incidents. Live data and rich reporting has allowed the business to more effectively manage incidents in a timely manner.

Moving forward the IQMS will ensure our products, processes and services are carried out in an environmentally responsible and protective manner while striving for the highest levels of safety.

FINANCIAL STATEMENTS



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 2014.

Directors

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

Mr	T	Lawler	Chairman
Mr	J	Eather	Deputy Chairman
Ms	B	Crossley	(to 31 December 2013)
Ms	S	Ivens	
Prof	M	Gleeson	
Mr	P	Dalglish	(from 2 July 2013)
Ms	R	Lavery	(from 23 June 2014)
Mr	G	Clarke	(from 23 June 2014)
Mr	K	Wood	Managing Director

Company Secretary
Mr S Phillips (to 30 October 2013)
Mr P Kembrey (from 1 November 2013)

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 resigned from the Board of Hunter Water Australia Pty Limited on 25 July 2013 and was reappointed as Chairman on 27 June 2014). 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 R Eather - B Com, CPA, FCSA, FCIS, MAICD

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

B L Crossley - B.Nat.Res (Hons), MEIA, MAICD

Barbara Crossley was appointed as a Director on 1 February 2004 and retired on 31 December 2013. Ms Crossley is a Director of Umwelt (Australia) Pty Ltd, a locally based environmental consultancy firm, with over 100 professionals providing services across Australia from offices in Newcastle, Canberra and Perth. Ms Crossley is a former Chairperson of Hunter Environment Institute. She has extensive knowledge of relevant environmental issues, and has managed numerous project approvals and environmental programs for major industry and infrastructure. Ms Crossley has a strong a business and marketing focus.

S Ivens - BA, Dip Ed, MBA, LLB

Susan Ivens was appointed as director on 1 April 2012. 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 on 1 January 2013. Professor Gleeson has held leadership positions in health services, tertiary education, medical research and government. Previously she was the Executive Director of the Hunter Medical Research Institute and is currently a Director of the Hunter Valley Research Foundation, the Central Coast Local Health District Board, a Trustee Director of Nationwide Superannuation Fund 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

Peter Dalglish was appointed as a Director on 2 July 2013. Mr Dalglish is a water industry specialist with over 35 years' experience in all facets of the industry including management of large-scale wastewater treatment operations and infrastructure projects, corporate planning and system performance review. Mr Dalglish is currently a Director of Chester Consulting Pty Ltd and has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

R Lavery[1] - B Com CA F.Fin

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

G Clarke[2] - BAppSc and MEngSc

Grahame Clarke was appointed as a Director on 23 June 2014. Mr Clarke has extensive experience in the functions and administration of Local and State Government in 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.

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 (Mr Wood resigned from the Board of Hunter Water Australia Pty Limited on 25 July 2013 and was reappointed as a Director on 27 June 2014). 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.

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

Peter 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							
			Audit and Risk		Corporate Governance		Community and Environment		Capital Works	
	A	B	A	B	A	B	A	B	A	B
T Lawler	11	11	4	4	3	4	*	*	4	4
J Eather	11	11	4	4	4	4	4	4	4	4
B Crossley	5	5	3	3	*	*	2	2	2	2
S Ivens	9	11	*	*	3	4	3	4	*	*
M Gleeson	11	11	4	4	*	*	4	4	*	*
P Dalglish	10	11	*	*	4	4	*	*	4	4
R Lavery	0	1	*	*	*	*	*	*	*	*
G Clarke	0	1	*	*	*	*	*	*	*	*
K Wood	11	11	4	4	4	4	3	4	3	4

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the committee during the year.
* = Not a member of the relevant committee.
[1] Ruth Lavery appointed as a Director 23 June 2014. Formal notification of appointment was received in August 2014.
[2] Grahame Clarke appointed as a Director 23 June 2014. Formal notification of appointment was received in 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 before income tax for the year ended 30 June 2014 was $65.7m compared with $25.4m for the previous year. An annual dividend of $36.3m has been declared for the year ended 30 June 2014.

Review of Operations

Financial

The terminology used in reporting the results is as follows:

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

The financial year profit result is favourable to budget by $5.8m primarily due to favourable regulated revenue, operating costs, depreciation and interest expense. The favourable operating performance was offset by valuation decrements of $12.0m processed against intangible assets and land held at Tillegra.

Subsequent Events

On 15 July 2014 the settlement for the sale of Hunter Water's head office on Honeysuckle Drive occurred. The sale price was $25.8m which was above the amount recognised in the financial statements as being held for sale. The associated profit on sale will be recognised in the 2014-15 financial year. A 10 year operating lease on the head office building commenced on 16 July 2014.

The intention to sell the Controlled Entity (Hunter Water Australia Pty Limited) was resolved by the Board on 31 July 2014. The sale is expected to occur during 2014-15.

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

Directors' Indemnification

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

The indemnity relates to:

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

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

Change in State of Affairs

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2014.

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

The committee's main objectives are to:

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

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
Mr	P	Dalglish	Director
Mr	K	Wood	Managing Director

Directors' Benefits

During or since the end of the year 30 June 2014 no Director of the Economic Entity has received or become entitled to receive a benefit, other than other than those disclosed at Note 29 – Related Party Disclosures of the financial statements, by reason of a contract entered into by the Parent Entity or the Controlled Entity with:

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

Code of Conduct

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

Environmental Regulation

Operations of the Parent Entity are subject to licences issued under the *Protection of the Environment Operations Act 1997*. During the financial year the Parent Entity materially complied with all requirements in respect to these licences and associated legislation.

Yours sincerely

Terry Lawler
Chairman

Kim Wood
Managing Director

Newcastle
8 September 2014

INDEPENDENT AUDITOR'S REPORT

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the NSW Parliament

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2014, the income statement, the statement of comprehensive income, statement of changes in equity and statement 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 2014, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and that 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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My opinion does *not* provide assurance:

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

James Sugumar

James Sugumar
Director, Financial Audit Services

9 September 2014
SYDNEY

FINANCIAL STATEMENTS

Start of audited financial statements.

Consolidated Income Statement for the Year Ended 30 June 2014

	Notes	Economic Entity 2014 $'000	Economic Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Revenue					
Services	2	324,263	318,160	309,928	301,269
Other income	2	364	350	4,261	5,863
Total Revenue		324,627	318,510	314,189	307,132
Expenses					
Operational costs	3	(125,906)	(133,765)	(116,376)	(122,521)
Depreciation and amortisation	4	(41,629)	(43,932)	(40,866)	(42,938)
Finance costs	4	(68,021)	(73,568)	(68,117)	(73,732)
Superannuation expense	4	(9,240)	(7,691)	(7,384)	(5,995)
Revaluation decrement	4	(11,976)	(29,260)	(11,976)	(29,260)
Other	4	(2,161)	(4,936)	(2,161)	(4,928)
Total Operating Expenditure		(258,933)	(293,152)	(246,880)	(279,374)
Profit Before Income Tax		**65,695**	**25,358**	**67,309**	**27,758**
Income tax expense	5(a)	(15,368)	(7,433)	(16,274)	(6,480)
Profit for the Period		**50,327**	**17,925**	**51,036**	**21,278**
Profit is attributable to:					
Owners of Hunter Water Corporation		50,327	17,925	51,036	21,278
		50,327	**17,925**	**51,036**	**21,278**

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

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2014

		Economic Entity		Parent Entity	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit for the Period		**50,327**	**17,925**	**51,036**	**21,278**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Net increase/(decrease) in property plant and equipment revaluation reserve	21(a)	(508)	(384,527)	(508)	(384,527)
Income tax effect relating to net (increase)/decrease in property plant and equipment revaluation reserve	5(c)	72	115,823	72	115,823
Remeasurement of defined superannuation liability		1,834	33,434	1,078	29,417
Income tax effect relating to actuarial (gains)/losses on defined benefits fund	5(c)	(426)	(10,030)	(323)	(8,825)
Other comprehensive income for the period, net of tax		972	(245,300)	319	(248,112)
Total comprehensive income for the period		**51,299**	**(227,374)**	**51,354**	**(226,834)**
Total comprehensive income for the year is attributable to:					
Owners of Hunter Water Corporation		51,299	(227,374)	51,354	(226,834)
		51,299	**(227,374)**	**51,354**	**(226,834)**

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

Consolidated Statement of Financial Position as at 30 June 2014

		Economic Entity			Parent Entity		
		2014	2013	2012	2014	2013	2012
	Notes	$'000	$'000	$'000	$'000	$'000	$'000
Current Assets							
Cash and cash equivalents	7	7,287	31,645	10,724	5,192	29,043	3,377
Trade and other receivables	8	46,873	45,673	42,188	41,971	45,472	43,763
Inventories	10	2,676	2,669	2,504	2,676	2,669	2,504
Assets held for sale	11	25,211	5,517	13,360	25,211	5,517	13,360
Total Current Assets		82,048	85,504	68,776	75,051	82,701	63,004
Non-Current Assets							
Other financial assets	9	-	-	-	900	900	900
Property, plant and equipment	12	2,653,470	2,579,937	2,888,977	2,660,796	2,588,190	2,895,480
Intangible assets	13	22,925	19,355	21,918	22,647	19,096	21,605
Total Non-Current Assets		2,676,396	2,599,292	2,910,895	2,684,344	2,608,186	2,917,985
Total Assets		**2,758,444**	**2,684,796**	**2,979,671**	**2,759,395**	**2,690,887**	**2,980,989**
Current Liabilities							
Trade and other payables	15	77,789	81,797	53,694	78,846	83,937	57,327
Current tax liabilities	16	12,949	9,019	4,800	12,949	9,019	4,800
Borrowings	17	61,937	1,377	75,072	65,304	9,011	75,072
Provisions	18	62,812	40,787	43,676	58,401	36,884	40,262
Total Current Liabilities		215,488	132,980	177,242	215,499	138,851	177,461
Non-Current Liabilities							
Borrowings	17	969,713	984,720	843,296	969,713	984,720	848,296
Provisions	18	96,338	92,716	121,743	87,699	83,867	109,512
Deferred tax liabilities	19	155,126	168,602	288,638	160,495	173,518	293,356
Total Non-Current Liabilities		1,221,176	1,246,038	1,253,678	1,217,907	1,242,105	1,251,164
Total Liabilities		**1,436,664**	**1,379,018**	**1,430,919**	**1,433,406**	**1,380,956**	**1,428,625**
Net Assets		**1,321,780**	**1,305,777**	**1,548,752**	**1,325,988**	**1,309,931**	**1,552,365**
Equity							
Contributed equity	20	100,000	100,000	100,000	100,000	100,000	100,000
Reserves	21(a)	555,937	557,709	827,859	555,937	557,709	827,859
Retained profits	21(b)	665,842	648,069	620,893	670,050	652,222	624,506
Total Equity		**1,321,780**	**1,305,777**	**1,548,752**	**1,325,988**	**1,309,931**	**1,552,365**

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 2014

Economic Entity	Notes	Contributed Equity $'000	Reserves $'000	Retained Profits $'000	Total Equity $'000
Balance at 1 July 2013		**100,000**	**557,709**	**657,207**	**1,314,916**
Net effect of change in AASB 119				**(9,138)**	**(9,138)**
Balance at 1 July 2013 (revised)		**100,000**	**557,709**	**648,069**	**1,305,777**
Profit for the period		-	-	50,327	50,327
Transfer from revaluation reserve to retained earnings	21(b)	-	(1,336)	2,337	1,001
Other comprehensive income		-	(436)	1,408	972
Total comprehensive income for the period		-	(1,772)	54,072	52,301
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(36,300)	(36,300)
Balance at 30 June 2014		100,000	555,937	665,842	1,321,780
Balance at 1 July 2012		**100,000**	**827,859**	**633,074**	**1,560,933**
Net effect of change in AASB 119		-	-	**(12,181)**	**(12,181)**
Balance at 1 July 2012 (revised)		**100,000**	**827,859**	**620,893**	**1,548,752**
Profit for the period		-	-	17,925	17,925
Transfer from revaluation reserve to retained earnings	21(b)	-	(1,446)	1,446	-
Other comprehensive income		-	(268,704)	23,404	(245,300)
Total comprehensive income for the period		-	(270,150)	42,775	(227,374)
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(15,600)	(15,600)
Balance at 30 June 2013		100,000	557,709	648,069	1,305,777

Parent Entity	Notes	Contributed Equity $'000	Reserves $'000	Retained Profits $'000	Total Equity $'000
Balance at 1 July 2013		**100,000**	**557,709**	**660,552**	**1,318,261**
Net effect of change in AASB 119		**-**	**-**	**(8,330)**	**(8,330)**
Balance at 1 July 2013 (revised)		**100,000**	**557,709**	**652,222**	**1,309,931**
Profit for the period		-	-	51,036	51,036
Transfer from revaluation reserve to retained earnings	21(b)	-	(1,336)	2,337	1,001
Other comprehensive income		-	(436)	755	319
Total comprehensive income for the period		-	(1,772)	54,128	52,356
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(36,300)	(36,300)
Balance at 30 June 2014		100,000	555,937	670,050	1,325,988
Balance at 1 July 2012		**100,000**	**827,859**	**635,499**	**1,563,358**
Net effect of change in AASB 119		-	-	**(10,993)**	**(10,993)**
Balance at 1 July 2012 (revised)		**100,000**	**827,859**	**624,506**	**1,552,365**
Profit for the period		-	-	21,278	21,278
Transfer from revaluation reserve to retained earnings	21(b)	-	(1,446)	1,446	-
Other comprehensive income		-	(268,704)	20,592	(248,112)
Total comprehensive income for the period		-	(270,150)	43,316	(226,834)
Transaction with owners in their capacity as owners:					
Dividends provided for	6	-	-	(15,600)	(15,600)
Balance at 30 June 2013		100,000	557,709	652,222	1,309,931

The above 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 2014

		Economic Entity		Parent Entity	
		2014	2013	2014	2013
	Notes	$'000	$'000	$'000	$'000
Cash Flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		318,954	310,521	305,807	295,722
Payments to suppliers and employees (inclusive of goods and services tax)		(148,885)	(142,425)	(138,435)	(133,512)
		170,069	**168,096**	**167,372**	**162,210**
Dividends received		-	-	6,564	6,893
Interest received		341	340	299	268
Proceeds from environmental levy and developers		7,101	8,999	7,101	8,999
Borrowing costs		(72,241)	(70,876)	(72,241)	(70,919)
Income taxes paid		(26,705)	(15,655)	(25,550)	(13,260)
Net Cash Flows from operating activities	22	78,564	90,904	83,544	94,191
Cash Flows from investing activities					
Purchases of property, plant and equipment		(133,259)	(114,246)	(133,300)	(115,309)
Proceeds from sales of property, plant and equipment		254	363	246	363
Net Cash (outflows) from investing activities		(133,005)	(113,883)	(133,054)	(114,946)
Cash Flows from Financing Activities					
Proceeds from borrowings		65,000	249,904	66,698	253,905
Repayment of borrowings		(19,377)	(185,163)	(25,439)	(186,664)
Dividends paid	6	(15,600)	(20,820)	(15,600)	(20,820)
Net Cash Flows from financing activities		30,023	43,921	25,659	46,421
Net increase / (decrease) in cash and cash equivalents		**(24,418)**	**20,942**	**(23,851)**	**25,666**
Cash and cash equivalents at beginning of the year		31,645	10,724	29,043	3,377
Effects of exchange rate changes on cash and cash equivalents		60	(21)	-	-
Cash and cash equivalents at end of the year	7(a)	**7,287**	**31,645**	**5,192**	**29,043**

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 2014 were authorised for issue in accordance with a resolution of the Board on 28 August 2014.

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 (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars adopted in the Economic Entity's Statement of Corporate Intent, Part 3 of the *Public Finance and Audit Act* 1983 and the associated requirements of the *Public Finance and Audit Regulation 2010*. 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 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 2014 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 32 to the accounts.

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

C. Revenue Recognition

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

(i) Tariff Income

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

Revenue is recognised in respect of these services on an accrual basis as the services are provided. Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by 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 Held for Sale

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

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 6.90% (2013: 6.83%).

Fair Value

The Parent Entity has valued 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 14 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 14 for details of fair value non-current asset disclosures.

For the year ended 30 June 2014 the Parent Entity engaged an external expert to reassess the Fair Value of the land held at Tillegra using a sampling model. The net decrease in Fair Value has been recognised in the Income Statement.

The Parent Entity will continue to assess the value of the properties held at Tillegra at each balance date to ensure the properties are carried at fair value. A comprehensive land valuation for these properties is planned for 2014-15.

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 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 12 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 14/04 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 3.0%.

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 Statements 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 2014 reporting periods. NSW Treasury has 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 On or After 1 January 2017

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 1055 – Budgetary Reporting and AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements (Effective for Annual Reporting Periods Starting on or After 1 July 2014)

In March 2013 the AASB released AASB 1055 with the objective to specify budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. This Standard sets out budgetary reporting requirements for not-for-profit entities within the GGS of the Australian Government and State and Territory Governments, and, together with AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, relocates the corresponding budgetary reporting requirements for the whole of government and GGS of the Australian Government and State and Territory Governments from AASB 1049.

The Economic Entity is a government owned corporation and complies with requirements of AASB 1049. As a consequence, the standard change will have no impact on the financial statements of the Economic Entity.

(iii) AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets and AASB 2013-6 Amendments to AASB 136 Arising from Reduced Disclosure Requirements (Effective for Annual Reporting Periods Starting on or After 1 January 2014)

AASB 2013-3 was released in June 2013 and AASB 2013-6 was released in September 2013 both relating to the amended AASB 136 Impairment of Assets. The Economic Entity understands the requirements of AASB 136 Impairment of Assets and NSW Treasury Policy TPP14-01 Valuation of Physical Non-current Assets at Fair Value and previous disclosures are compliant with requirements. The amendments to the standard include the requirement to disclose additional information about fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The standard amendments will have no impact on the financial statements of the Economic Entity.

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

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

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

This amendment has been issued as a result of the December 2010 updated AASB 9 Financial Statements. The original application from this pronouncement was for reporting periods beginning on or after 1 January 2013. This date has been changed as a result of AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (see above) that has deferred the application date to reporting periods beginning on or after 1 January 2017. There is no impact on the financial statements of the Economic Entity from this pronouncement.

(vi) Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]

This standard adds guidance to AASB 132 Financial Instruments Presentation to address some inconsistencies identified in applying some of the off-setting criteria of AASB 132. There is no impact on the financial statements of the Economic Entity from this standard. The application date to reporting periods beginning on or after 1 January 2014.

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 14
- Provisions refer to Note 18
- Employee Benefits (Superannuation) refer to Note 25

U. Changes in Accounting Standards

During the period AASB 13 Fair Value Measurement, the revised AASB 119 Employee Benefits and AASB 10 Consolidated Financial Statements became operative. These standard changes resulted in changes in accounting policies and financial impacts outlined below:

AASB 13 Fair Value Measurement

This standard established a single framework for measuring fair value and making disclosures about fair value measurement. The new standard requires fair value to be based upon an 'exit price' that a market participant would pay for an asset or liability. Three approaches to determining fair value are detailed in AASB 13; the market approach, the income approach and the cost approach.

The impact of the new standard is that system land is now included within the system asset with its value determined via the income approach. AASB 13 is adopted prospectively from the beginning of the current reporting period and no adjustments have been made to comparatives.

Assets and liabilities have been categorised within the fair value hierarchy in line with standard requirements.

Within the Statement of Financial Position non-current assets are stated at fair value which is net of accumulated depreciation and accumulated impairment losses. Previous to the current financial year NSW Treasury Policy (TPP 07-01) required that assets be recognised at depreciated replacement cost and impaired under AASB 136 Impairment of Assets. Under the new AASB 13 standard the technique with the most observable inputs can be used. The income approach has the most observable inputs and therefore has been the technique used to value assets. NSW Treasury Policy (TPP14-01) and AASB 13 require that where the income approach has been used the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net restated to the revalued amount of the asset. As AASB 13 is to be applied prospectively, note disclosures for the previous financial year have not been changed and are recognised at gross carrying amount less accumulated depreciation.

Refer to Note 1(i) and Note 14 for measurement of fair value.

AASB 119 Employee Benefits

This revised standard has changed the way organisations are required to determine the income or expense related to post-employment defined benefit superannuation plans.

Under the revised standard, the net interest expense (income) on the net defined benefit liability (asset) is now calculated by applying the discount rate used to measure the gross defined benefit liability at the beginning of the reporting period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the reporting period as a result of contributions and benefit payments. Previously, the net interest expense (income) was calculated as the difference between the interest cost on the gross defined benefit liability and the expected return on plan assets.

This change has the effect of increasing the net interest expense on the net defined benefit liability recognised in profit and loss, as the discount rate is generally lower than the long-term expected rate of return on plan assets. However, it also has the corresponding effect of increasing the gain on remeasurement of the net defined benefit liability in other comprehensive income.

The revised standard is required to be adopted retrospectively. The 2013 comparatives in the Income Statement and Statement of Comprehensive Income are shown in the table overleaf. There was no overall change to Total Comprehensive Income for the Period.

Impact on Income Statement and Statement of Comprehensive Income for Revised AASB119

Economic Entity Income Statement	30 June 2013 Previously Reported ($'000)	AASB 119 Adjustments ($'000)	30 June 2013 as Restated ($'000)
- Superannuation expense (increase)	(1,047)	(6,644)	(7,691)
- Profit before income tax (decrease)	32,002	(6,644)	25,358
- Income tax expense (increase)	(9,425)	1,992	(7,433)
- Profit for the period (decrease)	22,577	(4,652)	17,925
Statement of Comprehensive Income			
- Remeasurement of defined superannuation liability	22,443	10,991	33,434
- Income tax effect relating to actuarial (gain)/losses on defined benefits fund	(6,733)	(3,297)	(10,030)
- Other comprehensive income for the period	(252,994)	7,695	(245,300)
Total Comprehensive Income for the period	(230,417)	3,043	(227,374)
Statement of Financial Position			
- Provisions (Non-Current)	79,661	13,055	92,716
- Deferred tax liabilities	172,519	(3,917)	168,602
- Total Non-Current Liabilities	1,236,900	9,138	1,246,038
- Total Liabilities	1,369,880	9,138	1,379,018
- Retained profits	657,207	(9,138)	648,069
- Total Equity	1,314,916	(9,138)	1,305,777
Statement of Changes in Equity			
- Balance at 1 July 2012 (Retained Profits)	633,074	(12,181)	620,893
- Balance at 1 July 2012 (Total Equity)	1,560,933	(12,181)	1,548,752
- Profit for the Period	22,577	(4,652)	17,925
- Other comprehensive income (Retained Profits)	15,710	7,694	23,404
- Other comprehensive income (Total Equity)	(252,994)	7,694	(245,300)
- Total comprehensive income for the period (Retained Profits)	39,733	3,042	42,775
- Total comprehensive income for the period (Total Equity)	(230,417)	3,042	(227,374)
- Balance at 30 June 2013 (Retained Profits)	657,207	(9,138)	648,069
- Balance at 30 June 2013 (Total Equity)	1,314,916	(9,138)	1,305,777
Statement of Financial Position	**30 June 2012 Previously Reported ($'000)**	**AASB 119 Adjustments ($'000)**	**30 June 2012 as Restated ($'000)**
Provisions (Non-Current)	104,341	17,402	121,743
Deferred tax liabilities	293,859	(5,221)	288,638
Total Non-Current Liabilities	1,241,496	12,181	1,253,678
Total Liabilities	1,418,738	12,181	1,430,919
Retained profits	633,074	(12,181)	620,893
Total Equity	1,560,933	(12,181)	1,548,752

Parent Entity Income Statement	30 June 2013 Previously Reported ($'000)	AASB 119 Adjustments ($'000)	30 June 2013 as Restated ($'000)
Superannuation expense (increase)	(163)	(5,832)	(5,995)
Profit before income tax (decrease)	33,590	(5,832)	27,758
Income tax expense (increase)	(8,230)	1,750	(6,480)
Profit for the period (decrease)	25,360	(4,082)	21,278
Statement of Comprehensive Income			
Remeasurement of defined superannuation liability	19,780	9,637	29,417
Income tax effect relating to actuarial (gain)/losses on defined benefits fund	(5,934)	(2,891)	(8,825)
Other comprehensive income for the period	(254,858)	6,746	(248,112)
Total Comprehensive Income for the period	(229,498)	2,664	(226,834)
Statement of Financial Position			
Provisions (Non-Current)	71,967	11,900	83,867
Deferred tax liabilities	177,088	(3,570)	173,518
Total Non-Current Liabilities	1,233,775	8,330	1,242,105
Total Liabilities	1,372,626	8,330	1,380,956
Retained profits	660,552	(8,330)	652,222
Total Equity	1,318,261	(8,330)	1,309,931
Statement of Changes in Equity			
Balance at 1 July 2012 (Retained Profits)	635,499	(10,993)	624,506
Balance at 1 July 2012 (Total Equity)	1,563,358	(10,993)	1,552,365
Profit for the Period	25,360	(4,082)	21,278
Other comprehensive income (Retained Profits)	13,846	6,746	20,592
Other comprehensive income (Total Equity)	(254,858)	6,746	(248,112)
Total comprehensive income for the period (Retained Profits)	40,652	2,664	43,316
Total comprehensive income for the period (Total Equity)	(229,498)	2,664	(226,834)
Balance at 30 June 2013 (Retained Profits)	660,552	(8,330)	652,222
Balance at 30 June 2013 (Total Equity)	1,318,261	(8,330)	1,309,931
Statement of Financial Position	**30 June 2012 Previously Reported ($'000)**	**AASB 119 Adjustments ($'000)**	**30 June 2012 as Restated ($'000)**
Provisions (Non-Current)	93,807	15,705	109,512
Deferred tax liabilities	298,067	(4,711)	293,356
Total Non-Current Liabilities	1,240,170	10,994	1,251,164
Total Liabilities	1,417,631	10,994	1,428,625
Retained profits	635,499	(10,994)	624,506
Total Equity	1,563,358	(10,994)	1,552,365

The impact of the revised AASB 119 with respect to the financial year 30 June 2014 compared to the previous version of the standard is detailed as follows:

	Economic Entity		Parent Entity	
	30 June 2014 Previous AASB 119 ($'000)	30 June 2014 Revised AASB 119 ($'000)	30 June 2014 Previous AASB 119 ($'000)	30 June 2014 Revised AASB 119 ($'000)
Income Statement				
Superannuation expense / (income)	(875)	5,477	(609)	4,953
Statement of Comprehensive Income				
Amounts recognised in Statement of Comprehensive Income	6,017	1,834	5,643	1,078
Total Comprehensive Income for 30 June 2014	5,142	7,311	5,034	6,031
Statement of Financial Position				
Net Defined Benefit Liability	81,575	95,194	74,644	87,131

The revised standard has also changed the definition of short term. This has impacted the treatment of annual leave. In accordance with AASB 119 and NSWTC 14/04 Accounting for Long Service Leave and Annual Leave Hunter Water's treatment for the annual leave provisions has been adjusted as annual leave can only be recognised as a short-term employee benefit where these benefits are expected to be settled wholly before 12 months after the end of the annual reporting period in which employees render the related service. Annual leave as such is now considered to be a long term benefit and has been measured at present value.

AASB 10 Consolidated Financial Statements

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. The amendment and changes take effect for for-profit entities during this financial year have been considered by the Economic Entity is preparation of the consolidated financial statements. The objective of AASB 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Hunter Water Corporation is deemed to control the wholly owned subsidiary Hunter Water Australia Pty Limited after review of AASB 10. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Note 2. Revenue

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Services				
Tariff - service charges	138,203	135,505	138,203	135,505
Tariff - usage charges	131,122	123,789	131,122	123,789
Environmental charge	6,373	6,133	6,373	6,133
Other regulated income	6,869	6,220	6,869	6,220
	282,567	**271,647**	**282,567**	**271,647**
External sales	14,215	16,559	37	255
	14,215	**16,559**	**37**	**255**
Developer contributions – cash	728	2,143	728	2,143
Developer contributions – assets	22,614	21,051	22,614	21,051
	23,342	**23,194**	**23,342**	**23,194**
Corporate services	364	-	201	-
Other	3,775	6,760	3,781	6,173
	4,139	6,760	3,982	6,173
	324,263	**318,160**	**309,928**	**301,269**
Other Income				
Interest income	304	371	261	299
Dividends	-	-	4,000	5,564
Foreign exchange gain/(loss)	60	(21)	-	-
	364	**350**	**4,261**	**5,863**
	324,627	**318,510**	**314,189**	**307,132**

Note 3. Operational Costs

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Employee-related costs	56,303	58,528	38,432	40,133
Other maintenance expenses	17,087	25,206	17,002	25,515
Materials	6,134	7,507	4,307	3,180
Energy	14,232	14,776	13,866	14,392
Plant and vehicles	3,663	1,385	2,939	721
Contract, property and other	16,161	11,357	39,830	38,324
Cost of external sales	12,326	15,006	-	255
	125,906	**133,765**	**116,376**	**122,521**
Maintenance expense				
Maintenance-related employee expenses	18,267	14,958	18,267	14,958
Other maintenance expenses	17,087	25,206	17,002	25,515
	35,354	**40,164**	**35,269**	**40,473**

Note 4. Profit Before Income Tax

	Notes	Economic Entity 2014 $'000	Economic Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Profit before income tax includes the following specific net gains and expenses:					
Revaluation decrement		11,976	29,260	11,976	29,260
Net (gain)/loss on disposal of					
Property, plant and equipment		2,161	4,936	2,161	4,928
Foreign exchange(gain)/loss	2	(60)	21	-	-
		2,101	4,957	2,161	4,928
Changes in restoration provision		(519)	262	(515)	-
Depreciation and Amortisation					
Amortisation	13 (b) and (c)	4,807	4,097	4,690	3,972
Depreciation	12 (b) and (c)	36,822	39,835	36,176	38,966
Total depreciation and amortisation expense		41,629	43,932	40,866	42,938
Other charges against assets					
Bad and doubtful debts - trade debtors	8	(28)	120	(28)	120
		(28)	120	(28)	120
Finance Costs					
Amortisation of discount/(premium) on loans		(875)	(527)	(875)	(527)
Long term borrowings - interest		54,480	51,442	54,480	51,442
Short term borrowings - interest		134	72	230	236
Net (Gain) / Loss on borrowings refinanced		746	3,265	746	3,265
Other interest expense		308	2,627	308	2,627
Government Guarantee Fee		15,398	18,604	15,398	18,604
Capitalised Finance Costs		(2,170)	(1,915)	(2,170)	(1,915)
		68,021	73,568	68,117	73,732
Rental expense relating to operating leases					
Minimum lease payments		3,998	3,742	2,214	2,008
Superannuation Expense/(Revenue):					
Superannuation revenue - defined benefits funds		5,477	4,146	4,953	3,767
Superannuation expense - contributions		3,762	3,545	2,431	2,228
		9,240	7,691	7,384	5,995

Note 5. Income Tax

A. Income Tax Expense

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Current tax	26,310	17,915	26,313	17,568
Deferred tax	(10,607)	(10,310)	(9,704)	(10,916)
Under/(over) provided in prior years	(335)	(172)	(335)	(172)
	15,368	**7,433**	**16,274**	**6,480**
Deferred income tax (revenue)/expense included in income tax expense comprises:				
(Decrease)/increase in deferred tax liabilities	(6,398)	(13,242)	(1,793)	(13,552)
(Decrease)/increase in deferred tax assets	(7,242)	1,485	(7,911)	2,519

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

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit before income tax expense	65,695	25,358	71,309	27,758
Subtract inter-company dividend income	-	-	(4,000)	(5,564)
Profit before income tax excluding dividend	65,695	25,358	67,309	22,194
Tax at Australian rate of 30% (2013 - 30%)	19,708	7,607	20,193	6,658
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment non-deductible expenses	2	5	1	4
Non-deductible expenses	13	21	13	20
Other Assessable income	373	0	373	-
Sundry Temporary Differences	(4,373)	-	(3,950)	-
Australian owned R&D concession claim	(21)	(72)	(21)	(72)
	15,702	**7,561**	**16,609**	**6,609**
Under/(over) provision in prior years	(335)	(129)	(335)	(129)
Income tax expense	**15,368**	**7,433**	**16,274**	**6,480**

C. Tax Expense/(income) Relating to Items of Comprehensive

		Economic Entity		Parent Entity	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net increase/(decrease) in property plant and equipment revaluation reserve	21(a)	72	115,823	72	115,823
Actuarial gains/(losses) on defined benefits fund		(426)	(10,030)	(323)	(8,825)
		(354)	**105,792**	**(252)**	**106,998**

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. Dividends Paid or Provided for

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening Balance	15,600	20,820	15,600	20,820
Add dividend declared at 36.3 cents per share (2013: 15.6 cents per share)	36,300	15,600	36,300	15,600
Less dividend paid at 15.6 cents per share (2013: 20.8 cents per share)	(15,600)	(20,820)	(15,600)	(20,820)
	36,300	**15,600**	**36,300**	**15,600**

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

Note 7. Cash and Cash Equivalents

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
Cash at bank and on hand	7,283	14,382	5,192	11,780
Foreign currency at bank and on hand	4	-	-	-
Deposits at call	-	17,263	-	17,263
	7,287	**31,645**	**5,192**	**29,043**

Deposits at call are bearing interest rates between 2.70% and 2.45% (2013: 2.70% and 4.08%).

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 34.

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	7,287	31,645	5,192	29,043
Balances per Statement of Cash Flows	7,287	31,645	5,192	29,043

Note 8. Trade and Other Receivables

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current				
Trade debtors	44,511	43,727	41,360	42,276
Allowance for Impairment	(368)	(396)	(368)	(396)
	44,143	**43,331**	**40,992**	**41,880**
Prepayments	1,503	1,479	979	1,028
Work In Progress	1,227	863	-	-
Dividend receivable	-	-	-	2,564
	46,873	**45,673**	**41,971**	**45,472**

A. Movement in the Allowance for Impairment

Balance at beginning of year	396	276	396	276
Amounts written off during the year	(43)	(168)	(43)	(168)
Amounts recovered during the year	-	-	-	-
Increase/(decrease) in allowance recognised in Income Statement	15	288	15	288
Balance at end of year	**368**	**396**	**368**	**396**

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

Note 9. Other Financial Assets

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
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 34.

Note 10. Inventories

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current				
Consumable stores at cost	2,676	2,669	2,676	2,669
	2,676	**2,669**	**2,676**	**2,669**

Note 11. Assets Held for Sale

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
Current	$'000	$'000	$'000	$'000
Land and buildings held for sale	25,211	5,517	25,211	5,517
	25,211	**5,517**	**25,211**	**5,517**

The land and buildings held for sale at 30 June 2014 relate to seven properties in total including three properties at Tillegra along with the Hunter Water Head Office which have all been approved by the Board of Directors for sale. They are expected to be settled via sales transactions within 12 months of the reporting date. Refer to Note 14(B) for valuation process.

Note 12. Property, Plant and Equipment

A. Property, Plant and Equipment - Comprise the Following All at Director's Valuation

	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Work in Progress $'000	Total $'000
Economic Entity						
At 1 July 2012 - fair value						
Gross carrying amount	3,306,221	22,112	145,451	63,160	180,877	3,717,821
Accumulated depreciation	(777,845)	(13,577)	-	(37,422)	-	(828,844)
Net carrying amount	2,528,376	8,535	145,451	25,738	180,877	2,888,977
At 30 June 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 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)
	-	(4,872)	-	-	-	(4,872)
Net carrying amount	2,359,990	7,732	54,248	7,721	223,779	2,653,470
Parent Entity						
At 1 July 2012 - fair value						
Gross carrying amount	3,306,221	14,499	145,451	63,160	191,387	3,720,718
Accumulated depreciation	(777,845)	(9,971)	-	(37,422)	-	(825,238)
Net carrying amount	2,528,376	4,528	145,451	25,738	191,387	2,895,480
At 30 June 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 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
Net carrying amount	2,359,990	4,602	54,248	7,721	234,235	2,660,796

B. Reconciliations

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

Economic Entity 30 June 2013	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Total $'000
Net carrying amount 1 July 2012	2,528,376	8,535	145,451	25,738	2,708,100
Additions	76,569	4,751	953	3	82,276
Disposals	(1,097)	(59)	(315)	(15)	(1,485)
Transfers between classes	-	-	7,870	(27)	7,843
Revaluation: increments/(decrements)	319,974	-	(32,053)	271	288,193
Impairment	(703,878)	-	-	-	(703,878)
Depreciation expense	(35,932)	(2,929)	-	(974)	(39,835)
Net carrying amount 30 June 2013	**2,184,012**	**10,299**	**121,906**	**24,996**	**2,341,213**

Parent Entity 30 June 2013	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Total $'000
Net carrying amount 1 July 2012	2,528,376	4,528	145,451	25,738	2,704,093
Additions	76,569	4,363	953	3	81,888
Disposals	(1,097)	(50)	(315)	(15)	(1,476)
Transfers between classes	-	-	7,870	(27)	7,843
Revaluation: increments/(decrements)	319,974	-	(32,053)	271	288,193
Impairment	(703,878)	-	-	-	(703,878)
Depreciation expense	(35,932)	(2,060)	-	(974)	(38,966)
Net carrying amount 30 June 2013	**2,184,012**	**6,782**	**121,906**	**24,996**	**2,337,696**

C. Reconciliations

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

Economic Entity 30 June 2014	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Total $'000
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	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Total $'000
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**

Refer to Note 14(B) and (D) for further information on the valuation process.

Note 13. Intangible Assets

Economic Entity	Easements $'000	Software External $'000	Software Internal $'000	Other $'000	Work in Progress $'000	Total $'000
At 1 July 2012 - cost						
Gross carrying amount	1,507	38,003	1,346	1,409	13,718	55,983
Accumulated amortisation	(54)	(31,941)	(1,024)	(1,046)	-	(34,065)
Net carrying amount	1,453	6,062	322	363	13,718	21,918
At 30 June 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 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						
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
Parent Entity						
At 1 July 2012 - cost						
Gross carrying amount	1,507	37,199	1,346	1,307	13,718	55,077
Accumulated amortisation	(54)	(31,361)	(1,024)	(1,033)	-	(33,471)
Net carrying amount	1,453	5,838	322	274	13,718	21,605
At 30 June 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 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

A. Reconciliations

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

Economic Entity 2013	Easements $'000	Software External $'000	Software Internal $'000	Other $'000	Total $'000
Net carrying amount 1 July 2012	1,453	6,062	322	363	8,200
Additions	41	3,444	-	2,963	6,448
Disposals	-	(352)	-	-	(352)
Amortisation expense	-	(3,019)	(185)	(893)	(4,097)
Net carrying amount 30 June 2013	**1,494**	**6,135**	**137**	**2,433**	**10,199**
Parent Entity 2013	**Easements $'000**	**Software External $'000**	**Software Internal $'000**	**Other $'000**	**Total $'000**
Net carrying amount 1 July 2012	1,453	5,838	322	274	7,887
Additions	41	3,372	-	2,963	6,375
Disposals	-	(352)	-	-	(352)
Amortisation expense	-	(2,898)	(185)	(889)	(3,972)
Net carrying amount 30 June 2013	**1,494**	**5,960**	**137**	**2,348**	**9,938**

B. Reconciliations

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

Economic Entity 2014	Easements $'000	Software External $'000	Software Internal $'000	Other $'000	Total $'000
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	**Easements $'000**	**Software External $'000**	**Software Internal $'000**	**Other $'000**	**Total $'000**
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**

Note 14. Fair Value Measurement of Non-Financial Assets

A. Fair Value Hierarchy

2014 Economic Entity	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
System Assets	-	-	2,359,990	2,359,990
Land and buildings	-	61,969	-	61,969
Other fixed assets	-	-	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	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total Fair Value $'000**
System Assets	-	-	2,359,990	2,359,990
Land and buildings	-	61,969	-	61,969
Other fixed assets	-	-	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**

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).

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. No active market exists for these assets. Income approach adopted based on current regulated IPART price determination (June 2013).	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. Level 3 input
Land and Buildings (non-operational)	At initial recognition fair value is based on a cost approach. Most recent revaluation based on market conditions based in an active market occurred in 2012-13. Properties held at Tillegra have been measured at Fair Value at 30 June 2014 using a sampling by an external expert - refer to Note 1 (i).	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. Level 2 input
Assets Held for Sale	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). Valuation based on active market and similar assets (not identical).	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. Level 2 input
Other Fixed Assets	At initial recognition fair value is based on a cost approach. Income approach adopted based on current regulated IPART price determination (June 2013).	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. Level 3 input

C. Reconciliation of Recurring Level 3 Fair Value Measurements

The following table represents the changes in Level 3 items for the period ended 30 June 2014 for recurring fair value measurements:

2014 Economic Entity	System Assets $'000	Other Fixed Assets $'000	Intangibles $'000	Total Recurring Level 3 Fair Value $'000
Fair value as at 1 July 2013	-	-	-	-
Adoption of AASB 13	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)	-
	2,359,990	**7,732**	**9,492**	**2,377,214**

Parent Entity	System Assets $'000	Other Fixed Assets $'000	Intangibles $'000	Total Recurring Level 3 Fair Value $'000
Fair value as at 1 July 2013	-	-	-	-
Adoption of AASB 13	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)	-
	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).

Intangible associated with assets held for sale was 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 2014 $'000
System Assets	2,359,990
Other fixed assets	7,732
Intangibles	9,492

Unobservable Input Item	30 June 2014 Calculation of Fair Value	Relationship of Unobservable Inputs to Fair Value
Time Period	The weighted average remaining life of the asset base: 76 years (2013: 74 years)	The longer the remaining life, the higher the fair value
Real Discount Rate	Pre-tax weighted average cost of capital: 4.8% (2013: 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 2014-15 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.
	Capital expenditure relating to capital projects currently in progress from the final 2014-15 operating budget and Strategic Plan forecasts.	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 76 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 2017, 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 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 $23m with all other inputs remaining unchanged. A five basis point change in the long term growth in tariff revenue results in a change in valuation of $39m 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 4.8% (2013:4.8%) 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 15. Trade and Other Payables

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Trade creditors	5,068	3,568	5,415	3,634
Deposits received for services	9,923	1,915	9,923	1,915
Accrued expenses	62,798	76,314	63,508	78,387
	77,789	**81,797**	**78,846**	**83,937**

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 34.

Note 16. Current Tax Liabilities

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Provision for Income Tax Payable				
Opening Balance	9,019	4,800	9,019	4,800
Under/(over) provision for income tax in prior year	54	6	1,093	(38)
Amount paid relating to prior year	(9,073)	(4,807)	(10,113)	(4,763)
Amount payable for current year	29,533	19,908	28,339	18,279
Amount paid relating to current year	(16,585)	(10,888)	(15,391)	(9,259)
	12,949	**9,019**	**12,949**	**9,019**

Note 17. Borrowings

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Overdraft	-	-	-	-
Intercompany Loan	-	-	3,367	7,634
Other loans	1,031,650	986,097	1,031,650	986,097
	1,031,650	986,097	1,035,017	993,731
Represented By:				
Current	61,937	1,377	65,304	9,011
Non-current	969,713	984,720	969,713	984,720
	1,031,650	**986,097**	**1,035,017**	**993,731**

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of $30m (2013:$30m).

The Economic Entity has a contingent loan facility with Commonwealth Bank of Australia $0.1m which was not drawn down at 30 June 2014, a credit card facility with Commonwealth Bank of Australia $0.2m which was not drawn down at 30 June 2014 and a purchase card facility with National Bank of Australia of $0.860m which was not drawn down at 30 June 2014.

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

The Treasurer approved funding of up to $1,080m with NSW TCorp for the 2014 year (2013: $1,040m), of which $1,032m was used at 30 June 2014 ($986m at 30 June 2013).

The Minister has approved an intercompany loan for $10m of which $3.367m was used at 30 June 2014.

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 34.

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).

Note 18. Provisions

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Dividends	36,300	15,600	36,300	15,600
Restoration	-	435	-	435
Rectification	1,287	1,847	1,287	1,847
Employee benefits - Short Term	5,475	6,478	2,414	4,861
Employee benefits - Long Term[1]	19,752	16,427	18,400	14,141
	62,812	40,787	58,401	36,884
Non Current				
Restoration	318	402	60	140
Employee benefits	96,020	92,314	87,639	83,727
	96,338	92,716	87,699	83,867
[1] Employee benefits expected to be settled after 12 months	8,475	8,997	7,123	7,285
Movements in Dividends Provision 2014				
	Current		Current	
Carrying amount 1 July 2013	15,600		15,600	
Less: dividend paid	(15,600)		(15,600)	
Add: dividend declared	36,300		36,300	
Carrying amount at 30 June 2014	36,300		36,300	
Movements in Restoration Provision 2014				
	Current	Non Current	Current	Non Current
Carrying amount 1 July 2013	435	402	435	140
(Payments)/Receipts	(435)	-	(435)	-
Over/(under) provision adjustment 2014	-	(84)	-	(80)
Carrying amount at 30 June 2014	-	318	-	60
Movements in Rectification Provision 2014				
	Current		Current	
Carrying amount 1 July 2013	1,847		1,847	
(Payments)/Receipts	(560)		(560)	
Carrying amount at 30 June 2014	1,287		1,287	

Note 19. Deferred Tax Liabilities

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Amounts recognised in profit or loss				
Tax bases without an asset carrying amount	1,138	(10)	-	(10)
Stock on Hand	1,389	801	803	801
Accruals	302	4,962	(469)	5,147
Borrowing Costs	2,265	1,141	2,265	1,141
Provisions	(14,773)	(10,010)	(14,034)	(8,821)
Prepayments	277	290	254	271
Property, Plant and Equipment	(41,047)	(34,647)	(37,127)	(34,209)
	(50,450)	(37,472)	(48,308)	(35,680)
Amounts recognised in the Statement of Comprehensive Income				
Superannuation actuarial gains/(losses)	(27,836)	(27,409)	(24,605)	(24,280)
Revaluation of property, plant and equipment	233,411	233,483	233,407	233,479
	205,576	206,074	208,803	209,199
Total	**155,126**	**168,602**	**160,495**	**173,518**
Movements:				
Opening balance at beginning of year	168,602	288,638	173,518	293,356
Credited/(charged) to the Income Statement	(13,830)	(14,183)	(13,274)	(12,886)
Credited/(charged) to the Statement of Comprehensive Income	354	(105,898)	252	(106,998)
Add under provision for deferred tax in prior year		46	-	46
Closing balance at end of year	**155,126**	**168,602**	**160,495**	**173,518**

Note 20. Contributed Equity

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Issued and paid up capital: 100,000,000 ordinary shares	100,000	100,000	100,000	100,000
Each fully paid	**100,000**	**100,000**	**100,000**	**100,000**

Hunter Water Corporation's two shareholders at 30 June 2014 were:

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

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

Note 21. Reserves and Retained Profits

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
(a) Reserves				
Asset revaluation	555,937	557,709	555,937	557,709
	555,937	**557,709**	**555,937**	**557,709**

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	557,709	827,859	557,709	827,859
Fixed asset revaluation increments/(decrements) from revaluations				
System assets	2,231	(383,904)	2,231	(383,904)
General support	(1,850)	-	(1,850)	-
Buildings	(45)	568	(45)	568
Land	(844)	(1,191)	(844)	(1,191)
	(508)	**(384,527)**	**(508)**	**(384,527)**
Tax effect - deferred tax liability on revaluation reserve	(387)	115,823	(387)	115,823
Tax effect of assets held for sale	458	-	458	-
	72	**115,823**	**72**	**115,823**
Revaluation of decommissioned assets				
Write-back of written down value of decommissioned assets to equity	(2,337)	(1,446)	(2,337)	(1,446)
Reclassification to profit or loss with respect to decommissioned assets	1,001	-	1,001	-
	(1,336)	**(1,446)**	**(1,336)**	**(1,446)**
	555,937	**557,709**	**555,937**	**557,709**
(b) Retained Profits				
Retained profits at 1 July 2013	648,069	620,893	652,222	624,506
Net profit	50,327	17,926	51,036	21,278
Transfer from revaluation reserve to retained earnings	2,337	1,446	2,337	1,446
Net income/(loss) recognised direct in equity	1,409	23,404	755	20,593
Dividends	(36,300)	(15,600)	(36,300)	(15,600)
Retained profits at 30 June 2014	**665,842**	**648,069**	**670,050**	**652,222**

Note 22. Statement of Cash Flows

	Economic Entity		Parent Entity	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Net profit for the year from continuing operations	50,327	17,926	51,036	21,278
Net superannuation (income)/expense	5,264	4,146	4,953	3,766
Depreciation and amortisation	41,629	43,932	40,866	42,938
Revaluation decrement	11,976	29,260	11,976	29,260
(Profit)/loss on sale of non-current assets	2,116	4,936	2,124	4,928
Capital asset (non-cash) contributions	(22,614)	(21,051)	(22,614)	(21,051)
Net exchange differences	(60)	21	-	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	265	(3,523)	3,333	(3,695)
(Increase)/decrease in inventories	(8)	(165)	(8)	(165)
(Increase)/decrease in other operating assets	(25)	3,016	49	173
(Increase)/decrease in work in progress	(364)	(586)	-	-
Increase/(decrease) in trade creditors	(3,019)	22,579	(2,982)	22,560
Increase/(decrease) in other operating liabilities	4,305	5,524	4,408	4,050
Increase/(decrease) in provision for income taxes payable	3,930	4,219	3,998	4,219
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)	(15,266)	10,154	(13,274)	9,232
(Increase)/decrease in capitalised borrowing costs	(2,170)	(1,915)	(2,170)	1,915
Increase/(decrease) in other provisions	2,279	(27,569)	1,849	(25,218)
Net cash inflow from operating activities	**78,564**	**90,904**	**83,544**	**94,191**

Note 23. Contractual Commitments

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Capital Commitments				
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable within one year	19,356	66,983	22,063	68,289
Payable later than one year but not later than five years	1,171	15,845	1,545	15,934
Payable later than five years		-	-	-
	20,527	**82,828**	**23,609**	**84,223**

Note 24. Lease Expenditure Commitments

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Operating lease commitments in relation to operating leases not provided for and payable:				
Within one year	4,289	4,429	2,583	2,674
Later than one year but not later than five years	7,727	10,763	3,928	6,219
Later than five years	-	477	-	83
	12,016	**15,669**	**6,511**	**8,976**
Representing:				
Cancellable operating leases	7,335	9,763	6,458	8,706
Non-cancellable operating leases	4,681	5,906	53	270
	12,016	**15,669**	**6,511**	**8,976**

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.

At reporting date there are two significant non-cancellable operating leases of the Economic Entity for the lease of general office premises and a laboratory. The general office space lease commits the Controlled Entity to a 10 year non-cancellable lease with two five year options to renew. There is an option to sub-let subject to council planning approvals. This lease commenced on 14 November 2008. A five year option to renew laboratory space was taken on 1 July 2009. This lease was subsequently extended for another year during 2014. There is no option to sub-let under the current lease of the laboratory.

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

All lease expenditure commitments disclosed above are GST inclusive.

Note 25. Superannuation

A. Superannuation Plan

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

The Parent and Controlled Entity contribute to three defined superannuation schemes in the NSW public sector Pooled Fund, which holds in trust the investments of these schemes. These schemes are:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

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.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act* 1916, *State Authorities Superannuation Act* 1987, *Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation 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 NSW 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 NSW 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.
- 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 2014	SASS $'000	SANCS $'000	SSS $'000	Total $'000
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	(0)	0	(0)	(0)
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**
Economic Entity at 30 June 2013				
Net defined benefit liability/(asset) at start of the year	**24,637**	**6,054**	**90,045**	**120,736**
Current service cost	1,024	345	1,104	2,473
Net interest on the net defined benefit liability/(asset)	738	181	2,745	3,664
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(3,582)	(249)	(9,843)	(13,675)
Actuarial (gains)/losses arising from changes in demographic assumptions	1,192	(26)	5,364	6,530
Actuarial (gains)/losses arising from changes in financial assumptions	(4,168)	(698)	(18,860)	(23,727)
Actuarial (gains)/losses arising from liability experience	2,666	37	(5,267)	(2,564)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(1,024)	(294)	(673)	(1,992)
Net defined benefit liability/(asset) at end of period	**21,483**	**5,349**	**64,615**	**91,447**
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	-	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
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**
Parent Entity at 30 June 2013				
Net defined benefit liability/(asset) at start of the year	**22,770**	**5,599**	**80,538**	**108,907**
Current service cost	902	310	1,007	2,219
Net interest on the net defined benefit liability/(asset)	683	167	2,455	3,306
Past service cost	-	-	-	-
(Gains)/losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(3,178)	(202)	(8,392)	(11,772)
Actuarial (gains)/losses arising from changes in demographic assumptions	1,146	(25)	4,742	5,863
Actuarial (gains)/losses arising from changes in financial assumptions	(3,775)	(614)	(16,512)	(20,902)
Actuarial (gains)/losses arising from liability experience	2,392	22	(5,020)	(2,606)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(901)	(263)	(594)	(1,758)
Net defined benefit liability/(asset) at end of period	**20,038**	**4,993**	**58,225**	**83,256**

C. Reconciliation of the Fair Value of Fund Assets

Economic Entity at 30 June 2014	SASS $'000	SANCS $'000	SSS $'000	Total $'000
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
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of the year	**31,080**	**1,786**	**89,774**	**122,640**
Economic Entity at 30 June 2013				
Fair value of fund assets at beginning of the year	**24,573**	**2,072**	**75,287**	**101,932**
Interest income	711	57	2,234	3,002
Actual return on Fund assets less interest income	3,582	249	9,843	13,675
Employer contributions	1,024	294	673	1,992
Contributions by participants	503	-	439	942
Benefits paid	(2,717)	(762)	(5,496)	(8,976)
Taxes, premiums and expenses paid	603	94	702	1,399
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of the year	**28,280**	**2,004**	**83,681**	**113,965**
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
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of the year	**27,366**	**1,439**	**77,643**	**106,447**
Parent Entity at 30 June 2013				
Fair value of fund assets at beginning of the year	**21,906**	**1,748**	**65,516**	**89,169**
Interest income	630	47	1,942	2,619
Actual return on Fund assets less interest income	3,178	202	8,392	11,772
Employer contributions	901	263	594	1,758
Contributions by participants	442	-	400	841
Benefits paid	(2,491)	(731)	(4,880)	(8,101)
Taxes, premiums and expenses paid	556	87	618	1,261
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of the year	**25,121**	**1,616**	**72,582**	**99,320**

D. Reconciliation of the Defined Benefit Obligation

Economic Entity at 30 June 2014	SASS $'000	SANCS $'000	SSS $'000	Total $'000
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 demographic assumptions	(0)	0	(0)	(0)
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
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**54,493**	**7,840**	**155,501**	**217,834**
Economic Entity at 30 June 2013				
Present value of defined benefit obligations at beginning of period	**49,210**	**8,126**	**165,332**	**222,669**
Current service cost	1,024	345	1,104	2,473
Interest cost	1,450	238	4,979	6,666
Contributions by fund participants	503	-	439	942
Actuarial (gains)/losses arising from changes in demographic assumptions	1,192	(26)	5,364	6,530
Actuarial (gains)/losses arising from changes in financial assumptions	(4,168)	(698)	(18,860)	(23,727)
Actuarial (gains)/losses arising from liability experience	2,666	37	(5,267)	(2,564)
Benefits paid	(2,717)	(762)	(5,496)	(8,976)
Taxes, premiums and expenses paid	603	94	702	1,399
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**49,763**	**7,353**	**148,297**	**205,412**
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
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**49,468**	**7,114**	**136,995**	**193,578**
Parent Entity at 30 June 2013				
Present value of defined benefit obligations at beginning of period	**44,675**	**7,346**	**146,055**	**198,076**
Current service cost	902	310	1,007	2,219
Interest cost	1,313	214	4,398	5,925
Contributions by fund participants	442	-	400	841
Actuarial (gains)/losses arising from changes in demographic assumptions	1,146	(25)	4,742	5,863
Actuarial (gains)/losses arising from changes in financial assumptions	(3,775)	(614)	(16,512)	(20,902)
Actuarial (gains)/losses arising from liability experience	2,392	22	(5,020)	(2,606)
Benefits paid	(2,491)	(731)	(4,880)	(8,101)
Taxes, premiums and expenses paid	556	87	618	1,261
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**45,159**	**6,609**	**130,807**	**182,576**

E. Reconciliation of the Effect of the Asset Ceiling

Economic Entity at 30 June 2014	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 2014	**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	-	-	-	-

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	2,452,755	1,572,615	880,140	-
Australian Fixed Interest	2,365,014	10,928	2,354,086	-
International Fixed Interest	880,529	-	880,529	-
Australian Equities	11,738,636	11,494,549	241,423	2,664
International Equities	10,953,329	8,172,677	2,780,531	121
Property	3,272,986	894,113	692,296	1,686,577
Alternatives	6,329,410	565,401	4,897,152	866,857
Total	**37,992,659**	**22,710,283**	**12,726,157**	**2,556,219**

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 2014
Short Term Securities	6.5%
Australian Fixed Interest	6.2%
International Fixed Interest	2.3%
Australian Equities	30.9%
International Equities	28.8%
Property	8.6%
Alternatives	16.7%
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 2014 of $173.9 million in NSW Government bonds.

H. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2014
Discount rate	3.57% pa
Salary increase rate (excluding promotional increases)	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.5% pa
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2014 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	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	**193,577,591**	**222,166,098**	**170,439,119**
	Base Case	**Scenario C +0.5% Rate of CPI Increase**	**Scenario D -0.5% Rate of CPI Increase**
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	**193,577,591**	**205,032,503**	**183,175,525**
	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$'000)	**193,577,591**	**195,664,166**	**191,584,222**
	Base Case	**Scenario G +5% Pensioner Mortality Rates**	**Scenario H -5% Pensioner Mortality Rates**
Defined benefit obligation (A$'000)	**193,577,591**	**191,836,659**	**195,423,470**

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

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

- Expected rate of return on fund assets backing current pension liabilities of 8.3% pa (2013: 8.3% pa)
- Expected rate of return on fund assets backing other liabilities of 7.3% pa (2013: 7.3% pa),
- Expected salary increase rate of 4.0% pa (2013: 4.0% pa),
- Expected rate of CPI increase of 2.5% pa (2013: 2.5% pa).

Expected Contributions

	$'000 SASS	SANCS	SSS
Expected employer contributions for the Economic Entity	961	286	675

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 13.5 years (2013: 13.4 years).

In accordance with AAS 25 Financial Reporting by Superannuation Plans the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2014), and a deficit of $8.4m (2013: $12.5m) was reported for the Economic Entity.

Economic Entity

	$'000 SASS	SANCS	SSS
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)**
2013			
Accrued benefits	38,059	5,455	82,991
Net market value of Fund assets	(28,280)	(2,004)	(83,681)
Net (surplus)/deficit	**9,779**	**3,451**	**(691)**

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

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

Note 26. Consultancies

The total amount paid or payable to consultants engaged by the Parent Entity during the reporting period was $2.1m (2013: $3.3m).

Note 27. Contingent Liabilities

The Economic or Parent Entity do not have any contingent liabilities.

No significant claims for damages are being negotiated (2013: nil). This does not include matters covered by insurance.

Note 28. Auditors' Remuneration

	Economic Entity		Parent Entity	
Audit Office of New South Wales	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Audit review of financial statements	247	259	210	220
Other audit fees	5	-	5	-
	252	**259**	**215**	**220**

Note 29. Related Party Disclosures

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

A. Controlled Entities

The Controlled Entity Hunter Water Australia Pty Limited (HWA) is 100% owned by Hunter Water Corporation (2013: 100%). HWA 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 2014 $'000	Economic Entity 2013 $'000	Parent Entity 2014 $'000	Parent Entity 2013 $'000
Transactions with Controlled Entities					
Sales					
Contracts (Insurances, etc)	HWA	-	-	201	241
Consultancy Services	HWA	-	-	-	15
Total sales		-	-	201	256
Purchases					
Purchases - Consultancy services and contracts	HWA	-	-	21,544	21,871
Interest Paid	HWA	-	-	96	164
Dividend Received	HWA	-	-	6,564	3,000
Outstanding balances with Controlled Entities					
Receivables (excl GST)					
Sales and purchases	HWA	-	-	-	-
Tax funding agreements	HWA	-	-	-	-
Dividend receivable	HWA	-	-		2,564
Total receivables		-	-	-	2,564
Payables (excl GST)					
Sales and purchases	HWA	-	-	3,387	2,124
Tax funding agreements	HWA	-	-	4,096	2,941
Inter-company loan	HWA	-	-	3,367	7,634
Interest Accrued on Intercompany Loan	HWA	-	-	-	-
Total payables		-	-	10,850	12,699
Other Transaction with Related Parties					
Purchases					
Consulting Services					
- AMPControl SWG Pty Ltd		4,081	183	4,081	183
- Lawler Partners Pty Ltd		-	15	-	15
- PKF Lawler Partners Pty Ltd		14	-	14	-
- PKF Lawler Partners Audit and Assurance		28*	-	28*	-
Recruitment Services					
- Peoplefusion Pty Ltd		417	29	415	26
Membership and Subscription Fees					
- WSAA		167	204	167	203
Sponsorships					
- Dial B4 You Dig		57	62	57	62
- Hunter Wetlands Centre		-	18	-	18
- Hunter Valley Research Foundation		-	39	-	39
Self Managed Super Fund					
- Onesm Pty Ltd		16	17	16	17
- Lawler Superannuation Fund		5	-	5	-
Entertainment					
- Newcastle Club		1	2	1	2
Sales					
WSAA		28	29	-	-
Outstanding balances with Related Parties					
Payables					
- AMPControl SWG Pty Ltd		-	55	-	60
- Dial B4 You Dig		6	5	6	6
- Lawler Partners Pty Ltd		-	1	-	1
- Onesm Pty Ltd		-	2	-	2
- Peoplefusion Pty Ltd		18	-	18	-
- Hunter Wetlands Centre		-	2	-	2
- 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 five 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 are on normal commercial terms and conditions.

C. Key Management Personnel

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

Note 30. Segment Information

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

Note 31. Key Management Personnel Disclosures

A. Directors and Any Director Related Entities

The Directors of Hunter Water during 2013-14 were:

Mr T Lawler	Chairman
Mr J Eather	Deputy Chairman
Ms B Crossley	(to 31 December 2013)
Ms S Ivens	
Prof M Gleeson	
Mr Peter Daglish	(from 2 July 2013)
Ms Ruth Lavery	(from 23 June 2014)
Mr Grahame Clarke	(from 23 June 2014)
Mr K Wood	Managing Director

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:

Stephen Phillips	Hunter Water Corporation	Chief Shared Services Officer (to 28 February 2014)
Sally Royal	Hunter Water Corporation	Chief Shared Services Officer (from 4 April 2014)
Dean Taylor	Hunter Water Corporation	Chief Customer Services
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

C. Key Management Personnel Compensation

	Economic Entity		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Short term employee benefits	2,260	3,012	1,972	2,706
Long term employee benefits	39	26	27	15
Post employment benefits	240	518	205	492
	2,538	**3,556**	**2,204**	**3,213**

Note 32. Controlled Entities

Parent Entity		
Hunter Water Corporation		
Controlled Entities	**Equity Holding**	
	2014	**2013**
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%

Note 33. Events Occurring After Balance Date

On 15 July 2014 the settlement for the sale of Hunter Water head office on Honeysuckle Drive occurred. Sale price was $25.825m which was above the amount recognised in the financial statements as being held for sale. The associated profit on sale will be recognised in the 2014-15 financial year. A 10 year operating lease on the head office building commenced on 16 July 2014.

The intention to sell the Controlled Entity (Hunter Water Australia Pty Limited) was made by the Board on 31 July 2014. The sale is expected to occur during 2014-15.

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

Note 34. Financial Instruments

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

Financial Instrument categories:

Financial Assets	Note	Category
Cash and cash equivalents	7	N/A
Trade and other receivables	8	Loans and receivables at amortised cost
Financial Liabilities		**Category**
Borrowings	17	Financial liabilities measured at amortised cost
Trade and other payables	15	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	4.44	Eroding to zero	Eroding to zero
Post 1st December 2010 Fixed rate debt	4.72	6.25	3.00 to 7.00
CPI Linked debt	8.85	12.80	6.00 to 14.00

The weighted average interest rates are shown below:

Economic Entity 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**

The comparative information with regard to the 2013 year is as follows:

2013	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	3.03%	21,636	10,000	10	31,645
Trade and other receivables	9.50%	-	10,392	35,281	45,673
Other financial assets	n/a	-	-	-	-
		21,636	**20,392**	**35,291**	**77,318**
Financial liabilities					
Borrowings	5.01%	138,464	847,633	-	986,097
Trade and other payables	n/a	-	-	81,797	81,797
		138,464	**847,633**	**81,797**	**1,067,894**

Parent Entity 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**

The comparative information with regard to the 2013 year is as follows:

2013	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	3.06%	19,035	10,000	8	29,043
Trade and other receivables	9.50%	-	10,392	35,080	45,472
Other financial assets	n/a	-	-	900	900
		19,035	**20,392**	**35,988**	**75,415**
Financial liabilities					
Borrowings	4.99%	138,464	855,267	-	993,731
Trade and other payables	n/a	-	-	83,937	83,937
		138,464	**855,267**	**83,937**	**1,077,668**

(ii) 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Economic Entity				
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	74	147	74	147
If Interest rates are 100 basis points lower	(74)	(147)	(74)	(147)
Borrowings				
If Interest rates are 100 basis points higher	(1,037)	(534)	(1,037)	(534)
If Interest rates are 100 basis points lower	1,037	534	1,037	534
Parent Entity				
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	62	121	62	121
If Interest rates are 100 basis points lower	(62)	(121)	(62)	(121)
Borrowings				
If Interest rates are 100 basis points higher	(1,079)	(611)	(1,079)	(611)
If Interest rates are 100 basis points lower	1,079	611	1,079	611

(iii) Foreign Exchange Risk

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

The Controlled Entity, Hunter Water Australia Pty Limited, provides consultancy services to customers in the United States and Papua New Guinea, and as such, its exposure to foreign exchange risk at reporting date is as follows (all amounts are shown in notional Australian dollars):

	2014			2013		
	USD $'000	FJD $'000	PNG $'000	USD $'000	FJD $'000	PNG $'000
Trade Receivables	-	11	291	-	-	43
Bank	-*	-	4	-*	-	58
	-	**11**	**295**	**-**	**-**	**101**

* Less than $10

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

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

The controlled entity, HWA also has a bank overdraft facility of $0.2m with the Commonwealth Bank for short-term cash management purposes.

While current liabilities exceed current assets at 30 June 2014 the Economic Entity continues to trade as a going concern. The Economic Entity has sufficient funds to meet its obligations until 30 June 2015.

During the current and prior years, there were no defaults or breeches 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 Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

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

Economic Entity 2014	Carrying Amount $'000	Total Contractual Cash Flows $'000	Maturity Dates Within 1 Year $'000	1-2 Years $'000	2-5 Years $'000	Over 5 Years $'000
Trade and other payables	77,789	77,789	77,789	-	-	-
Borrowings	1,031,650	1,319,374	114,412	122,670	369,463	712,829
Total	**1,109,439**	**1,397,163**	**192,201**	**122,670**	**369,463**	**712,829**

Economic Entity 2013	Carrying Amount $'000	Total Contractual Cash Flows $'000	Maturity Dates Within 1 Year $'000	1-2 Years $'000	2-5 Years $'000	Over 5 Years $'000
Trade and other payables	81,797	81,797	81,797	-	-	-
Borrowings	986,097	1,279,790	32,954	137,829	365,566	743,442
Total	**1,067,894**	**1,361,587**	**114,751**	**137,829**	**365,566**	**743,442**

Parent Entity 2014	Carrying Amount $'000	Total Contractual Cash Flows $'000	Maturity Dates Within 1 Year $'000	1-2 Years $'000	2-5 Years $'000	Over 5 Years $'000
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**

Parent Entity 2013	Carrying Amount $'000	Total Contractual Cash Flows $'000	Maturity Dates Within 1 Year $'000	1-2 Years $'000	2-5 Years $'000	Over 5 Years $'000
Trade and other payables	83,937	83,937	83,937	-	-	-
Borrowings	993,731	1,287,425	32,954	137,829	365,566	751,076
Total	**1,077,668**	**1,371,362**	**116,891**	**137,829**	**365,566**	**751,076**

C. Credit Risk

Credit risk refers to the risk that indebted counter parties 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 of goods and services in the receivables category of the Statement of Financial Position.

	Economic Entity			Parent Entity		
	Total [1] $'000	Past due but Not Impaired [1] $'000	Considered Impaired $'000	Total [1] $'000	Past Due but Not Impaired [1] $'000	Considered Impaired $'000
30- 90 days overdue	7,106	7,106	-	6,622	6,622	-
> 90 days overdue	3,900	3,533	368	3,799	3,432	368

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

D. Fair Values

The Economic Entity's investments available for sale are measured at fair value through a market-based exit price. The Entity's fixed interest-bearing liabilities are classified as held to maturity and amortised cost using the effective interest rate method. All other financial assets and liabilities included in the Statement of Financial Position are carried at fair value except for shares in subsidiaries which are held at historical cost.

Refer to Note 1 (i) for details of the fair value hierarchy adopted by the Entity.

The following tables present the fair values of the Economic and Parent entity's assets and liabilities at 30 June 2014.

Economic Entity	2014				2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets								
Cash and cash equivalents	-	-	-	-	31,645	-	-	31,645
Total Assets	**-**			**-**	**31,645**	**-**	**-**	**31,645**
Liabilities								
Borrowings	-	-	-	-	-	986,097	-	986,097
Total Liabilities		**-**		**-**	**-**	**986,097**	**-**	**986,097**
Parent Entity								
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets								
Cash and cash equivalents	-	-	-	-	29,043	-	-	29,043
Total Assets	**-**	**-**	**-**	**-**	**29,043**	**-**	**-**	**29,043**
Liabilities								
Borrowings	-	-	-	-	-	993,731	-	993,731
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**993,731**	**-**	**993,731**

There were no transfers between the levels of the fair value hierarchy during the period.
Refer to Note 17 for fair value approach to borrowings and Level 2 inputs used.
There was no change to the valuation technique adopted by the Economic Entity during the period.

End of audited financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of the Parent Entity, Clause 11 of the *Public Finance and Audit Regulation 2010*, and pursuant to Section 41C(1B) and 41C(1C) of the *Public Finance and Audit Act 1983*, in the opinion of the Directors:

1) The accompanying consolidated financial statements exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entity as at 30 June 2014, and transactions for the year then ended.

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

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

On behalf of the Directors

T Lawler	**K Wood**
Chairman	Managing Director

Dated: 8 September 2014, Newcastle

STATISTICAL INFORMATION

Directors and Committees

Employees

Customer and Service Performance

Financial

Legislation

Public Interest Disclosures

Risk Management and Insurance Arrangements

Major Capital Works in Progress

Statistical information is unaudited.

DIRECTORS AND COMMITTEES

Board of Directors

Hunter Water's Board of Directors is comprised of up to nine members, including the Managing Director, appointed by the voting shareholders, currently the NSW Treasurer and the NSW Minister for Natural Resources, Land and Water. 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 16).

Committees and Memberships

Committee and Membership	Corporate Support and Contact	Meeting Frequency	Major Areas Coverage
Audit and Risk J Eather (Chair) T Lawler B Crossley (to 31 December 2013)[1] M Gleeson K Wood	Claire Drelincourt	Four meetings per year	To assist the Board in ensuring Hunter Water meets its financial, compliance and regulatory requirements across (but not limited to) the areas of financial, safety, environmental and information technology.
Corporate Governance T Lawler (Chair) J Eather B Crossley (to 31 December 2013) K Wood S Ivens P Dalglish (appointed February 2014)[2]	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 B Crossley (Chair) (to 31 December 2014) M Gleeson (Chair) (appointed February 2014)[3] J Eather K Wood S Ivens	Dean Taylor	Three 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.
Capital Works Peter Daglish (Chair) T Lawler J Eather K Wood B Crossley (to 31 December 2013)	Darren Cleary	Three meetings per year	To assist the Board by providing strategic overview of the Capital Works and Research and Development programs.

[1] B Crossley retired from the Board on 31 December 2013.
[2] P Dalglish was appointed to the Corporate Governance Committee at the February 2014 meeting.

[3] M Gleeson was appointed to the Community and Environment Committee to replace B Crossley at the February 2014 meeting.

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 2013-14 membership and attendance at the Community Consultative Forum was as follows:

Representative	Attendance at Meetings Held		
	24 September 2013	11 February 2014	3 June 2014
Mr K Wood		•	•
Mr W Lennox	•	•	•
Ms B Smoothy/Ms J Lambert	•	•	
Ms C Pasenow	•	•	•
Cr H Johnston	•	•	•
Cr Rod Doherty	•	•	•
Ms A Hugo	•	•	•
Ms I Berthold	•		•
Mr K McDonald	•	•	•
Ms C Gillard		•	
Cr D Compton	•	•	•
Ms L Bowden	•	•	•
Mr R Banyard	•	•	•
Cr G Dingle	•	•	•
Cr K Paxinos			
Mr J Hopson	•	•	•

• = attended.

Executive Positions at 30 June 2014

Band	Range $	Average Remuneration 2014 ($)	Average Remuneration 2013 ($)	Gender Female	Gender Male
Band 4	422,501-488,100	437,291	437,291	-	1
Band 3	299,751-422,500	-	-	-	-
Band 2	238,301-299,750	-	-	-	-
Band 1	167,100-238,300	216,761	210,670	3	2
Total				**3**	**3**

Senior Officer	Position	Qualifications
Kim Wood	Managing Director	BEng, DipEng, MBA, FIE (Aust), FAIM
Darren Cleary	Chief Operating Officer	BE, ME
Fiona Cushing	Chief Finance Officer	BSc, MAcc, CPA, MAICD
Dean Taylor	Chief Customer Service Officer	BCom, MEBM, CPA, AMIEAust, GAICD
Sally Royal	Chief Shared Services Officer	MCIPS
Joanne Martin	Chief Information Officer	BBus (Banking & Finance), GAICD
Jeremy Bath	Group Manager Public Affairs	BCom, BA (Communications)

Average Total Remuneration Package of Executive

In 2013-14, 2.89% of Hunter Water's employee-related expenditure was related to senior executives compared with 2.85% in 2012-13.

Workforce Profile

	2008	2009	2010	2011	2012	2013	2014
Males	311	318	315	325	326	329	326
Females	131	137	148	156	157	148	140
Total	**442**	**455**	**463**	**481**	**483**	**477**	**466**
Permanent	360	354	356	350	383	403	405
Temporary	31	35	48	56	47	15	3
Part-time	50	53	51	57	51	59	58
Total	**441**	**442**	**455**	**463**	**481**	**477**	**466**
Redundancies	3	7	10	3	1	7	7
Recruitment	54	55	54	25	57	52	24
Unplanned absences (%)	2.7	1.9	2.0	2.6	2.0	2.4	3.7

Human Resource Policies and Practices

Annual Incentive Policy
Annual Incentive Policy - Managing Director
Annual Leave Policy
APESMA Agreement 2012
Attendance and Absenteeism Policy
Bullying and Harassment Prevention Policy
Code of Conduct
Compassionate Leave Policy
Conflict of Interest Policy
Contractor Guidelines
Corporate Uniform Policy
Damage to or Loss of Personal Effects Policy
Disciplinary Guidelines
Driver's Licence Fee Refunds Policy
Education Assistance Policy
Employee Identification Cards Policy
Employee Records Policy
Equal Employment Opportunity Policy
Extended Leave Guidelines
Fair Treatment Policy and Procedure
Gifts and Benefits Policy
Head Office Parking Policy
Hunter Water Corporation Employees Enterprise Agreement 2012
Internal Reporting Policy
Leave Without Pay Policy
Long Service Leave Policy
Non Employee Engagement Policy
Parental Leave Policy
Personal/Carer's Leave Policy
Recruitment and Selection Policy
Redundancy and Redeployment Policy
Relief (Salaried Employees) Policy
Remuneration Policy
Special Leave Policy
Superannuation Policy
Training and Development Policy
Travel Policy
Working from Home Policy

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 started to develop a closer relationship with recruitment agencies dedicated to promoting wider indigenous employment.

Over the coming year Hunter Water will establish Industry Scholarships for both indigenous students and students with a disability in a partnership with the University of Newcastle. These scholarships will raise public awareness about Hunter Water's commitment to building a more diverse workforce. Furthermore Hunter Water will seek to more actively engage with and support NSW public sector diversity initiatives and promote a Women in Leadership training program.

Trends in the Representation of EEO Groups [1]

Equal Employment Opportunity (EEO) Target Groups:

	% of Total Employees [2]							
	Benchmark or Target	2008	2009	2010	2011	2012	2013	2014
Women	50	30	30	32	32.8	34	33	29
Aboriginal people and Torres Strait Islanders	2.6	0.7	0.7	0.6	0.7	0.6	0.8	0.6
People whose first language was not English	19	5	4.8	5.2	5.3	5	4.9	4.5
People with a disability	N/A	4.8	4	3	2.4	1.8	1.7	5.4
People with a disability requiring work-related adjustment	1.5	0.5	0.4	0.4	0.5	0.4	0.4	4.5

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 2014.

[2] Excludes casual employees.

Trends in the Distribution of EEO Groups[1]

Distribution Index:

	Benchmark or Target	2008	2009	2010	2011	2012	2013	2014
Women	100	90	90	91	89	86	88	88
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	102	109	102	103
People with a disability	100	104	104	104	103	103	100	98
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A	N/A	N/A	96

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 2014.

[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 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.

Women

In the past 12 months Hunter Water has increased the number of 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.

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 started to develop closer relationships with indigenous organisations so as to promote Hunter Water as a more culturally inclusive employer.

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.

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

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Lost time frequency rates	1.1	9.3	3.9	0	0	2.8
Total hours lost	2,044	5,436	2,802	1,189	1,149	1,079
Lost time injuries	1	9	4	0	0	3
Minor injuries	24	17	18	14	10	27
Prosecutions	0	0	0	0	0	0

There were three lost time injuries involving employees during 2013-14. In each of these incidents the employees were rehabilitated back into the workforce in their pre-injury role.

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

There were no WorkCover notices issued or prosecutions during 2013-14.

Overseas Travel Commenced During 2013-14

No overseas travel occurred during 2013-14.

CUSTOMER AND SERVICE PERFORMANCE

Customer Base

Customer	Number of Properties 2013-14	Income Raised 2013-14 $m Actual
Residential	181,867	179.61
Multi-Residential	40,055[1]	26.60
Commercial	9,664	31.77
Industrial	1,108	16.27
Bulk Supply	2	0.21
Other	3,139[2]	15.24
Total	**235,835**	**269.70**

[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 2014

Year	Newcastle	Grahamstown	Chichester
2004-05	910	1,242	1,299
2005-06	695	835	1,016
2006-07	1,081	1,011	1,128
2007-08	1,567	1,585	1,656
2008-09	1,041	1,431	1,619
2009-10	797	796	1,185
2010-11	1,022	1,001	1,225
2011-12	1,091	1,423	1,735
2012-13	959	1,085	1,343
2013-14	928	813	863
Long Term Average	**1,119**	**1,040**	**1,266**
Years of Record	**149**	**47**	**87**

Water Supplied (Megalitres) - 12 Months Ending 19 April 2014

Source	2011	2012	2013	2014
Chichester	25,277	22,113	23,996	27,086
Tomago	0	0	0	1,123
Grahamstown	40,398	38,921	42,094	40,167
Total Major Sources	65,675	61,035	66,060	68,376
Anna Bay	1,572	1,444	1,793	2,295
Lemon Tree Passage	761	714	768	812
Total	**68,008[1]**	**63,193[1]**	**68,622[1]**	**71,483**

[1] Above figures for Anna Bay include water supplied from the Glovers Hill and the Anna Bay Water Treatment Plants. Total includes losses from Dungog Water Treatment Plant. The 2011, 2012 and 2013 value for Grahamstown includes process water used at Grahamstown Water Treatment Plant.

Water Consumption (Megalitres) - 12 Months Ending 19 April 2014

	2011[1] ML	2011 (%)	2012[1] ML	2012 (%)	2013[1] ML	2013 (%)	2014 ML	2014 (%)
Domestic	37,087	55%	34,911	55%	38,370	56%	40,150	56%
Non-Domestic	21,068	31%	19,225	30%	21,026	31%	21,306	30%
Bulk Supply	315	0%	11	0%	29	0%	299	0%
Total Consumption	**58,470**	**86%**	**54,147**	**86%**	**59,424**	**87%**	**61,755**	**86%**
Authorised (HWC own use)	2,226	3%	2,058	3%	2,004	3%	2,139	3%
Apparent Losses	1,255	2%	1,168	2%	1,281	2%	1,333	2%
Real Losses	6,058	9%	5,820	9%	5,912	9%	6,523	9%
Gross Non-Revenue Generating	9,539	14%	9,046	14%	9,198	13%	9,995	14%
Total Supply	**68,009**		**63,193**		**68,622**		**71,750**[2]	

[1] The 2011, 2012 and 2013 value includes process water used at Grahamstown Water Treatment Plant.

[2] Includes 267ML of water received from a bulk supplier.

Water System Incidents

Incident / Solution	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Poor pressure	127	87	144	132	115	56	90	63
Pump problem	2	1	2	5	4	5	1	3
Seepage	244	260	243	152	201	332	249	178
Main flush	831	638	733	692	690	692	788	1,191
Main repair	1,733	1,422	1,590	1,553	1,534	1,246	1,539	1,479
Hydrant defect	826	811	765	901	745	716	744	866
Valve defect	283	244	250	264	249	231	212	237
Repair pathcock / maincock	2,909	2,845	2,794	3,008	2,875	2,711	2,680	2,788
Meter defect	221	280	358	458	525	518	599	694
Service defect repaired by HWC's Operations employees	1,470	1,406	1,695	1,769	1,664	1,507	1,682	1,555
Service defect repaired by private plumber	560	551	633	735	640	727	631	688
Complaint unconfirmed	300	262	275	314	430	408	324	373
Other	1,907	1,493	1,520	1,572	1,667	1,536	1,473	1,417
Tap rewashers	103	89	92	96	69	85	50	45
Trunkmain repairs	3,242	2,927	3,812	3,597	3,012	2,725	2,500	2,666
Total	**14,758**	**13,136**	**14,906**	**15,248**	**14,420**	**13,495**	**13,562**	**14,243**

Water Transport System Reliability

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Main breaks per 100kms main - trunkmains included in length of mains	37.4[1]	30.3[1]	32.6[1]	32[1]	31.2[1]	25.2[1]	31.9[1,2]	30.2[1,2]
Discoloured water complaints per 1000 properties connected (tenancy)	3.4	2.2	2.7	3.3	1.9	2.1	3	2.9

[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	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Chokage cleared - main	2,806	2,200	1,948	2,745	2,773	2,116	1,938	2,529
Chokage cleared - branch	2,603	2,155	1,923	2,131	2,665	1,969	1,837	2,175
Private plumbers job [1]	610	547	471	541	547	536	431	490
House drains cleared	4	2	0	1	0	3	4	4
Storm overflow	897	394	179	50	232	310	386	239
Gravity sewer break	29	43	36	19	25	28	35	35
Rising main break	29	42	33	27	32	37	39	40
Pump Station malfunction	22	13	12	20	13	16	12	6
Vacuum Sewer Jobs	145	78	38	26	63	58	40	21
Pump Effluent Line	5	8	9	3	5	8	4	10
No work required	218	163	140	120	135	122	88	117
Complaint unconfirmed	178	163	172	191	212	276	208	187
Charge job [2]	1	0	5	1	2	0	1	1
Other	1,524	1,182	852	742	853	838	784	1,091
Total	**9,071**	**6,990**	**5,818**	**7,217**	**7,557**	**6,317**	**5,807**	**6,945**

[1] Problem in customer's private drains or fittings.

[2] Completed by Hunter Water and customer billed.

Wastewater Transport System Reliability

	Number of Main Breaks and Chokes	Length of Sewermain (km)	Ratio of Main Breaks/Chokes Per 100km of Main
Total	2,628	4,903	53.6
	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1000 Properties
Total	2,259	224,326	10.1

General Statistics

Water	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Population in area[1,2]	522,415	527,557	533,874	560,603	567,526	561,549	572,092
Population supplied with water[1]	510,703	515,695	521,736	539,364	539,909	545,256	550,347
Properties where water is available[3]	228,312	231,266	233,509	236,369	237,164	239,036	242,590
Properties connected to water (metered)[3]	220,597	222,454	224,845	227,695	230,140	232,964	235,835
Capacity of major sources (ML)	288,000	288,000	288,000	288,000	288,000	288,000	276,686
Total supply from sources (ML)[4]	67,244	67,181	70,609	67,100	62,275	68,622	71,750
Average day net supply (ML)[4]	183.7	184.1	193.4	183.8	170.2	188.0	196.6
Maximum day net supply (ML)[4]	279.3	308.5	337.2	317.4	240.8	313.9	315.5
Maximum week net supply (ML/day)[4]	237.5	284.4	273.4	298.3	212.2	273.3	293.4
Minimum day net supply (ML)[4]	113	121.2	105.6	120.4	136.2	138.5	142.0
Average consumption per residential tenement (kl/annum)	177.4	179.6	183.8	174.8	162.9	175.8	181.3
5 year rolling average consumption[5]	196.2	190.6	188.0	182.0	176.4	175.4	175.7
Watermains laid during year (km)	82.7	157.3	73.9	58.0	58.3	48.6	65.5
Watermains abandoned during year (km)	25.3	33	32.4	21.2	24	8	21.2
Watermain length revisions during the year (km)	-2.6	5.2	6.8	2.62	-0.9	-150	-2.2
Total watermains in service (km)[7]	4,692.54	4,821.96	4,856.64	4,898.05	4,930	4,820	4,893
Length of watermain per connected property (m)	21.20	21.68	21.60	21.51	21.42	20.69	20.75
Water supplied free of charge: charitable, public and miscellaneous purposes (kl)	398,089	483,778	379,740	423,194	415,704	449,055	458,848
Water supplied free of charge: dollar value ($)	564,825	614,398	647,830	723,662	789,838	934,034	977,346
Wastewater	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Population supplied with water and sewer[1]	491,136	495,963	501,000	519,858	516,726	523,211	527,692
Properties where sewer is available[3]	217,065	219,764	221,726	224,986	227,690	229,938	232,861
Properties connected to sewer[3]	208,662	211,015	213,023	215,748	218,459	221,434	224,326
Sewermains laid during the year (km)	39.7	74.9	50	68.2	65.1	68.3	54.5
Sewermains abandoned during the year (km)	7.7	4.8	10	0.4	3.5	1.3	3.5
Total sewermains in service (km)	4,555.6	4,625.6	4,667	4,730	4,792	4,852	4,903.1
Length of sewermain per liable property (m)	21.8	21.9	21.9	21.0	21.0	21.1	21.1
Water supplied free of charge: dollar value ($)	106,424	109,535	114,700	107,775	109,205	127,229	144,155
Drainage	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Properties liable[3]	66,476	66,969	67,404	67,938	68,387	68,848	69,287

Dissection of Population - June 2013[1]	2013-14		
Region	Population in Area	Served Water	Served Sewer
Newcastle	159,760	159,760	159,025
Lake Macquarie	202,994	199,433	192,754
Maitland	73,858	71,801	69,468
Cessnock	56,141	49,071	44,582
Port Stephens	70,656	66,602	60,827
Dungog	8,683	3,427	942
SUB TOTAL	572,092	550,094	527,598
Singleton (Part Branxton)	-	168	94
Great Lakes (East Karuah/Alicetown)	-	85	-
Total	**572,092**	**550,347**	**527,692**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Ratio of properties connected to water and sewer, and water only[6]	96.9%	96.7%	96.4%	95.7%	96.0%	95.9%

[1] Population figures from 2012-13 have used Estimated Resident Population (ERP) from the Australian Bureau of Statistics. ERP has been revised down based on the 2011 Census.
[2] Population in area for 2012-13 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 better data.

Financial	2008-09 $m	2009-10 $m	2010-11 $m	2011-12 $m	2012-13 $m	2013-14 $m
Total Tariff Revenue (includes service and usage charges and other regulated income)	174.6	217.6	222.3	228.6	265.5	276.5
Capital Indebtedness - external	522	662.7	815.8	918.4	986.1	1,031.7
Workforce	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Salaried	300	296	332	318	314	306
Wages	101	100	97	99	93	88
Engineers	54	67	52	65	70	72
Total	**455**	**463**	**481**	**482**	**477**	**466**

Waste Statement

Hunter Water continued to recycle waste from operational activities and construction projects where practical and cost effective. Improvements have been made at depot sites to allow more effective management of waste spoil from operational activities. During 2013-14, 88% of waste spoil was reused or recycled.

Consumer Response

The number of complaints received by Hunter Water decreased by 20% compared to 2012-13. The number of complaints has fallen steadily since 2009-10. Table 2 on page 81 provides a summary of the complaint volumes against each category. Hunter Water defines a complaint to be an "expression of dissatisfaction made to an organisation, related to its products, or the complaint handling process itself, where a response or resolution is explicitly or implicitly expected." (AS ISO 10002-2006). This definition is consistent with Australian Standards and the National Performance Framework 2013-14 Urban Performance Reporting Indicators and Definitions Handbook.

Hunter Water's customer complaint performance relative to other major water utilities has been affected by differing definition interpretation and application, however appointed auditors across Australia have found the various approaches to be compliant. 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 the cohort, whilst remaining compliant with IPART's requirements.

The revised complaint recording, resolution and reporting methodology has been reviewed by a qualified external auditor and has been applied to 2013-14 data. Complaints are now only reported where Hunter Water is at fault. This has contributed to performance improvement trends across a number of indicators.

Water quality contacts are complaints relating to issues with the quality of water received such as colour, taste and odour. Escalated water quality complaints are those which require further investigation to resolve the issue by Hunter Water's Customer Care and Complaints Team.

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 events and the subsequent impact to customers.

There were a total of 794 contacts and escalated complaints in 2013-14, consisting of 79% related to dirty water and 21% related to taste and odour. The total water quality complaint rate for 2013-14 was 3.3 over 1,000 properties. This represents a 15% increase to 2012-13. The increase in water quality contacts was related to the maintenance completed in August 2013 of a large water main that connects the supply systems of Hunter Water and the Central Coast regions. The frequency of the maintenance program was subsequently reviewed and amended to minimise the customer impact of future maintenance work.

Water Service complaints relate to the continuity or pressure of water service to a property. Water pressure issues are recognised where a customer is receiving less than 20m pressure (defined in the Operating Licence as a Water Pressure Failure), or where a customer starts to receive lower pressure than normally experienced. Water continuity issues are experienced by customers when there is a failure of a water main or a water pump station.

The total water service complaint rate for 2013-14 was 0.07 per 1,000 properties, a 69% decrease from the previous year. The main driver behind the decrease in complaints is attributed to the seasonal weather variations experienced during 2013-14, which contributed to 30% of the reduction, with 70% resulting from the introduction of IPART customer complaint resolution indicators in line with National Water Industry (NWI) indicators.

Overall, complaints related to sewerage service (overflow and odour complaints) have decreased in comparison to 2012-13 by 49%.

The main driver behind the decrease in complaints is attributed to the seasonal weather variations experienced during 2012-13 which contributed to a 14% reduction, with 35% resulting from the introduction of IPART customer complaint resolution indicators in line with NWI indicators. Hunter Water is responsible for approximately 95 kilometres of stormwater carrier system in its area of operations. Over 80% of this system is within the Newcastle Local Government Area. The total drainage complaint rate for 2013-14 was 0.03 per 1,000 properties, a decrease of 63% from the previous year. The majority (80%) of the improvement can be attributed to the revised complaint definition interpretation and application. The remainder of the decrease in the number of complaints can be attributed to the continued benefits being realised from the increased scheduled maintenance program implemented in 2011-12 which repaired or removed debris from stormwater assets.

There has been a 20% decrease in billing complaints per 1,000 properties recorded in 2013-14. This is above the previous four year average. This is below the previous four year average. The performance improvement also reflects an offset caused by an increase of 26% in disputed consumption complaints.

Hunter Water experienced higher disputed consumption between January and June 2014 by comparison to the first half of the year. As was the case in previous years, usage increases in summer which in turn increases the bill. However, the increase experienced in 2013-14 summer was typically greater than previous years due to less rainfall and hotter conditions.

During 2013-14 Hunter Water has introduced a new Account Assistance policy and updated its payment assistance scheme to support household customers in hardship. There has also been an increased focus on credit management actions throughout 2013-14 which has resulted in an increase in restriction action and debt recovery/legal escalation. As a result of the increased credit activity there has been an increase in complaints in these sub-categories. The Operating Licence requires Hunter Water to be a member of an industry-based dispute resolution scheme. Compliance is achieved through the membership established in 2002 with the dispute resolution scheme operated by the Energy and Water Ombudsman of NSW (EWON).

The scheme provides the customer access to an external dispute resolution body, which offers an independent review of complaints. Hunter Water remains committed to the internal complaints management process and considers the services provided by EWON as part of that process. This extra service provides support to those customers who may not be satisfied with the solution offered by Hunter Water. The details reported included all finalised EWON contacts in relation to Hunter Water issues. The data used is obtained from EWON reports.

The distribution of escalated complaint volumes against the EWON case level differs from previous years with a decrease in higher level cases and an increase in lower level cases. This change has reduced fees charged by EWON as a result of more efficient customer response methods achieved from clearly defined roles and responsibilities and processes and procedures in place.

Total Number of Complaints

Table 1. Total Number of Complaints (Excluding EWON) 2008-09 to 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total Water and Sewer Complaints	1,604	1,784	1,690	1,650	1,621	1,406
Per 1000 Properties	7.3	8.1	7.4	7.3	7	6

Table 2 - Main Features of Complaints by Category - 2008-09 to 2012-13

	2009-10	2010-11	2011-12	2012-13	2013-14
Water quality	775	636	660	684	794
Per 1000 properties	3.6	2.8	2.9	2.9	3.4
Water services	63	60	39	54	17
Per 1000 properties	0.3	0.3	0.2	0.2	0.1
Sewer services	459	483	481	344	173
Per 1000 properties	2.2	2.3	2.2	1.6	0.8
Drainage	22	21	18	16	2
Per 1000 properties	0.10	0.09	0.08	0.08	0.03
Billing	502	490	477	523	416
Per 1000 properties	2.3	2.2	2.1	2.2	1.8

Table 3 - EWON Complaints - 2008-09 to 2012-13

	2009-10	2010-11	2011-12	2012-13	2013-14
EWON	71	104	123	126	127

Information on the Statement of Financial Position of the Economic Entity

Receivables

	June 2014 $m	June 2013 $m
Tariff income – billed	18.82	13.89
Tariff income – unbilled	18.08	17.23
Sundry debtors	2.97	8.73
Net GST receivable from ATO	3.77	2.57
Community service obligations	0.82	1.21
Prepayments	1.50	1.48
Miscellaneous debtors	1.28	0.95
Total	**47.24**	**46.07**
Less provision for doubtful debts	(0.37)	(0.40)
Total	**46.87**	**45.67**

Information regarding the major categories follows:

A Tariff Income – unbilled – This item is an estimate of water and sewer usage charges 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 2014 (inclusive of accruals) and included in receivables was $2.69 million.

C Community Service Obligations - The Parent Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant portfolio Minister for endorsement and inclusion in the State Budget.

	Prior Year Outstanding $m	Amount Claimed $m	Cash Received $m	Outstanding (Prepayment) $m
Pensioner rebate	-	11.80	11.05	0.74
Exempt properties	-	2.01	1.93	0.08
Total	**-**	**13.80**	**12.98**	**0.82**

The amount owing of $0.82m represents the claims unpaid at year end for the month of June 2014.

Investments

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

A profile of the Portfolio is as follows:

	June 2014 $m	June 2013 $m
Cash at bank	7.29	14.38
Term deposits	-	10.00
T-Corp deposits	-	7.26
Total	7.29	31.64
Interest earned	0.17	0.37
Average interest (on average monthly investment balance)	2.20%	3.03%

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

Fixed Assets - Property Plant and Equipment

	June 2014 $m	June 2013 $m
Opening written down book value	2,341.21	2,708.10
Less - Depreciation charge	(36.82)	(39.84)
Less - Disposals	(1.81)	(1.49)
Add - Additions	131.46	61.23
Add - Externally funded assets	22.61	21.05
Add - Transfers between classes	(19.72)	7.84
Revaluation - Increment	1,243.23	288.19
(Impairment) / Impairment reversal	(1,250.48)	(703.88)
Total	**2,429.69**	**2,341.21**

The total assets of $2,430m represent a decrease of $89m from the June 2013 balance.

Intangible Assets

	June 2014 $m	June 2013 $m
Opening written down book value	10.20	8.20
Less - Amortisation charge	(4.81)	(4.10)
Less - Disposals	(0.03)	(0.35)
Add - Additions	8.34	6.45
Add - Transfers Between Classes	(0.24)	-
Revaluation - Decrement	(3.97)	-
Total	**9.49**	**10.20**

The Economic Entity's intangible assets consist of easements (rights 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 three years and five years. At 30 June 2014 the portfolio duration was 4.72. During 2013-14 the face value of the Parent Entity's financial liability portfolio increased by $49.16m.

	June 2014 $m	June 2013 $m
Number of loans	35	35
Face value	1,025.55	976.39
Net premium / discount on loans	6.10	9.70
Current capital value	1,031.65	986.10
Market capital value	1,115.82	1,041.73
Come and Go facility	-	-
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	61.94	1.38
Non Current	969.71	984.72
Total	**1,031.65**	**986.10**
Debt Maturity Profile		
Come and Go Facility	-	-
Within 1 year	-	1.38
Between 1-5 years	396.46	338.92
Over 5 years	635.19	645.80
Total	**1,031.65**	**986.10**

Employee Provisions

At 30 June 2014 the liability for Employee Provisions totalled $107.63m representing an increase of $5.46m during the year and comprised:

	June 2014 $m	June 2013 $m
Long service leave	17.43	17.30
Defined-benefit superannuation	95.19	91.45
Accrued sick / annual leave/ public holidays	6.34	6.48
Other	2.28	-
Total	**121.25**	**115.22**

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

	June 2014 $m	June 2013 $m
Current	25.23	22.91
Non current	96.02	92.31
Total	**121.25**	**115.22**

At 30 June 2014 the Economic Entity's defined benefit superannuation provision was $95.19m. At 30 June 2013 the defined benefit superannuation provision was $91.45m.

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 30 June 2014

Code Description	Number of Properties	Value $m
1 Land fully utilised as an integral part of the Parent Entity's system	364	30.73
2 Land partly used with the unused residue required for future integral needs	-	-
3 Land not currently used but fully required for future integral needs	2	0.10
4 Land being partly used, the residue having potential for alternative use	30	5.66
5 Land with significant potential for alternative use	93	60.59
6 Land not currently used but potentially required for future integral needs	20	2.86
Total	**509**	**99.94**

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 2013-14.

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

Property Disposals

There were two parcels of land disposed of during the financial year. Total proceeds of $0.20m were received at settlement. These properties were no longer required for operational purposes by the Parent Entity. The proceeds from the sale of these properties have been reinvested in the Economic Entity's operations and access to documents relating to disposals of the land can be obtained under the *Government Information (Public Access) Act 2009*.

Material Capital Expenditure Contracts as at 30 June 2014 (GST - Exclusive) (Contracted for at Balance Date but Not Provided for)

Contract Number	Contract Description	Committed Amount $m
CP306007	Burwood Beach Wastewater Treatment Plant High Voltage Upgrade	4.09
CP306006	Design and Construction of High Voltage Upgrade Projects (Package 2)	3.68
CP306006	Design and Construction of High Voltage Upgrade Projects (Package 1)	3.36
CP265407-B	Construction of Kooragang Industrial Water Scheme Pipeline (Package 2)	0.81
CP323004	Ellipse 8.4 Upgrade	1.75
CS0238B	Panel Electrical Switchboard Manufacturing	1.19
CP323009	Civil Assets Build and Deploy Phase - Ellipse Upgrade	0.75
CG360503	Watermain Replacements	0.74
CP289806	Design and Construction of UV Disinfection Upgrade at Karuah Wastewater Treatment Plant	0.66
CG169128	Design and Construction of Cogeneration System at Cessnock Wastewater Treatment Plant	0.31
CP294806	Construction of Windale Wastewater Transport Upgrade and Gravity Sewer Mains	0.21
	Other commitments less than $0.200m	2.99
Total		**20.53**

Operating Program

Economic Entity

A summary of actual and budgeted results for 2013-14 and comparisons with 2012-13 results and budget is as follows:

	Actual 2014 $m	Budget 2014 $m	Actual 2013 $m	Budget 2013 $m
Income				
Net tariff income	282.57	275.96	271.65	270.81
Interest on investments	0.36	0.20	0.35	0.45
Profit/(loss) on Sale of Assets	(2.16)	-	(4.94)	(3.50)
External Sales	14.22	16.05	16.56	15.27
Contributions from capital works	23.34	19.01	23.19	19.43
Other (including non-regulated income)	4.14	2.91	6.76	3.50
Total Income	**322.47**	**314.14**	**313.57**	**305.96**
Expenditure				
Operating expenses	135.15	137.08	141.46	134.63
Revaluation decrement	11.98	-	29.26	-
Depreciation and amortisation	41.63	45.30	43.93	50.39
Interest payable	52.62	55.22	54.96	54.51
Financial charges	15.40	16.66	18.60	18.06
Total Expenditure	**256.77**	**254.26**	**288.22**	**257.59**
Profit Before Tax	**65.69**	**59.88**	**25.36**	**48.37**

Operating Program 2014-15 Economic Entity

	Budget 2015 $m
Income	
Net tariff income	283.54
Interest on investments	0.13
Profit/(loss) on sale of assets	2.50
External sales	15.12
Contributions from capital works	28.10
Other (including non-regulated income)	3.23
Total Income	**332.62**
Expenditure	
Operating Expenses	148.17
Depreciation and Amortisation	50.77
Interest Payable	52.30
Financial Charges	15.20
Total Expenditure	**266.43**
Profit Before Tax	**66.19**

Five Year Financial Summary and Ratio Analysis

Statement of Financial Position (Economic Entity)

	Actual 2014 $m	Actual 2013 $m	Actual 2012 $m	Actual 2011 $m	Actual 2010 $m
Current Assets					
Cash and cash equivalents	7.29	31.64	10.72	6.82	9.69
Trade and other receivables	46.87	45.67	42.19	45.48	44.39
Inventories	2.68	2.67	2.50	2.16	2.25
Assets held for sale	25.21	5.52	13.36	0.13	2.87
Total Current Assets	**82.05**	**85.50**	**68.77**	**54.59**	**59.20**
Non-current assets					
Fixed assets	2,676.40	2,599.29	2,910.90	3,481.66	2,825.93
Investments/other	-	-	-	-	10.95
	2,676.40	2,599.29	2,910.90	3,481.66	2,836.88
Total Assets	**2,758.44**	**2,684.80**	**2,979.67**	**3,536.25**	**2,896.08**
Current Liabilities					
Trade and other payables	77.79	81.80	53.69	63.71	61.31
Borrowings	61.94	1.37	75.07	19.02	145.83
Provisions	62.81	40.79	43.68	42.47	63.34
Current tax liabilities	12.95	9.02	4.80	3.54	6.37
Total Current Liabilities	**215.49**	**132.98**	**177.24**	**128.74**	**276.85**
Non-Current Liabilities					
Borrowings	969.71	984.72	843.30	796.73	516.82
Provisions/other	251.46	261.32	410.38	559.19	414.38
Total Current Liabilities	**1,221.18**	**1,246.04**	**1,253.68**	**1,355.92**	**931.20**
Total Liabilities	**1,436.66**	**1,379.02**	**1,430.92**	**1,484.66**	**1,208.05**
Net Assets	**1,321.78**	**1,305.78**	**1,548.75**	**2,051.59**	**1,688.03**
Capital and Retained Earnings					
Issued capital	100.00	100.00	100.00	100.00	100.00
Asset revaluation reserve	555.94	557.71	827.86	1,279.65	924.55
Accumulated funds	665.84	648.07	620.89	671.94	663.48
Total Equity	**1,321.78**	**1,305.78**	**1,548.75**	**2,051.59**	**1,688.03**

Income Statement (Economic Entity)

Trading Operations	Actual 2014 $m	Actual 2013 $m	Actual 2012 $m	Actual 2011 $m	Actual 2010 $m
Revenue					
Tariff	282.57	271.65	234.46	227.96	223.16
Other	18.35	23.32	22.42	17.03	15.23
Operating costs	125.91	133.77	119.93	107.07	100.33
Gross margin	**175.02**	**161.20**	**136.95**	**137.92**	**138.06**
Other Income	0.304	0.35	0.44	0.54	0.33
Other Expenditure:					
Financing Charges	68.02	73.57	66.23	57.08	47.41
Depreciation and Amortisation	41.63	43.93	52.37	35.68	36.46
Superannuation Adjustment	9.24	7.69	1.89	1.62	3.57
Other	14.08	34.19	0.44	26.29	0.32
Profit Before Contributions for Capital Works	**43.14**	**8.81**	**16.46**	**17.79**	**50.63**
Contributions for capital works	23.34	23.19	31.13	16.17	15.37
Net Profit Before Tax	**65.70**	**25.36**	**47.59**	**33.96**	**66.00**

Financial Ratios

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

	2014	2013	2012	2011	2010
A – Gross profit (%)	58.16	54.65	53.31	56.30	57.91
B – Working capital (ratio)	0.38	0.64	0.39	0.42	0.21
C – Cash ratio	0.03	0.24	0.06	0.05	0.04
D – Equity to total liabilities (ratio)	0.92	0.95	1.08	1.38	1.40
E – Interest cover (times)	2.11	1.90	1.86	1.77	2.09
F – Return on equity (%)	5.53	0.29	2.28	2.30	6.63
G – Real rate of return (%)	4.63	3.44	3.12	2.76	3.67
H – Return on total net assets (%)	3.91	0.75	1.18	0.94	3.21

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.

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 reduction in 2013-14 reflects a conscious reduction in the levels of cash being held as well there being debt maturing in the next twelve months.

C - Cash Ratio

Cash Ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. This ratio has decreased this year due to a lower level of cash being held due to the timing of payments to creditors as well as an increase in current liabilities as some parcels of debt are approaching maturity hence recognised as current debt.

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 Hunter Water 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.

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, however it has increased from last year as a result of higher funds from operations.

F - Return on Equity

Return on Equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. Return on Equity for 2013-14 is 5.53%, which is higher than 2012-13 due to higher operating profit predominately due to a lower revaluation decrement in 2013-14 and an improved gross margin in 2013-14 compared to 2012-13.

G - Real Rate of Return

Real Rate of Return (RRR) is calculated as operating profit plus net interest and financial charges divided by written down book value of infrastructure assets and works in progress. RRR reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return Hunter Water may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 4.63%.

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 2013-14 RONA is 3.91.

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 2013-14 prices were set by IPART in June 2013 as part of a four-year price determination applying from 1 July 2013 to 30 June 2017.

As part of its determination, IPART decided to change some price structures. This price restructuring does not increase the total revenue received by Hunter Water for services. IPART considers that it will mean bills better reflect the costs of making the services available to different customer groups. These price structure changes mean it is not possible to directly compare price changes between 2012-13 and 2013-14.

The main changes between 2012-13 and 2013-14 were:

1. A standard water service charge was set for all residential customers regardless of their type and ownership structure (i.e. charges for flats and units are the same as those for houses).
2. Transition pricing for Dungog Shire customers was discontinued. Transition pricing related to Hunter Water assuming responsibility for Dungog Shire Council's water and sewer business from 1 July 2008. Dungog Shire customers had a higher water service charge to fund additional capital investment needed in order to offer a standard of service consistent with the other parts of the area of operations. From 1 July 2013 there are no separate charges for these customers aside from the Clarence Town Sewerage Levy.
3. The sewerage service charge for residential flats and units increase from 65% to 75% of the charge paid by houses.
4. The sewer service charge for small businesses with a standalone 20mm meter has reduced to be the same as for a residential house. Sewer service charges for other non-residential customers are now multiples of the charge for customers with a 25mm meter (in 2012-13 they were multiples of the charge for customers with a 20mm meter).
5. Clarence Town Sewerage Levy significantly reduced because the majority of the scheme costs have already been recovered.
6. A new category was added for stormwater charges for residential flats, units and townhouses (Multi Premise).

Water

Water Service Charge ($) Filtered and Unfiltered (Metered and Unmetered)		2013-14	2012-13 Main Prices	2012-13 Dungog Only
Residential Properties		$17.02	$18.92	$69.55
Non-Residential Properties Meter/ Diameter Pipe Size (mm)	**Meter Equivalent 1**	**Main Prices All Cycles**	**Main Prices All Cycles**	**Dungog Only All Cycles**
20 stand alone		$17.02	$18.92	$69.55
25	1.00	$27.78	$29.56	$108.67
32	1.64	$45.51	$48.43	$178.05
40	2.56	$71.11	$75.68	$278.20
50	4.00	$111.11	$118.25	$434.70
65	6.76	$187.79	$199.83	$734.64
80	10.24	$284.44	$302.70	$1,112.81
100	16.00	$444.44	$472.98	$1,738.78
150	36.00	$999.99	$1,064.20	$3,912.25
200	64.00	$1,777.76	$1,891.89	$6,955.10
250	100.00	$2,778.00	$2,956.09	$10,867.37
300	144.00	$4,000.32	$4,256.77	$15,649.01
350	196.00	$5,444.88	$5,793.93	$21,300.03

[1] Meter Equivalent rate applied from 2013-14 onwards.

Water Usage Charge (Metered Properties Only) ($/kL)	2013-14 Main Prices	2012-13 Main Prices	2012-13 Dungog Only
Tier 1 (≤ 50,000 kL)			
Filtered water	$2.13	$2.08	$2.08
Unfiltered water	$1.69	$1.60	$1.60
Tier 2 - Filtered Water (> 50,000 kL)			
Kurri Kurri	$2.11	$2.06	
Lookout	$1.95	$1.90	
Newcastle	$1.90	$1.85	
Seaham - Hexham	$1.65	$1.61	
South Wallsend	$1.99	$1.94	
Tomago - Kooragang	$1.60	$1.56	
Dungog - charges only for water sourced from Chichester Dam within Shire	$1.60		$1.56
All other locations	$2.13	$2.08	
Gosford-Wyong Water Usage Charges ($/kL)[1]	**$0.62**	**$1.37**	

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

Sewer

Note: Sewer charges are the same for Hunter Water and Dungog.

Sewer Service Charge ($) (Metered and Unmetered)	2013-14	2012-13	
Residential Properties:	Main Prices	Main Prices	Dungog Only
Houses	$569.11	$555.23	$555.23
Multi Premises (Residential) - i.e. Flats and Units	$384.15	$363.20	$363.20
Per each residential property located in a multi premises (minimum charge)[1]	Minimum charge not applicable		

[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		2013-14	2012-13	
	Meter Equivalent[1]	Main Prices	Main Prices	Dungog Only
20mm stand alone		$569.11	$1,110.46	$1,110.46
25mm	1.00	$1,767.10	$1,735.10	$1,735.10
32mm	1.64	$2,895.22	$2,842.78	$2,842.78
40mm	2.56	$4,523.78	$4,441.85	$4,441.85
50mm	4.00	$7,068.40	$6,940.38	$6,940.38
65mm	6.76	$11,945.60	$11,729.25	$11,729.25
80mm	10.24	$18,095.10	$17,767.38	$17,767.38
100mm	16.00	$28,273.60	$27,761.53	$27,761.53
150mm	36.00	$63,615.60	$62,463.44	$62,463.44
200mm	64.00	$113,094.40	$111,046.12	$111,046.12
250mm	100.00	$176,710.00	$173,509.56	$173,509.56
300mm	144.00	$254,462.40	$249,853.77	$249,853.77
350mm	196.00	$346,351.60	$340,078.74	$340,078.74

[1] Meter Equivalent rate applied from 2013-14 onwards.

	2013-14	2012-13	
	Main Prices	Main Prices	Dungog Only
Sewer Usage Charge - Non-residential only ($/kL) (metered only)	$0.67	$0.67	$0.67

Stormwater

Stormwater Service Charge ($)	2013-14 ($)	2012-13 ($)
Residential (Not Within a Multi Premise)	$85.67	$86.42
Residential Multi Premise and Mixed Multi Premise	$31.69	Not Applicable
Non-residential		
Small (< 1,000m2) or low impact	$85.67	$86.42
Medium (1,001 - 10,000m2)	$154.84	$156.20
Large (10,001 - 45,000m2)	$984.91	$993.59
Very Large (> 45,000m2)	$3,129.29	$3,156.84

Recycled Water (Mandatory Schemes)

Gillieston Heights	2013-14 ($)	2012-13 ($)
Service charge (20mm base $/year)	$20.75	$23.07
Usage charge ($/kL)	$1.85	$1.60
Chisholm	**2013-14 ($)**	**2012-13 ($)**
Service charge (20mm base $/year)	$20.75	$23.07
Usage charge ($/kL)	$1.85	$1.60

Backlog and Other Sewerage Services

	2013-14	2012-13	
	Main Prices	Main Prices	Dungog Only
Environmental Improvement Charge (EIC) ($) (Same for Hunter Water and Dungog)	$36.79	$35.89	$35.89
Clarence Town Sewer Charge ($) (Dungog Only)	$75.03		$116.02

Exempt Service

		2013-14	2012-13	
		Main Prices	Main Prices	Dungog Only
Exempt Proportion		$0.20	$0.41	$0.41
Water Service - Exempt	**Meter Equivalent**			
Residential Properties:				
House		$3.40		
Unit/flat		$3.40		
Non-residential Properties:				
Non-residential Stand Alone		$3.40	$7.74	$28.45
25mm	1.00	$5.56	$12.09	$44.46
32mm	1.64	$9.10	$48.43	$178.05
40mm	2.56	$14.22	$75.68	$278.20
50mm	4.00	$22.22	$118.25	$434.70
65mm	6.75	$37.56	$199.83	$734.64
80mm	10.24	$56.89	$302.70	$1,112.81
100mm	16.00	$88.89	$472.98	$1,738.78
150mm	36.00	$200.00	$1,064.20	$3,912.25
200mm	64.00	$355.55	$1,891.89	$6,955.10

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

		2013-14	2012-13	
Sewer Service - Exempt	**Meter Equivalent**	Main Prices	Main Prices	Dungog Only
Residential Properties:				
House		$113.82		
Unit/flat		$76.83		
Non-residential Properties:				
Non-residential stand alone		$113.82	$226.08	$226.08
25mm	1.00	$353.42	$352.68	$352.68
32mm	1.64	$579.04	$578.76	$578.76
40mm	2.56	$904.76	$904.32	$904.32
50mm	4.00	$1,413.68	$1,413.00	$1,413.00
65mm	6.75	$2,389.12	$2,387.40	$2,387.40
80mm	10.24	$3,619.02	$3,617.28	$3,617.28
100mm	16.00	$5,654.72	$5,652.00	$5,652.00
150mm	36.00	$12,723.12	$12,717.00	$12,717.00
200mm	64.00	$22,618.88	$22,608.00	$22,608.00
Pensioner Rebate (same for Hunter Water and Dungog)		**$263.00**	**$258.00**	**$258.00**

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 business unit budgets.

The SCI performance targets for the 2013-14 financial year and the actual results are as follows:

	2013-14 SCI Target ($m)	2013-14 Actual ($m)
Operating Profit before Income Tax Expense	59.90	65.70
Income Tax Expense	18.00	15.37
Net Debt	1,070.63	1,024.36

Hunter Water achieved favourable performance for 2013-14 compared to all SCI target notwithstanding the impact of a revaluation decrement on land and non-current assets of $11.98m and interest expense on defined benefit superannuation of $5.48m.

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 2014 key statistics on Hunter Water's debt portfolio were as follows:

	Actual 2013-14 ($m)	Target 2013-14 ($m)
Current capital value ($)	1,031.65	1,091.60
Average cost of debt (%)	5.37	5.60
Duration		
Pre-dec 2010 nominal debt (years)	4.44	Eroding to zero
Post-dec 2010 nominal debt (years)	4.72	6.25
Inflation linked debt	8.85	12.80

Credit Card Certification

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

Major Acquisitions Over $0.5 Million

Project	2013-14 Expenditure ($m)
Kooragang Recycled Water Project	34.55
High Voltage Network Upgrade	29.48
Ellipse 8 Upgrade	7.91
Williamtown / Raymond Terrace Wastewater Transportation Scheme	6.20
Maitland North Rothbury Water Distribution Stage 3	4.63
Wastewater Treatment Works Upgrade (includes treatment plants at Morpeth, Shortland and Farley)	3.81
Williamtown / Raymond Terrace Wastewater Transportation Scheme	2.88
Integrated Quality Management System	1.85
Other Major Acquisitions (mostly made up of replacements in Hunter Water's water and sewer networks)	21.71
Total Expenditure	**113.01**

Consultancies

Consultants $50,000 and Over

Consultant	Project	Cost $
Pottinger Co Pty Ltd	Financial Advisory Consultancy	195,921
Infrastructure Transaction Ntwk	Treatment Operations Tender Process	163,752
AECOM Australia Pty Ltd	Tillegra Land Use Strategy	130,477
Worleyparsons Services Pty Ltd	Burwood Marine Environmental Assessment Consultancy	116,335
Safearth Consulting	Interim safety measures for HV assets	107,459
Housley Consulting	Telecoms Strategic Framework	95,996
Worleyparsons Services Pty Ltd	Boulder Bay WWTW Stage 3-Marine Program	67,009
QEM Consulting Pty Ltd	IQMS - Quality Consultant	65,700
Safearth Consulting	HV upgrade - Review of Environmental factors	65,199
GHD Pty Ltd	HV upgrade - Review of Environmental factors	62,426
Evans and Peck Pty Ltd	Burwood Beach WWTW Stage 3 - Planning and Consultancy	61,679
GHD Pty Ltd	Inter-regional water transfer options	61,175
BMT WBM Pty Ltd	Tanilba Bay Rec Environmental Investigation	55,732
Ernst and Young	Financial Advisory Consultancy	55,000
Elton Consulting Group Pty Ltd	Burwood Beach WWTW Stage 3 - Planning and Consultancy	50,973
Total Consultants	**15**	**1,354,834**

Consultants Less Than $50,000

Category	Number	Cost ($)
Engineering	18	285,883
Environmental	9	270,301
Corporate	6	91,389
Finance	2	72,715
Total	**35**	**720,288**
Total Consultants	**50**	**2,075,122**

Research and Development

During 2013-14 Hunter Water collaborated on 14 research and development projects covering water, corrosion, wastewater, energy efficiency, ecology and catchment management subjects. This research was conducted in association with other organisations such as Monash University, University of Queensland, University of New South Wales, University of Newcastle, Australia National University, University of Technology Sydney, 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 Hunter Water's operations.

Collaborative Projects Active in 2013-14 but With Expenditure in Previous Years

- Robust optimisation of urban drought security in the face of uncertain climate - NCCARF
- Eastern King Prawn Habitat Study
- Corrosion and Septicity ARC Project
- Minimising Emissions From Wastewater Biosolids for Beneficial Reuse
- Grahamstown Adaptive Management Strategy – Sediment Nutrient Sources Investigation
- Optimal Management of Critical Water and Wastewater Pressurised Mains
- Monitoring Organic Matter in Drinking Water Systems
- University of Newcastle Study on Actinomycetes

Continuing Projects

Project	Cost $
Assessing the Extent to Which E. coli is a Reliable Faecal Indicator	$10,000
WSAA WWTW Energy Benchmarking Study	$4,500
WSAA Pump Station Energy Benchmarking Study	$4,500
Nutrient Sources of Tilligerry Creek Using Stable Isotope Analysis	$14,890
Fate of Cyanobacterial Cells Through Drinking Water Treatment Unit Operations	$7,500
Catchments as Water Quality Treatment Assets	$12,000

Donations and Sponsorship

To Non-Government Community Organisations

Organisation	Name	Purpose of Project	Target Clients	Type	Amount
Belmont Neighbourhood Centre	Rainwater Tanks Project	Create a sustainable sensory garden for local children	Community preschool and First Chance disability group	Sustainability Grant	$2,000
Islington Public School	Styx Creek Protection Project	Improve runoff into Styx Creek	Islington Public School students, staff, parents and local community	Sustainability Grant	$4,600
Maitland City Council	Creating an Informed Younger Generation project	Raise awareness of water conservation among pre-school aged children	Pre-schoolers and their families in Maitland	Sustainability Grant	$2,500
Charlestown City Blues Football Club	Lisle Carr Oval Water-saving Initiative	Recondition turf at Lisle Carr Oval to make it more water efficient	Local sporting groups	Sustainability Grant	$5,000
Keep Australia Beautiful NSW	Enviro Mentors – Educating Schools in the Hunter	Raise awareness of local environment issues in Maitland	Maitland primary school aged children	Sustainability Grant	$4,000
Dungog High School	Water Tank and Guttering for Bush Tucker Garden	Create a sustainable bush tucker garden and raise awareness of Indigenous culture	Dungog High School students, parents, staff and local community	Sustainability Grant	$1,300
Tilligerry Habitat Association Inc	Tilligerry Habitat Better Use of Rainwater	Create sustainable community garden	Tillegerry Peninsula community	Sustainability Grant	$2,608
Woodrising, Booragul and Marmong Point Sustainable Neighbourhood Group	Creation of a Sustainable Water Supply	Create a sustainable community garden	Woodrising and surrounds community	Sustainability Grant	$3,500
Rotary Club of Nelson Bay Inc.	Gan Gan Lookout Vegetation Restoration Program	Install rainwater supply at Gan Gan Lookout to maintain site	Visitors to Port Stephens	Sustainability Grant	$950

Lakeside School	Building Lakeside From the Ground Up	Create a sustainable edible garden to encourage healthy eating	Children with a disability	Sustainability Grant	$3,000
Hunter Wetlands Centre Australia	Water Save Program	Better use of rainwater to maintain sensitive habitats	Visitors and volunteers at the Wetlands	Sustainability Grant	$3,000
St Philips Christian College Cessnock	Black Creek Revegetation Project Stage 1	Build a wildlife corridor at Black Creek in Cessnock by revegetating the banks	St Phillips Christian College students, parents, staff and local community	Sustainability Grant	$2,500
Wallsend Business Town Association	Wallsend RV Dump Point	Create sanitary dump site for recreational vehicle users at Wallsend	Wallsend business community and passing tourists	Sustainability Grant	$5,000
Surfest	Surfest	Sponsorship for local surfing event that draws attention to the high quality of Newcastle beaches	Hunter community, international surfing community	Community Infrastructure Grant	$5,000
CMA (Local Land Services)	CMA	Raise awareness of local waterway health issues	Local school students	Community Infrastructure Grant	$6,500
Hunter Region Botanic Gardens	Water Recycling Project	Support region's only botanic gardens' ongoing viability through sustainable irrigation project	Hunter community, tourists	Community Infrastructure Grant	$30,000
Fort Scratchley	Rehabilitation Project	Maintain local heritage asset	Hunter community, tourists	Community Infrastructure Grant	$35,000
PedalFest	PedalFest	Cycling event to raise money for Westpac Rescue Helicopter	Dungog community, tourists	Community Infrastructure Grant	$1,000
Dungog Council	Dungog Toilet Block	Construct a modern, water efficient public toilet facility in Dungog	Dungog community, tourists	Community Infrastructure Grant	$30,000
Dungog Film Festival	Dungog Film Festival	Support film festival in Dungog to help communicate Water Wise Rules and promote Hunter Water land sales in the area	Dungog community, tourists	Community Infrastructure Grant	$20,000
Hunter Region Botanic Gardens	Stakeholder Contribution	Contribute to the ongoing viability of Hunter Region Botanic Gardens	Hunter community, tourists	Community Infrastructure Grant	$7,000
Westpac Rescue Helicopter	Charitable donation to Westpac Rescue Helicopter	Match employee support for valuable local service	Hunter community	Charity	$136
Leukaemia Foundation	Oggie for a Day and Easter Competition	Match employee support for cancer research	Wider community	Charity	$1,659
Variety Children's Charity	Variety Bash	Donation to participant in Variety Bash	Disadvantaged children, wider community	Charity	$2,000
Hunter Region Botanic Gardens	Lower Hunter Water Plan Event Support Donation	Donation in thanks for hosting Lower Hunter Water Plan announcement	Hunter community, tourists	Charity	$500
Cancer Council	Biggest Morning Tea	Match employee support for cancer research	Wider community	Charity	$2,000
Hunter Breast Cancer Alliance	Mothers Day Employee Newsletter Donation	Donation to Hunter Breast Cancer Alliance to coincide with Mothers Day	Hunter community	Charity	$500
Water Aid	Water Week Water Aid BBQ	Match employee support for Water Aid	International water aid	Charity	$235
Tocal Agricultural College	Scholarship Program	For students studying in areas of catchment health	Students studying catchment health	Scholarships	$6,000
The University of Newcastle	Undergraduate Scholarship Program	For students studying in areas relating to Hunter Water and undergoing hardship	Students undergoing hardship	Scholarships	$20,000
Total					**$212,488**

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	90	60,167,821	63,815,089
December	95	93	63,351,660	64,823,085
March	95	92	52,219,661	54,236,535
June	95	90	46,711,329	51,008,597

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	60,167,821	2,791,403	651,289	161,633	42,942	63,815,089
December	63,351,660	979,085	362,404	112,299	17,636	64,823,085
March	52,219,661	1,519,710	358,109	106,767	32,287	54,236,535
June	46,711,329	2,739,694	1,293,658	102,254	161,662	51,008,597

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 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 2014.

Tillegra Land and Lower Hunter Water Plan

Hunter Water has developed a Land Use and Management Plan for its Tillegra land holdings. The plan identifies economic opportunities for use of the land by the environmental, agricultural, tourism and recreational sectors.

Following the Government's decision against constructing the Tillegra Dam in 2012, the market values for the Tillegra land parcels have declined by $7.9m ($28.5m at 30 June 2013) at 30 June 2014.

Hunter Water's Response

At 30 June 2014, three properties at Tillegra were on the market for sale with some market interest in two of these properties. Further land release strategies are currently under consideration. The fair value of the land holdings at Tillegra will continue to be monitored with an external land revaluation scheduled to be undertaken during 2014-15.

Right to Information

During 2013-14, Hunter Water received 10 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
- Newsletters and direct mail
- Media campaigns
- 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 an 'Incident Response' area on its website to provide up-to-date information to customers during incidents involving our assets, the environment, customers or employees.

Number of Applications by Type of Applicant and Outcome[1]

	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	1	0	2	0	0
Private sector business	3	3	1	0	0	0	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)	3	2	0	0	0	0	0	0
Members of the public (other)	1	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.

Number of Applications by Type of Application and Outcome[1]

	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*	1	0	0	0	0	0	0	0
Access applications (other than personal information applications)	6	5	1	1	0	2	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

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

Invalid Applications

Reason for Invalidity	Number of Applications
Application does not comply with formal requirements (section 41 of the Act)	2
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	2
Invalid applications that subsequently became valid applications	2

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

Overriding secrecy laws	Number of Times Consideration Used[1]
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

[1] 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	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	5
Business interests of agencies and other persons	2
Environment, culture, economy and general matters	0
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)	10
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	**10**

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

	Decision Varied	Decision Upheld	Total
Internal review	0	0	0
Review by Information Commissioner[1]	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**

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

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

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

Legislative Change

There was no material legislative change during 2013-14.

PUBLIC INTEREST DISCLOSURES

Reporting Period July 2013 to June 2014

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 2012) 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 IS0 31000 and provides a transparent and consistent approach to risk management, as well as a 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	• Implement programs to reduce dry weather overflows • Implement wet weather overflow abatement strategy • Deliver upgrade strategies for wastewater treatment works
Business system failure	Business systems unable to support efficient delivery of core services	• Infrastructure review and replacement program • Network telecommunication review • Information technology core application and systems refresh
Service continuity	Imbalance in water supply/ demand or wastewater service/ demand	• Commence implementation of the Lower Hunter Water Plan • Annual planning and risk review for water and wastewater networks and wastewater treatment works • Contribute to development of Growth Infrastructure Plans (preparation being led by Department of Planning and Infrastructure)
Asset failure	Operational asset failure with resultant inability to deliver core services	• Management practice review for electrical network assets • Condition assessment and management plans for key assets
Safety	Unsafe work environment or practices result in escalated levels of injury	• Deliver 2013-14 WHS Strategy • Conduct contract manager safety review

MAJOR CAPITAL WORKS IN PROGRESS

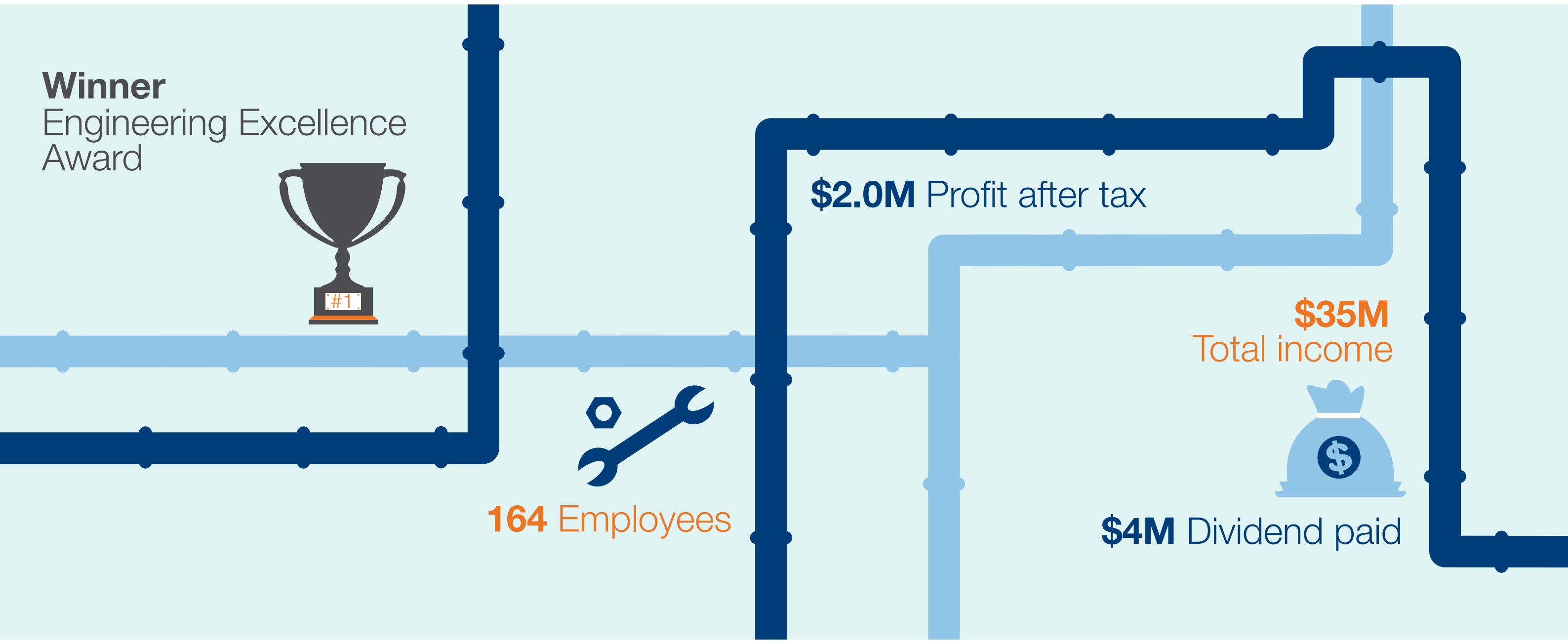
Project	Cost	Commenced	Status
Kooragang Island Recycled Water Works - Stage 1	69,800,000	Feb-07	Underway
High Voltage Major Upgrade	50,500,000	Sep-09	Underway
Farley Wastewater Treatment Works Upgrade - Stage 3	29,424,544	Sep-08	Complete
Shortland Wastewater Treatment Works Sludge Handling Upgrade	17,696,000	Jun-14	Underway
Wastewater Transfer Systems Upgrades - Williamtown/Tomago	17,200,000	Jul-10	Complete
Enterprise Resourcing Planning Upgrade Project	15,100,000	Oct-12	Underway
Adamstown Wet Weather Pump System Upgrade	14,900,000	Jun-11	Complete
Maitland North Rothbury Water Distribution - Stage 3	14,097,000	Jun-11	Complete
Integrated Quality Management System Project	6,043,000	Jul-12	Underway
Windale Wastewater Transfer Upgrade	4,215,000	Jun-11	Complete
Server and Storage Refresh Project	2,500,000	Jul-13	Underway
Bellbird to Pelton Reservoir - Water Distribution	2,723,164	Nov-13	Complete

Note the status is at 30 June 2014.

Definitions

Underway: Design commenced.
Complete: Practical completion achieved, in operation/implemented.

HUNTER WATER AUSTRALIA



ORGANISATIONAL PROFILE

About Us

Hunter Water Australia Pty Limited (HWA) is a fully-owned subsidiary of Hunter Water that operates as an independent commercial enterprise. Hunter Water Australia operates throughout Australia and internationally, providing a range of specialist technical, management and operational services to water agencies, councils and the private sector.

HWA has three types of business which are Consulting, Operations and Laboratories as well as a central Corporate Services team.

The company specialises in:

- Operation of water and wastewater treatment plants
- Providing operations support services and systems
- Water and wastewater planning and investigations
- Process, civil, mechanical, electrical, and structural design of water and wastewater treatment plants and other infrastructure
- Laboratory testing of water and wastewater
- Telemetry and automation
- Materials and corrosion engineering
- Dam monitoring and assessment
- Asset management
- Pricing and capital planning studies
- Project delivery including project and contract management

Company Performance

The company has performed well in a challenging market during the year with the Consulting business sustaining a reasonable workload of mid-sized jobs in a contracting market. The total income for Hunter Water Australia of $35m generated a net profit after tax for the year ending 30 June 2014 of $1.9m. Hunter Water Australia paid a $4m dividend to the Parent entity during the 2013-14 financial year.

Our Work

HWA's services fall in three main areas – operations and partnering, consultancy and laboratory services. Each of these areas performed well in the 2013-2014 financial year. At the end of the financial year, HWA employed 164 full-time equivalent employees (FTE). This was a net decrease of nine (5%) from the same period last year.

Operations and Partnering

HWA is a market leader in water and wastewater process design and operational management support. HWA has numerous partnering and twinning arrangements with councils and water agencies. HWA works closely with clients to help solve specific problems, optimise processes, train operators and improve capabilities.

HWA continues to focus on working closely with regional Australian communities to assist them in dealing with the challenges they face.

Highlights of the year included:

- Substantial effort was applied to developing and refining our management systems, leading to recertification of our safety, environmental and quality management systems against relevant Australian Standards (AS4801, ISO9001 and ISO14001).
- Implementing innovative and low cost solutions to improve performance, capacity and efficiency at the treatment plants, with notable examples in 2013-14 including:
    - Increasing the flow capacity of Grahamstown WTP by 25 ML/d through minor changes to control logic and polymer dosing.
    - Identifying a low cost option to allow filter-to-waste at Dungog WTP to improve capability to comply with more stringent turbidity regulations.
    - Developing a system for daily extraction, assessment and validation of online water quality data to allow compliance reporting in accordance with current Australian Drinking Water Quality guidelines.
- Maintaining a strong focus on training and developing operators, undergraduate engineers and technical support employees.

Consultancy

Hunter Water Australia's broad operations background is backed by a vast network of specialist consultants to ensure it continues to provide the best solutions for its clients. Over the past financial year, Hunter Water Australia specialists were involved in a range of projects throughout Australia.

Highlights of the year include:

- There was industry and client recognition for our key role in the design and commissioning of the Mid Coast Water recycled treatment plants for Forster and Hawks Nest. This landmark project won an Engineers Australia Engineering Excellence Award.
- Technology development and research in the fields of aerobic/anaerobic sludge digestion and ozonation of drinking water for removal of organics.
- Development of EPCM procedures in asset creation including planning phases, design through to delivery and commissioning. These are portable systems that can be easily adapted to suit a client's needs.
- Further investment in graduate development to provide our engineers with the necessary skills to work and further develop in the water industry.
- The expansion of HWA's experience and profile in international development and capacity building projects in the Asia Pacific Region, including projects in Fiji and Papua New Guinea.

Laboratories

Hunter Water Laboratories is based at Warabrook in Newcastle. It is a high-quality environmental testing facility tailored to efficiently meet the strict testing requirements of large urban water supply and wastewater systems. It also caters for the strict testing regulations of the mining industry. The laboratories carry out water, wastewater, biosolids and environmental water quality monitoring as well as cryptosporidium/giardia and legionella testing. Expertise in sampling, chemical, organics and microbiological analysis of waters is the core business of the Laboratories, which also operates a material testing facility. Analysis techniques and equipment used in this laboratory are to the high standard of APHA (American Public Health Association) Standard Methods and Australian Standards. The laboratory is NATA accredited to conduct over 90 chemical and microbiological testing regimes and also carries AS/NZS ISO9001:2008 Registration covering Chemical, Microbiological, Sampling and Administration.

Company Particulars

Directors

Mr J Eather	Chairman to 27 June 2014
Mr TH Lawler	Resigned 25 July 2013 Reappointed as Chairman 27 June 2014
Mr P Dalglish	Appointed 25 July 2013
Mr K Wood	Resigned 25 July 2013 Reappointed 27 June 2014

Company Secretary

Ms A Swan

Registered Office

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

19 Spit Island Close
Steel River
Mayfield West
NSW 2304

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

ABN: 19 080 869 905

Auditors

Audit Office of New South Wales.

Bankers

Commonwealth Bank of Australia.

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 2014.

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 J Eather	Chairman to 27 June 2014
Mr P Dalglish	Appointed 25 July 2013
Mr T Lawler	Resigned 25 July 2013, reappointed as Chairman 27 June 2014
Mr K Wood	Resigned 25 July 2013, reappointed 27 June 2014

Information on Directors

J R Eather - B Com, CPA, FCSA, FCIS, MAICD

Mr Eather was appointed as a Director on 9 June 2009 and as the Chairman of the Board on 27 June 2013. Mr Eather resigned as Chairman on 27 June 2014. 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 on 25 July 2013 and is also a Director of Hunter Water. 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 Daglish is currently a Director of Chester Consulting Pty Ltd and has held senior management positions with Sydney Water Corporation and URS Australia Pty Ltd where he has worked on strategic projects across Australia and in New Zealand, The Philippines, Iraq and Vietnam.

T Lawler - B Com, FCA, FAICD, FAIM

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

Mr Lawler is Chairman of PKF Lawler Corporate Finance Pty Limited. He is also Chair of Life Without Barriers Limited and Chair of Ampcontrol Group. Mr Lawler is a Director of Powerdown Australia Pty Limited, 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

Mr Wood was appointed as a Director in February 2012 and resigned on 25 July 2013. Mr Wood was reappointed as Director on 27 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	10
P Dalglish	10	10
T Lawler	2	2
K Wood	2	2

Principal Activities

The principal activities of the Company in 2013-14 were the provision of specialist support and operations services in the fields of water, wastewater, stormwater, environmental and strategic services.

The Company has operated the water and wastewater treatment facilities under contract to our Parent, Hunter Water Corporation. Over the past 12 months the Company was involved in a competitive tender process to win this work under a service contract for the next eight years. The Company was not successful in securing this contract and consequently the operation of the water and wastewater treatment facilities will transfer to an un-associated service provider. Further information is detailed in the Change in State of Affairs.

Results and Dividends

The net profit after tax, for the financial year ended to 30 June 2014, was $1,977,100 compared with a net profit after tax of $3,094,311 for the previous year.

During the year, a dividend was paid to the Shareholder of $2,563,777 for the year ended 30 June 2013 that was declared at 25 July 2013. A special dividend was also paid to the Shareholder of $4,000,000 that was declared at 31 October 2013.

Review of Operations

The entity comprises six Business Units whose performance is independently monitored. The Business Units are made up of Treatment Operations, Process Engineering, Planning, Design and Project Management, Electrical and SCADA and Laboratories. All businesses achieved a profit result for the year, except for the Planning business which recorded a minor loss.

Subsequent Events

The Parent Entity has resolved to appoint an advisor to prepare a path for the sale of Hunter Water Australia.

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 in future financial years.

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.

Up to 30 June 2014, the insurance policy to cover the indemnity was paid for by the Parent Company. The Company paid a Management Fee to the Parent Company to cover this expense. From 1 July 2014, the insurance policy to cover the indemnity is paid for by the Company under its own policy.

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 wastewater treatment facilities for the Parent entity, Hunter Water Corporation. This loss of business equates to approximately 26% of annual income and 25% of the Company's workforce.

The Parent entity has secured employment transfers to the new service provider for up to 21 employees of the Company. There are up to 23 other employees who will be displaced by the loss of the contract. Employees that are displaced once the transition to the new operator has completed will be offered redeployment or redundancy.

The Company is expected to continue to operate profitably and meet its obligations as they fall due.

True and Fair View

The financial statements and notes give a true and fair view of the financial position as at 30 June 2014 and the performance for the financial year ended 30 June 2014.

Future Developments

The Company expects to maintain the present status and level of operations due to contracts for projects secured which exceed the decline in revenue for the Treatment Operations contract.

Further information on likely developments in the Company's operations and expected results of operations have not been included in this report because Directors believe it would be likely to result in unreasonable prejudice to the Company.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307c of the *Corporations Act 2001* is set out on page 107.

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 J Eather
Director

Mr P Dalglish
Director

Newcastle
27 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR-GENERAL
NEW SOUTH WALES

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 2014, I declare, to the best of my knowledge and belief, there have been no contraventions of:

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

James Sugumar

James Sugumar
Director, Financial Audit Services

26 August 2014
SYDNEY

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

INDEPENDENT AUDITOR'S REPORT

AUDITOR-GENERAL
NEW SOUTH WALES

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 Ltd (the Company), which comprise the statement of financial position as at 30 June 2014, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 2014 and its performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give 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 the financial statements that give a true and fair view and that 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about 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 the Company on 26 August 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.

James Sugumar

James Sugumar
Director, Financial Audit Services

2 September 2014
SYDNEY

FINANCIAL STATEMENTS

Start of audited financial statements.

Income Statement for the Year Ended 30 June 2014

	Notes	2014 ($)	2013 ($)
Income			
Services	2	35,216,283	37,837,895
Other income	2	138,817	242,982
Total income		35,355,100	38,080,877
Expenses	3	(32,529,795)	(33,656,529)
Profit before income tax		2,825,305	4,424,348
Income tax expense	4	(848,205)	(1,330,037)
Profit for the year		1,977,100	3,094,311
Attributable to:			
Owners of Hunter Water Australia Pty Limited		1,977,100	3,094,311
		1,977,100	3,094,311

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

Statement of Comprehensive Income for the Year Ended 30 June 2014

	Notes	2014 ($)	2013 ($)
Profit for the Year		1,977,100	3,094,311
Other comprehensive income			
Superannuation actuarial gains/ (losses)		438,787	4,017,586
Income tax on superannuation actuarial gains/ (losses)	12	(131,637)	(1,205,276)
Other comprehensive income for the year net of tax		**307,150**	**2,812,310**
Total comprehensive income for the year		**2,284,250**	**5,906,621**

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

Statement of Financial Position as at 30 June 2014

	Notes	2014 ($)	2013 ($)	2012 ($)
Current assets				
Cash and cash equivalents	6	2,093,421	2,601,720	7,346,559
Investments	7	3,366,812	7,634,338	0
Trade and other receivables	8	8,911,944	7,253,228	8,433,494
Current tax assets (liabilities)	9	107,051	38,783	(765,514)
Total current assets		14,479,228	17,528,069	15,014,539
Non-current assets				
Plant and equipment	10	3,130,445	3,516,990	4,007,401
Intangible assets	11	277,836	260,293	313,192
Investments	7	-	-	5,000,000
Deferred tax assets	12	3,356,022	3,248,915	4,194,012
Total non-current assets		6,764,303	7,026,198	13,514,605
Total assets		**21,243,531**	**24,554,267**	**28,529,144**
Current liabilities				
Trade and other payables	13	3,056,897	2,386,717	2,481,743
Provisions	14	4,412,933	6,466,701	3,414,713
Total current liabilities		7,469,830	8,853,418	5,896,456
Non-current liabilities				
Provisions	14	575,510	659,062	402,316
Underfunded Defined Benefit Super	15	8,063,391	8,191,237	11,829,757
Total non-current liabilities		8,638,901	8,850,299	12,232,073
Total liabilities		**16,108,731**	**17,703,717**	**18,128,529**
Net assets		**5,134,800**	**6,850,550**	**10,400,615**
Equity				
Contributed equity	16	900,010	900,010	900,010
Retained earnings		4,234,790	5,950,540	9,500,605
Total equity		**5,134,800**	**6,850,550**	**10,400,615**

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

Statement of Changes in Equity for the Year Ended 30 June 2014

	Notes	Retained Profits ($)	Contributed Equity ($)	Total ($)
Opening balance at 1 July 2013		6,759,231	900,010	7,659,241
AASB 119 Adjustments		(808,691)	-	(808,691)
Balance at 1 July 2013		5,950,540	900,010	6,850,550
Profit for the year		1,977,100	-	1,977,100
Other comprehensive income:				
Superannuation actuarial gains/ (losses)		438,787	-	438,787
Income tax on superannuation actuarial gains/ (losses)		(131,637)	-	(131,637)
Total Other Comprehensive Income		307,150	-	307,150
Total Comprehensive Income for the year		2,284,250	-	2,284,250
Transactions with owners in their capacity as owners	5	(4,000,000)	900,010	(4,000,000)
Balance at 30 June 2014		**4,234,790**	**900,010**	**5,134,800**
	Notes	**Retained Profits ($)**	**Contributed Equity ($)**	**Total ($)**
Balance at 1 July 2012		10,688,976	900,010	11,588,986
AASB 199 Adjustments		(1,188,370)	-	(1,188,370)
Balance at 1 July 2012		9,500,606	900,010	10,400,616
Profit for the year		3,094,311	-	3,094,311
Other comprehensive income:				
Superannuation actuarial gains/ (losses)		4,017,586	-	4,017,586
Income tax on superannuation actuarial gains/ (losses)		(1,205,276)	-	(1,205,276)
Total Other Comprehensive Income		2,812,310	-	2,812,310
Total Comprehensive Income for the year		5,906,621	-	5,906,621
Transactions with owners in their capacity as owners	5	**(9,456,687)**	**-**	**(9,456,687)**
Balance at 30 June 2013		**5,950,540**	**900,010**	**6,850,550**

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

Statement of Cash Flows for the Year Ended 30 June 2014

	Notes	2014 ($)	2013 ($)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		37,278,701	42,681,903
Payments to suppliers and employees (inclusive of GST)		(34,125,494)	(35,491,920)
		3,153,207	7,189,983
Interest received		138,726	250,032
Income taxes paid		(1,155,216)	(2,394,514)
Net cash flows from operating activities	17	2,136,717	5,045,501
Cash flows from investing activities			
Payments for property, plant and equipment		(394,295)	(243,117)
Proceeds from sale of assets		24,878	-
Loan to HWC		4,267,525	(2,634,336)
Net cash flows from investing activities		3,898,108	(2,877,453)
Cash flows from financing activities			
Dividends paid	5	(6,563,777)	(6,892,910)
Net cash flows from financing activities		(6,563,777)	(6,892,910)
Net increase / (decrease) in cash held		(528,952)	(4,724,862)
Cash at beginning of financial period		2,601,720	7,346,559
Effects of exchange rate changes on cash		20,653	(19,977)
Cash at the end of the financial year	6	2,093,421	2,601,720

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

Notes to and Forming Part of the Financial Statements

Note 1. Summary of Significant Accounting Policies

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

The Company's financial statements for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board on 27 August 2014.

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.

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 Underfunded Superannuation Benefits. Refer to Notes 14 and 15 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 is recognised in the accounting period in which the services are rendered. For time and materials contracts, revenue is recognised as the service is rendered. For fixed-price contracts, revenue is 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 lodges Income Tax returns in both Canada and the United States. These are nil returns as any assessable income is assessed in the Company's Australian Income Tax in accordance with the relevant tax treaty's Australia has with each of those countries.

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

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

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

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

Tax consolidation legislation

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

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

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

D. Cash and Cash Equivalents

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

E. Trade Receivables

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

Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the impairment loss is recognised 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 settle within 21-28 days.

F. Work In Progress

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

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

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

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

G. Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by Management (refer to Note 1I Impairment of assets below).

The initial cost of the leasehold improvements at the Company's Steel River property includes an estimate of the cost of dismantling the improvements and restoring the site on which it is located. These costs are 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 are 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, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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

Depreciation

Depreciation is calculated using the straight line method on all plant and equipment at rates calculated to allocate their cost, net of their residual values, over their estimated useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

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

The useful life of Leasehold Improvements has was reduced from 40 years to 5-20 years in the previous period to bring disclosures in-line with the terms of lease agreements.

H. Intangible Assets

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

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

Following initial recognition, the cost model is applied as it is considered that there is no active market that can be referenced for performing revaluations to a market-based fair value in respect of the particular items within each class of the Company's intangible assets.

I. Impairment of Assets

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

In accordance with the requirements of AASB136 and NSW Policy Paper 14-01, an assessment has been made of the value in use, which is the future cash flows to be derived from an asset or cash-generating unit over the remaining life of the existing asset base, to determine the extent of any difference in the economic value and the carrying value of the assets.

Key assumptions of the asset impairment test are a discount rate of 5%, inflation of 2.5% and remaining asset life of an average of 9.8 years.

J. Leases

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

K. Trade and Other Payables

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

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

Trade Accounts payables are normally settled within 30 days.

L. Employee Benefits

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

Liabilities for salaries and wages (including 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, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

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

(ii) Long service leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the 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 are members of either defined benefit superannuation funds or defined contribution superannuation funds.

Defined contribution superannuation schemes

The Company 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 superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Company 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 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 arbitray. Based on this, the Company discloses defined benefit superannuation liabilities or assets as non-current as this best 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 has been made for the cost of dismantling the leasehold improvements and restoring the Company's Steel River property in accordance with the lease agreement. The provision has been 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 28 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 are 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 2014. The Company's' assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 – Financial Instruments (Effective for Reporting Periods on or After 1 January 2017)

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

(ii) AASB 1055 – Budgetary Reporting and AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements (Effective for Annual Reporting Periods Starting on or After 1 July 2014)

In March 2013 the AASB released AASB 1055 with the objective to specify budgetary disclosure requirements for the whole of government, General Government Sector (GGS) and not-for-profit entities within the GGS of each government. This Standard sets out budgetary reporting requirements for not-for-profit entities within the GGS of the Australian Government and State and Territory Governments, and, together with AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements, relocates the corresponding budgetary reporting requirements for the whole of government and GGS of the Australian Government and State and Territory Governments from AASB 1049.

The Company is a subsidiary of a government owned corporation and complies with requirements of AASB 1049. As a consequence, the standard change will have no impact on the financial statements of the Company.

(iii) AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets and AASB 2013-6 Amendments to AASB 136 Arising From Reduced Disclosure Requirements (Effective for Annual Reporting Periods Starting on or After 1 January 2014)

AASB 2013-3 was released in June 2013 and AASB 2013-6 was released in September 2013 both relating to the amended AASB 136 Impairment of Assets. The Company understands the requirements of AASB 136 Impairment of Assets and NSW Treasury Policy TPP14-01 Valuation of Physical Non-current Assets at Fair Value and previous disclosures are compliant with requirements. The amendments to the standard include the requirement to disclose additional information about fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The standard amendments will have no impact on the financial statements of the Company.

(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 Company 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 2017. There is no impact on the financial statements of the Company from this pronouncement.

(vi) Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]

This standard adds guidance to AASB 132 Financial Instruments Presentation to address some inconsistencies identified in applying some of the off-setting criteria of AASB 132. There is no impact on the financial statements of the Company from standard. The application date to reporting periods beginning on or after 1 January 2014.

S. Changes in Accounting Standards

During the period the revised AASB 119 Employee Benefits became operative. The standard changes resulted in changes in accounting policies and financial impacts outlined below:

AASB 119 Employee Benefits

This revised standard has changed the way organisations are required to determine the income or expense related to post-employment defined benefit superannuation plans.

Under the revised standard, the net interest expense (income) on the net defined benefit liability (asset) is now calculated by applying the discount rate used to measure the gross defined benefit liability at the beginning of the reporting period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the reporting period as a result of contributions and benefit payments. Previously, the net interest expense (income) was calculated as the difference between the interest cost on the gross defined benefit liability and the expected return on plan assets.

This change has the effect of increasing the net interest expense on the net defined benefit liability recognised in profit and loss, as the discount rate is generally lower than the long-term expected rate of return on plan assets. However, it also has the corresponding effect of increasing the gain on remeasurement of the net defined benefit liability in other comprehensive income.

The revised standard is required to be adopted retrospectively. The 2013 and 2012 comparatives in the Income Statement, Statement of Comprehensive Income and Statement of Financial Position are shown in the table on the following page.

Impact on Income Statement, Statement of Comprehensive Income and Statement of Financial Position for the year ended 30 June 2013

	30 June 2013 Previously Reported	AASB 119 Adjustments ($'000)	30 June 2013 as Restated ($'000)
Income Statement			
Other Income	675,670	(432,688)	242,982
Total Income	38,513,565	(432,688)	38,080,877
Expenses	(33,277,463)	(379,066)	(33,656,529)
Profit before income tax	5,236,102	(811,754)	4,424,348
Income tax expense	(1,573,564)	243,527	(1,330,037)
Profit for the year	3,662,538	(568,227)	3,094,311
Profit attributable to Owners of Hunter Water Australia Pty Limited	3,662,538	(568,227)	3,094,311
Statement of Comprehensive Income			
Profit for the year	3,662,538	(568,227)	3,094,311
Superannuation actuarial gains/(losses)	2,663,434	1,354,152	4,017,586
Income tax on superannuation actuarial gains/(losses)	(799,030)	(406,246)	(1,205,276)
Other Comprehensive Income for the Year Net of Tax	1,864,404	947,906	2,812,310
Total Comprehensive Income for the Year	5,526,942	379,679	5,906,621
Statement of Financial Position			
Deferred Tax Assets	2,902,332	346,583	3,248,915
Total Non-Current Assets	6,679,615	346,583	7,026,198
Total Assets	24,207,684	346,583	24,554,267
Underfunded Defined Benefit Super	7,035,963	1,155,274	8,191,237
Total Non-Current Liabilities	7,695,025	1,155,274	8,850,299
Total Liabilities	16,548,443	1,155,274	17,703,717
Net Assets	7,659,241	(808,691)	6,850,550
Retained Profits	6,759,231	(808,691)	5,950,540
Total Equity	7,659,241	(808,691)	6,850,550

Impact on Statement of Financial Position for the Year Ended 30 June 2012

	30 June 2012 Previously Reported	AASB 119 Adjustments	30 June 2012 as Restated
Statement of Financial Position			
Deferred Tax Assets	3,684,710	509,302	4,194,012
Total Non-Current Assets	13,005,303	509,302	13,514,605
Total Assets	28,019,842	509,302	28,529,144
Underfunded Defined Benefit Super	10,132,085	1,697,672	11,829,757
Total Non-Current Liabilities	10,534,401	1,697,672	12,232,073
Total Liabilities	16,430,857	1,697,672	18,128,529
Net Assets	11,588,985	(1,188,370)	10,400,615
Retained Profits	10,688,975	(1,188,370)	9,500,605
Total Equity	11,588,985	(1,188,370)	10,400,615

The revised standard has also changed the definition of short term. This has impacted the treatment of annual leave. In accordance with AASB 119 and NSWTC 14/04 Accounting for Long Service Leave and Annual Leave, the Company's treatment for the annual leave provisions has been adjusted as annual leave can only be recognised as a short-term employee benefit where these benefits are expected to be settled wholly before 12 months after the end of the annual reporting period in which employees render the related service. Annual leave as such is now considered to be a long term benefit and has been measured at present value.

Note 2. Income

	2014 ($)	2013 ($)
Services		
Sale of services	35,216,283	37,837,895
	35,216,283	37,837,895
Other Income		
Interest from parent entity	96,251	163,767
Interest from financial institutions	42,475	71,768
Other	91	7,447
	138,817	242,982
Total income	**35,355,100**	**38,080,877**

Note 3. Expenses

Profit Before Tax Includes the Following Net Gains and Expenses:

A. Expenses

	2014 ($)	2013 ($)
Employee related expenses (see note B. below)	19,726,525	19,834,344
Project and contract outlays	7,871,217	8,649,142
Motor vehicles (excluding minimum lease payments)	325,820	285,544
Minimum lease payments	1,829,066	1,757,394
Property Expenses	433,559	463,539
Information technology and communications	629,304	603,923
Foreign currency loss/(gain)	(59,534)	20,565
Loss/(gain) on disposal of assets	(24,878)	8,695
Debts written off	-	303
Other	1,035,418	1,039,763
	31,766,497	32,663,212
Depreciation and Amortisation		
Amortisation - Intangibles	117,301	124,236
Depreciation - Plant and Equipment	645,997	869,081
	763,298	993,317
Total expenses	**32,529,795**	**33,656,529**

B. Employee Related Expenses

	2014 ($)	2013 ($)
Salaries	15,835,094	16,250,364
Employee benefits	1,567,210	1,654,583
Employee termination benefits	468,647	-
Superannuation relating to Defined Benefit Schemes	524,107	612,796
Superannuation relating to Defined Contribution Plans	1,331,467	1,316,601
	19,726,525	**19,834,344**

Note 4. Income Tax on Profit Before Financial Instrument Fair Value Movements

A. Income Tax Expense

	Notes	2014 ($)	2013 ($)
Current tax		955,312	384,940
Deferred tax	12	(107,107)	945,097
		848,205	**1,330,037**

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

	Notes	2014 ($)	2013 ($)
Profit before income tax and financial instrument fair value movements		2,825,305	4,424,348
Tax at the Australian rate of 30%		847,592	1,327,304
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Sundry items		613	2,733
		848,205	**1,330,037**

C. Tax Expense/(Income) Relating to Items in Other Comprehensive Income

	Notes	2014 ($)	2013 ($)
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	12	(131,637)	(1,205,276)
		(131,637)	**(1,205,276)**

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 have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the Company will reimburse the Parent Entity for any current income tax payable by the Parent Entity 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 the Parent Entity (see Note 22). 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 5. Dividends Paid or Provided For

	2014 ($)	2013 ($)
Opening balance	2,563,777	-
Add dividend declared	4,000,000	9,456,687
Less dividend paid	(6,563,777)	(6,892,910)
	-	**2,563,777**

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

Note 6. Cash and Cash Equivalents

	2014 ($)	2013 ($)
Cash at bank and on hand	2,093,421	2,601,720
	2,093,421	**2,601,720**

Bank Overdraft Facility

The Company has 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. As at 30 June 2014 the whole amount of the overdraft was unused. The Company also has a credit card facility to the extent of $120,000. All balances are repaid in full at the end of each month and no interest expense has occurred during the year.

Refer to Note 28 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 7. Investments

Current	2014 ($)	2013 ($)
Loan with Parent Entity	3,366,812	7,634,338
	3,366,812	**7,634,338**

The loan terms allow a draw down on the loan given two business days' notice, and ability to recall the balance in full given 90 days' notice.

The Company's exposure to interest rate risk is discussed in Note 28. The maximum exposure to credit risk at the end of the reporting period is the carrying amount mentioned above.

Note 8. Trade and Other Receivables

Current	2014 ($)	2013 ($)
Trade debtors	5,321,371	3,761,787
Other current receivables	2,200	700
Prepayments	524,816	450,797
Work in Progress	2,255,272	2,256,756
Security Deposits	9,053	3,000
Accrued Income	799,232	780,188
	8,911,944	**7,253,228**

Refer to Note 28 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 9. Current Tax Assets (Liabilities)

Provision for Income Tax Payable	2014 ($)	2013 ($)
Opening balance	(38,783)	765,514
Less amount paid relating to prior year	38,783	(765,514)
Add amount payable for current year	1,086,949	1,590,217
Less amount paid relating to current year	(1,194,000)	(1,629,000)
	(107,051)	**(38,783)**

Note 10. 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 2012				
Gross carrying amount	1,995,988	4,388,541	1,228,555	7,613,085
Accumulated depreciation	(1,221,691)	(2,279,356)	(104,637)	(3,605,684)
Net carrying amount	774,297	2,109,186	1,123,918	4,007,401
At 30 June 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 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

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:

	2014 ($)	2013 ($)
Reconciliation - Computers		
Net carrying amount at start of the year	559,203	774,227
Additions	182,693	95,078
Disposals	(614)	-
Depreciation expense	(274,295)	(310,103)
Net carrying amount at end of the year	466,987	559,202
Reconciliation - Support Assets		
Net carrying amount at start of the year	1,782,822	2,109,255
Additions	77,991	71,880
Disposals	(619)	(8,695)
Depreciation expense	(305,712)	(389,618)
Net carrying amount at end of the year	1,554,482	1,782,822
Reconciliation - Leasehold Improvements		
Net carrying amount at start of the year	1,174,966	1,123,918
Make Good - Steel River premises	-	215,586
Depreciation expense	(65,990)	(164,538)
Net carrying amount at end of the year	1,108,976	1,174,966

Note 11. Intangible Assets

Intangible assets comprise the following at cost:

	Software ($)	Other ($)	Total ($)
At 1 July 2012			
Gross carrying amount	804,030	101,823	905,853
Accumulated amortisation	(579,482)	(13,179)	(592,661)
Net carrying amount	224,548	88,644	313,192
At 30 June 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 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

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:

	2014 ($)	2013 ($)
Reconciliation - Software		
Net carrying amount at start of the year	175,530	224,548
Additions	114,143	69,859
Amortisation expense	(104,955)	(118,877)
Net carrying amount at end of the year	184,718	175,530
Reconciliation - Other		
Net carrying amount at start of the year	84,763	88,644
Additions	20,700	6,300
Amortisation expense	(12,345)	(10,181)
Net carrying amount at end of the year	93,118	84,763

Note 12. Deferred Tax Assets

Non-Current	2014 ($)	2013 ($)
The balance comprises temporary differences attributable to:		
Amounts Recognised in Profit and Loss		
Work in Progress	(585,850)	(633,224)
Workers compensation prepayment	(22,816)	(19,703)
Employee benefits	3,971,308	3,917,339
Provision for Make Good	77,413	78,577
Other operating expenditure payable	9,660	15,182
Depreciation	(82,029)	(109,433)
Unrealised tax foreign currency loss	(11,664)	177
	3,356,022	3,248,915
Amounts Recognised in Other Comprehensive Income		
Superannuation actuarial gains/(losses)	(131,637)	(1,205,276)
	(131,637)	(1,205,276)
Movements		
Opening balance at 1 July	3,248,915	4,194,012
Credited/(charged) to the Income Statement	107,107	(945,097)
Closing balance at 30 June	3,356,022	3,248,915

Note 13. Trade and Other Payables

Current	2014 ($)	2013 ($)
Trade creditors	2,180,166	1,624,312
Other creditors	574,290	616,396
Income in Advance	302,441	146,009
	3,056,897	2,386,717

Details regarding liquidity risk and market risk including maturity analysis of above payables are disclosed in Note 28.

Note 14. Provisions

Current	2014 ($)	2013 ($)
Employee benefits - short term	67,069	68,512
Employee benefits - long term	3,877,217	3,834,412
Employee benefits - termination	468,647	-
Dividend provided	-	2,563,777
	4,412,933	6,466,701
Non-Current		
Employee benefits	317,466	397,140
Make Good – Steel River premises	258,044	261,922
	575,510	659,062

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:

	2014 ($)	2013 ($)
Reconciliation - Make Good - Steel River Premises		
Opening balance	261,922	-
Increase/(decrease) in provision	(3,878)	261,922
	258,044	261,922

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. Current employee benefits of $3,877,217 at 30 June 2014 (30 June 2013: $3,834,412) are expected to be settled after 12 months from reporting date.

The provision for Make Good is 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.

Note 15. Other Non-Current Liabilities

Non-Current	Notes	2014 ($)	2013 ($)
Provision for underfunded defined benefit superannuation	19	8,063,391	8,191,237
		8,063,391	**8,191,237**

Note 16. Contributed Equity

	2014 ($)	2013 ($)
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 17. Statement of Cash Flows

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

	2014 ($)	2013 ($)
Profit for the Year	1,977,100	3,094,311
Depreciation and amortisation	763,298	993,317
Superannuation Expense	310,941	379,066
(Profit)/loss on sale of non-current assets	(24,878)	8,695
Net exchange differences	(59,534)	20,565
Make good lease costs	(3,878)	46,336
Change in Operating Assets and Liabilities		
(Increase)/decrease in trade debtors	(1,520,703)	1,605,378
(Increase)/decrease in work in progress	1,484	(32,618)
(Increase)/decrease in deferred tax assets	(238,744)	(260,179)
(Increase)/decrease in other operating assets	(100,616)	(393,082)
Increase/(decrease) in trade creditors	670,180	(95,026)
Increase/(decrease) in inter-company tax payable	(68,268)	(804,297)
Increase/(decrease) in other provisions	430,335	483,035
Net Cash Flows from Operating Activities	**2,136,717**	**5,045,501**

Note 18. Commitments

Lease Commitments

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

	2014 ($)	2013 ($)
Within one year	1,550,821	1,595,016
Later than one year but not later than five years	3,453,486	4,131,131
Later than five years	-	358,413
	5,004,307	**6,084,560**
Representing:		
Cancellable operating leases	796,877	961,065
Non-cancellable operating leases	4,207,430	5,123,495
	5,004,307	**6,084,560**

Operating Lease Committments

There are two significant non-cancellable operating leases of the Company for the lease of Head Office premises and a laboratory. The general office space lease commits the Company to a 10 year non-cancellable lease with two five year options to renew. There is an option to sub-let subject to council planning approvals. This lease commenced on 14 November 2008.

A one year lease for the laboratory was taken on 1 July 2014. There is no option to sub-let under the current lease of the laboratory.

Future non-cancellable operating leases not provided for and payable (exclusive of GST):

	2014 ($)	2013 ($)
Within one year	1,078,960	1,081,054
Later than one year but not later than five years	3,128,470	3,684,028
Later than five years	-	358,413
	4,207,430	**5,123,495**

Note 19. Superannuation

Superannuation benefits for new entrants are now provided through First State Super (FSS) or the employee's choice of fund, which are accumulation type schemes. The Company has made full provision for these commitments.

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

A. Superannuation Position

Following is the 30 June 2014 superannuation position:

Member Numbers	SASS	SANCS	SSS	2014	2013
Contributors	9	11	2	22	26
Deferred benefits	0	0	2	2	2
Pensioners	1	0	12	13	12
Pensions fully commuted	0	0	5	5	5
Superannuation Position	**SASS ($)**	**SANCS ($)**	**SSS ($)**	**2014 ($)**	**2013 ($)**
Accrued liability (Note 1)	5,024,473	725,630	18,506,119	24,256,222	22,836,596
Estimated reserve account balance	(3,714,631)	(346,874)	(12,131,326)	(16,192,831)	(14,645,359)
Deficit/(surplus)	1,309,842	378,756	6,374,793	8,063,391	8,191,237
Future service liability	659,527	353,704	321,869	1,335,100	1,326,795
Net (asset)/liability to be recognised in statement of financial position	1,309,842	378,756	6,374,793	8,063,391	8,191,237

Note 1: A contribution tax provision of zero is included as a contribution tax rate of zero is assumed. This is based on advice from NSW Treasury, following tax modelling carried out by their tax adviser that, in the long term, the Fund is not expected to pay any significant tax.

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)
- Police Superannuation Scheme (PSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The State Authorities Superannuation Scheme closed on 18 December 1992. All of 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*, *Police Regulation (Superannuation) Act 1906*, *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 NSW 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 NSW 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 ($)	2014 ($)	2013 ($)
Net defined benefit liability/(asset) at start of year	**1,444,512**	**356,409**	**6,390,316**	**8,191,237**	**11,829,757**
Current service cost	135,015	32,380	49,495	216,890	254,383
Net interest on the net defined benefit liability/(asset)	52,290	13,013	241,914	307,217	358,414
Actuarial return on fund assets less interest income	(274,816)	(26,955)	(866,280)	(1,168,051)	(1,902,480)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	667,693
Actuarial (gains)/losses arising from changes in financial assumptions	278,600	71,938	725,857	1,076,395	(2,825,335)
Actuarial (gains)/losses arising from liability experience	(188,862)	(40,116)	(118,153)	(347,131)	42,535
Employer contributions	(136,897)	(27,913)	(48,356)	(213,166)	(233,730)
Net defined benefit liability/(asset) at end of year	**1,309,842**	**378,756**	**6,374,793**	**8,063,391**	**8,191,237**

Fair Value of Fund Assets

	SASS ($)	SANCS ($)	SSS ($)	2014 ($)	2013 ($)
Fair value of fund assets at beginning of the year	**3,158,750**	**387,582**	**11,099,027**	**14,645,359**	**12,762,877**
Interest income	119,946	14,545	411,784	546,275	383,099
Actuarial return on fund assets less interest income	274,470	26,889	866,210	1,167,569	1,902,061
Employer contributions	136,898	27,913	48,355	213,166	233,730
Contributions by fund participants	73,192	-	53,547	126,739	100,551
Benefits paid	(91,703)	(113,881)	(396,216)	(601,800)	(874,498)
Taxes, premiums and expenses paid	43,078	3,827	48,619	95,524	137,539
Fair value of fund assets at end of the year	**3,714,631**	**346,875**	**12,131,326**	**16,192,832**	**14,645,359**

Defined Benefit Obligation

	SASS ($)	SANCS ($)	SSS ($)	2014 ($)	2013 ($)
Present value of defined benefit obligations at beginning of the year	**4,603,262**	**743,991**	**17,489,343**	**22,836,596**	**24,592,634**
Current service cost	135,015	32,380	49,495	216,890	254,382
Interest cost	171,892	27,491	653,627	853,010	741,095
Contributions by fund participants	73,192	-	53,547	126,739	100,551
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	667,693
Actuarial (gains)/losses arising from changes in financial assumptions	278,600	71,938	725,857	1,076,395	(2,825,335)

Actuarial (gains)/losses arising from liability experience	(188,862)	(40,116)	(118,153)	(347,131)	42,535
Benefits paid	(91,703)	(113,881)	(396,216)	(601,800)	(874,498)
Taxes, premiums and expenses paid	43,077	3,827	48,619	95,523	137,539
Present value of defined benefit obligations at end of the year	**5,024,473**	**725,630**	**18,506,119**	**24,256,222**	**22,836,596**

Effect of the Asset Ceiling

	SASS ($)	SANCS ($)	SSS ($)	2014 ($)	2013 ($)
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	**-**	**-**	**-**	**-**	**-**

D. 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 2014

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	2,452,755	1,572,615	880,140	-
Australian Fixed Interest	2,365,014	10,928	2,354,086	-
International Fixed Interest	880,529	-	880,529	-
Australian Equities	11,738,636	11,494,549	241,423	2,664
International Equities	10,953,329	8,172,677	2,780,531	121
Property	3,272,986	894,113	692,296	1,686,577
Alternatives	6,329,410	565,401	4,897,152	866,857
Total	**37,992,659**	**22,710,283**	**12,726,157**	**2,556,219**

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

	30 June 2014
Short Term Securities	6.5%
Australian Fixed Interest	6.2%
International Fixed Interest	2.3%
Australian Equities	30.9%
International Equities	28.8%
Property	8.6%
Alternatives	16.7%
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 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.

E. Fair Value of Entity's Own Financial Instruments

The fair value of the Pooled fund assets include as at 30 June 2014 of $173.9 million in NSW government bonds.

F. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2014
Discount rate	3.57% pa
Salary increase rate (excluding promotional increases)	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter
Rate of CPI increase	2.50% pa
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund

G. Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2014 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	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	24,256,222	28,153,843	21,106,665

	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	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	24,256,222	25,846,798	22,814,952

	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$'000)	24,256,222	24,515,669	24,012,156

	Base Case	Scenario G +5% Pensioner Mortality Rates	Scenario H -5% Pensioner Mortality Rates
Defined benefit obligation (A$'000)	24,256,222	24,053,300	24,470,723

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

H. Asset-Liability Matching Strategies

We are not aware of any asset and liability matching strategies currently adopted by the Plan.

I. 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 2014 financial position of the Fund calculated in accordance with AAS 25 Financial Reporting by Superannuation Plans:

Surplus/Deficit	SASS ($)	SANCS ($)	SSS ($)	2014 ($)	2013 ($)
Accrued benefits	3,862,778	493,105	9,982,125	14,338,008	13,798,317
Net market value of fund assets	(3,714,631)	(346,874)	(12,131,326)	(16,192,831)	(14,645,358)
Net (surplus)/deficit	**148,147**	**146,231**	**(2,149,201)**	**(1,854,823)**	**(847,041)**

Contribution recommendations

The recommended contribution rates for 2014 and 2013 for the Company are:

- State Authorities Superannuation Scheme 1.90X (multiple of member contributions)
- State Authorities Non-Contributory Superannuation Scheme 2.5% (% of member salary)
- State Superannuation Scheme 1.60X (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 ($)	2014 ($)	2013 ($)
Expected employer contributions	139,065	31,103	85,675	255,843	209,152

Maturity Profile of Defined Benefit Obligation

The weighted average duration of the defined benefit obligation is 14.3 years.

Note 20. Contingent Liabilities and Assets

Liabilities

No significant claims for damages are being negotiated. This does not include matters covered by insurance. No significant claims for damages were being negotiated as at 30 June 2014.

Assets

The Company has a potential to receive a portion of redundancy payments from its Parent Entity under the Parent's Reduncancy Guarantee until the earlier of 30 June 2016 and date of change of ownership.

The amount cannot be reliably measured at 30 June 2014.

Note 21. AudItors' Remuneration

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

	2014 ($)	2013 ($)
Audit review of financial reports (exclusive of GST)	36,800	35,000
	36,800	**35,000**

Note 22. 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 (HWC) owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.

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

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

A formal loan agreement has been entered into with the Parent Entity under normal terms and conditions. Interest is payable monthly at market rates.

A. Parent Entity

Transactions with Parent Entity	2014 ($)	2013 ($)
Sales		
Contracts and Consultancy Services	21,543,551	21,870,753
Purchases		
Contracts	200,864	241,403
Consultancy Services	-	15,090
Total purchases	200,864	256,493
Interest received	96,251	163,767
Dividends paid	(6,563,777)	(6,892,910)
Outstanding Balances at Year End	**2014 ($)**	**2013 ($)**
Receivables		
Sales and purchases	3,387,325	2,123,635
Tax funding agreements	3,463,073	3,287,698
Inter-company loan	3,366,812	7,634,338
Total receivables	10,217,210	13,045,671
Payables		
Dividend payable	-	2,563,777
Total payables	-	2,563,777

B. Related Entity/Party

Transactions with Related Entities	Entity	2014 ($)	2013 ($)
Sales			
Engineering consultancy	Water Services Association of Australia	27,600	28,700
Total sales		27,600	28,700
Purchases			
Superannuation contributions	First State Super	-	1,249,638
Labour hire	People Fusion	2,135	2,561
Membership fees	Water Services Association of Australia	-	1,200
Total purchases		2,135	1,253,399

Note 23. Key Management Personnel Disclosures

A. Directors and Any Director Related Entities

The Directors of Hunter Water Australia Pty Limited (HWA) during the financial year were:

Mr J Eather	Chairman to 27 June 2014
Mr P Dalglish	Appointed 25 July 2013
Mr T Lawler	Resigned 25 July 2013, Reappointed as Chairman 27 June 2014
Mr K Wood	Resigned 25 July 2013, Reappointed 27 June 2014

All Directors of HWA were also Directors of the Parent Entity, Hunter Water Corporation during the year.

B. Other Key Management Personnel

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

Name	Position
Mr J Keary	General Manager
Mr P Thompson	Manager Process Engineering
Mr D Bailey	Manager Treatment Operations
Mr J Gleeson	Chief Engineering Consultant (Retired 15 August 2013)
Mr C Smith	Manager Planning, Assets and Environmental
Mr J Smith	Manager Design and Project Delivery
Mr D Bowerman	Manager Electrical and SCADA
Ms A Swan	Manager Laboratories and Company Secretary
Mrs M Griffin	Commercial Manager

C. Key Management Personnel Compensation

	2014 ($)	2013 ($)
Short term employee benefits	1,632,547	1,774,262
Long term employee benefits	51,933	57,239
Post employment benefits	223,127	253,885
	1,907,607	**2,085,386**

Note 24. Management Consultants Fees

	2014 ($)	2013 ($)
Management consultants paid or payable	564,061	56,868

Note 25. Segment Information

The Company operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia.

Note 26. 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 61%) are derived from the Parent Entity, Hunter Water Corporation.

Note 27. Events Occurring After Balance Date

The Parent Entity has resolved to appoint an advisor to prepare a path for sale of Hunter Water Australia.

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

Note 28. 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 provides 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.

The Company manages currency risk by regularly billing in hourly rates upon completion of tasks and continuous monitoring of forecast cash flows. Management has set up a policy requiring the Company to manage its foreign exchange risk against the Australian dollar. The Company is required to hedge any major foreign exchange risk exposure arising from future commercial transactions using forward contracts or derivatives in the form of currency option contracts. The Company's exposure to currency risk at the reporting date was as follows:

All carrying amounts of the financial assets and liabilities are denominated in notional Australian dollars.

Bank	2014 ($)	2013 ($)
Papua New Guinea	4,149	58,472
	4,149	58,472
Trade Receivables	**2014 ($)**	**2013 ($)**
Papua New Guinea	290,771	43,006
Fiji	10,569	-
	301,340	43,006

Currency Risk Sensitivity Analysis

A 10% strengthening of the Australia dollar against the following currencies at 30 June 2014 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 2013.

	2014		2013	
	Profit or (Loss) ($)	Equity ($)	Profit or (Loss) ($)	Equity ($)
Papua New Guinea Kina	(29,492)	(29,492)	(10,148)	(10,148)
Fiji Dollar	(1,057)	(1,057)	-	-
	(30,549)	(30,549)	(10,148)	(10,148)

A 10% weakening of the Australian dollar against the above currencies at 30 June 2014 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 has an undrawn overdraft facility approved up to a limit of $200,000. Interest would be at the rate of 9.38% per annum for an overdraft up to $200,000 and then 14.48% for an overdraft above $200,000 (2013: 9.63% and 14.73% respectively).

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were:

Variable Rate Instruments	2014 ($)	2013 ($)
Financial assets	5,454,478	10,176,035
	5,454,478	10,176,035

Interest Rate Sensitivity Analysis for Variable Rate Instruments

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

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 2013.

	Profit or (Loss) 1% Increase ($)	Equity 1% Increase ($)
2014		
Variable rate interest rates	54,545	54,545
	54,545	54,545
2013		
Variable rate interest rates	101,760	101,760
	101,760	101,760

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. In addition, the Company maintains a $200,000 bank overdraft that is unsecured. Interest would be at the rate of 9.38% per annum for an overdraft up to $200,000 and then 14.48% for an overdraft above that (2013: 9.63% and 14.73% respectively).

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

	Carrying Amount ($)	Contractual Cash Outflows ($)	3 Months or Less ($)	4 Months or More ($)
2014				
Trade and other payables	2,180,166	2,180,166	2,180,166	-
	2,180,166	2,180,166	2,180,166	-
2013				
Trade and other payables	1,624,312	1,624,312	1,624,312	-
	1,624,312	1,624,312	1,624,312	-

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 61% 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 requires new customers to be analysed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's review includes determining the customer type and receiving credit worthiness reports for non-government entities and in some cases trade references. Credit limits are established for each customer, which represent the maximum amount without requiring approval from the General Manager; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company on a prepayment basis only.

The Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is the total of specific loss component that relates to individually significant exposures.

Investments

The Company limits its exposure to credit risk by only investing in liquid securities and only with the Parent Entity or with the NSW Treasury Corporation (TCorp). Management does not expect either of these counterparties to fail to meet its obligations.

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that the Company can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's strategy is to maintain a sufficient level of cash and investments to meet current and longer-term operating needs of the company.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2014 ($)	2013 ($)
Cash and cash equivalents	6	2,093,421	2,601,720
Investments	7	3,366,812	7,634,338
Trade Receivables	8	6,131,856	4,545,675
		11,592,089	14,781,733

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2014 ($)	2013 ($)
Domestic	5,020,031	3,718,781
Papua New Guinea	290,771	43,006
Fiji	10,569	-
	5,321,371	3,761,787

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2014 ($)	2013 ($)
Parent entity	3,387,325	1,950,665
Other Government entity	1,099,176	987,373
Incorporated entity (Proprietary or Public Company)	819,136	822,048
Unincorporated entity or sole trader	15,734	1,701
	5,321,371	3,761,787

For each type of customer that is not past due or impaired, the credit quality is considered good with no defaults in the past.

Impairment Losses

The aging of trade receivables at the reporting date was:

	2014		2013	
	Gross ($)	Impairment ($)	Gross ($)	Impairment ($)
Not past due	5,000,463	-	3,677,746	-
Past due 2 to 6 months	279,818	-	75,971	-
Past due 6 to 12 months	34,678	-	5,286	-
Past due more than one year	6,412	-	2,784	-
	5,321,371	-	3,761,787	-

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

Movement in Allowance for Impairment	2014 ($)	2013 ($)
Balance at 1 July	-	-
Amounts recovered during the year	-	-
Balance at 30 June	-	-

All trade receivables at 30 June 2014 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

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:

	2014			2013	
	Carrying Amount ($)	Fair Value ($)	Fair Value Level ($)	Carrying Amount ($)	Fair Value ($)
Cash - Papua New Guinea Kina	4,154	4,149	2	59,470	58,472
Debtors - Papua New Guinea	251,738	290,771	2	44,923	43,006
Debtors - Fiji	10,717	10,569	2	-	-

Fair Value Hierarchy

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Cash - Papua New Guinea Kina	-	4,149	-	4,149
Debtors - Papua New Guinea	-	290,771	-	290,771
Debtors - Fiji	-	10,569	-	10,569
	-	305,498	-	305,498

Valuation Techniques, Inputs and Processes

Asset Category	Fair Value Approach	Inputs into Fair Value Assessment
Cash (foreign currency)	At initial recognition, fair value is based on a cost approach. Valuation based on an active market and similar assets (not identical).	Market approach adopted based on closing rate of listed currency exchange rates for foreign currencies held. Level 2 input.
Debtors (foreign currency)	At initial recognition, fair value is based on a cost approach. Valuation based on an active market and similar assets (not identical).	Market approach adopted based on closing rate of listed currency exchange rates for foreign debtor balances held. Level 2 input.

End of Audited Financial Statements.

DIRECTORS' DECLARATION

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that in the opinion of the Directors of Hunter Water Australia Pty Limited, the financial statements and notes:

a) Exhibit a true and fair view of the financial position of the Company as at 30 June 2014 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 J Eather
Director

Mr P Dalglish
Director

Dated: 27 August 2013, Newcastle

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CONTACT US

The contact details for Hunter Water are:

Telephone

Customer Enquiries

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

Report a Fault

1300 657 000
(24 hours, 7 days)

Teletypewriter (TTY) Service

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

Fax

02 4979 9625

Translation Service

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

In Person

Head Office

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

Postal Address

PO Box 5171
HRMC NSW 2310

Customer Centres

Lake Macquarie Customer Centre

128 Main Road, Speers Point
(Monday - Friday, 9.00am-4.30pm)

Maitland Customer Centre

285 High Street, Maitland
(Monday - Friday, 9.00am-4.30pm)

Customer centres are located within Council offices.

Email

enquiries@hunterwater.com.au

Annual Report Availability

www.hunterwater.com.au/annualreport