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about us

Hunter Water is a State Owned Corporation (SOC) and the water and wastewater service provider for over half a million people in the lower Hunter region. There are 211,212 properties connected to the water network and 199,212 to the wastewater network.

Our area of operation covers 5,366km² with a population of 512,432 in the local government areas of Cessnock (48,089), Lake Macquarie (192,797), Maitland (60,222), Newcastle (147,621) and Port Stephens (63,703).

Bulk water is also supplied to Dungog Council and to small parts of Singleton and the Great Lakes area. We are also supplying an average six megalitres per day to the Central Coast.

We also provide some stormwater services to the lower Hunter, with 100km of stormwater channels in Cessnock, Newcastle and Lake Macquarie.

We deliver on average 200 megalitres (one megalitre equals 1 million litres) of water a day using assets worth about \$2 billion. Our raw water sources are: Grahamstown Dam (190,000ML capacity), Chichester Dam (21,500ML), Tomago Sandbeds (60,000ML) and Anna Bay Sandbeds (16,000ML).

We collect, treat and then deliver drinking water to our customers and then transport, treat and dispose of the region's wastewater. Our water consistently meets the most recent guidelines for drinking water set by the National Health and Medical Research Council (NHRMC). Wastewater is treated and clear effluent is discharged to waterways or reused where it is economically and environmentally beneficial.

How our storages work

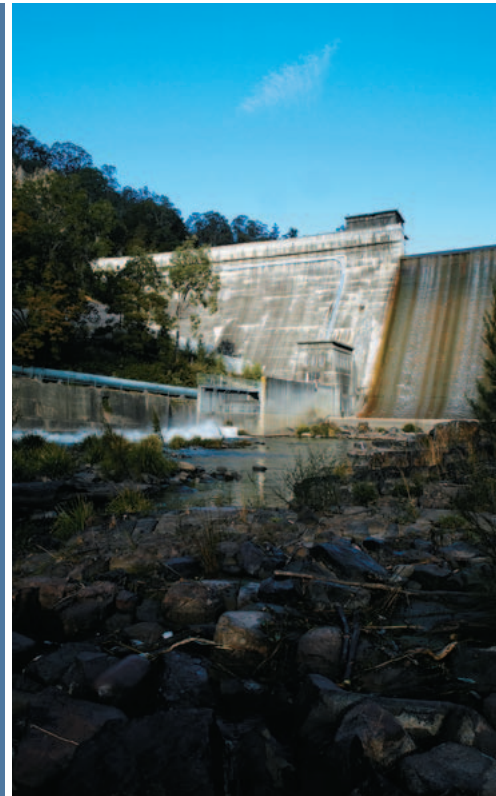
While our total water storage levels were at 95% at the end of June 2005, it's important to note that our three main storages (Chichester Dam, Grahamstown Dam and Tomago Sandbeds) are relatively small compared to other dams in NSW that supply similar sized communities.

Chichester fills from streamflows in the Chichester River and Grahamstown fills when we pump from the Williams River, or from runoff in its own catchment. The Sandbeds fill as a result of direct rainfall.

Two of our storages are relatively coastal (Grahamstown Dam and Tomago Sandbeds) and that means they often receive rainfall when storages further inland do not.

Chichester Dam is also located in the Barrington Tops area and attracts above average rainfall.

This means that when we don't get flows in our streams and rivers, our storages can diminish quite rapidly. On the other hand, while our storages can drop very quickly, they can also recover quickly following good rainfall.



chairman's message

On behalf of Hunter Water Corporation's Board of Directors, I am once again very pleased to present the 2004-05 Annual Report. The Corporation has had another successful year and has continued to maintain its strong commercial performance while providing the people of the lower Hunter with high quality water and sewerage services.

The total reported profit for the year, after applicable income tax expense, was \$43 million and was achieved on a total revenue from ordinary activities (including capital contributions) of \$193.4 million.

Hunter Water has a strong underlying financial position with relatively low levels of indebtedness. Based on this year's outcome and Hunter Water's ongoing strong financial base, the Board of Directors is pleased to recommend a dividend of \$33.8 million, which is in line with recent years.

As Chairman of the Board, I am proud to lead an organisation which has an established reputation in water industry reform, both at a national and international level. The Corporation's future focus will be to manage a significant program of capital expenditure which will provide for the renewal of assets to meet higher standards and future growth in the region.

In particular, we will continue with our program to ensure the future security of water supply for the people of the lower Hunter. This will include completing the augmentation of Grahamstown Dam which will increase the dam's capacity by fifty per cent.

It was very pleasing during the year to announce plans to construct a new water transfer system between the Central Coast and the Hunter. While we have been fortunate over the year with rain falling on our catchments, the Central Coast supply continued to deplete. This transfer system will benefit both areas as it will be reversible. In effect, it will allow the two organisations to optimise the water resources of both areas.

The Corporation's key goals for the future will be to continue to:

- Maintain high levels of customer service
- Operate in an environmentally responsible manner
- Maintain a valued, skilled and competitive workforce
- Be a commercially successful, efficient and growing business

As always, I would like to take this opportunity to formally pass on my thanks and congratulations to my fellow Directors and the Corporation's management and staff for another successful year.



RON ROBSON



managing director's message



Hunter Water's Business Plan is about continual improvement. We recognise that on-going strong performance means that we need to continually change and innovate as our customers' needs change, as technology develops and as we face the challenges of a varying climate. 2004-05 has been a very busy year with:

- Major growth occurring in the Hunter
- A significant capital program of over \$78M completed
- A complete re-vamp underway of the Corporations' major IT platforms (Electronic Document Management, Customer Information System, Financial, Purchasing and Human Resources systems and up-grade to SCADA facilities)
- A continued focus on catchment management
- Preparedness for a shift to our new Head Office (currently under construction)
- Preparedness for increased security issues and focus on business continuity
- Announcement of a stronger link between the Hunter Water and the Central Coast to allow transfer of water between the two areas
- An increased focus on our safety performance

It is pleasing that with all of the challenges, we went very well against our Operating Licence and Customer Service Standards.

While 2004-05 was busy, we expect that future years will be just as busy. Our next four years' Capital Program will average around \$90 million per year which is unprecedented in Hunter Water's history. We are investing heavily to cater for expected major growth, to replace ageing assets and to deliver better standards to the community.

Our investment in regional water storages with the augmentation of Grahamstown Dam, came at just the right time. Good rains allowed us to fill the Grahamstown and Chichester Dams during the year. While we can be happy with the present, we realise we need to plan for the future.

There are many challenges ahead. We need to continue to meet our customers' needs, be flexible and dynamic and continue to focus on efficient service delivery. I look forward, as do the rest of the team at Hunter Water, to meeting these challenges and delivering a stronger performance in 2005-06.

A handwritten signature in black ink, appearing to read 'K Young'.

KEVIN YOUNG

corporate highlights

Healthy water storage levels were maintained at a time when storages around us have been steadily declining - at the end of June 2005, our total storage levels were at 95%.

We implemented a number of water demand and supply initiatives identified in the Integrated Water Resource Plan (IWRP) to manage the Hunter's water supply into the future.

We achieved licence compliance on all major elements of the Operating Licence (water quality, pressure, continuity and sewage overflows).

We conducted a successful community awareness campaign throughout the Summer, to encourage the community to adopt water efficient practices. Our 'Think Twice' campaign specifically targeted residential outdoor water use. A media campaign was supported by our participation in a range of community events, with our highly visible presence and interactive water efficiency displays.

Supply to Wyong was increased to an average six million litres of water a day. This helped alleviate the water shortage on the Central Coast.

Agreement in principle was reached between Hunter Water and the Central Coast to proceed with construction of a new strategic pipeline link with capability to supply both communities with water.

We continued the \$16 million spillway augmentation of Grahamstown Dam to increase its water storage capacity by about 50%. This is being achieved by optimising use of previous 'flood storage' capacity. This further improves the drought security of the region.

We completed a \$12 million upgrade to our water supply system, including construction of an additional Wallsend trunkmain, Wallalong water supply system, Hunter River south arm trunkmain crossing, and Pokolbin and Tenambit water distribution systems.

Major progress has been made during the year on the sewerage system upgrade for Lake Macquarie, improving customer amenity and environmental protection in this major population centre.

We finalised a detailed design of Cessnock wastewater treatment plant upgrade. Completion of the Cessnock works will conclude our \$90 million Environmental Improvement Plan to upgrade wastewater treatment works that discharge into inland waterways.

Planning for the sewerage of Kitchener, Ellalong, Millfield and Lochinvar under the Priority Sewer Program commenced. The sewer system for Kitchener will be completed in late 2006.

Design work for the \$32 million Newcastle wet weather wastewater system upgrade continued to progress well.

The supply of treated recycled water from Kurri Kurri treatment works to Kurri TAFE for horticultural applications, including the irrigation of campus lawns, ovals and a golf fairway is working successfully.

An extensive program of capital works continued. About \$90 million per year will be spent over the next four years to enhance services.

We strengthened our partnerships with Waterwatch, Landcare, The University of Newcastle and local government agencies. Our Water Week event, Catchment Day, brought together twenty groups supported through our sponsorship program, and attracted a crowd of more than 2000.

Work on the new Customer Information System progressed well. The new Customer Information System will improve our service delivery and customer relationship management.

Safety continued to be a key focus for us. Strategies to implement key actions such as hazard identification, refresher training, toolbox talks, safety committee consultation, and a staff health and safety awareness campaign, occurred during the year.

Construction of a new head office building in Newcastle progressed extremely well. Our move to the premises will occur in early 2006.

During 2004-05 the Corporation prepared and submitted to IPART a pricing proposal to take the organisation forward over the next four years.



The new labyrinth spillway at Grahamstown Dam

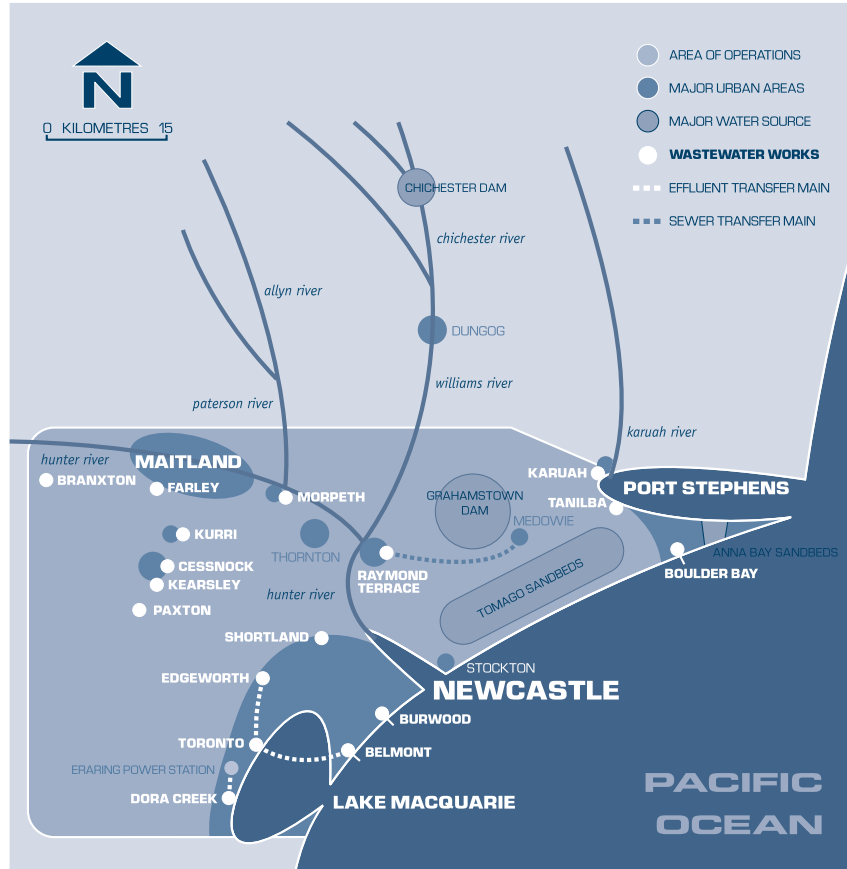
WATER SUPPLY NETWORK

Water Supplied From

Grahamstown Dam	35,360 ML
Chichester Dam	27,957 ML
Tomago Sandbeds	5,176 ML
Anna Bay Sandbeds	2,212 ML
Lemon Tree Passage	911 ML

Water Network

Treatment Works	6
Water Connections	211,212
Water Reservoirs	75
Pumping Stations	81
Watermains	4,479 km



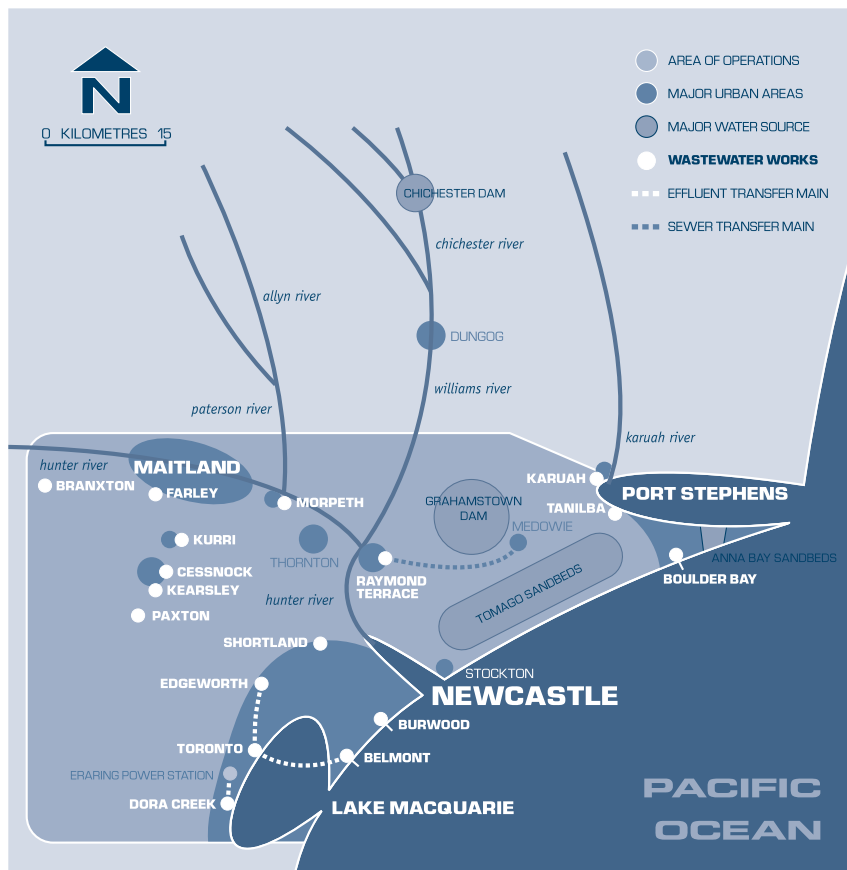
WASTEWATER NETWORK

Population Served by Major WWTWs

Burwood Beach	180,000
Belmont	93,000
Edgeworth	61,000
Morpeth	51,000
Toronto	34,000
Boulder Bay	31,000
Shortland	28,000
Raymond Terrace	25,000
Cessnock	24,000
Farley	24,000
Kurri	20,000

Wastewater Network

Treatment Works	17
Sewer Connections	199,212
Sewer Mains System	4,413 km
Pumping Stations	381



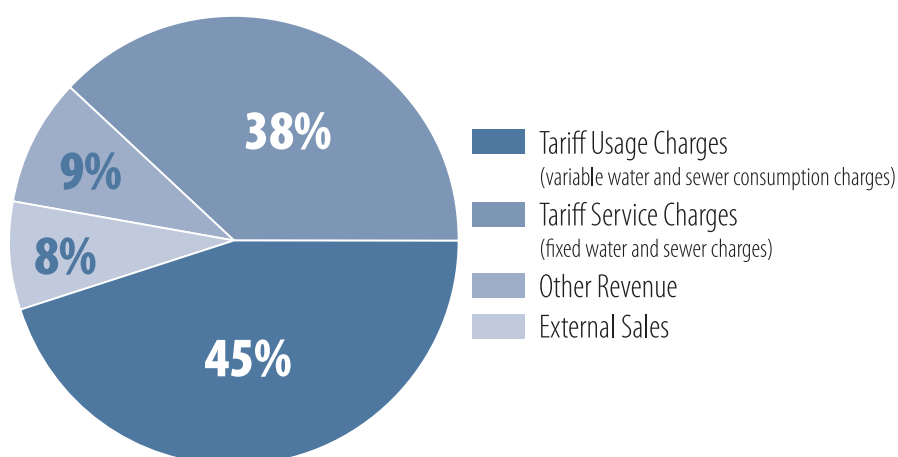
financial performance

FINANCIAL OVERVIEW

<i>ECONOMIC ENTITY</i>	<i>2004-05</i> \$M	<i>2003-04</i> \$M
Total Revenue	193.40	167.08
Operational Costs	74.83	64.76
Total Operating Profit	63.84	41.48
Dividend	33.80	36.00
Community Service Obligations (eg pension rebates)	10.24	8.96
Total Fixed Assets	2,271.30	2,174.19
Financial Assets	17.04	33.99
Financial Liabilities	168.03	127.41
Net Debt/(Investment)	150.99	93.42
Capital Expenditure	76.24	51.29
Working Capital Ratio (Times)	0.43	0.76
Real Rate of Return	1.38	1.77
Real Cost Reductions/(Increases) per customer as %	6.96	0.80

Revenue base 2004-05

(Excludes Interest and Contributions for Capital Works)



operating licence performance

Hunter Water delivers services under an Operating Licence granted by the NSW Government. The Licence protects consumers by prescribing minimum standards of service that Hunter Water must meet in relation to:

- **Drinking water quality**
supplying customers with safe drinking water
- **Water continuity**
providing customers with a reliable supply of water
- **Water pressure**
providing customers with water pressure as specified in the Licence
- **Wastewater transport**
providing the reliable transport of sewage

The Operating Licence also sets out conditions relating to:

- Community consultation
- Customer and consumer rights
- Customer complaint and dispute handling
- Managing water demand and supply
- Environmental management
- Publication of environmental and ESD indicators
- Independent auditing of operational performance

A full copy of our Operating Licence 2002-07 is available from our website at www.hunterwater.com.au

Independent Audit

Each year an independent audit of Hunter Water's operations is conducted to assess our compliance with the Operating Licence. The audit assesses Hunter Water's performance against service standards and associated conditions of the Licence.

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for the annual operational audit, periodic reviews of our operating licence and pricing. In August 2005, IPART commissioned Parsons Brinckerhoff Associates to conduct the operational audit for Hunter Water for the period 1 July 2004 to 30 June 2005.

The audit is expected to be completed in December 2005, and IPART will make the results of our audit available to the community. It is anticipated that Hunter Water will convey the results at the December meeting of the Consultative Forum and Open Board.

2004-05 Operating Licence Performance

Parameter	Target	Performance 2004-05
Drinking Water Quality	Supply of safe drinking water based on National Health and Medical Research Council (NHMRC) guidelines.	Hunter Water complied with the requirements of the Operating Licence and exceeded the NHMRC guidelines. The results were the best achieved on microbiological parameters since the organisation was first corporatised in the early 1990's.
	More than 95% of samples free of total coliforms.	98.8% of samples were free of total coliforms.
	More than 98% of samples free of faecal coliforms.	99.8% of samples were free of faecal coliforms.
Drinking Water Continuity	No more than 14,000 properties served will incur discontinuity of water services for more than five hours duration annually.	Hunter Water complied with the requirements of the Licence, with 13,723 properties experiencing interruption of water services for more than five hours.
Water Pressure	No more than 4,800 customers per annum will experience a verified low-pressure incident of less than 20 metres head as measured at the point of connection to Hunter Water's watermain.	Hunter Water complied with the requirements of the Licence, with 1,656 properties experiencing verified low pressure.
Wastewater Transport	No more than 6,500 sewage overflows per annum in our area of operations.	Hunter Water complied with the requirements of the Licence with 3,771 sewage overflows. Generally, these overflows were localised and had minimal impact on the environment.
Environment	Discharges from the wastewater treatment works shall meet the discharge standards set by the Department of Environment and Conservation (DEC).	Hunter Water operated 17 wastewater treatment works during the year and 13 of these works fully complied with DEC licences. Minor exceedances at Burwood, Belmont, Farley and Branxton had no significant environmental impact.
	Prepare a Catchment Management Report.	A catchment management report was prepared and is available on our website.
	Participate in the Energy Smart Business Program (ESBP) with the Sustainable Energy Development Authority (SEDA).	Hunter Water continued to carry out initiatives as part of the ESBP until it ceased during the year.
	Publish progress against the Environmental and ESD Indicators.	A progress report was prepared and is available in the financial section attached to this report and also from our website.
Customer Management	Effective customer service in the provision of good quality drinking water and wastewater services.	Hunter Water complied with the requirements of the Licence.

Footnote: The above information on our Operating Licence performance has yet to be audited. The Operational Audit Report for 2004-05 is expected to be released in December 2005.

our BUSINESS



Two key instruments provide the framework for our business operations:

- The Statement of Corporate Intent (SCI) sets out our corporate charter, objectives and business performance targets.
- The regulatory framework protects the consumer and the environment through a set of licences and tools determined by the State Government.

STATEMENT OF CORPORATE INTENT

Our Mission

Continuous improvement in being commercially successful while delivering value for money water, wastewater and associated services in an environmentally responsible and safe manner.

Our Values

- Ensuring safety comes first
- Striving for continuous improvement and innovation
- Caring for our community through high levels of service
- Caring for the environment
- Acting responsibly, honestly and ethically
- Fostering a motivated, skilled and efficient workforce
- Operating an efficient and outward looking business

Our Goals

Workplace and community safety:

- Create and maintain a safe work place for all employees, contractors and the community

Customers and the community:

- Maintain a high level of customer satisfaction, service quality and value for money
- Be responsive to customer and community expectations about service standards
- Actively inform the customers and the community about the water cycle, water quality and water efficiency
- Adopt a business-wide approach to service delivery, to recognise that all parts of the business are necessary to ensure high quality and cost-effective service delivery to the community

The environment:

- Be responsive to customer and community expectations about our environmental performance
- Promote sustainable business practices by considering environmental, economic and social factors in our business activities
- Closely monitor and be aware of emerging environmental issues

Managing and looking after our people:

- Maximise the potential of our staff
- Encourage an outward looking approach among all staff through learning from other organisations and by undertaking relevant external work
- Support learning and development that benefits both individuals and Hunter Water
- Maintain a strong core of expertise within Hunter Water to ensure that services are provided with the most, cost-effective technologies and processes

Running the business:

- Comply with primary regulatory requirements (the Operating Licence, Wastewater System Licences and Water Management Licences)



Operations staff attend to a main break

- Maintain strong pressure on controlling operating costs and achieve the business outcomes committed to the Government in the Statement of Corporate Intent
- Promote and encourage innovations to achieve better service delivery and cost efficiencies
- Develop an outward-looking culture so we can learn from others and find external business opportunities that make our business stronger
- Keep abreast of changing technologies to meet the future challenges of e-business, asset management and customer service

PRICING

Hunter Water has been an acknowledged leader in water price reform in Australia since the early 1980s, having matched substantial real price reductions for customers with improved service standards and customer satisfaction.

This has been achieved through significant cost reductions, productivity improvements and a focus on delivering specified service levels. Over the last decade our average operating costs per property have fallen by around 20% in real terms.

A typical customer's bill is now just \$4 more than it was ten years ago. If inflation were added, the 1994 bill would now be around \$735 or \$165 more than the average bill in 2005 (ie \$570).

Other pricing outcomes include:

- A reduction of water and sewer prices for residential customers in real terms by around 25% since 1991-92.
- Hunter Water's prices under IPART's determination for the two years to mid 2005 were adjusted by around 0.5% more than the prevailing rate of inflation. This was less than fifty cents per week increase for average residential customers.
- Pay-for-use water pricing continued to maintain a strong water conservation signal.
- Continuation of Australia's first location-based water pricing system for major customers.

Pricing in 2004-2005

IPART issued the current price determination in 2003. This determination set charges for the next two years and provided an overall price adjustment marginally above the Consumer Price Index (CPI) for each of those years.

Although there was a small increase in water usage prices, there was a reduction in the annual water service charge. The increase in the usage charge further strengthened the water conservation signal that has been a feature of Hunter Water's pricing structure since 1982. It also complemented the demand management measures in our Integrated Water Resource Plan (IWRP).

For sewer charges, the usage component remained at about the same level, but there was a small increase in the sewer service charge.

IPART also provided for an increase in the minimum sewerage charge for home units and flats. Until 2000, many flats and units paid much less for sewer services than houses. IPART's objective in increasing this charge for flats and units was to bring it closer to (but still less than) that paid by people living in houses.

IPART estimated that the increase for a typical residential customer in the Hunter would be less than fifty cents per week. An average household using 210kL per year paid around \$570 for its combined water and sewer bill in 2004-05.

Price changes in 2004-05

TYPICAL HOUSEHOLD BILL:	Increased by around \$15 in line with inflation of 2.6%
WATER SERVICE CHARGE:	Reduced by 68c, a 5% reduction, allowing for inflation
WATER USE CHARGE:	Up from 98c to \$1.01 per kL, a 1.6% rise allowing for inflation
SEWER SERVICE CHARGE:	Rise by less than 1%, allowing for inflation
SEWER USE CHARGE:	No change. A fall of 2.6%, given inflation
STORMWATER CHARGE:	Service charges increased by \$3.85 for the year in areas where stormwater charges apply. Valuation charges applying to non-residential customers reduced by almost 15% after allowing for inflation.



Hunter Water Joins WaterAid Australia

In December 2004 Hunter Water became a foundation member of WaterAid Australia. WaterAid Australia is an international aid agency dedicated to the provision of safe water, effective sanitation and hygiene education to the World's poor. WaterAid Australia works by helping local organisations in developing countries establish low cost, sustainable projects using appropriate technology that can be managed and maintained by the local community.

Hunter Water's targeted project is the school sanitation and hygiene education in Papua New Guinea. This project aims to provide toilets and hygiene education in 14 community schools and provide safe drinking water, sanitation and health education to approximately 3100 students.

In addition to the Corporation's annual donation of \$5,000, it has established regular fund raising activities to work towards providing finance for the Papua New Guinea project. For the 2004-05 year Hunter Water raised \$800. The Corporation is matching funds raised dollar for dollar.

During 2004, IPART began a review to set Hunter Water's prices to apply from 2005-06 to 2008-09. Hunter Water made a submission to this review in September 2004. Public submissions were accepted until 30 November 2004. All submissions, along with consultant review reports commissioned by IPART on Hunter Water's proposed expenditure programs, are available on the IPART website www.ipart.nsw.gov.au

In early 2005, IPART announced that it would not complete this price review until September 2005. As a result, new prices will not come into effect until 1 November 2005. A draft price determination was issued by IPART in June 2005. IPART's draft and final determinations for prices beyond 1 November 2005 can be found on the IPART website.

REGULATORY FRAMEWORK

Hunter Water is regulated by the State Government through an Operating Licence and by the Independent Pricing & Regulatory Tribunal (IPART), the Department of Planning (DOP), the Department of Natural Resources (DNR) and the Department of Environment and Conservation (DEC). A memorandum of understanding with NSW Department of Health (DoH) is in place covering the administration of drinking water quality.

Hunter Water has two shareholding ministers. As at 30 June 2005 they were the NSW Treasurer and the Special Minister of State. Hunter Water also has a portfolio Minister who has powers to direct Hunter Water in certain matters of public interest. The portfolio Minister is the Minister for Utilities.

Our Regulators

Hunter Water operates within a framework regulated by:

- The Independent Pricing and Regulatory Tribunal (IPART), which audits and administers the Corporation's Operating Licence. The Licence specifies customer service standards, including drinking water quality. IPART also sets the prices we charge for our services.
- The Department of Environment and Conservation (DEC), which licences the operations of our wastewater facilities.

Regulatory and Operating Framework

LEGISLATIVE FRAMEWORK	STATE OWNED CORPORATIONS ACT (1989) HUNTER WATER ACT (1991)
REGULATORY FRAMEWORK	DEC DIPNR NSW Health IPART Pricing & Licence Regulation
OBLIGATION TO SHAREHOLDERS & CUSTOMERS	Statement of Corporate Financial Intent Operating Licence & Customer Contract
OPERATIONAL MANAGEMENT	Hunter Water Corporation - Board Hunter Water Corporation - CEO Hunter Water Corporation - Staff

- The Department of Infrastructure, Planning and Natural Resources (DIPNR), which provides a Water Management Licence to extract water from surface and groundwater sources.
- The Department of Health (DoH), which through a Memorandum of Understanding, establishes procedures for communicating results of our water quality monitoring programs.

Access to Water

Hunter Water extracts water from the Williams River and groundwater sources under stringent conditions set out in licences issued by DIPNR under the Water Act 1912 and Water Management Act 2000.

DIPNR can direct Hunter Water to carry out remedial work should water extraction activities be determined by DIPNR to have caused any adverse environmental impacts. Penalties of up to \$500,000 can be imposed for failing to comply with remedial directions or licence conditions.

Wastewater Discharge

The DEC issues licences under the Protection of the Environment Operations Act (1997) for Hunter Water's wastewater transportation 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 reporting for the pipe network and pump stations.



Water quality monitoring on Grahamstown Dam

our governance structure

BOARD OF DIRECTORS

Hunter Water's Board comprises the Managing Director and a maximum of eight people, one of whom is the chairperson, appointed by the shareholders.

In 2004-05 our Board of Directors were Mr Ron Robson, Chairman, Mr Kevin Young, Managing Director, Mr Ross Knights, Deputy Chairman, Mr Peter Barrack, Mr David Boyd, Mr Warren Elliott, Ms Barbara Crossley and Mr Alan Chappel.

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

Hunter Water also has two subsidiary companies, Hunter Water Australia Pty Limited (HWA) and the Regional Land Management Corporation Pty Ltd (RLMC), that operate autonomously and each have their own Boards.

Board Committees



board of directors



Ron Robson - Chairman



Kevin Young - Managing Director



Ross Knights - Deputy Chairman



Peter Barrack



Warren Elliott



Barbara Crossley



David Boyd



Alan Chappel



Sharon Smith - Company Secretary

ORGANISATIONAL OVERVIEW

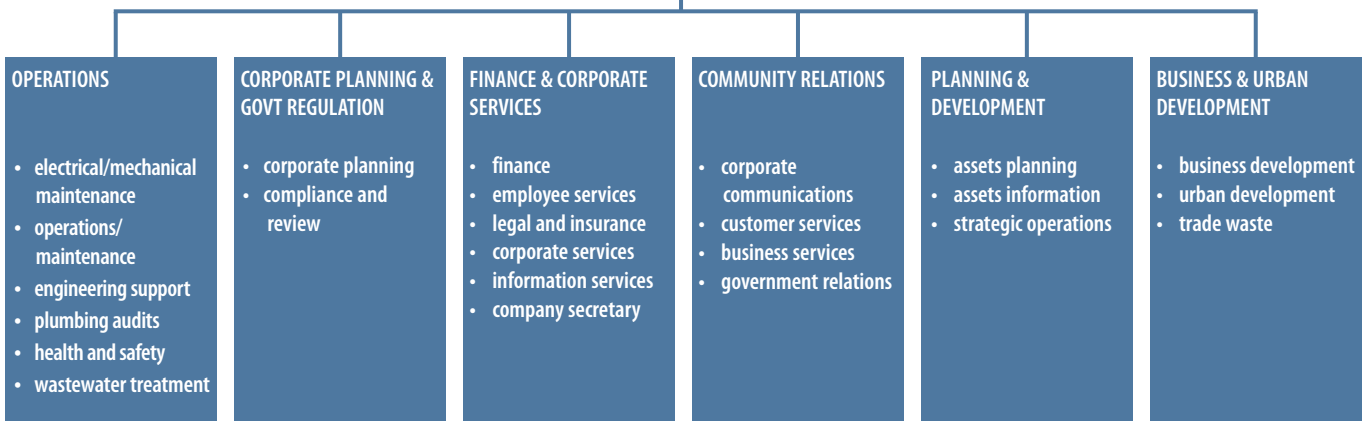
as at 30 June 2005

*Hunter Water Australia
Pty Limited*

Hunter Water Corporation

*Regional Land
Management Corporation
Pty Ltd*

MANAGING DIRECTOR



our CUSTOMERS



INTERFACING WITH DEVELOPERS

The development community is a key customer group for Hunter Water bringing new customers through the creation of new residential, commercial and industrial developments. Hunter Water, through its Business & Urban Development Group, keeps in touch with the needs and requirements of developers by providing access to technical advice on a day-to-day basis, processing of applications, and more generally through regular forum meetings and developer surveys.

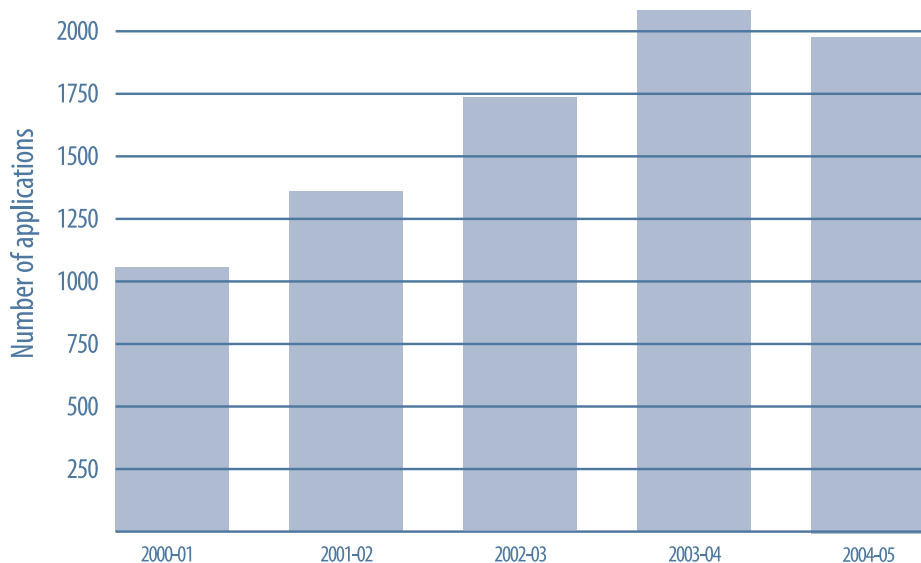
Hunter Water meets regularly with representatives of the Urban Development Institute of Australia (UDIA), a key representative group for the development industry.

Continuous improvement in services is a focus for Hunter Water. We have introduced a number of initiatives to improve response times including electronic workflow processing supported by appropriate resourcing and streamlining of key processes. Building on previous achievements gained by the introduction of electronic work flow processing, Business and Urban Development is now undertaking a process review of the various design interactions with external designers. In 2005-06, a range of initiatives will be put in place to help improve the quality of designs being submitted to Hunter Water and the internal design review process that follows.

In recent years sustained growth has continued to occur across Hunter Water's area of operation. During 2004-05 approximately 1900 development applications were received representing a slight decrease over the 2003-04 period. This reflects the broader building Industry experience over the same period. It is expected that similar levels of development activity will be maintained into the future based on the relatively stable economic climate and associated consumer confidence levels.

The graph below shows the increasing trend in the level of development activity that has occurred in the Hunter region over the last 5 years.

Development applications 2000-01 to 2004-05



THE CUSTOMER CONTRACT

On 1 September 2003 we implemented a new Customer Contract, following a comprehensive review by the Independent Pricing and Regulatory Tribunal (IPART).

The Customer Contract is important to customers because it specifies how we will interact with them in the provision of water, sewerage and drainage services. The Contract, which is a schedule to the Operating Licence, is a deemed contract that applies to all customers with property connected to a watermain or a sewermain owned by us.

Overall, the Customer Contract format is simple for our customers and staff to understand and use. It clearly outlines customers' rights and obligations, and sets out the minimum standards of service that they can expect. Matters covered by the Contract include the services we will provide, billing and payments, debt and restriction of services, redress and rebates, maintenance responsibilities and complaints handling.

One of the key features of the Contract is that it includes provision for payment of rebates under specified circumstances.

A copy of the Customer Contract is available on our website.

CUSTOMER COMPLAINTS

This year a total of 2656 complaints were lodged at Hunter Water by customers regarding various aspects of Hunter Water's services. This is a decrease on complaint numbers in the previous year which totalled 3032. Customer complaints to either Hunter Water or EWON guide us in identifying areas on which to focus to improve service delivery.

The most common complaint category was billing, which accounted for about 30% of all complaints. This is on par with complaint numbers for this category in the previous year. Most billing complaints relate to matters such as high consumption, disputed meter readings and account information.

Other complaints include operational matters such as water quality, continuity and pressure, restoration of property, notification of supply interruptions and metering.

The following are two areas that we have highlighted for ongoing improvement in 2005-06:

- Consolidation of the centralised team established in 2004 to investigate and manage all operational complaints to achieve greater consistency, timeliness and quality results for customers.
- Implementation of a streamlined notification process for use by our sub-contractors to reduce the complaints relating to work they perform.

EWON CONTACTS

This was the third year of our membership of the Energy & Water Ombudsman of NSW (EWON) scheme. Access to EWON's services provides our customers with an avenue for an independent, external review of the reasonableness or otherwise of our actions or decisions. The service is free of charge to customers.

During the year 132 customers contacted EWON over a range of matters. Of these, 73 were enquiries and 59 required investigation.

Enquiries are generally relatively straightforward matters including provision of information by EWON or referral back to Hunter Water or another agency. There was a significant decrease in the number of enquiries compared to the previous year of 237.

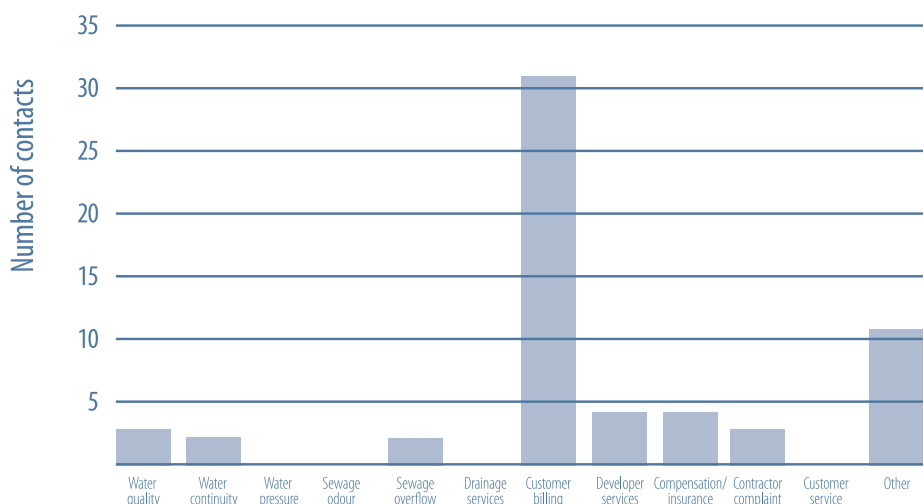
In discussions with EWON regarding the increase in the number of contacts received in 2003-04 an apparent reason for the increase was the EWON listing in the White Pages directory under 'Water Complaints'.

In discussions with customers, it appeared some thought they were contacting Hunter Water directly. The listing was amended in the 2004 directory and the impact of this change has resulted in a decrease in EWON contacts for 2004-05 by approximately 45%.

The number of contacts/complaints requiring investigation was similar to those received in 2003-04 and related to a range of issues, shown in the graph below.

It is a requirement of our Operating Licence that we report to IPART each year on the operation of EWON as it relates to our customers. A copy of the report for 2004-05 is available on our website.

Finalised EWON Contacts by Operating Licence Category (excluding enquiries)



CUSTOMER INFORMATION SYSTEM (CIS)

In June 2004 a contract was awarded to SPL WorldGroup (Australia) Pty Ltd to provide a replacement for our ageing Customer Services System which provides all our billing and stores all our customer information. The project is well underway and is expected to 'Go Live' in March 2006.

The CIS will facilitate entry to new technologies, and will improve the efficiency with which we handle customer information requests continuing the focus on providing value added services to our customers and the community.

READING CUSTOMER METERS

In July 2004 we modified our meter reading process to provide better outcomes for our customers by ensuring that meter reads were carried out more efficiently and effectively. We now "swarm" read suburb by suburb across our area of operations, rather than across a number of areas concurrently. The reading by area is not only a more efficient method of reading customers' meters, but it also improves our delivery of associated services such as meter replacements.

DEMAND MANAGEMENT INITIATIVES

Our Integrated Water Resource Plan (IWRP) sets the direction for water demand management and supply for the next decade.

Major gains were made during the year in the implementation of the IWRP, which contains a range of demand management initiatives aimed at saving about 1,000 megalitres (ML) of water, or the equivalent of 18 months growth in demand.



Customers Benefit from Improved Complaints Resolution Process

A centralised case investigation team was set up during 2004-05 to manage customer complaints.

The team was established in August 2004 with the aim to improve the effectiveness of customer complaints resolution in Hunter Water by identifying any trends in customer complaints and providing consistency in approach and resolution. Internal processes were also streamlined.

This move has been in response to an increasing emphasis on the effective resolution of complaints by external agencies such as the Energy & Water Ombudsman NSW, the Minister and the auditors.

Outcomes of the twelve month trial will be assessed in 2005.

In 2004-05 major demand management initiatives of the IWRP included:

- community awareness campaign
- residential retrofit programs
- cleaner production for industry and business
- water sensitive urban design
- promoting use of recycled water
- water loss minimisation

The IWRP is available on our website.

WATER CONSERVATION CAMPAIGN

We conducted a community awareness campaign during the 2004-05 summer to encourage the community to be careful with their use of water.

The campaign focused on water efficiency, with the main message encouraging consumers to 'Think Twice' about how and when they use water. The campaign demonstrated how consumers could be more efficient in their use of water for everyday activities.

We utilised print and electronic media including cinema to convey our messages and this was supported by a range of education and promotions at community events. Brochures, phone messages-on-hold, messages on customer bills and promotional giveaways at community events were also used.

The media were provided with up to date information on water storage levels. A weekly electronic update was also provided to staff so they were well informed to respond to general public enquiries.

HUNTER WATER REGULATION

Hunter Water's (General) Regulation 2000 was due for automatic repeal on 1 September 2005. The Regulation sets out conditions under which connections and work can be carried out to Hunter Water's systems. Our submission to the Minister recommended that the Regulation be re-made with the following outcomes:

- The minimum standards expected for plumbing and drainage work, the monitoring of performance and defect rectification processes are to remain the same as the current regulation; and
- Strengthening existing powers for imposing water restrictions by having provisions included in the regulation, particularly relating to penalties for non-compliance.

Under the terms of the Subordinate Legislation Act, we were required to undertake a public consultation program in regard to the proposed regulation. A Regulatory Impact Statement (RIS) was prepared and made available to key stakeholders including Department of Infrastructure, Planning and Natural Resources, Department of Health, NSW Office of Fair Trading, Energy and Water Ombudsman (EWON), Housing Industry of Australia, Public Interest Advocacy Centre (PIAC) and Councils in our five Local Government Areas.

PAYMENT ASSISTANCE SCHEME

Hunter Water's Payment Assistance Scheme is managed through nominated welfare agencies who provide assistance to customers who may be experiencing financial hardship. The scheme operates along similar lines to those in place for customers of electricity and gas companies. Customers seeking financial assistance with their Hunter Water accounts are assessed by the nominated agencies for eligibility.

The scheme supplements other assistance that we provide to customers in relation to their account payments, as outlined in our Code of Debt and Disconnection. In 2004-05, 547 customers were provided with assistance through this scheme.

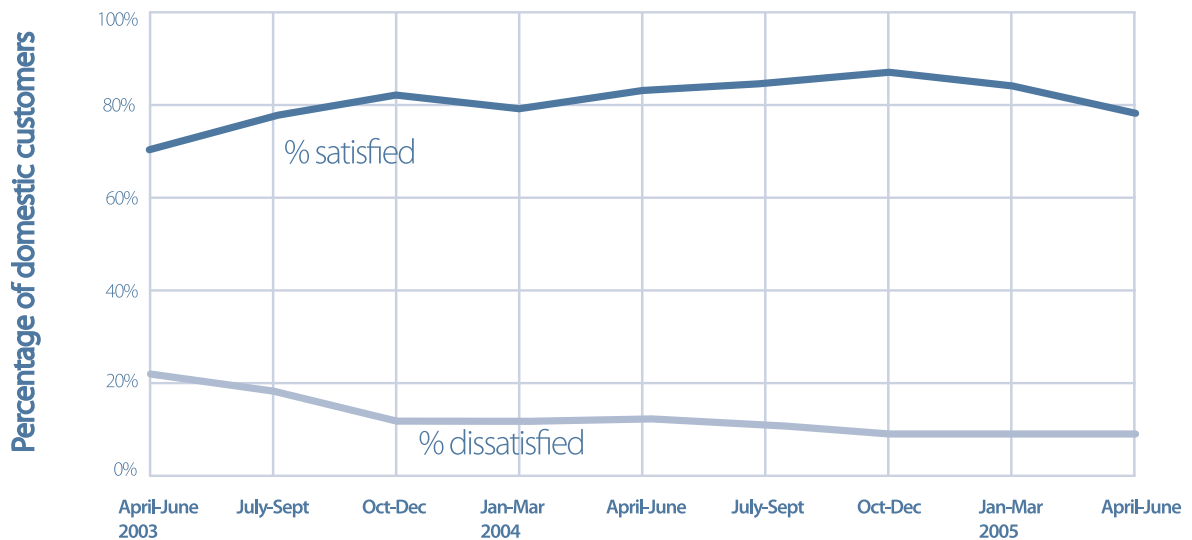
CUSTOMER RESEARCH

This year we canvassed customer views on a range of matters through our Customer Research program.

Customer Satisfaction

We have an ongoing program of randomly selecting customers who have had contact with us through either our phone service or field operators. We use the results of these surveys to communicate to staff any issues that are important to customers in their dealings with us. From these surveys staff can identify positive trends that result from their initiatives. As indicated in the graph below, satisfaction levels continue to remain relatively high.

Overall Performance of Hunter Water



Community Perceptions

Since the early 1990s, we have undertaken a major survey with residential and non-residential customers, to ascertain community perceptions on a range of aspects relating to our operations. Survey participants have been selected at random to find out their views on overall performance, pricing, environmental performance, and water and sewerage system performance. These surveys are now conducted biennially with interviews for the 2005 survey conducted in June 2005. Results will be available in late 2005.

Omnibus Research

The Hunter Valley Research Foundation conducted a survey in March 2005 to assess the level of awareness of the Summer water conservation campaign. The survey found that over one half of all respondents (53.2%) stated they had seen the campaign. NBN TV was the most frequently cited place where the campaign was seen with over four in ten (41.6%) of respondents who had recalled the campaign reported having seen it on NBN.

The most common messages respondents could recall were 'Every Drop Counts', install water saving shower heads and wash the car on the lawn. The most common behaviour changes were to use less water, become more water conscious and change watering practices for gardens.

The results of the survey will assist in developing future water saving campaigns.

Hunter Water is becoming paperless

Hunter Water is implementing an electronic document management system (EDMS) called TRIM Context. This project involves replacing paper-based files with a system that enables the Corporation to manage and secure any type of business object, including: word processing files, spreadsheets and email messages. Paper documents such as plans and letters can also be scanned into the EDMS. A key aspect of this new system is the ability to easily search and access any stored document. The obvious benefits include a significant reduction in the ongoing requirement for document storage space.

The EDMS can also improve productivity and efficiency through the use of electronic workflows. This feature allows important business processes, such as approvals, correspondence and reports, to be mapped and tracked.

The introduction of an EDMS was piloted in Hunter Water's Business & Urban Development section in 2004. The system provided much wider access to key documents and improved application processing performance. All application processes carried out by this section are now being processed using electronic document and workflow management processes.



our COMMUNITY



CONSULTATIVE FORUM

Hunter Water's Community Consultative Forum met quarterly during the year, in September and December 2004, and March and June 2005. Kevin Young replaced David Evans as convener following Mr Evans appointment as Managing Director of Sydney Water.

Following the Local Government elections in early 2004, there was a turnover of Local Government representatives and new Councillors from Lake Macquarie City Council, Newcastle City Council and Port Stephens Council were nominated to the Forum. Reports were provided at meetings on key operating, environmental and community matters. Key matters considered by the Forum in 2004-05 included:

- Grahamstown Dam Stage 2 Upgrade Work – the September meeting of the Forum was held at Hunter Water's Tomago Water Treatment Plant, with the key agenda item being a report, presentation and site visit to inspect progress on the final stage of works to increase the storage capacity of Grahamstown Dam (the largest of the lower Hunter's water storages).

This stage of the work involved construction of a new spillway and associated works at a cost of around \$12.5 Million. The upgrade work will increase the capacity of the Dam by around 50% providing further security for the Hunter community in terms of water supply.

- Water Storage levels - Updates were provided at each Forum meeting on the status of water storages in the lower Hunter. Information was also provided on the summer water conservation campaign.



Customers educated at community events

Consultative Forum members meet quarterly

- Demand Management Initiatives – the Forum was informed of the implementation of two new water efficiency initiatives in mid-2004. They were:
 - REFIT – a joint initiative from Energy Australia, Hunter Water, Newcastle and lower Hunter Councils to provide a low-cost energy and water efficiency kit to householders in the Hunter.
 - Introduction of a rainwater tank rebate for owners of existing premises who install a tank that is connected into the plumbing for use inside the house, eg toilet flushing and laundry use.
- Regulatory Overview – an outline by IPART on the outcome of the Operational Audit of Hunter Water’s performance against Operating Licence requirements for 2003/04. Hunter Water’s Chairman, Ron Robson, and IPART’s Acting Chairman, Jim Cox, attended this meeting for discussions on the performance results with Forum Members.
- Pricing – Forum members were informed of IPART’s processes for determining Hunter Water’s charges to apply from 2005-06. This included background to IPART’s role as price setter, consultant reviews, public consultation and the timing for release of draft and final determinations.
- Prosecutions for water theft – an update on actions taken by Hunter Water to prosecute customers where illegal use of water/tampering of water meters had been identified. The successful outcome of court action instigated by Hunter Water was provided to the Forum.
- Annual reports and supporting presentations on a range of key performance areas, including trade waste and chemical collection, effluent and biosolids reuse, water and wastewater system performance, odour management and catchment management.
- Wastewater Transportation System Upgrades – Forum Members were provided with status reports on the major capital program to upgrade the wastewater transportation system, particularly in the Newcastle and Lake Macquarie areas.
- Head Office Changes - Status reports were provided on design and construction progress for Hunter Water’s new head office at Honeysuckle Drive, and the sale of the existing Head Office complex.

OPEN BOARD MEETINGS

We continued our practice of conducting an open session of the monthly Board of Directors’ meeting. Agendas are advertised in the major local newspaper, and the meetings are open to the media and the community. The business papers from each session are also available to the media and public from local council libraries.

COMMUNITY PARTNERSHIPS

We continued to sponsor a broad range of organisations, events and community projects that contribute to sustainability and environmental awareness. Organisations sponsored in 2004-05 included Landcare, Waterwatch, Hunter Valley Research Foundation, Hunter Surf Lifesaving and

The Wetlands Centre. A full list of our sponsorships for 2004-05 is provided in the appendices of this report.

COMMUNITY CONSULTATION

We consulted with local communities on various projects in 2004-05 where information was contributed to the community. Consultation provides not only a vehicle for us to provide information to the community, but also for the community to provide feedback to us.

Projects included:

Cessnock Wastewater Treatment Works

Design work progressed on the new Cessnock wastewater treatment works during the year. The project involves construction of a new tertiary treatment plant and upgrading the existing works to provide extra capability to cater for growth. Hunter Water has kept the local community informed of the progress with the project.

Lake Macquarie Wastewater Transport Upgrade

This project is primarily aimed at reducing sewer overflows during extreme rainfall events. New pipes and pumps have been installed to enable the sewerage system to cope better with the larger flows that occur in heavy rainfall.

Construction on the project commenced this year with the first stage completed. Information brochures were delivered to all households along pipeline routes and in the vicinity of new pump stations. Consultation will continue during this project with customers being advised of key milestones as they approach.

Launch of Water Kit

Nearly 100 local primary and high school teachers and environmental educators attended Hunter Water's teacher in-service day on June 22 to launch our new Water Kit.

The Water Kit is a comprehensive education resource for Lower Hunter schools providing a curriculum based package aimed at raising the understanding of sustainable water and wastewater management among school children.

The in-service day included a tour of Hunter Water's Burwood Beach Wastewater Treatment Works and various workshops presented by some of the region's environmental educators. These included a water testing workshop presented by Waterwatch, a hypothetical school water audit presented by Port Stephens Council, and a stormwater/catchment model presented by Lake Macquarie Council.

The day was a success with the Department of Education & Training formally congratulating Hunter Water on the initiative. Teacher feedback was also extremely positive with all teachers expressing their gratitude for a professional and well-organised event. In the future the Water Kit will be accessible from the Hunter Water website.



Priority Sewer Program

Fern Bay, Kitchener, Millfield, Ellalong and Lochinvar are to be sewered under the State Government's Priority Sewer Program. The program is well into design phase with construction of Fern Bay and Kitchener to commence in late 2005 and completion in late 2006. The local communities have been kept informed of progress through flyers distributed at key milestones.

EVENTS

We are actively involved in organising and participating in major annual events such as Catchment Day to celebrate National Water Week each October. During the year we also participated in community events such as the Festival of Whales in Port Stephens and Tocal Field Days.

We use local events to inform the community about responsible use of water resources, for instance, by publicising the 'Think Twice' message. We attended a range of events in 2004-05 including:

- Catchment Day
- Chichester Dam Picnic Day
- Tocal Field Days
- Festival of Whales
- Newcastle HomeShow
- Surfest



Oggie the Froggie entertains and educates local school children

PUBLICATIONS

Our regular publications include a quarterly community newsletter 'Splash', distributed to a readership base of about 1000, and our Annual Report, distributed to the Parliament of NSW, IPART, Water Services Association of Australia, universities, lower Hunter Councils and other water authorities. We have a range of publications to help customers use their water more efficiently. All our publications are available on our website.

INFORMATION PRIVACY & PROTECTION

Our Customer Contract informs customers that we will treat their personal information according to the provisions of the NSW Privacy and Personal Information Act 1998.

ETHNIC AFFAIRS

We recognise the cultural and linguistic diversity of the people we employ, the customers we serve and the broader community in which we operate, as vital in achieving our business objectives. We provide access for all customers to the Energy & Water Ombudsmen NSW (EWON) for dispute resolution.

We provide a free interpreter and translator service to customers, and maintain a staff pool who speak languages other than English. We observe the principles of multiculturalism in the conduct of our business affairs. The Community Development Officer for the Migrant Resource Centre is a member of our Consultative Forum. The Migrant Resource Centre is also one of the local welfare agencies authorised to issue payment assistance vouchers to customers experiencing hardship.

Hunter Water's Sponsorship of Newcastle University

During March 2005 Hunter Water and the University of Newcastle renewed its ongoing sponsorship agreement. Over the past 10 years Hunter Water has sponsored the Chair of Environmental Engineering and has provided funding towards research areas of relevance to Hunter Water's activities. Over the course of the past 10 years our support has amounted to around \$1 million.

The agreement has been renewed for a further 5 years, providing another half a million towards ongoing collaboration in research and student training.

The Chair of Environmental Engineering was renamed the Hunter Water Chair in Water Engineering. This is to reflect a focus on water sustainability issues of interest to both the water industry and the University.

The relationship with the University of Newcastle has already enabled major research studies into water quality and quantity issues in the region, including the Williams River catchment, the sustainable management of the Tomago groundwater resource and water sensitive urban design. At the same time, Hunter Water is able to provide a valuable industry perspective to complement the University's academic programs.



our STAFF



Highlights in 2004-05:

- Ongoing skills enhancement and training
- Career growth opportunities, both internally and externally
- Exposure to broader external networks, and business structures to develop a marketable and competitive skills base
- Continuing the rewards and recognition program including the Director's Safety and Innovation Awards
- Continuing safety training
- Continuing the management development program

OUR WORKFORCE

Hunter Water's workforce operates in a complex service environment involving commercial performance, contractual and regulatory obligations, and customer service. The Corporation is also employed in a diverse range of associated activities.

Hunter Water aims to provide employees with a challenging and rewarding work environment, including the flexibility to recognise individual performance and also provide personal development opportunities for staff.

To complement employee management by line managers, an annual corporate assessment and review process is conducted to assess training and development requirements, recruitment needs and succession planning issues for each work group.

Our ongoing challenge is to have in place an organisational structure that ensures new technologies are implemented, work practices are improved and skills to keep our business moving forward are maintained. Strategies are then developed to address the evolving needs of our workforce.

OCCUPATIONAL HEALTH & SAFETY

Hunter Water values safe work practices in the interest of employees, the public and the efficiency of Hunter Water.

Over the last three years significant efforts have been put into management of safety across the organisation. While there has been strong focus on the high risk areas of our day labour workforce and that of our external contractors, we have also moved to make our focus at a Corporate level, that is safety is relevant to every employee.

Improvements include:

- Development of a corporate wide controlled safety management system
- Corporate wide training needs analysis and implementation of training and refresher training programs on an annual basis
- Accident Investigation training for all Managers and Supervisors
- A revised Hazard Management System
- Restructuring of safety committees to ensure representation across the entire organisation
- Further emphasis on a corporate safety focus by transferring the Occupational Health and Safety Coordinator from Operations to the Human Resources team
- Participation in regional safety network activities
- External auditing of our systems by the National Safety Council and participation in the Council's 5-Star program
- Improved return to work coordination for injured workers
- Safety awareness promotion through our staff newsletters, toolbox talks, and health monitoring promotions
- Specific auditing of high risk activities on a rolling program



A suspended solids meter measures the level of mixed liquor suspended solids in clarifiers

- Participation in the NSW Government's Workers Compensation Premium Discount Scheme (in which maximum discounts were achieved over the past three years)
- Continuation of the incentive reward scheme with gift certificates for the best performing safety area in our higher risk Operations area
- Introduction of the 'Positive Performance Metrics' reported to the Board and Executive each month. These metrics focus on the day to day delivery of OH&S activities and responsibilities supporting the evaluation of awareness, compliance and rehabilitation.

SAFETY PERFORMANCE

Hunter Water is a member of the National Safety Council of Australia (NSCA) and has joined their 5-Star Health and Safety System. A star grading audit is conducted each July by the NSCA.

In 2003-04 Hunter Water received a 4-Star rating which is consistent with past audit performance.

In 2004-05 Hunter Water received a 5-Star rating for the first time, displaying a very pleasing improvement in our safety processes and the number of injuries in the workplace.

During 2004-05, to further improve performance, a review of safety management was undertaken.

This review involved:

- A gap analysis across the organisation to identify areas where controls may not be in place commensurate with identified risks

Director's Safety Awards

The introduction of the Director's Safety Awards supports Hunter Water's commitment to safety in the workplace. The scheme commenced in 2004 and is designed to acknowledge outstanding initiatives and contributions by individual employees in the area of safety improvement and accident prevention.

The finalists for the 2004 Director's Safety Awards were Glen Rigby, Bob Auer, Brian Pegler, Keith Ryan, Les Thornton, Bob Stead and Neil Gordon.

The Chairman, Ron Robson, presented the inaugural Director's Safety Awards on behalf of the Board to Bob Auer for his design and fabrication of hooks to access hatch covers situated over pump stations.

Glen Rigby, Brian Pegler and Bob Stead each received high commendations for their safety initiatives. All of the award finalists received a trophy and a fire extinguisher for their efforts.

The Board considered that all the entrants had gone above and beyond their normal duties in identifying ways to improve safety at work.



- Development and introduction of a suite of positive performance metrics which are included in the monthly Board Report

The process has included networking with external organisations.

Our initiatives have focussed on refresher training, toolbox safety talks, safety committee consultation, hazard identification and elimination processes, and general health and safety awareness promotions.

In addition, an audit by WorkCover accredited auditors for our OH&S and injury management systems confirmed our eligibility to retain our rebate under the Government's Premium Discount Scheme.

RECRUITMENT AND TRAINING

Hunter Water's recruitment and employee development strategy aims to complement growth areas, provide a pool of expertise and ensure appropriate skills development in order to meet the challenges of the future. The strategy provides:

- Development opportunities for employees who participate in our external growth agenda through the marketing arm of our subsidiary, Hunter Water Australia
- Targeted recruitment particularly in high skill areas
- Continued focus on engineering expertise to service Hunter Water's major capital works program



Hunter Water rangers operate valves to clean screens at Chichester Dam

- Employment of trainees and graduates across a diverse range of professions
- Employment of electrical and mechanical apprentices

To achieve this we provide training in the areas of people skills, information technology, operations, safety and environmental awareness. The main focus in the past year has been training in Occupational Health & Safety and Management Development.

Our programs also assist employees with training and development including:

- Internal and external courses
- Study assistance
- On the job training
- Job rotation and relief
- Annual performance reviews
- Scholarships
- Secondments and exchanges
- Skills development program
- Induction and orientation sessions
- A mentoring program

Hunter Water's theme of continuous improvement is a critical success factor that allows us to maintain our competitive edge. Our focus is on the development of our employees across various areas of Hunter Water. To enable this we have a number of programs in place including:

Management Development Program

The management development program aims to enhance management and leadership skills. The program develops skills in:

- Performance management
- Strategic management
- People skills
- Time management
- Leadership development

- Project management
- Financial management

Over sixty managers and supervisors have completed the performance management, project management, time management, financial management and people skills modules of the program.

During the year, the Executive team took part in a Leadership Development module designed to determine, enhance and encourage a core set of values that are central to the organisation's key objectives. Further to this, members of the Executive took part in a 360 degree feedback program that allowed participants to give and/or receive feedback on their performance against the Corporation's determined values.

Mentoring Program

Hunter Water's mentoring program has proven very effective, particularly in the area of career development of employees. This program provides benefits for both mentors and mentees in sharing professional and personal skills and experience.

The program is based upon encouragement, constructive feedback, openness, mutual trust, respect and a willingness to learn and share. This year saw one of the most successful mentoring programs. Not only did all the individuals who participated form ongoing professional partnerships, but the dynamic group of participants also benefited through interaction as a group.



Our Contact Centre staff use modern telecommunications

RECOGNISING OUR EMPLOYEES' NEEDS

While our ongoing employee management program addresses training and business growth issues, we are mindful of the need to acknowledge other working life dimensions for employees.

As a result, we have endeavoured to provide a whole of life balance, where we offer various forms of employee assistance such as health awareness, health check and counselling.

This coupled with a range of family friendly options relating to flexible leave arrangements and initiatives such as job share, part time work, purchase of additional leave and telecommuting (facilitated through technology improvements), have been designed to assist employees balance work and family commitments.

The variety of work arrangements we offer are designed to optimise productivity while at the same time recognising other factors are influential to the general well-being of staff.

In relation to employee recognition, our Community Relations group introduced a rewards and recognition program in 2003, where individuals or teams can be nominated for special work achievements.

The objective of the awards is to recognise a 'job well done' and provide a reward. Nominations are made by peers and assessed by a panel which has management and staff representation.

Hunter Water also has a formal Performance Management Program with about one hundred employees participating. The program focuses on both outputs and the skills and abilities required to ensure job success. Annual reviews with all salaried staff, provide opportunities for feedback, two-way communication and recognition.

EXTERNAL GROWTH OPPORTUNITIES

Consistent with our objective to create a work environment where skills are readily transferable both inside and outside Hunter Water, a number of staff have worked on external projects in NSW, interstate and overseas through our subsidiary Hunter Water Australia.

In 2004-05, an even greater commitment was given to growing external sales through developing the skills of our employees. This presented even more opportunities for staff to work as a Hunter Water employee and consultant, and allows individuals to test and apply their skills in a competitive market place.

These opportunities facilitate exposure of employees to new challenges and issues and therefore expand our employees' skills and knowledge. The involvement of our staff in external work will also facilitate the process of generating new ideas from the marketplace.

STAFF COMMUNICATION

A range of tools are used to disseminate information to staff. This year we continued to produce 'Backwash', our popular staff newsletter, and also continued to produce a weekly electronic bulletin to keep staff informed of our current water storage situation and inform of upcoming events.

EQUAL EMPLOYMENT OPPORTUNITY

We are committed to Equal Employment Opportunity (EEO) and Affirmative Action and our EEO policy aims to provide a workplace free of harassment, bullying and discrimination. We also strive to promote equal employment opportunity for all employees, including members of minority and disadvantaged groups.

Our EEO Management Plan provides an overview of the strategies that will be undertaken or pursued during the next 12 months. It also outlines the timetabled actions that will be necessary to ensure success of our strategies.

Achievements in 2004-05 included the awarding of two scholarships - one to an indigenous student and one to a student with a disability. In addition, Hunter Water conducted discrimination, harassment and bullying prevention workshops for all staff.

EEO statistical tables displaying trends in representation and distribution of EEO groups are contained in the Appendices of this report.

NEW INITIATIVES

During 2004-2005 the Safety Management Review Project was undertaken. The findings from this review are currently being implemented and this project is being supplemented with the implementation of new initiatives such as:

- A continuing focus of our audit program of higher risk areas and to specifically test whether safe systems of work are effective (for example an electrical safety audit was undertaken and specific actions for improvement identified).
- Ensuring risk assessments are undertaken for all tasks rather than reliance on generic risk assessments.
- An elevated requirement for safety management and OH&S issues within divisional business plans.
- An elevated requirement for safety management and OH&S issues within performance agreements for supervisors and managers.
- Improvements to return to work processes.
- Improvements to communication of Hazard Reporting system.
- Specific annual strategy session with Senior Executive Team on safety.
- Encouragement of innovative ideas from staff regarding safe work practices through the Director's Safety and Innovation Awards.

Our environmental training courses included:

- Chemical management
- Trade waste management
- Erosion and sediment control
- Environmental incident response
- Environmental awareness
- Acid sulphate soil management
- Environmental impact assessment



Our water supplies are monitored regularly

our OPERATIONS



2004-05 MAJOR PROJECTS

Integrated Water Resource Plan

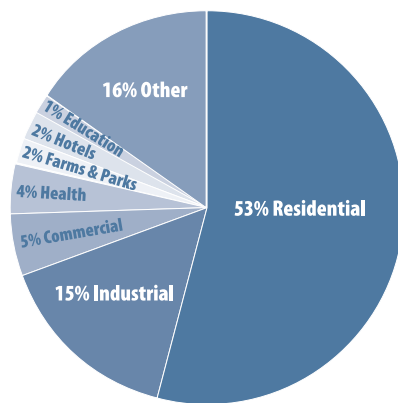
The Integrated Water Resource Plan (IWRP) was finalised in March 2003, with the second complete Annual IWRP Report prepared in the 2004-05 period.

The plan seeks to achieve an appropriate level of drought security for our customers while balancing available resources in a sustainable manner. This is done by examining the lowest cost - based on economic, social and environmental factors - of providing consumers with water.

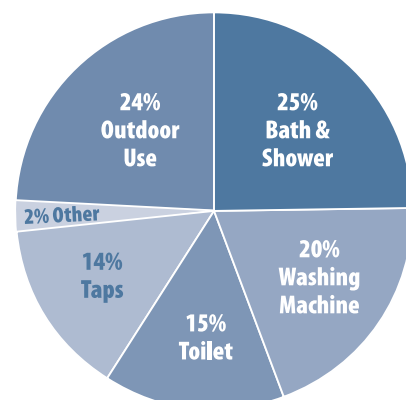
Good progress continued throughout 2004-05 on the actions identified within the IWRP. This included:

- Installation of 6727 REFIT Kits in Lower Hunter houses. The REFIT Kits include water efficient products and a water audit.
- Residential consumption campaign which assessed the impact of different promotional campaigns on water usage and community awareness.
- Hunter Water spent approximately \$3.5 million during 2004-05 on water service replacement and watermain replacements to minimise water loss.
- Work continued on the construction of a larger spillway at Grahamstown Dam which will provide an increase of around 60,000 megalitres in available storage when complete.

Annual Water Supply by Sector 2004-05



Domestic Water Consumption 2004-05



The new spillway at Grahamstown Dam will increase its capacity by 50%

Increasing the capacity of the water distribution system

Hunter Water needs to ensure that the watermain network keeps pace with growth so that service standards to customers are maintained. Accordingly we have completed work to increase the capacity of our networks in Mirrabooka, Morisset, Wallsend and Kooragang Island. Planning work has also been undertaken on the augmentation of the water distribution systems at Cameron Park, Aberglasslyn, Karuah, Whitebridge, Belmont and Hexham.

Upgrade of wastewater transportation systems

Our wastewater transportation systems are being progressively upgraded to meet growth, customer, environmental and regulatory requirements. Upgrades are being identified through a comprehensive process of analysing and compiling computer modelling results, environmental monitoring, consultation and operational data, using a risk based approach.

Two significant projects underway are the Warners Bay/Valentine wastewater transportation upgrade and the Newcastle wastewater transportation upgrade. Completion of these projects will see enhanced service to customers through a reduction in the frequency and volume of wet weather overflows. About \$50 million is planned to be spent in these two areas over the next four years.

Grahamstown Dam upgrade

Hunter Water is in the process of increasing the storage capacity of Grahamstown Dam. The final stage of work, due for completion in late 2005, involves the construction of a new spillway and earth embankment. The top water level of the dam will be raised by 1.4 metres, providing an additional 50% capacity. These works are in addition to the completion of a discharge channel beneath the Pacific Highway, and wave protection works completed in 2001.



Grahamstown Dam Capacity Upgrade

The Hunter's water supply is being further secured with major works to Grahamstown Dam. At the completion of the project the capacity will have been increased by approximately 60,000ML (which is equal to 3 Chichester Dams), providing for prolonged dry periods and 9 years of population growth.

The upgrade involves the construction of a new spillway that will allow the water level held in the dam to be increased. The new spillway will allow for a higher water level to be maintained in the dam, as it will have the ability to release water quickly in the event of high rainfall events.

The final stage of the project will see the construction of the new spillway, which is expected to be completed by late 2005. In place of a traditional spillway, an innovative Labyrinth spillway has been designed. While more complex to design and construct than a traditional spillway, there are substantial cost savings in the reduced excavation required.

This will allow more water to be transferred from the Williams River in wet periods when flows are higher. The increased storage capacity will provide improved security of water supply for the region during drought periods.

WASTEWATER TREATMENT

During the 1990s Hunter Water upgraded its major coastal wastewater treatment facilities and, as a joint venture with the State Government, spent \$310 million through the Hunter Sewerage Project (HSP) to provide services to 20,000 unsewered properties in outlying areas.

The removal of septic overflows and treated effluent from Lake Macquarie and Port Stephens and the upgrade of major ocean disposal facilities has improved the quality of the region's beaches and the health of both these major waterways.

In addition to the improvements achieved under the HSP, there has also been an upgrade program focussed on the inland wastewater treatment facilities that discharge treated effluent to more sensitive waterways. About \$72 million has been spent to date on the \$100 million program to upgrade our inland wastewater treatment facilities.

NEW GENERATION OF TREATMENT WORKS

Hunter Water aims for sustainability in the treatment of the region's wastewater by: using natural treatment processes; recycling where environmentally and economically feasible; and by returning high quality treated effluent to the water cycle in compliance with DEC standards. All these measures help to minimise impacts on the environment.

In 2004-05, Hunter Water achieved a high level of compliance (over 98%) with our DEC wastewater treatment licence requirements. A small number of minor licence exceedances had no significant environmental impacts.

Wastewater Works Program 2004-05

Wastewater Works	Benefits	Cost	Commissioning
Cessnock upgraded WWTW - Planning approval obtained in 2004-05	<ul style="list-style-type: none"> Higher level of wastewater treatment Caters for population growth and for new developments in the Cessnock area 	\$27.5 million	Mid 2007
Upgrade Belmont WWTW - A review of environmental effects was completed in early 2003	<ul style="list-style-type: none"> Provide for increased flows resulting from wastewater transport upgrades Caters for population growth in the Belmont area 	\$20 million	Mid 2007

Generally where effluent quality limits were not achieved the exceedance was caused by biological activity in the maturation ponds used for disinfection (eg algal blooms) or during excessive wet weather, not with problems in the main treatment process.

During 2004-05, the detail design for the upgrade of Cessnock wastewater treatment works was completed. Four contracts to undertake the upgrade works were awarded.

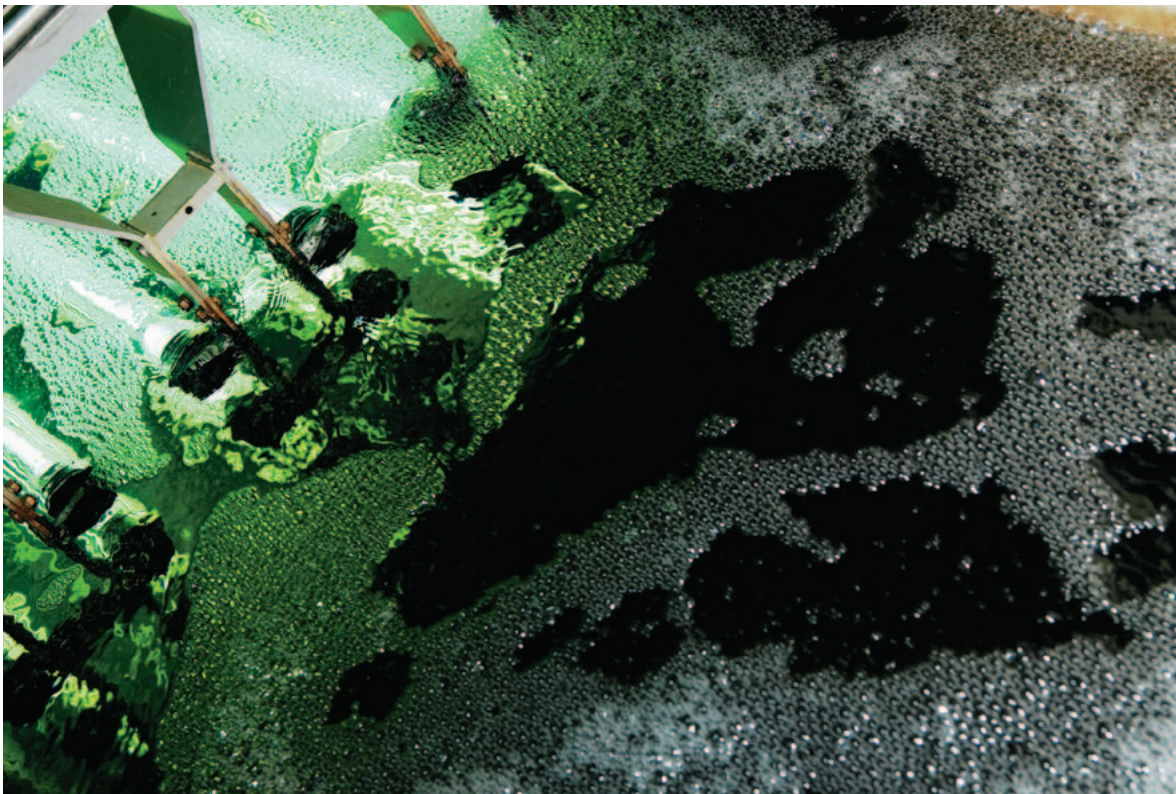
The upgraded plant will incorporate:

- Nitrogen and phosphorus removal to reduce nutrients entering Black Creek
- Enhanced disinfection facilities
- Improved odour control
- Better biosolids management
- An opportunity to generate energy from the treatment process

Construction commenced in mid 2005 and will be complete by mid 2007.

WASTEWATER TRANSPORTATION

Sewer overflows are generally related to either tree root blockages or wet weather conditions. In 2004-05, we spent \$2 million on our sewer overflow reduction strategy specifically targeting the elimination of known tree root problems.



UV disinfection produces high quality treated effluent

In heavy rain, parts of the system become overloaded by stormwater seeping into cracked pipes, illegal connections of stormwater into the sewerage system, or poorly located customer fittings such as low-lying sewer shafts or yard sinks.

The vast majority of our customers are unaffected by wet weather overflows, with problems occurring generally only in low-lying areas or where the water table is high.

In 2004-05, 117 overflows were attributed to heavy rain compared with 145 in the previous year. As the flow is heavily diluted, there is generally minimal environmental impact.

In 2004-05, a number of initiatives were undertaken to improve the performance of the wastewater transportation system in wet weather:

- Completion of sewer pipe relining in sections of the Adamstown, Mayfield, Georgetown, Wallsend, Waratah and Rankin Park to reduce the amount of rainwater that enters the system in wet weather. The cost of the re-lining work was \$1.3 million.
- Smoke testing was undertaken on properties in Beresfield, Waratah West, Silver Ridge, West Wallsend, Edgeworth, Argenton, Glendale, Hamilton South and Belmont to identify illegal connections to the wastewater transportation system. Illegal connections include connection of roof drainage to the sewer system instead of the stormwater system, cracked sewer pipes within the property and draining the backyard to the sewer system. Property owners are required to rectify any defects or illegal connections which are identified from smoke tests.
- To improve project management efficiency, during 2004-05 three contracts were awarded for closed-circuit television inspection (CCTV), sewer rehabilitation and smoke testing projects.

Upgrade of Lake Macquarie Wastewater Transportation System

Although the Lake Macquarie sewerage system generally performs well, during heavy rainfall water can infiltrate the sewage system reducing its capacity and affecting its performance. The excess water is likely to come from cracks in the sewer pipes, illegal stormwater connections or low lying manholes.

Investigations have been undertaken and a range of works planned to improve the performance of the system in wet weather, which will also deliver environmental improvements to the lake and surrounding areas.

Upgrades to the transportation system are aimed at increasing its capacity and to cater for peak flows, as well as work to reduce the amount of water entering the system. This will involve the sealing of manholes, rehabilitation of pipe work and smoke testing.

The largest component of the work is the upgrade of the Warners Bay / Valentine Wastewater Transportation system. This project includes the upgrade of six pump stations as well as the upgrade of 6.5km of rising mains and 12km of gravity carrier mains. When completed, the capacity of the system to transport wastewater will be almost double its current capacity and customers will notice a significant improvement in the quality of service provided by Hunter Water's wastewater system, particularly in wet weather.



- To improve the communication between the contractors and Hunter Water, a geographical information system (GIS) with Hunter Water's network information has been implemented. Contractors can now search for asset information by using the GIS system and can produce their own plans and diagrams. This has streamlined the process by reducing the number of calls between contractors and Hunter Water's contract superintendents.
- Completion of a substantial inflow reduction program. With the assistance of council supplied flood information, we have identified manholes (access points for maintenance) in the wastewater transportation network which were at risk of letting surface water enter during times of flooding. Nearly 2000 of these manholes have been sealed with special lids to minimise the risk of surface water overloading the system.
- Upgrade work to the Valentine wastewater system is near completion with construction on the Eleebana and Warners Bay systems commencing in August 2005.
- Design work for the Newcastle wet weather wastewater system upgrade is progressing with work on the horizontal directional drilling design through Merewether Hills to commence in 2006. An extensive community consultation process was undertaken. Other design work, including new pumps and pipelines, will begin towards the end of 2005. The expected cost of this upgrade work is approximately \$30 million.
- An Upgrade Management Plan is being undertaken for the Dudley/Charlestown wastewater transportation system. This study is looking at upgrade work to reduce customer and environmental impacts from wet weather overflows.



The new Kurri Kurri wastewater treatment works is catering for growth in the Coal Fields area

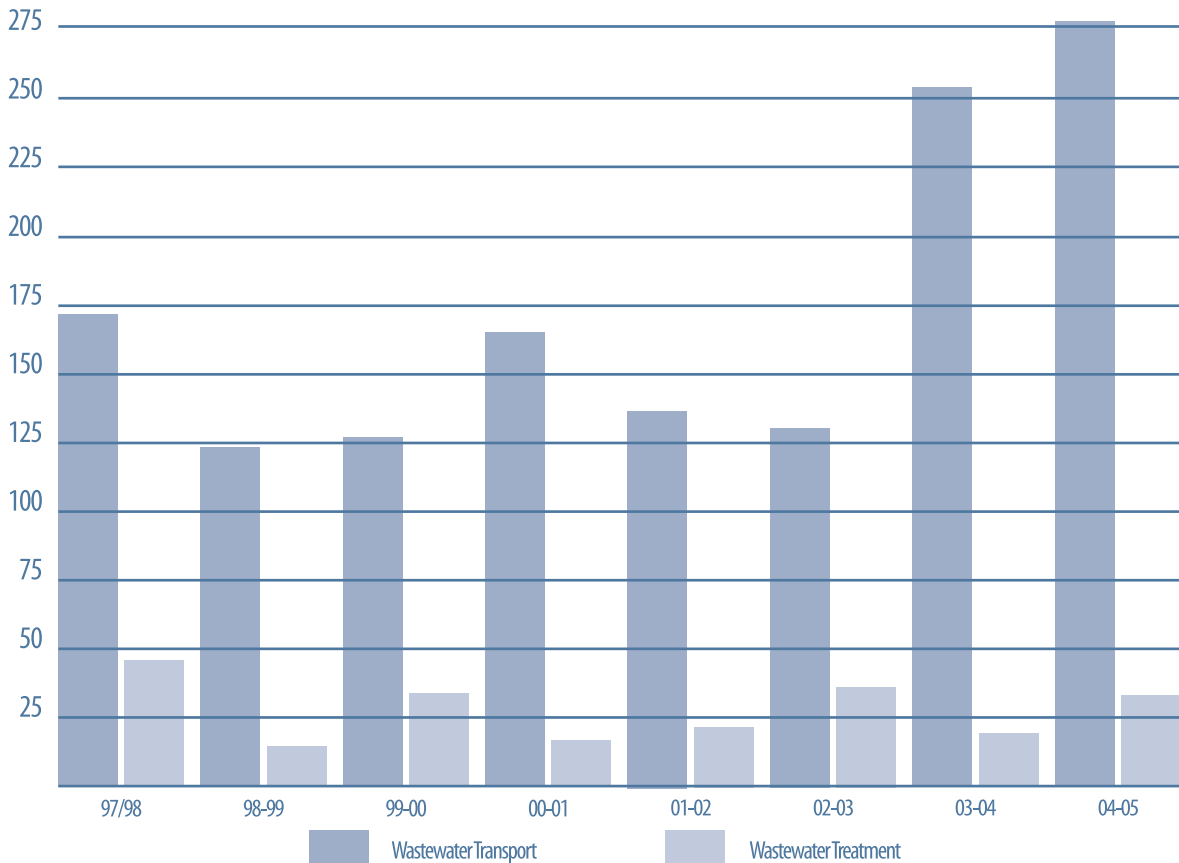
- Fern Bay is to be sewered under the State Government Priority Sewer Program (PSP) to replace existing on-site systems for approximately 200 properties. Design work for the wastewater transportation system is continuing and construction is due to commence late 2005. The total cost of the scheme is over \$4 million.
- In August 2003, the State Government announced that Kitchener, Ellalong, Millfield and Lochinvar would be sewered under the Priority Sewer Program to replace existing on-site systems. All schemes are currently in design phase.

ODOUR CONTROL

Sewage can generate odours when system detention times exceed four or five hours. Odours can be present in the wastewater transportation system (pipe network) or at treatment facilities. We have been proactively addressing the issue of odour control in the total system rather than 'masking' odours at the point of emission.

Preventing odour generation by appropriate design and chemical control removes a community nuisance and protects system assets which can be corroded by sewer gases. Hunter Water has been actively ensuring all new developments are assessed by the developer to ensure any potential odour generation issues are identified and addressed before the system comes on line.

Odour complaints 1997-2005



This proactive approach should see minimal odour complaints within new catchments and has seen the annual expenditure on odour control increase from \$100,000 in the early 1990s to over \$1 million in 2004-05.

There has also been significant expenditure during the year to install odour control facilities, minimise the generation of odours in the system itself and improve odour testing and monitoring. This is in response to higher community expectation for us to manage odours more effectively.

RECYCLING INITIATIVES

A key objective in Hunter Water's Environmental Management Plan is productive reuse of recycled water and biosolids where it is economically and environmentally feasible.

In 2004-05, about 4,200 million litres of effluent (8.5% of dry weather effluent flows or equivalent to 19% of Chichester Dam) was recycled. In 2004-05, agriculture and industry were the main users of effluent.

During 2004-05, the equivalent of 4,869 dry tonnes of biosolids were dewatered and reused. The percentage of reused biosolids by 'end use' is shown in the biosolids recycling graph. No biosolids were disposed to landfill with the unused component being stockpiled on wastewater treatment sites until a beneficial reuse opportunity is identified. In 2004-05, the mining industry was the main user of biosolids.



Transfer of water to the Central Coast

In July 2005, the then Minister for Energy and Utilities, Frank Sartor, announced plans for a \$27 million pipeline to be built from the Hunter to the Central Coast. The new pipeline will supply about 20 megalitres of water per day to the area when complete in early 2007.

With the Hunter being fortunate to receive rain over the catchment area, water storages were at 95% in June 2005, while the Central Coast's storages were around 25%.

The new pipeline will be 25km long and provide the ability for water sharing between the Hunter and Central Coast regions. In the past there have been times when the Hunter has been in drought and the Central Coast has not. This pipeline will allow water to be supplied back to the Hunter when its storages are lower and the Central Coast's higher.

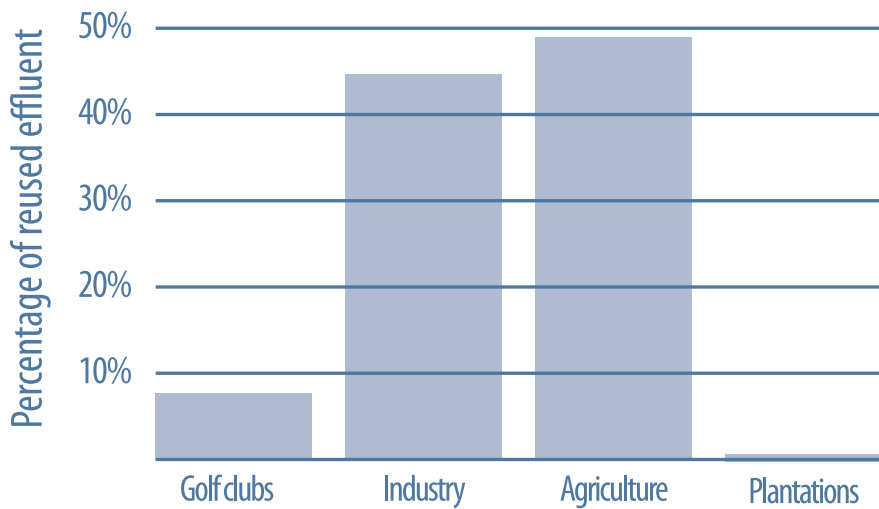
The capacity of the new pipeline will also service growth in the southern part of Hunter Water's area of operations.

WATER LOSS MINIMISATION

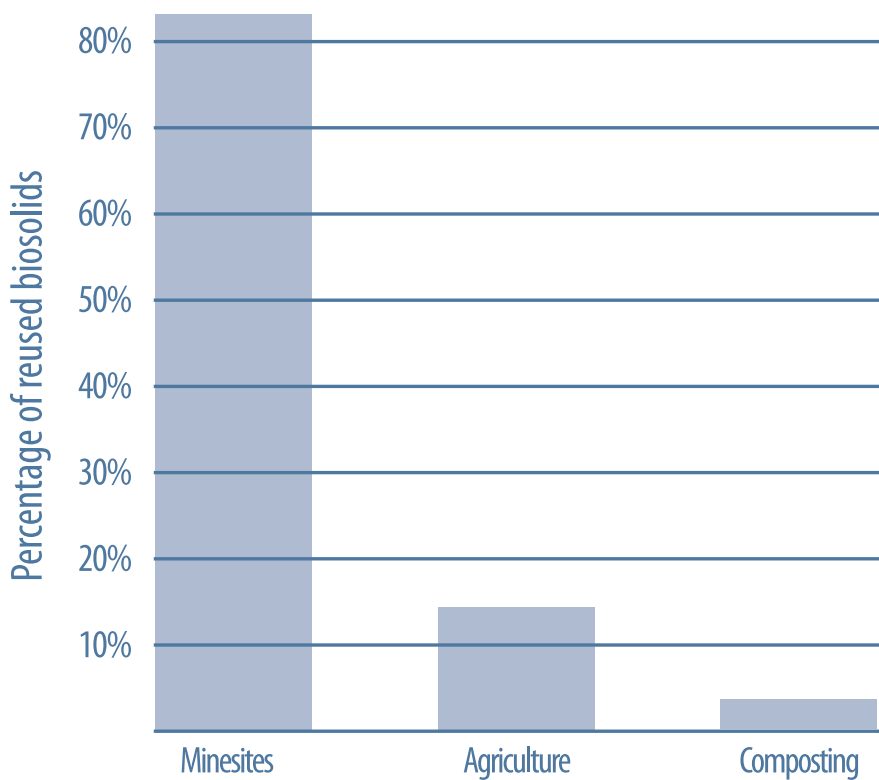
Hunter Water is actively implementing a range of initiatives to minimise water loss from its system. In 2004-05, 194 kilometres of watermains were surveyed for leaks using the most recent acoustic leak detection technology. Thirty two leaks were found with half of these minor seeps on hydrants and the remainder on valves, service connections and private plumbing.

This survey and those in the previous two years, have revealed a minimal number of leaks on our mains. We also replaced 12 kilometres of watermains during 2004-05 at a cost of \$3 million.

Effluent recycling 2004-05



Biosolids recycling 2004-05



our ENVIRONMENT



SUSTAINABILITY

Ecologically Sustainable Development (ESD) relates to environmentally sound economic growth and is a framework to integrate environmental, economic and social decision-making into natural resource management.

While clear results of achieving sustainability can be difficult to measure and may take years to emerge, the integration of environmental, economic and social outcomes feature predominantly in the decisions made at Hunter Water.

To this end, a set of ESD Indicators or criteria has been developed to assist us in monitoring our progress towards achieving ecological sustainability.

These indicators include:

- **Economic** that relate to our direct and indirect impacts on the financial resources of our stakeholders. Hunter Water recognises the need to develop cost-effective and flexible policy instruments such as improved valuation, pricing and incentive mechanisms for protecting the environment. The need to maintain and enhance our overall competitiveness in an environmentally sound manner is also understood.
- **Environmental** that concern our impacts on living and non-living natural systems, ie ecosystems. Hunter Water recognises the need for whole of catchment planning and management in conjunction with the community. A catchment-wide approach is effective in improving the health of our waterways as it integrates the management of land, vegetation and water resources.
- **Social** that concern our impacts on the communities within our area of operation, and includes qualitative and quantitative information on public health and safety, labour practices and other social issues. Total water cycle management includes human interaction. To achieve sustainable water resource management it is necessary for Hunter Water to provide for broad community involvement in issues that affect the way people interact with the water cycle.

It is imperative we realise that sustainability can only be achieved when directed by ESD principles and objectives that ensure the maintenance of ecological processes and systems. These ESD principles and objectives should guide the outcomes of our corporate planning, decision making and practice.

ESD objectives are mandated in NSW legislation. The core objectives of the National Strategy for ESD, signed by all Australia's Governments are:

- to ensure a path of economic well-being that safeguards the welfare of future generations - referred to as 'intergenerational equity'
- to enhance the individual and community well-being within and between generations - referred to as 'intragenerational equity'
- to conserve and protect biological diversity and essential ecological processes and life-support systems

The most fundamental aspect of these objectives, consistent with national and international views, is that the present generation needs to ensure the health, diversity and productivity of the environment for the benefit of future generations. Each generation is expected to leave intact the necessary environmental conditions for the next.

For Hunter Water, ESD is about balancing economic prosperity and environmental quality for the community, now and in the future.

TRIPLE BOTTOM LINE

Triple Bottom Line (TBL) is the reporting framework of sustainability. It reports an organisation's overall performance against environmental, economic and social indicators. The value of reporting non-financial aspects, including impacts on the community, is that it can be used as an internal management tool, as well as an external reporting framework.

Despite its name, TBL does not seek to produce three ultimate figures in the sense of a financial report's 'bottom line'. Instead, TBL is the measured outcome of sustainability and a way for organisations to disclose and account for their current performance and future challenges. For several years now, Hunter Water has recognised the benefits of environmental reporting and has been providing information on environmental performance since 1995.

The next evolution in this public reporting process has been to bring together our environmental, social, economic and financial reporting into one report.

A report based on these three interlinked sustainability indicators provides a more comprehensive overview of our performance. Measuring performance against these indicators will guide us to improve our future outcomes in an ecological, financial and community sense.

How we approach TBL

Hunter Water operates a robust, process driven business model, with a triple bottom line focus. Over the last decade we have systematically worked to carry out activities that achieve integrated environmental, economic and social outcomes.

In an environmental sense, we achieved the following outcomes:

- Produced an Environmental Annual Report (since 1994-95) to report to the community on how we deal with environmental issues. In 2003-04 this report was incorporated into the Corporate Annual Report.
- Implemented an Environmental Management Plan (EMP) since 1995 to outline our main environmental objectives. Our 2002-2007 plan is a key part of our Environmental Management System and is reviewed annually.
- Developed an Integrated Water Resource Plan (IWRP) in 2003. The plan aims to coordinate the community's need for water and water supply capacity to achieve sustainable water management over the next ten years.

- Implemented a program to rebuild our wastewater treatment works which has resulted in a significant improvement to the quality of effluent discharged to the environment. In 2004-05 this involved completing the design of the new Cessnock wastewater treatment works.
- Continued to work with the community and government agencies to protect catchments where raw water is harvested. In 2004-05 we continued to work on a demonstration site at Seaham to showcase best practice sustainable farm management.
- Commenced a major upgrade of our wastewater transport system in Lake Macquarie, with works complete in Valentine. Planning is well advanced for work on the Newcastle system.
- Eight percent of our treated effluent was reused.
- Maintained domestic water demand at an average of 210 kilolitres per residence per annum. Domestic water use in our area of operations continued to be one of the lowest of the major Australian water authorities in 2004-05.
- Provided annual reports to the community on:
 - Williams River water quality
 - effluent/biosolids reuse
 - chemical collection
 - odour complaints
 - the Hunter Sewerage Project
 - our Operating Licence audit

REFIT Program

The REFIT program is a partnership between Hunter Water, Energy Australia and Newcastle and the Lower Hunter Councils to provide water and energy saving devices to households at a subsidised cost. With the installation of a AAA rated showerhead, 2 energy saving compact fluorescent lightbulbs and a garden hose trigger nozzle, each household could potentially save \$150 of its annual water and energy bills. The program is an action implemented under the IWRP.

Following its commencement in June 2004, the last year has been very successful for the REFIT program. Initially the expectation was that 5000 kits be installed in the Lower Hunter during the financial year, however, additional funding secured from the Department of Environment and Conservation allowed for a further 1727 kits to be installed.

In all 6727 REFIT kits have been installed since June 2004. The installation of these REFIT kits is expected to save around 171 ML of water annually.



- Continued our tree planting program which has seen over 80,000 native trees and shrubs planted since 1995. This provides habitat and improved biodiversity where our facilities operate.
- Worked closely with, and sponsored, local Landcare groups involved in tree planting, weed control and bushland regeneration activities.

In a financial sense, we achieved the following economic outcomes:

- Prices charged to customers remained largely unchanged in real terms despite increasing cost pressures. Prices and costs are affected by inflation and this can conceal efficiency gains. To get a measure of efficiency it is necessary to look at cost and price movements with the effects of inflation removed.

Using this approach Hunter Water has achieved real savings of around 40% in operating costs per property since corporatisation in 1991. During the same period, customers have benefited substantially from real savings in prices reflected by a reduction in revenue per property of around 45%.

- Introduced the user-pays principle in water and trade waste services. Hunter Water was the first of all Australian water supply authorities to apply full 'user-pays' pricing for water usage charges and to replace property value based pricing structures. This charge is now widely accepted by the community and is an effective tool to manage demand for water. The total demand for water in Hunter Water's area of operation has remained relatively constant for the past ten years. In 2004-05 Hunter Water's sustainable yield from all water sources was 73 gigalitres (GL), which exceeds supply of 72 GL for the 2004-05 year.



Hunter Water is a proud sponsor of Trees In Newcastle

In a community sense, we achieved the following social outcomes:

- Our current Operating Licence began in 2002 and provides a safety-net of minimum standards for system performance for customers.
- Provided almost \$200,000 in direct funding in the form of sponsorships to support a range of community and environmental activities and events in 2004-05 including: Landcare, Waterwatch, Surf Life Saving, the Hunter Valley Research Foundation, Surfest and The Wetlands Centre.
- Provided about \$50,000 for the University of Newcastle's Chair of Environmental Engineering and \$46,000 for the Applied Research program. In 2004-05 these research funds contributed to studies into water sensitive urban design and macro-invertebrates as an indicator of water quality.
- Promoted community ownership and responsible use of water resources through public education programs including Catchment Day, and school and community group talks.
- The rainwater tank rebate scheme began on 1 July 2004.
- In conjunction with EnergyAustralia and local councils we also participated in the REFIT program involving the retrofitting of homes with subsidised water and energy efficient devices and audits. In 2004-05, over 6700 households had a REFIT Kit installed.
- Continued our commitment to customer protection and equity by participating in the Energy & Water Ombudsman NSW (EWON) scheme. This scheme provides an independent review for customers who may not be satisfied with Hunter Water's response to their complaints.
- Maintained wastewater treatment operations which resulted in the region's beaches being rated the cleanest by DEC's NSW Beachwatch program for the last five years (since Hunter beaches have been part of the program).
- Conducted community consultation with residents and interest groups. In 2004-05 we consulted with local communities where major upgrades to our water and wastewater services were occurring.
- Continued to provide Open sessions at our monthly Board meetings, to enable attendance by the community and media.
- Established a Consultative Forum in 1989 to provide two-way community feedback into our activities. In 2004-05, we reported to the Forum on our water and wastewater management and catchment activities.
- Sought community views through the Hunter Valley Research Foundation's Omnibus Survey. In 2004-05, about 300 residents were randomly interviewed to measure understanding and recall of messages from our summer water conservation campaign.

WASTE REDUCTION

Hunter Water continued its commitment to waste avoidance and resource recovery through the development and implementation of its Waste Reduction and Purchasing Policy (WRAPP). The focus of our WRAPP is on:

- reducing waste from daily activities and operations
- management systems, services and products that avoid generating wastes disposed to landfill
- purchasing recycled or low waste products and services that are price and performance competitive
- involving management, staff, clients and customers where they can contribute to reducing waste

Four main areas of waste generation have been identified in the WRAPP. These include vegetation wastes, construction and demolition materials, office consumables and paper products.

Our main priority is to reduce construction and demolition waste. Steps have been taken to better understand the type and amount of wastes generated in this area to target waste reduction and recycling strategies. Within our offices, paper and office consumables are a priority area.



National Water Week and Catchment Day

In the Hunter, National Water Week culminated with Hunter Water's Catchment Day held at The Wetlands Centre. In 2003, this event was voted the most important and successful community environmental event of the year in the region.

Last year's Catchment Day was held on Sunday 24th October and attracted more than 2000 visitors to the centre. The day is a free family event organised and sponsored by Hunter Water in association with The Wetlands Centre, and with support from more than 20 local community and environmental groups and government agencies.

The event hosted some exceptional environmental educational activities including catchment tours in Newcastle's Famous Tram and bus tours of Kooragang Island, 'Nuts about Nature' kids craft, a 'Touch and feel' fish tank, a 'Water Smart' science game, interactive stormwater and water saving displays, worm farming workshops and live snake and reptile shows.

The day was supported by family entertainment and activities including Oggie the Froggie, circus performers, live music, face painting, jumping castles, giveaways for the kids and a BBQ lunch and refreshments.

During 2004-05, we implemented the following waste reduction initiatives:

- An Electronic Document Management System in our Business and Urban Development section. This system led to a major reduction in paper use and improved document control and plans are underway to roll out this system throughout all areas of the Corporation.
- The WRAPP principles were incorporated into the Purchasing and Tender Policy. The inclusion of the WRAPP principles will ensure that as supply contracts are renewed, recycled content products will be assessed with the aim of increasing their use throughout the Corporation. There is also a strong initiative to ensure the purchase of recycled content paper for general use.
- Hunter Water supplied personal paper recycling bins to all office staff. This resulted in a decrease of 50% in the volume of recyclables found in personal bins.

Hunter Water has been undergoing a clean up in preparation for the move to its new Head Office which is currently under construction. This has meant that there have been unusually large volumes of waste generated. Hunter Water has recycled this material where possible.

ENERGY EFFICIENCY

Hunter Water is a medium level consumer of electrical energy, currently using about 70,500 MWh per annum, or 0.1% of the State's total consumption. This usage is equivalent to 16,500 average households and the greenhouse gas produced in terms of carbon dioxide generated is 70,966 tonnes.

Improved environmental performance has caused a significant increase in our electricity consumption over the past nine years.

This increased energy has primarily been associated with the commissioning of modern wastewater treatment works and the additional pumping of treated effluent following the connection of additional homes under the Hunter Sewerage Project.

However, this increased energy consumption needs to be balanced against economic, environmental and social benefits, such as:

- increased recycling of more highly treated effluent
- discharge to the environment of a more highly treated effluent
- reduced costs to householders who previously paid for pumping-out of septic tanks
- reduced risk of overflows from septic systems, as householders switch from on-site disposal to the sewerage system

In 1998, Hunter Water was the first water utility to join the Sustainable Energy Development Authority (SEDA) of NSW in Energy Smart Business Programming. Although this program has ceased, Hunter Water will continue to seek justifiable energy saving initiatives and is currently working with its major energy provider Country Energy and a number of Energy Management Consultants to identify further sources of savings.

During 2004-05 we implemented the following energy saving initiative:

- Upgrade of Cessnock WWTW to include micro gas turbine which will generate about 30-40 kW of electricity (300 MWh per annum) equivalent to a reduction of 300 tonnes per annum of CO₂

Energy reduction initiatives planned for 2005-06 include:

- An efficiency audit of major assets across the organisation.
- Preparation of Energy Management Plans in compliance with new State Legislation.
- Assessment of spot price based load shedding options.
- Use of mini hydro-generators as a replacement for pressure reducing valves in the water reticulation system.
- The installation of energy saving appliances in the new Head Office.



The enchanting wetlands at Ballickera Canal

STORMWATER

Hunter Water has continued to work with the Hunter-Central Rivers Catchment Management Authority, local Councils and the community to promote stormwater initiatives in catchments in our region.

In 2004-05, our initiatives included:

- Development of plans for the deformalisation of Lambton Ker-rai Creek and the restoration of Kennedy Cove at Carrington. We have also assisted in the Hexham Swamp Rehabilitation Project which aims to return tidal waters to the swamp to restore estuarine habitat and their associated values by opening the existing floodgate at the mouth of Ironbark Creek.
- Support of Waterwatch, a national schools and community water quality education program monitoring the health of our waterways. The program also involves Spring and Autumn water bug surveys and regular catchment tours.
- Funding and assistance to Newcastle and Lake Macquarie Councils in stormwater education programs in various catchments throughout our region.
- The Merewether Clean Streets - Clean Beach project conducted by Newcastle City Council and funded by Hunter Water was successful in creating greater community awareness of coastal issues, and won the Stormwater Industry Association Award for Excellence in stormwater education for 2004.

Holy Family Primary School – AIRCARE Project

Have you considered the amount of greenhouse gases that are generated from your car lately? The average car contributes 4.33 tonnes of CO₂ per year, a greenhouse gas that contributes to global warming and climate change.

Hunter Water is a proud sponsor of Holy Family Primary School's AIRCARE project, which aims to neutralise the effect of its car community. The school propagates and plants 17 trees per year for every car driven in the school community, which they have calculated to neutralise the CO₂ emissions of their community.

The project was the 2004 Australian winner of the Volvo Adventure Environmental Awards, and the school went on to represent Australia at the international final in Sweden where they were placed fourth.



RISK MANAGEMENT

Hunter Water is strongly committed to a risk management ethos. We have a structured risk management approach which is actively engaged for strategic as well as day to day operational and business administration activities.

This approach enhances both the effectiveness and efficiency of our operations, encouraging proactive management, providing a framework for strategic planning and ensuring that the quality and continuity of the supply of water and wastewater services to the community is maintained and delivered in a financially viable way.

Importantly, our commitment to risk management helps us to safeguard our stakeholders - our local community, employees, shareholders, regulators and the environment.

Detailed risk analysis is undertaken and a global corporate risk matrix is reviewed annually. This provides a high level context for management and the Board of Directors. The manner in which the identified risks are managed is closely monitored and reported to our Board as needed.

The Audit and Compliance Committee, a sub-committee of the Board of Directors, also oversees an annual internal audit program which reviews high risk areas to ensure that agreed risk mitigation actions are being implemented.

The effective provision of water and wastewater services depends most importantly on how well we create, maintain and operate our substantial infrastructure base - our reservoirs, pumping stations, treatment plants and pipe networks.



Hunter Water supplies treated effluent for irrigation purposes

Detailed planning for the expansion, maintenance and replacement of above and below ground assets is based on a formal quantitative risk analysis, to minimise risk while still achieving an acceptable level of service at a viable cost.

As a result, our asset management plans reflect a balance of preventative and reactive maintenance as well as documented renewal/replacement strategies for each asset category.

Complementing this approach we have a range of risk management controls in place including:

- contingency plans and procedures for disaster circumstances. 2004-05 saw a review of our Emergency Management Procedures and staff training in the revised procedures
- regular review of our insurance program in response to changes in our risk profile, policy cover and premiums
- effective risk management is an integral part of our business and will remain a key focus as we strive for continual improvement in the delivery of our services

Rainwater Tank Rebate Scheme

Hunter Water customers considering installing a rainwater tank at an existing home are eligible to apply for a rebate ranging from \$300 to \$650 depending on the size of the tank being installed.

Terms and conditions apply to the rebate program in order to encourage maximum water conservation efficiency from the installation of a tank.

To qualify for the rebate, rainwater tanks must be connected to a home's internal plumbing (for laundry and/or toilet use) to enable operation on a year-round basis. Tanks can also be used for outdoor activities such as watering gardens and lawns, and washing of cars.

During the 2004-05 period 30 rebates were granted for rainwater tanks. Rebates will continue to be available till 30 June 2006, at which time the effectiveness of the program will be assessed. A fact sheet and the application form are available from www.hunterwater.com.au or by phoning 1300 657 657.



our **SUBSIDIARIES**



HUNTER WATER AUSTRALIA Pty Limited

About Us

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

Mr Ron Robson, who is Chairman of Hunter Water Corporation, chairs HWA's Board. Other directors are Mr Ross Knights, Deputy Chairman, Hunter Water Corporation and Mr Kevin Young, Managing Director, Hunter Water Corporation. Mr Jim Keary is HWA's Chief Executive Officer as well as the Company Secretary.

What we do

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

- Water strategies, plans and reviews
- Community education and environmental assessment
- Surveying and electronic mapping
- Pricing and institutional studies
- Water and wastewater planning and investigations
- Materials engineering
- Engineering design
- Project management
- Operations support for treatment plants
- Laboratory testing of water and wastewater
- Asset management
- Dams monitoring and assessment

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

Financial Performance

The result after tax and before dividends, for the year ended 30 June 2005, amounted to \$2,053,971, which was a good result.

Our Projects

Whilst many projects were undertaken in 2004-05, the following are selected examples of some of the treatment plant projects that the company is involved in.

Provision of treated water to Longford, Perth and Evandale, Tasmania

Since the formation of the Northern Midlands Council in 1992, provision of treated water to the three northern towns has been a major priority. Residents of these towns had previously received only chlorinated and fluoridated water from the Macquarie and South Esk Rivers in Northern Tasmania. While water quality in these rivers during summer was of reasonable quality, high rainfall during winter resulted in annual dirty water events resulting in boil water notices being placed on each of these communities.

Residents from Northern Midlands Council welcomed a new era of treated water quality for these townships during 2004 as the new treated water scheme was brought online servicing a combined population of 6,500.

The treated water scheme consists of a new 12 Megalitre per day water treatment plant, 7.5 Megalitre elevated reservoir, water pumping stations and pipelines.

Hunter Water has been involved with Northern Midlands Councils since the concept of the treated water scheme in the early 1990s. HWA completed a detail design of over 4.5km of distribution system, a 7.5ML steel reservoir and two pump stations. The project also involved the compiling of construction documents and a design and construction contract for a new 12ML/d WTP. HWA then completed the project and contract management for the whole project which was delivered within budget (\$11.5M).

This scheme will ensure that residents will receive high quality drinking water throughout the year even during periods of varying raw water quality (eg flood events).



New water treatment plant at Langford, Tasmania

Detailed design of Cessnock wastewater treatment plant, New South Wales

Hunter Water Corporation engaged Hunter Water Australia as detail designers for the major upgrade of the wastewater treatment plant at Cessnock because of its innovative and energy efficient approach to the design. The existing biological filter plant was constructed in 1932 and currently has a capacity to serve a population of 23,000. The upgrade can serve 32,000 people. The new plant has to achieve a far better effluent quality as the effluent is discharged into Black Creek via an artificial wetland, and constitutes a large proportion of Black Creek's dry weather flow.

The project was split into two separate contracts, involving the establishment of a new tertiary treatment plant and the main plant upgrade, including inlet works, primary sedimentation, sludge digestion, handling and secondary clarification. Also included in the main plant contract is the upgrade of Cessnock No.1 WWPS and construction of a new 500mm diameter rising main. The detailed design was completed in early 2005 and construction of the plant upgrade is now underway.

Rebuilding after a fire of water treatment plant at North Stradbroke Island, Queensland

Redland Water supply water and sewer services to some 130,000 people in the Moreton Bay area including North Stradbroke and surrounding Islands to the East of Brisbane. Water is source from one of two main treatment plants with one being located on the main land and one located on North Stradbroke Island supply water back to the main land via a submarine pressure main. Both of these plants have a capacity of approximately 50ML/d.

On the 18th June 2004 a fire totally destroyed the North Stradbroke Island WTP's main switch board and filtration plant. Redland Water's were able to re-commission part of the WTP (bore field) supplying approximately 20ML/d of water into the system however, extensive refurbishment was required to filters and associated equipment to restore the plants full capacity.

Redland Water then engaged Hunter Water to assess the damaged plant and determine the appropriate course of action to re-commission the process as quickly as possible. Hunter water assisted Redland project manage the refurbishment work which included the procurement and installation of new filter media, and refurbishment /replacement of the backwash system including valves, blowers, pumps and instrumentation.

Provision of treatment plant technical support to Lower Murray Water, Mildura, Victoria

The Lower Murray Water Authority provides urban and rural water and wastewater services to consumers in north western Victoria.

In July 2005, Victoria enacted the Safe Drinking Water Act, triggering a significant reassessment and upgrading of water treatment facilities and operations across the State. Hunter Water Australia has been working with the Authority since 2003 to ensure treatment facilities and systems can meet the new standards. This has involved audits of five of their existing water treatment facilities ranging from one to 80ML/d in capacity. HWA are currently partnering the Authority in designing the refurbishments needed for their largest plant at Mildura to ensure residents receive high quality drinking water.

The Sunraysia region around Mildura is one of Australia's most productive irrigation areas. HWA is currently assisting the Authority in planning and designing a major reclaimed water scheme for Koorlong wastewater treatment plant. At completion, the scheme will supply over 3000 ML/annum of high quality, high security irrigation water.

Provision of treated water to South West Rocks, New South Wales

For years residents of South West Rocks on the NSW mid north coast had always complained of dirty water and staining of laundry. Water for the growing community is source from a local aquifer within a National Park where the water is aerated and chlorinated. However the bore field contains reasonably high levels of iron which resulted in the widespread dirty water complaints.

HWA was then commissioned by Kempsey Shire Council to undertake a scoping study for the supply of treated water to South West Rocks in 2001. The scoping study identified that a water treatment plant was require and, during, 2004 HWA compiled a design and construction specification for a new water treatment plant. This plant uses immersed membranes and is capable of being expanded from 6 to 10ML/d.

HWA is currently undertaking the project and contract management for Kempsey Shire Council with commissioning due early in 2006, thereby ensuring South West Rocks residents receive high quality of treated water.



A clarifier at Mildura's 7th Street water treatment plant

REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

Highlights – 2004-05

- Issued and assessed a call for proposals for development on Kooragang Island.
- Developed a \$110M remediation strategy for Mayfield (former Newcastle BHP Steelworks) site.
- Relocated the RLMC office to the Mayfield site (former BHP Administration Building). Attracted a number of other tenants to this building to help with its preservation.
- Raised \$2.5M worth of revenue from leasing of buildings and sites. Negotiated 15 new and existing agreements with rents adjusted to ensure a fair market return to the State.
- Operating term extended to 30 June 2008

The Regional Land Management Corporation (RLMC) was established in 2003 by the NSW Government to manage more than 3,500 hectares of former BHP and other state owned lands in the Hunter.

RLMC was initially established as a subsidiary of Hunter Water Corporation with its own Board. In November 2004 the Cabinet Standing Committee on Budget extended RLMC's operating term to until 30 June 2008.

The RLMC's task is to make land on four sites ready for a new era of sustainable, private sector development.

RLMC sites

Kooragang Island	1300 ha
Mayfield (former Newcastle Steelworks)	150 ha
Tomago	545 ha
West Wallsend	1545 ha
Total lands	3540 ha

In developing blueprints for these sites the RLMC's approach is to remain flexible and responsive to the market place. It must make opportunities available that are attractive to the private sector and in the interests of the people of the Hunter and NSW.

The RLMC must balance the need for land allocation that generates investment, jobs and prosperity with land allocation for environmental protection.

The RLMC has three main tasks

- 1 Strategic, sustainable land development and marketing
- 2 Site remediation
- 3 Day to day property management

The focus this year has been on completing major remediation plans, land allocation for Kooragang Island, maintenance of land and infrastructure and improving long term returns on the portfolio of sites and buildings for lease.

Land Development and Marketing

Kooragang Island

RLMC's call for proposals for the development of lands for approximately 400 ha of Kooragang Island in July 2004 generated a good response from the private sector. A total of twelve proposals for a range of sites were evaluated between December and March.

Two consortia have been selected to develop detailed proposals by the end of July 2005 for additional coal loading facilities on 140 ha next to the existing coal loader.

RLMC is having further discussions with a number of companies about a range of proposals to establish bulk goods handling industries on 16 ha of land at Walsh Point.

A further 240 ha is being assessed for its potential to support other, port related, general industry. A remediation strategy for the site is being developed. Initial drainage works and an assessment of the road and rail infrastructure that would be required are already underway.

Mayfield (former Newcastle Steelworks)

At the beginning of this financial year the last remaining disused BHP Billiton structure was demolished and removed from the site.



RLMC is making land at Kooragang Island (L) and Mayfield (R) available for private sector development

RLMC has now devised an extensive remediation plan, the first task required to make the site ready for development (see below for details).

With two kilometres of river frontage this site is ideal for a range of port related industry. RLMC has made around 40 ha available for the potential development of a multi – purpose container terminal (MPT). Newcastle Port Corporation is managing the expression of interest process for the MPT development. A site master plan has been prepared which provides road and rail layouts compatible with both an MPT and a range of complementary industries.

BHP Billiton has responsibility for removing contaminated sediments from the river. RLMC has licensed land to BHP Billiton to allow it to undertake a trial of treatment options. Subject to planning consent, this work will be required as part of proposed dredging to extend shipping channels in the South Arm of the Hunter River.

RLMC is supportive of dredging the river. Staff have participated on a steering committee led by Newcastle Port Corporation and the Maritime Authority, to prepare an Environmental Impact Statement (EIS) exhibited in late 2003 and a supplementary EIS exhibited in December 2004. Proceeding now with the environmental assessment and approval phase of dredging will provide more certainty for industry wishing to develop the RLMC's portside land. It will reduce lead times for specific projects.

The RLMC has also been bringing existing commercial buildings on the site back to life (see "Land and Building Management" for details).

Tomago and West Wallsend

RLMC is continuing preliminary discussions with industry and Government about potential uses for these sites. These two sites proximity to transport links provides opportunity for a range of employment generating uses.

The 20 year regional planning strategy, The Lower Hunter Strategy, being developed by the Department of Planning, Infrastructure and Natural Resources (DIPNR) will influence the type of development on these sites, particularly West Wallsend.

Land Remediation

\$110M remediation strategy for Mayfield

After extensive research and investigation studies the RLMC has completed the development of an environmentally sound and effective remediation strategy, in conjunction with the Department of Environment and Conservation (DEC). It expands the remediation plan in BHP Billiton's 2001 Development Application for the site for which development consent was given, subject to the need for further groundwater containment works. The strategy now includes these works.

The \$110M strategy involves construction of a 1.4km long underground wall, new stormwater drainage systems and other contouring and capping works to contain groundwater movement.

The RLMC and DEC are finalising a Voluntary Remediation Agreement through which the remediation will be monitored.

Archeological management plans and heritage interpretation plans are also being progressed.

Tenders for the first stage of this work will be called around October 2005 with work to be complete by 2008. The remainder of the site will be capped and contoured in line with development. The DEC requires all work to be completed by 2012.

Initial Kooragang Island works

The former BHP Waste Emplacement Site is a solid waste landfill site licensed by the NSW Department of Environment & Conservation (DEC). RLMC has not accepted any waste at the site this year.

The landfill license requires RLMC to monitor groundwater quality in the vicinity of the landfill.

As part of the extensive range of technical studies being completed for the development of remediation strategies, the RLMC commissioned HLA Envirosciences to complete an analysis of the offsite movement of groundwater on the Kooragang Island site. Using the groundwater monitoring data and other research the report concluded that at present “there is no apparent trend in contaminant concentrations that suggest the potential for future harm to the environment.”

During the year a strategy was developed for the final landform and capping of the site. RLMC has already completed some of the remediation works agreed with the DEC. Work started in May to provide improved drainage over part of the landfill surface.



RLMC is leasing land at its sites to industry, creating jobs and investment

Land and building management

RLMC manages around 80 agreements for use of land, with around 50 of these on the Mayfield and Kooragang sites. Eight are for community purposes. The agreements raised \$2.5M in revenue this year, helping to fund buildings and site maintenance.

Rental income is down on last year largely because of the anticipated departure of the occupiers of the laboratory and information technology buildings on the Mayfield site.

Rental income is expected to increase again next year. An Expression of Interest for the lease of the two Mayfield buildings was advertised in June and closes on July 29. Industrial rent rates are being progressively adjusted to ensure a fair market return to the State. The RLMC has this year negotiated 15 new agreements. Rental returns on Kooragang Island have increased by around 10% as a result of a combination of market updates and new agreements.

RLMC is also bringing existing buildings like the historic former BHP Administration Building on the Mayfield site back to life. It has relocated its office from the city so it is better placed to oversee the remediation works for the site. A number of new tenants, including the Hunter Business Chamber, have also moved in to the building this year.

RLMC controlled infrastructure on Kooragang Island is being gradually rehabilitated, with damaged drainage systems reconstructed and options for road rehabilitation being assessed. Key infrastructure on the Mayfield site is also in the final stages of a comprehensive service and condition assessment, and management plans are in place for critical private services networks.

RLMC is also working with Police and tenants on Kooragang Island to deter speeding on the island's main road. It is funding the \$60,000 installation of speed humps and lodged a Development Application with Newcastle Council for the works in May.

Protecting heritage and the environment

Some of RLMC's land has environmental, cultural and heritage significance. The RLMC understands how important the sites that it manages are to local people and the people of NSW.

RLMC continues to provide access to its land for environmental research. The University of Newcastle is researching the Green and Gold Bell Frog. The licence has been reviewed for the Hunter-Central Rivers Catchment Management Authority to facilitate their ongoing rehabilitation of the Ash Island Wetland Rehabilitation Project.

This year marked the 90th anniversary of the establishment of steelmaking on the Mayfield site. The BHP Muster Sculpture, on RLMC land, was the focus of celebrations by former steel workers.

Improved business operations

Improved communication

RLMC has developed a communication strategy to improve the flow of information to the community about its progress and to better support the marketing of buildings and sites.

A new website and corporate identity has been developed. The RLMC will report to the community twice a year and copies of those reports will also be available from the website.

Mayfield Community Consultative Committee

RLMC provides support to the community consultative committee (CCC) for its Mayfield site. The CCC is an important link between the RLMC and the community. It provides two way information and feedback on issues associated with the environmental performance of site remediation, the construction and operation of new facilities and the implementation of development consent conditions. Its operation is a condition of the site's approved Development Application.

In conjunction with the independently appointed chairman, and in line with consent conditions, the operation of the committee has been reviewed and new community and Newcastle City Council representatives appointed.

Improved safety

Safety has been brought in to focus. A safety management plan, complemented by a formal site induction process and regular inspections, has been developed and implemented for all sites.



RLMC has developed a \$110 million remediation strategy for its Mayfield site

acknowledgements

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HUNTER WATER CORPORATION
FINANCIAL REPORT 2004-05





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Statistical and Statutory Information

COMPANY PARTICULARS

DIRECTORS

Mr R Robson – Chairman
Mr K Young – Managing Director
Mr R Knights
Mr P Barrack
Mr D Boyd
Mr W Elliott
Ms B Crossley
Mr A Chappel

COMPANY SECRETARY

Mrs S Smith

REGISTERED OFFICE

426-432 King Street
Newcastle West 2302
02 4979 9799

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

The directors submit the following report made in accordance with a resolution of the Directors of the Parent Entity and Controlled Entities for the year ended 30 June 2005.

DIRECTORS

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

Mr R Robson – Chairman
Mr K Young – Managing Director
Mr R Knights
Mr P Barrack
Mr D Boyd
Mr W Elliott
Ms B Crossley
Mr A Chappel

INFORMATION ON DIRECTORS

R ROBSON

OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 1 August 1995 and previously held the position of Director since 1 January 1992. Mr Robson is Chairman of Hunter Water Australia Pty Limited and the Regional Land Management Corporation Pty Ltd (the Corporation's subsidiary companies), a Director of Robson Health Care Pty Limited and Patron of Newcastle/Hunter Valley Rugby Union.

KJ YOUNG

B Eng, MBA, FIE Aust, CPENG, GAICD

Mr Young was appointed Managing Director on 19 July 2004 and was appointed as a Director of Hunter Water Australia Pty Limited on 3 November 2004. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets.

RI KNIGHTS

Dip Civ Eng, MIE Aust, M Aust IMM, FAICD

Mr Knights was appointed as a Director on 1 December 1992 and is also a Director of Hunter Water Australia Pty Limited and a director of the Regional Land Management Corporation Pty Ltd. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he resigned as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

PG BARRACK

AM, MAICD

Mr Barrack was appointed as a Director on 1 August 1995. Mr Barrack is a Director of The Hunter Development Board, Honeysuckle Development Corporation, Hunter Group Training and the former Chairman of the Board of Newcastle and Cardiff Workers Clubs. Mr Barrack was previously Secretary of Newcastle Trades Hall Council.

DW BOYD

F CPA, AICD

Mr Boyd was appointed as a Director on 1 January 2000. Mr Boyd is a Certified Practising Accountant and is currently employed as a Management Consultant, mainly in the mining industry. Mr Boyd has extensive experience in management roles in Port Waratah Coal Services and Rio Tinto. Mr Boyd was previously a Director of Mega First Corp (Malaysia) and Perilya Mines.

WJ ELLIOTT

CPA, MAICD

Mr Elliott was appointed as a Director on 1 September 2001. He has had extensive experience in the financial/administrative field and was previously Chief Executive Officer of Shortland Electricity and Chairman of Advance Energy. Mr Elliott is a Director of the Newcastle Permanent Building Society (NPBS) Ltd, Newcastle Friendly Society Ltd and Chairman of NPBS Securities Pty Ltd.

BL CROSSLEY

B.Nat.Res. (Hons)

Ms Crossley was appointed as a Director on 1 February 2004. Ms Crossley is a Director of Umwelt, a local environmental consultancy firm and is also Chairperson of Hunter Environment Institute. She has extensive knowledge of local environmental issues and has a business and marketing focus.

RA CHAPPEL

BE (Civil), Dip T & R.P.

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

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 consolidated profit before tax and dividend, for the financial year 1 July 2004 to 30 June 2005, amounted to \$63.8M. This includes income from contributions for Capital Works totalling \$36.6M. This profit amount is reduced to \$43.0M after attributing the applicable income tax expense. The directors recommend a dividend in respect of the 2004/05 operating results of \$33.8M. On 2 August 2005 \$17M of this dividend was paid to the shareholders.

MEETING OF DIRECTORS

	BOARD MEETINGS		COMMITTEE MEETINGS			
	A	B	AUDIT & COMPLIANCE		CORPORATE GOVERNANCE	
	A	B	A	B	A	B
R ROBSON	12	12	4	4	2	2
K YOUNG	12	12	*	*	2	2
R KNIGHTS	12	12	4	4	2	2
P BARRACK	12	12	*	*	*	*
D BOYD	12	12	4	4	*	*
W ELLIOTT	11	12	4	4	*	*
B CROSSLEY	12	12	*	*	*	*
R CHAPPEL	11	12	*	*	*	*

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

REVIEW OF OPERATIONS

FINANCIAL

The terminology used in reporting the results is as follows:

- The Group, ie Hunter Water Corporation, Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd is referred to as the Economic Entity
- The Parent or Hunter Water Corporation is referred to as the Parent Entity
- The Subsidiaries or Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd are referred to as the Controlled Entities

The State issued a direction to Hunter Water Corporation under section 20N of the **State Owned Corporations Act 1989 (NSW)** to form a special purpose subsidiary company (Regional Land Management Corporation Pty Ltd) for an interim period. Regional Land Management Corporation Pty Ltd was incorporated on the 5 March 2003 as a wholly owned subsidiary of Hunter Water Corporation. The company commenced operations on 1 April 2003. In November 2004 the Cabinet Standing Committee on the Budget endorsed an extension of Regional Land Management Corporation Pty Ltd's operating term to 30 June 2008. In June 2005 a ministerial direction was received extending the operating term to 30 June 2008.

The actual operating profit of the Economic Entity before income tax and dividends was \$63.8M or \$2.4M favourable to budget.

The favourable operating result compared to budget is largely comprised of income being recognised to reflect the good performance of the Corporation's defined benefit superannuation funds and profit being recognised on the sale of surplus land. Partial offsets exist in the form of higher operational costs, additional Employee Provisions and depreciation charges as well as lower contributions for capital works.

AFTER BALANCE DATE EVENTS

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

DIRECTORS INDEMNIFICATION

Hunter Water Corporation has an agreement to indemnify the directors and secretary of the Corporation and its controlled entities.

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.

AUDIT AND COMPLIANCE COMMITTEE

Hunter Water Corporation has an Audit and Compliance Committee, which meets four times per year which is currently comprised of:

- Mr D Boyd – Director / Committee Chairman
- Mr R Robson – Director / Chairman
- Mr W Elliott – Director
- Mr R Knights – Director

The committee's main objectives are to:

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

CORPORATE GOVERNANCE

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

The Duties and Responsibilities are:

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

The current Membership of the Committee is as follows:

Mr R Robson - Chairman
Mr K Young - Managing Director
Mr R Knights - Director

DIRECTORS' BENEFITS

During or since the financial year no director of the Economic Entity has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the accounts, by reason of a contract entered into by the Parent Entity or the Controlled Entities 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.

ENVIRONMENTAL REGULATION

Operations of the Parent Entity are subject to licences issued under the **Protection of the Environment Operations Act 1997**. During the financial year the Corporation materially complied with all requirements in respect to these licences and associated legislation. Further details of compliance are contained within the Environmental section of this Annual Report.

ROUNDING TO NEAREST \$000

The amounts contained in this report have been rounded off to the nearest thousand dollars in accordance with Clause 12 of the **Public Finance and Audit Regulation 2000**.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS OF
HUNTER WATER CORPORATION.



R ROBSON
CHAIRMAN



K YOUNG
MANAGING DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



**INDEPENDENT AUDIT REPORT
HUNTER WATER CORPORATION**

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Hunter Water Corporation:

- (a) presents fairly Hunter Water Corporation's and the consolidated entity's financial position as at 30 June 2005 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of Hunter Water Corporation. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for the Corporation and the consolidated entity. The consolidated entity comprises Hunter Water Corporation and the entities controlled at the year's end or during the financial year.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of Hunter Water Corporation or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.

A handwritten signature in blue ink, appearing to read 'J Kheir B Ec'.

J Kheir B Ec, FCPA
Director, Financial Audit Services

SYDNEY
21 September 2005

HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
REVENUE					
Services	2A	182,762	163,651	171,780	156,484
Other	2B	10,642	3,431	11,115	3,706
TOTAL REVENUE FROM ORDINARY ACTIVITIES		193,404	167,082	182,895	160,190
EXPENDITURE					
Operational costs	3	(73,688)	(64,759)	(66,676)	(61,235)
Depreciation	4	(35,935)	(33,375)	(35,564)	(33,014)
Employee provisions charge		(2,400)	(1,933)	(1,584)	(1,163)
Interest payable	4	(10,132)	(9,305)	(10,240)	(9,305)
Written down value of assets sold		(8,167)	(1,346)	(8,165)	(1,313)
External funded asset write down	4	NIL	(13,371)	NIL	(13,371)
Superannuation (expense) revenue	4	760	(1,514)	1,385	(1,073)
TOTAL OPERATING EXPENDITURE		(129,562)	(125,603)	(120,844)	(120,474)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		63,842	41,479	62,051	39,716
Income tax expense relating to ordinary activities	5	(20,819)	(21,301)	(20,317)	(20,410)
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		43,023	20,178	41,734	19,306
Net increase/(decrease) in asset revaluation reserve	21	38,659	77,505	38,659	77,505
Plus aggregate of amounts transferred within reserves	21	6,661	33	6,661	33
Total Valuation Adjustments Recognised Direct in Equity		45,320	77,538	45,320	77,538
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		88,343	97,716	87,054	96,844

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pp11-28

HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
CURRENT ASSETS					
Cash	7	6,416	23,376	2,598	18,337
Receivables	8	33,821	27,438	30,138	26,018
Other financial assets	9	NIL	NIL	3,323	1,075
Inventories	10	2,977	2,624	2,148	1,858
Other	11	1,255	1,170	1,105	1,105
TOTAL CURRENT ASSETS		44,469	54,608	39,312	48,393
NON-CURRENT ASSETS					
Other financial assets	9	10,626	10,616	11,526	11,516
Property plant & equipment	12	2,271,295	2,174,187	2,271,177	2,173,954
Deferred tax assets	13	5,876	6,159	5,876	6,159
TOTAL NON-CURRENT ASSETS		2,287,797	2,190,962	2,288,579	2,191,629
TOTAL ASSETS		2,332,266	2,245,570	2,327,891	2,240,022
CURRENT LIABILITIES					
Payables	14	21,014	23,103	20,828	23,988
Current tax liabilities	15	5,365	6,791	5,365	6,734
Interest-bearing liabilities	16	37,891	NIL	37,891	NIL
Provisions	17	39,978	41,816	38,638	40,606
TOTAL CURRENT LIABILITIES		104,248	71,710	102,722	71,328
NON CURRENT LIABILITIES					
Payables	14	NIL	NIL	1,049	785
Interest-bearing liabilities	16	128,025	124,906	131,525	124,906
Provisions	17	23,669	27,640	21,816	25,945
Deferred tax liabilities	18	40,149	39,292	40,149	39,292
Other	19	2,116	2,506	2,116	2,506
TOTAL NON-CURRENT LIABILITIES		193,959	194,344	196,655	194,434
TOTAL LIABILITIES		298,207	266,054	299,377	264,762
NET ASSETS		2,034,059	1,979,516	2,028,514	1,975,260
EQUITY					
Contributed equity	20	100,000	100,000	100,000	100,000
Reserves	21A	1,553,781	1,515,121	1,553,781	1,515,121
Retained profits	21B	380,278	364,395	374,733	360,139
TOTAL EQUITY		2,034,059	1,979,516	2,028,514	1,975,260

The Statement of Financial Position should be read in conjunction with the accompanying notes on pp11-28

**HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		158,727	149,823	148,006	140,596
Payments to suppliers and employees (inclusive of goods & services tax)		(92,536)	(75,404)	(83,238)	(67,186)
		66,191	74,419	64,768	73,410
Dividends received		NIL	NIL	500	400
Interest received		1,073	1,951	1,028	1,832
Borrowing costs		(9,988)	(8,421)	(10,080)	(8,421)
Income taxes paid		(21,110)	(25,125)	(20,349)	(24,158)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	36,166	42,824	35,867	43,063
CASH FLOW FROM INVESTING ACTIVITIES					
Cash paid for purchases of property, plant and equipment		(79,558)	(45,975)	(79,277)	(46,054)
Cash proceeds from sales of property, plant and equipment		3,522	1,178	3,513	1,175
Cash proceeds from environmental levy and developers		17,896	21,560	17,896	21,560
Loans to related entities		NIL	NIL	(2,248)	(266)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(58,140)	(23,237)	(60,116)	(23,585)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		41,010	25,937	44,510	25,937
Repayment of borrowings		NIL	(31,000)	NIL	(31,000)
Dividends paid	6	(36,000)	(38,000)	(36,000)	(38,000)
Other		NIL	NIL	NIL	NIL
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		5,010	(43,063)	8,510	(43,063)
NET INCREASE/(DECREASE) IN CASH HELD					
Cash at beginning of financial period		23,376	46,849	18,337	41,922
Effects of exchange rate changes on cash		4	3	NIL	NIL
CASH AT THE END OF THE FINANCIAL PERIOD	22	6,416	23,376	2,598	18,337

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pp11-28

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with the **Public Finance and Audit Act 1983**, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements also incorporate financial reporting requirements specified in the **Public Finance and Audit Regulation 2005**, the **Annual Reports (Statutory Bodies) Act 1984**, **Annual Reports (Statutory Bodies) Regulation 1995** and the relevant Treasurer's Directions.

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

The financial statements have been prepared on an accruals basis using the historical cost convention, except for the non-current physical assets which are shown at valuation. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CHANGES IN ACCOUNTING POLICY:

Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The economic entity will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 July 2005. Note 34 outlines the key differences in accounting policy that will occur on adoption of AEIFRS and management's best estimates about the impact had the 2005 financial report been prepared under AEIFRS.

THE FOLLOWING IS A SUMMARY OF THE MATERIAL ACCOUNTING POLICIES ADOPTED BY THE ECONOMIC ENTITY IN THE PREPARATION OF THE FINANCIAL STATEMENTS.

PRINCIPLES OF CONSOLIDATION

The consolidated accounts of the Economic Entity comprise the accounts of the Parent Entity Hunter Water Corporation and the accounts of its two wholly owned Controlled Entities, Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd.

Hunter Water Corporation had the capacity to dominate the decision making in relation to the financial and operating policies of the Controlled Entities so that the Controlled Entities operated with Hunter Water Corporation to achieve its objectives. The Controlled Entities are detailed in Note 31 to the accounts.

All inter-company balances and transactions between Entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. In the consolidated results the income generated by the Regional Land Management Corporation Pty Ltd has been categorised as an External Sale (refer Note 2).

The associated costs have been categorised as a Cost of External Sales and disclosed accordingly in Note 3. This treatment has been adopted as the nature of the work undertaken by the Regional Land Management Corporation Pty Ltd differs significantly from that performed by either the Parent Entity or the other Controlled Entity, Hunter Water Australia Pty Limited.

Regional Land Management Corporation Pty Ltd was incorporated on 5 March 2003 as a wholly owned subsidiary of Hunter Water Corporation. The company commenced operations on 1 April 2003.

CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks or financial institutions, net of outstanding bank overdrafts.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

EXTERNAL CONTRACTS

External contracts work-in-progress are stated at cost plus profit recognised to date, less progress billings. Cost includes all costs directly related to specific contracts, and an allocation of overhead costs attributable to contract activity in general.

PROPERTY, PLANT AND EQUIPMENT

VALUATION

The Entity has valued its non current assets in accordance with AASB 1041 Revaluation of Non Current Assets and NSW Treasury's accounting policy "Valuation of Physical Non-Current Assets at Fair Value".

All assets of Hunter Water Corporation are shown at their written down replacement cost value. The Parent Entity's policy is to revalue assets over a 5 year cycle by selecting assets according to a predetermined schedule of five asset groups. Other than the asset group scheduled for revaluation, the remaining four groups are indexed annually to maintain current values.

In recent years with increased focus on asset management and improved technology such as camera inspections, both the Parent Entity and the Water Industry have greater knowledge of the condition and performance of infrastructure assets.

The revaluation process requires the determination of a modern equivalent reference asset at the productive unit or component level. This valuation is an assessment of the lowest cost at which the service potential or future economic benefit could currently be obtained in the ordinary course of business.

The written down valuation is then determined taking into account the relative age and life expectancy of each unit or component.

While assets are valued at their estimated written down current replacement cost, the carrying amounts of the total asset set is assessed against their net cash inflows. Where the carrying values exceed the recoverable amount, assets are written down. (Refer note 12D and discussion below on Net Cash Inflows).

In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate of 4%. It should be recognised that due to the nature of the water industry assets (in particular pipes) their realisable value is determined by the stream of income that can be derived from use of the assets, rather than the realisable value of the assets themselves. It therefore follows that in individual cases the value ascribed may not be achieved in the event of a sale.

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 result of the Entity in the year of disposal. The value of net revaluation increments or decrements are also disclosed on the face of the Statement of Financial Performance in accordance with the requirements of AASB1018.

Any surplus on revaluation is credited directly to the Asset Revaluation Reserve.

NET CASH INFLOWS (FORMERLY 'RECOVERABLE AMOUNT TEST' OR RAT)

In accordance with the requirements of AASB1010 and NSW Treasury Circular NSWTC01/03, an assessment has been made of the expected net cash flows to be received over the remaining life of the existing asset base to determine the extent of any difference in the economic value and the accounting book value of the assets. This assessment includes business assumptions in respect of future income streams, ongoing operational cost efficiencies and future growth in new connections. With respect to future income streams, estimates of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) Line in the Sand pricing methodology. The expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate of 4%.

The RAT calculation showed the estimated economic value supported the accounting book value.

DEPRECIATION

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land, at rates calculated to allocate the cost or valuation, less estimated residual value at the end of the useful lives of the assets, against revenue over those estimated useful lives.

It is Hunter Water'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 average useful lives used for each class of assets are:

CLASS OF FIXED ASSET	AVERAGE USEFUL LIFE
Water	95 yrs
Sewer	84 yrs
Drainage	70 yrs
General Support	24 yrs
Non Commercial	54 yrs

LEASES

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

REVENUE RECOGNITION

Revenue is recognised when the Economic Entity has passed on control of the good, it is probable that the economic benefits will flow to the Economic Entity and the amount of revenue can be reliably measured. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

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).

Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by multiplying the number of days since the last reading date to 30 June by the historic average daily consumption for each property.

INVESTMENT INCOME

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

PROPERTY SALES

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

CURRENT YEAR'S CONTRIBUTIONS FOR CAPITAL WORKS

Includes Environmental Levy receipts and Contributions from Developers and the Hunter Sewer Program (HSP). In accordance with Urgent Issues Group Abstract 17, physical asset contributions received from Developers and HSP are recognised as revenue and assets at their assessed fair value on receipt. For 2004/05 physical assets totalling \$18.7M (2003/04 \$18.2M) were received and were assessed as having a fair value of \$18.7M. The current year's contribution has been based on estimated net future cash inflows.

In respect of cash contributions received from Developers of \$10M (2003/04 \$13.9M), these have been shown as revenue and the economic assessment of the future cash flows embodied in the assets funded by these Contributions indicates that these asset values are supported. Environmental Levy receipts are considered revenue in nature and are shown at their cash value.

In past years the written down value of total infrastructure assets was roughly equal to the recoverable amount of these assets. As a result, any developer contributions received during the year were written down to zero as the cash flows for those assets did not support a higher carrying value. This year the recoverable amount of total assets was higher than the carrying value and as a result, developer contributions received during the year have been recognised at the values stated above.

INCOME TAX

Hunter Water Corporation and its wholly-owned Australian controlled entities 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 Act (1997)** (ITAA) and is administered by the Australian Taxation Office.

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit at the rates which are expected to apply when those timing differences reverse.

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 Australian Taxation Office has been notified of this decision.

As a consequence, Hunter Water Corporation, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entity in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entity are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to the wholly-owned entity joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

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 an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

EMPLOYEE BENEFITS

Provision is made for long service leave, annual leave, sick leave and superannuation, estimated to be payable to employees on the basis of statutory and contractual requirements. The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993. This requirement to provide for untaken sick leave ceased from 15 February 1993 with amendments to the **Industrial Relations Act 1991**.

Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The Corporation's superannuation liabilities as at 30 June 2005 have been calculated and advised by Pillar Administration.

In accordance with Australian Accounting Standard AASB1028 Employee Benefits, employee benefits that are expected to be settled within 12 months of the reporting date have been measured and disclosed at nominal amounts, using the remuneration rates expected to be paid when these obligations are settled. Long Service Leave has been measured at the present value of the estimated future cash outflows to be made for those entitlements. The provisions for leave entitlements also include the relevant oncosts.

DEBT FINANCING

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

FOREIGN CURRENCY TRANSACTIONS AND BALANCES TRANSACTIONS

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

HEDGE TRANSACTIONS

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into a hedge transaction is deferred and brought to account in the profit from ordinary activities over the lives of the hedges. Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale are deferred and included in the measurement of the purchase or sale.

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
2 REVENUE					
A REVENUE FROM OPERATING ACTIVITIES					
SERVICES					
Tariff - Service charges		58,476	55,746	58,476	55,746
Tariff - Usage charges		67,813	69,566	67,813	69,566
Other regulated income		5,027	4,622	5,027	4,799
		131,316	129,934	131,316	130,111
External Sales		6,122	5,085	183	446
External revenue generated by RLMC		5,745	3,836	NIL	NIL
		11,867	8,921	183	446
Developer contributions – Environmental charge		7,932	7,680	7,932	7,680
Developer contributions – Cash		9,964	13,880	9,964	13,880
Developer contributions – Assets		18,679	NIL	18,679	NIL
		36,575	21,560	36,575	21,560
Corporate Services		195	2,946	726	4,142
Other		2,809	290	2,980	225
		3,004	3,236	3,706	4,367
TOTAL SERVICES		182,762	163,651	171,780	156,484
B REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES					
Interest		1,132	2,000	1,102	1,881
Dividends		NIL	NIL	500	400
Sale of non-current assets		9,522	1,428	9,513	1,425
Foreign exchange gain (loss)		(12)	3	NIL	NIL
		10,642	3,431	11,115	3,706
REVENUE FROM ORDINARY ACTIVITIES		193,404	167,082	182,895	160,190
3 OPERATING EXPENDITURE					
EXPENDITURE - OPERATIONAL COSTS					
Labour & related costs		35,490	33,050	28,631	27,112
Materials		9,479	9,108	5,958	6,140
Energy		5,779	5,199	5,779	5,199
Plant & vehicles		2,588	2,485	2,238	2,058
Contracts & other		9,307	7,085	23,648	19,722
Cost of External Sales	2A	5,300	3,996	422	1,004
Cost of External Revenue generated by RLMC	2A	5,745	3,836	NIL	NIL
		73,688	64,759	66,676	61,235

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
4 PROFIT FROM ORDINARY ACTIVITIES				
<i>Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:</i>				
NET GAINS				
<i>Net gain on disposal of Property, plant and equipment</i>	1,355	82	1,347	112
<i>Foreign exchange gain (loss)</i>	(12)	3	NIL	NIL
EXPENSES				
<i>Depreciation</i>				
<i>Buildings</i>	212	185	212	185
<i>Plant and equipment</i>	35,723	33,190	35,352	32,829
	35,935	33,375	35,564	33,014
<i>Other charges against assets:</i>				
<i>Write down of externally funded assets</i>	NIL	13,371	NIL	13,371
<i>Bad and doubtful debts – trade debtors</i>	(123)	97	(117)	97
<i>Borrowing costs:</i>				
<i>Interest and finance charges paid/payable</i>	10,132	9,305	10,240	9,305
<i>Borrowing costs expensed</i>	10,132	9,305	10,240	9,305
<i>Rental expense relating to operating leases:</i>				
<i>Minimum lease payments</i>	109	261	50	69
	109	261	50	69
<i>Superannuation expense (revenue)</i>	(760)	1,514	(1,385)	1,073
	(760)	1,514	(1,385)	1,073
5 INCOME TAX				
INCOME TAX EXPENSE				
<i>The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:</i>				
<i>Profit from ordinary activities before income tax expense (ex dividend)</i>	63,842	41,479	61,551	39,716
<i>Income tax calculated at 30% (2004: 30%)</i>	19,153	12,444	18,465	11,914
TAX EFFECT OF PERMANENT DIFFERENCES:				
<i>Non-deductible depreciation and amortisation</i>	4,248	3,144	4,248	3,144
<i>Assessable externally funded assets (post July 2001)</i>	NIL	8,737	NIL	8,737
<i>Non-assessable contributions to capital works</i>	(2,181)	(2,304)	(2,181)	(2,304)
<i>Sundry items</i>	(482)	(721)	(429)	(708)
<i>Income tax adjusted for permanent differences</i>	20,738	21,300	20,103	20,783
<i>Under (over) provision in previous year</i>	81	1	214	(53)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT FROM ORDINARY ACTIVITIES BEFORE IMPACT OF TAX CONSOLIDATION	20,819	21,301	20,317	20,730
<i>Profit from ordinary activities before income tax expense: tax consolidated group (excluding parent entity)</i>	-	-	-	1,991

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
Income tax calculated at 30% (2004: 30%)	-	-	-	597
TAX EFFECT OF PERMANENT DIFFERENCES:				
Non-deductible depreciation and amortisation	-	-	-	52
Sundry items	-	-	-	(132)
Income tax adjusted for permanent differences	-	-	-	517
Benefit of tax losses of prior years recouped	-	-	-	NIL
Income tax expense – tax consolidated group (excluding parent entity)	-	-	-	517
Net deferred tax liabilities of tax consolidated group entities assumed on implementation of tax consolidation	-	-	-	(785)
Compensation received/receivable from tax consolidated group entities	-	-	-	(837)
Compensation paid/payable to tax consolidated group entities	-	-	-	785
Income tax expense attributable to profit from ordinary activities	20,819	21,301	20,317	20,410
AGGREGATE INCOME TAX EXPENSE	20,819	21,301	20,317	20,410
TAX LOSSES				
The future income tax benefit attributable to tax losses is	-	401	-	401
<p><i>This benefit for tax losses will only be obtained if:</i></p> <p><i>(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; and</i></p> <p><i>(ii) the consolidated entity continues to comply with the conditions of deductibility imposed by tax legislation; and</i></p> <p><i>(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the losses.</i></p> <p>Hunter Water Corporation and its wholly-owned Australian controlled entity, Hunter Water Australia Pty Limited decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in Note 1. The impact on the income tax expense for the year is disclosed in the tax reconciliation above.</p> <p>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.</p> <p>The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entity will reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Hunter Water Corporation (see Note 8). 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.</p>				
NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
6 DIVIDENDS PAID OR PROVIDED FOR				
Opening balance	36,000	38,000	36,000	38,000
Add Dividend declared	33,800	36,000	33,800	36,000
Less Dividend paid	36,000	38,000	36,000	38,000
	33,800	36,000	33,800	36,000
<p>Under the National Tax Equivalent Regime, the Corporation is not required to maintain a dividend franking account</p>				
7 CASH ASSETS				
Current				
Cash at bank and on hand	3,920	3,615	2,593	2,317
Deposits at call	2,496	19,761	5	16,020
	6,416	23,376	2,598	18,337
<p>Deposits at call are bearing interest rates between 5.2% and 5.5% (2004: 4.75% and 5.5%)</p>				

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
8 RECEIVABLES				
<i>CURRENT</i>				
Trade debtors	33,851	27,573	29,827	25,896
Provision for doubtful debts	(30)	(135)	(11)	(135)
<i>Net Trade Debtors</i>	33,821	27,438	29,816	25,761
Tax-related receivable	NIL	NIL	322	257
TOTAL RECEIVABLES	33,821	27,438	30,138	26,018
9 OTHER FINANCIAL ASSETS				
<i>CURRENT</i>				
Loan to Controlled Entity	NIL	NIL	3,323	1,075
	NIL	NIL	3,323	1,075
<i>NON-CURRENT</i>				
Investments traded on organised markets	-	-	-	-
Inscribed Stock - Government Issues - at market value	10,626	10,616	10,626	10,616
	10,626	10,616	10,626	10,616
<i>Other (non-traded) investments</i>				
Shares in controlled entities – at cost	NIL	NIL	900	900
TOTAL NON-CURRENT	10,626	10,616	11,526	11,516
<i>The above external investments are not quoted on the stock exchange but are marketable. Market valuation was provided by NSW Treasury Corporation Limited as at 30 June 2005.</i>				
<i>The inscribed stock was acquired in 1997, has a face value of \$10M and is redeemable in 3 years. The effective yield is 8.27%.</i>				
10 INVENTORIES				
<i>CURRENT</i>				
Consumable Stores at cost	1,641	1,409	1,641	1,409
Consumable Stores at Net Realisable Value	507	449	507	449
Work-in-progress at cost	829	766	NIL	NIL
TOTAL INVENTORIES AT LOWER OF COST & REALISABLE VALUE	2,977	2,624	2,148	1,858
11 OTHER ASSETS				
<i>CURRENT</i>				
Prepayments	968	893	818	828
Accrued Interest	287	277	287	277
	1,255	1,170	1,105	1,105

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
12 PROPERTY, PLANT AND EQUIPMENT				
NON-CURRENT				
A FIXED ASSETS - COMPRISE THE FOLLOWING ALL AT DIRECTORS' VALUATION:				
WATER				
Water sources and raw water delivery	226,177	222,092	226,177	222,092
Water treatment	97,400	94,165	97,400	94,165
Clear water delivery	185,610	182,015	185,610	182,015
Watermains	447,608	426,644	447,608	426,644
Water reservoirs & tanks	62,606	59,664	62,606	59,664
Water pump stations	17,195	15,303	17,195	15,303
Water Chlorinators	823	791	823	791
General Support – Water	6,662	6,414	6,662	6,414
	1,044,081	1,007,088	1,044,081	1,007,088
Accumulated Depreciation	(218,337)	(208,150)	(218,337)	(208,150)
TOTAL WATER	825,744	798,938	825,744	798,938
SEWER / WASTEWATER				
Sewer mains	1,028,113	992,653	1,028,113	992,653
Sewer treatment / disposal	276,795	263,792	276,795	263,792
Sewer pump stations	110,650	105,938	110,650	105,938
General Support – Sewer	3,663	1,375	3,663	1,375
	1,419,221	1,363,758	1,419,221	1,363,758
Accumulated Depreciation	(224,448)	(211,638)	(224,448)	(211,638)
TOTAL SEWER / WASTEWATER	1,194,773	1,152,120	1,194,773	1,152,120
DRAINAGE				
Stormwater channels	131,880	129,296	131,880	129,296
General Support – Drainage	33	46	33	46
	131,913	129,342	131,913	129,342
Accumulated Depreciation	(29,384)	(27,644)	(29,384)	(27,644)
TOTAL DRAINAGE	102,529	101,698	102,529	101,698
GENERAL SUPPORT				
Meters	16,243	16,141	16,243	16,141
Computers	16,900	27,286	15,234	25,883
Support Facilities / Buildings	16,853	11,846	14,820	10,069
Mobile Plant / Motor Vehicles	8,465	7,892	8,465	7,892
	58,461	63,165	54,762	59,985
Accumulated Depreciation	(37,330)	(36,846)	(34,669)	(34,555)
TOTAL GENERAL SUPPORT	21,131	26,319	20,093	25,430
LAND				
	43,499	45,796	43,499	45,796
NON-COMMERCIALS				
Non Commercial	882	879	882	879
Accumulated Depreciation	(335)	(302)	(335)	(302)
TOTAL NON COMMERCIALS	547	577	547	577
TOTAL GROSS ASSETS				
	2,698,057	2,610,028	2,694,358	2,606,848
Accumulated Depreciation	(509,834)	(484,580)	(507,173)	(482,289)
	2,188,223	2,125,448	2,187,185	2,124,559

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
B WORKS IN PROGRESS AT COST				
Works under construction	83,072	48,739	83,992	49,395
TOTAL PROPERTY PLANT & EQUIPMENT	2,271,295	2,174,187	2,271,177	2,173,954

C RECONCILIATIONS

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

CONSOLIDATED 2005	Water \$'000	Sewer \$'000	Drainage \$'000	General	Land \$'000	Non	Total \$'000
				Support \$'000		Commercial \$'000	
Carrying amount 1 JUL 2004	820,194	1,173,490	101,882	29,948	48,106	567	2,174,187
Additions	34,828	38,807	510	19,118	2,478	21	95,762
Disposals	(753)	(594)	(472)	(3,325)	(4,528)	0	(9,672)
Revaluation: increments/(decrements)	16,834	27,103	2,820	196	0	0	46,953
Depreciation expense	(10,640)	(16,396)	(1,909)	(6,957)	0	(33)	(35,935)
CARRYING AMOUNT 30 JUN 2005	860,463	1,222,411	102,831	38,980	46,056	555	2,271,295

PARENT ENTITY 2005	Water \$'000	Sewer \$'000	Drainage \$'000	General	Land \$'000	Non	Total \$'000
				Support \$'000		Commercial \$'000	
Carrying amount 1 JUL 2004	820,462	1,173,877	101,882	29,044	48,106	583	2,173,955
Additions	34,828	38,807	510	18,858	2,478	21	95,502
Disposals	(753)	(594)	(472)	(3,322)	(4,528)	0	(9,669)
Revaluation: increments/(decrements)	16,834	27,103	2,820	196	0	0	46,953
Depreciation expense	(10,640)	(16,396)	(1,909)	(6,586)	0	(33)	(35,564)
CARRYING AMOUNT 30 JUN 2005	860,731	1,222,798	102,831	38,190	46,056	571	2,271,177

D VALUATION NOTES

The valuation of assets is based on the modern engineering equivalent replacement asset methodology (MEERA). The valuation of these assets is confirmed by application of a recoverable amount test based on the expected net cash flows to be generated discounted to their present value based on a real discount rate of 4%. In estimating future income streams, assumptions of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) Line in the Sand methodology. The outcome of this test indicated that the net present value of future revenues supported accounting book values of the asset base.

As at 30 June 2005 the directors have revalued interests in: Drainage Assets and some items of Plant. The remaining assets have been indexed by the Consumer Price Index (CPI) for the year to 31 March 2005 of 2.4%

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
13 DEFERRED TAX ASSETS				
NON-CURRENT				
Future Income Tax Benefit	5,876	6,159	5,876	6,159
	5,876	6,159	5,876	6,159

14 PAYABLES

CURRENT

Trade creditors	15,976	18,582	16,041	19,723
Deposits received for services	1,451	1,512	1,451	1,512
Prepaid income	1,056	1,012	789	756
Accrued expenses	2,531	1,997	2,547	1,997
	21,014	23,103	20,828	23,988

NON-CURRENT

Tax-related payable	NIL	NIL	1,049	785
	NIL	NIL	1,049	785

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
15 CURRENT TAX LIABILITIES				
<i>PROVISION FOR INCOME TAX PAYABLE</i>				
<i>Opening balance</i>	6,791	11,796	6,734	11,346
<i>Add Under provision for income tax in prior year</i>	81	504	81	595
<i>Less Amount paid relating to prior year</i>	6,872	11,652	6,815	11,350
<i>Add Amount payable for current year</i>	19,594	19,532	19,594	19,532
<i>Less Amount paid relating to current year</i>	14,229	13,389	14,229	13,389
	5,365	6,791	5,365	6,734
16 INTEREST-BEARING LIABILITIES				
<i>CURRENT</i>				
<i>Other loans</i>	37,891	NIL	37,891	NIL
<i>NON-CURRENT</i>				
<i>Other loans</i>	128,025	124,906	131,525	124,906
TOTAL INTEREST – BEARING LIABILITIES	165,916	124,906	169,416	124,906
17 PROVISIONS				
<i>CURRENT</i>				
<i>Dividends</i>	33,800	36,000	33,800	36,000
<i>Employee benefits</i>	6,178	5,816	4,838	4,606
	39,978	41,816	38,638	40,606
<i>NON-CURRENT</i>				
<i>Employee benefits</i>	23,669	27,640	21,816	25,945
	23,669	27,640	21,816	25,945
18 DEFERRED TAX LIABILITIES				
<i>NON-CURRENT</i>				
<i>Provision for deferred income tax</i>	40,149	39,292	40,149	39,292
	40,149	39,292	40,149	39,292
19 OTHER				
<i>NON CURRENT</i>				
<i>Premium on Loans</i>	2,116	2,506	2,116	2,506
	2,116	2,506	2,116	2,506
20 CONTRIBUTED EQUITY				
<i>Issued and paid up capital 100,000,003 ordinary shares each fully paid</i>	100,000	100,000	100,000	100,000

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
21 RESERVES AND RETAINED PROFITS				
A RESERVES				
Asset revaluation	1,553,781	1,515,121	1,553,781	1,515,121
	1,553,781	1,515,121	1,553,781	1,515,121
MOVEMENTS IN RESERVES				
ASSET REVALUATION				
• Balance at beginning of year	1,515,121	1,437,616	1,515,121	1,437,616
REVALUATION INCREMENTS ON REVALUATION OF:				
• Water	16,834	16,699	16,834	16,699
• Sewer	27,103	61,299	27,103	61,299
• Drainage	2,820	2,189	2,820	2,189
• General support	196	69	196	69
• Buildings	1	984	1	984
REVALUATION DECREMENT ON REVALUATION OF:				
• Treasury Bond	(39)	(598)	(39)	(598)
Write-back of written down value of decommissioned assets	(1,594)	(3,104)	(1,594)	(3,104)
Transfer to Retained Profits with respect to decommissioned assets	(6,661)	(33)	(6,661)	(33)
BALANCE AT END OF YEAR	1,553,781	1,515,121	1,553,781	1,515,121
B RETAINED PROFITS				
• Retained profits at the beginning of year	364,395	380,184	360,138	376,800
• Net profit attributable to the economic entity	43,022	20,178	41,734	19,306
• Dividends provided for	(33,800)	(36,000)	(33,800)	(36,000)
• Aggregate of amounts transferred to reserves	6,661	33	6,661	33
RETAINED PROFITS AT END OF YEAR	380,278	364,395	374,733	360,139
C NATURE AND PURPOSE OF RESERVES				
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1.				
22 STATEMENT OF CASH FLOWS				
RECONCILIATION OF CASH				
Cash on hand	3,920	3,615	2,593	2,317
Deposits at call	2,496	19,761	5	16,020
CLOSING CASH BALANCE	6,416	23,376	2,598	18,337
RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES				
Profit from ordinary activities after related income tax	43,023	20,178	41,734	19,306
Depreciation and amortisation	35,935	33,375	35,564	33,014
Amortisation of discount on investments	(49)	(50)	(49)	(50)
(Profit) on sale of non-current assets	(1,355)	(114)	(1,347)	(144)
Capital Contributions	(36,575)	(8,189)	(36,575)	(8,189)
Net exchange differences	(4)	(3)	NIL	NIL

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
CHANGE IN OPERATING ASSETS AND LIABILITIES				
(Increase) decrease in trade debtors	(633)	(2,635)	1,696	(2,862)
(Increase) in inventories	(353)	(635)	(290)	(205)
(Increase) decrease in future income tax benefit	283	(5,313)	283	(6,159)
(Increase) in other operating assets	(85)	(54)	(65)	(334)
Increase (decrease) in trade creditors	32	4,112	(1,071)	5,530
Increase in other operating liabilities	127	1,808	396	2,524
(Decrease) in provision for income taxes payable	(1,426)	(5,005)	(1,369)	(4,612)
Increase in deferred income tax	857	6,494	857	6,494
(Decrease) in other provisions	(3,611)	(1,145)	(3,897)	(1,250)
NET CASH INFLOW FROM OPERATING ACTIVITIES	36,166	42,824	35,867	43,063
 23 CONTRACTUAL COMMITMENTS				
<i>CAPITAL EXPENDITURE CONTRACTED FOR AT BALANCE DATE BUT NOT PROVIDED FOR</i>				
Payable not later than one year	42,633	39,375	43,083	39,375
Payable later than one year but not later than five years	22,462	5,240	22,462	5,240
	65,095	44,615	65,545	44,615
 <i>CONSULTANCY COMMITMENTS CONTRACTED FOR AT BALANCE DATE BUT NOT PROVIDED FOR</i>				
Payable not later than one year	655	779	NIL	NIL
Payable later than one year but not later than five years	NIL	10	NIL	NIL
	655	789	NIL	NIL
 24 LEASE EXPENDITURE COMMITMENTS				
<i>OPERATING LEASE COMMITMENTS IN RELATION TO NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:</i>				
Not later than one year	560	437	43	59
Later than one year but not later than 5 years	896	1,092	50	67
Later than 5 years	24	36	24	36
	1,480	1,565	117	162
<p>There are three major operating leases of the Economic Entity. The first is a non-cancellable lease with a five year term expiring in June 2009 with an option to renew the lease at the end of this term for an additional five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by CPI. Another is a non-cancellable lease with a 3 year term expiring in May 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3%. Both of the above two leases do not allow for subletting of the lease area. The final lease is a non-cancellable lease with a 2 year term expiring in June 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease require that the minimum lease payments shall be increased by 3%. This lease allows for subletting of the lease area.</p> <p>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.</p> <p>All lease expenditure commitments disclosed above are GST-exclusive.</p>				

25 SUPERANNUATION

All employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Parent and Controlled Entities also contribute to the plans.

The State Authorities Superannuation Scheme closed on 18 December 1992. Superannuation benefits for new entrants are now provided through First State Super (FSS), which is an accumulation type scheme. The Economic Entity has made full provision for these commitments.

Pillar Administration (Pillar) has advised the level of estimated superannuation liability outstanding as at 30 June 2005. In accordance with this advice there has been a decrease in the Economic Entity's estimated outstanding liability, which has been recognised as an offset to superannuation expense in the results for the year ended 30 June 2005.

The Economic Entity has a net under-funded liability position with Pillar, which is recognised as a non-current liability on the Statement of Financial Position. The triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2003.

The following economic assumptions are based on information provided by Pillar:

2004-05	% pa
Investment Return	7.0
Salary Growth Rate	4.0
Consumer Price Index	2.5

Payments made to Pillar towards superannuation liabilities are held in Investment Reserve Accounts. The liability funding with Pillar is disclosed in the Statement of Financial Position and comprises:

	SSS \$M	SASS \$M	SANCS \$M	04-05 \$M	03-04 \$M
Gross Liability Assessed by Actuaries as at 30 June 2005	61.0	18.7	5.6	85.3	75.1
Less: Investment Reserve Account Balance	(57.2)	(13.4)	(4.5)	(75.1)	(59.9)
Unfunded Liability / (Prepaid Contributions)	3.8	5.3	1.1	10.2	15.2

- (i) SSS State Superannuation Scheme
- (ii) SASS State Authorities Superannuation Scheme
- (iii) SANCS State Authorities Non-Contributory Superannuation Scheme

26 CONTINGENT LIABILITIES

Capital gains tax would be payable if asset revaluation increments were realised at balance date. No provision has been made for this liability as disposal of this property is not anticipated. No significant claims for damages are being negotiated. This does not include matters covered by insurance.

27 AUDITORS' REMUNERATION

AMOUNTS RECEIVABLE OR DUE & RECEIVABLE BY THE AUDITORS,
FROM ENTITIES WITHIN THE ECONOMIC ENTITY

Auditing financial statements

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
	151	144	133	129
	151	144	133	129

28 RELATED PARTY DISCLOSURES

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

A DIRECTORS AND ANY DIRECTOR RELATED ENTITIES

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

Mr R Robson
Mr K Young MANAGING DIRECTOR
Mr R Knights
Mr P Barrack
Mr D Boyd
Mr W Elliott
Ms B Crossley
Mr A Chappel

Details of directors' remuneration are provided in note 30.

B CONTROLLED ENTITIES

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

On 1 April 2003, Hunter Water Corporation formed a wholly owned subsidiary company, Regional Land Management Corporation Pty Ltd (RLMC), for the purpose of assuming interim management of a number of Government owned properties in the Lower Hunter Region for a defined period in accordance with the direction given under section 20N of the State Owned Corporations Act 1989 (SOC Act).

As a result, Hunter Water Corporation is entitled to be reimbursed from money advanced by the Treasurer for all net costs incurred by Hunter Water Corporation for performing any such activities including the cost of capital. The costs to be reimbursed from Treasury are \$3.3M for the period ended 30 June 2005.

C THE FOLLOWING RELATED PARTY TRANSACTIONS OCCURRED DURING THE FINANCIAL YEAR:

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

29 SEGMENT INFORMATION

The Economic Entity operated predominantly in the industry of water, sewerage and drainage in the geographical area of Australia. The Economic Entity also provides other ancillary products to industry and manages an investment portfolio.

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
30 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS				
DIRECTORS' REMUNERATION				
Amounts received or due and receivable by all directors of each Entity in the Economic Entity.	715	653		
Amounts received or due and receivable by the directors of the Parent Entity.			617	552
The number of directors of the Parent Entity whose remuneration falls within the following bands:			No	No
	\$10,000	\$19,999	-	2
	\$20,000	\$29,999	-	1
	\$30,000	\$39,999	5	3
	\$40,000	\$49,999	1	1
	\$60,000	\$69,999	1	1
	\$280,000	\$289,999	-	1
	\$320,000	\$329,999	1	-

31 CONTROLLED ENTITIES

PARENT ENTITY:
Hunter Water Corporation

CONTROLLED ENTITIES:	EQUITY HOLDING
Hunter Water Australia Pty Limited	100%
Regional Land Management Corporation Pty Ltd	100%

32 ECONOMIC DEPENDENCY

The Controlled Entities Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd operated independent of the Parent Entity. All transactions were on normal commercial terms and conditions.

33 EVENTS OCCURRING AFTER BALANCE DATE

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

34 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian Equivalents to International Financial Reporting Standards (AEIFRS) and the economic entity will apply these standards from the reporting period beginning 1 July 2005.

The economic entity has been managing the transition to AEIFRS for the group of companies by allocating resources to analyse new standards and Urgent Issues Group (UIG) Abstracts and then identifying and implementing consequential changes in policies, procedures, systems, training and financial figures required on transition.

The economic entity has established an IFRS Steering Committee that reports regularly to the Audit & Compliance Committee. A project team has also been established, which the IFRS Project Controller leads. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable. The detailed timetable for managing the transition is currently on schedule.

The economic entity has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from accounting policy options available in AEIFRS.

To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect NSW Treasury's likely mandates.

Entities complying with AEIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AEIFRS to that period. The economic entity has restated the 1 July 2004 balance sheet and year ended 30 June 2005 financial statement amounts. Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on Hunter Water Corporation's equity and profit/loss. Hunter Water Corporation does not anticipate any material impacts on its cash flows.

The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The economic entity's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

	NOTE	ECONOMIC ENTITY ** 30 JUN 05 \$'000	ECONOMIC ENTITY * 30 JUN 04 \$'000	PARENT ENTITY ** 30 JUN 05 \$'000	PARENT ENTITY * 30 JUN 04 \$'000
A: RECONCILIATION OF KEY AGGREGATES					
Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:					
TOTAL EQUITY UNDER AGAAP		2,034,059	1,979,516	2,028,514	1,975,260
ADJUSTMENTS TO ACCUMULATED FUNDS:					
Recognition of restoration costs	1	(897)	(3,132)	(897)	(3,132)
Derecognition of intangible assets	2	(9,234)	(8,951)	(9,234)	(8,951)
Defined benefit superannuation adjustment for change in discount rate	3	(26,125)	(13,530)	(22,925)	(12,084)
Recognition of contributed assets	5	176,792	182,363	176,792	182,363
Impairment decrement - depreciation impact	4	8,674	0	8,674	0
Tax effect adjustment	6	45,727	43,593	44,850	43,109
ADJUSTMENTS TO OTHER RESERVES:					
Impairment decrement	4	(259,783)	(577,881)	(259,783)	(577,881)
Tax effect adjustment	6	(398,715)	(290,880)	(398,715)	(290,880)
Recognition of contributed assets	5	124,973	121,308	124,973	121,308
Derecognise revaluation of intangible assets	2	(423)	(267)	(423)	(267)
Assets held for sale (valuation basis change)	7	162	255	162	255
TOTAL EQUITY UNDER AEIFRS		1,695,210	1,432,394	1,691,988	1,429,100
* adjustments as at the date of transition					
** cumulative adjustments as at date of transition plus the year ended 30 June 2005					
Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:					
SURPLUS / (DEFICIT) UNDER AGAAP		43,023		41,734	
Restoration costs	1	2,235		2,235	
Research costs expensed	2	(500)		(500)	
Defined benefit superannuation	3	(12,594)		(10,840)	
Impairment decrement - depreciation impact	4	8,674		8,674	
Recognition of contributed assets - depreciation impact	5	(5,571)		(5,571)	
Tax effect adjustment	6	2,134		1,741	
SURPLUS / (DEFICIT) UNDER AEIFRS		37,401		37,473	

NOTES TO TABLES ABOVE

- 1 AASB 116 Property Plant & Equipment requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. These restoration costs must be depreciated. This treatment is not required under current AGAAP.
- 2 AASB 138 Intangible Assets requires all research costs to be expensed and restricts the capitalisation of development costs. Current AGAAP permits some research and development costs to be capitalised when certain criteria are met. As a result, some currently recognised intangible assets will need to be derecognised. Further, intangibles can only be revalued where there is an active market, which is unlikely to occur. Therefore, revaluation increments will need to be derecognised and intangible assets recognised at amortised cost. The adoption of AASB 138 will also result in certain reclassifications from property, plant and equipment to intangible assets (eg computer software and easements).
- 3 AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. As the superannuation obligation is not assumed by the Crown, this will increase the amount of the unfunded defined benefit superannuation liability and the volatility of the superannuation expense.
- 4 AASB 136 Impairment requires the recoverable amount test for assets in a cash generating unit to use a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset. The real pre-tax discount rates used in the AEIFRS impairment tests as at 1 July 2004 and 30 June 2005 were 5.2% and 4.4% respectively. Under AGAAP, the real pre-tax discount rate used for impairment was 4%. AASB 136 is also more prescriptive in the inputs to be used for the recoverable amount test. The adoption of the higher discount rate, the recognition of contributed assets at their fair value (see note 5) and changes in the prescribed inputs into the recoverable amount model have combined to result in impairment decrements being recognised that were not recognised under AGAAP.

- 5 AASB 116 Property Plant & Equipment and UIG Interpretation 1017 Developer and Customer Contributions for Connection to a Price-Regulated Network prescribe the accounting treatment for an asset acquired at no cost, or for a nominal cost, where that asset has been contributed in return for connection to a price regulated service delivery network. They require recognition of both revenue and a non-current asset equal to the fair value of the contributed asset. AASB 136 Impairment does not allow the impairment test to be applied separately to the contributed assets as they do not have their own active market and their value in use can not be determined separately from other assets in the network. This differs to the AGAAP UIG Abstract 17, which allowed the write-down of contributed assets when the carrying amount of the network to which the contributed asset belongs, was greater than its recoverable amount. Contributed assets previously not recognised under AGAAP have been recognised in the balance sheet on transition to AEIFRS.
- 6 AASB 112 Income Taxes uses a balance sheet approach which requires deferred tax assets or liabilities to be recognised where differences exist between the accounting and tax value of assets and liabilities. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that are generally not recognised under current AGAAP. This also changes the quantum and timing of the tax expense.
- 7 AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires non-current assets classified as 'held for sale' to be reclassified as current and recognised at the lower of the carrying amount and the fair value less costs to sell. Unlike current AGAAP, 'held for sale' assets are not depreciated.

B: AEIFRS POLICY CHANGES EXPECTED TO AFFECT FINANCIAL STATEMENTS FROM THE YEAR ENDING 30 JUNE 2006:

- 1 AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AEIFRS's from 1 July 2004 with limited exemptions. Similarly, AASB108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- 2 Financial Instruments. In accordance with NSW Treasury's indicative mandates, the economic entity will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any AEIFRS impact for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Any changes for financial instrument measurement and recognition when applied from 1 July 2005 are not expected to have a material impact. Further, the impact of the Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.
- AASB 139 Financial Instruments: Recognition and Measurement also outlines stricter rules for the adoption of hedge accounting and requires the recognition of derivatives that were previously off balance sheet. Any changes for hedge accounting and derivatives when applied from 1 July 2005 are not expected to have a material impact.
- 3 AASB110 Events After Balance Sheet Date states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach, which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the Statement of Corporate Intent before the reporting date to which it relates, "authorises" the dividend. Any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".
- 4 AASB101 Presentation of Financial Statements and AASB107 Cash Flow Statements require new financial statement formats to be utilised in the 2006 Financial Report. These changes along with other new and amended disclosure requirements will also be introduced to comply with all other AEIFRS standards in the 2006 Financial Report.

35 FINANCIAL INSTRUMENTS

A INTEREST RATE RISK

The economic entity's exposure to interest rate risk, which 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, is as follows:

2004-2005	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Cash	5.45%	2,496	-	-	-	3,920	6,416
Receivables	N/A	-	-	-	-	33,821	33,821
CURRENT							
Other Financial Assets	8.27%	-	-	10,626	-	-	10,626
NON CURRENT							
TOTAL FINANCIAL ASSETS		2,496	-	10,626	-	37,741	50,863
Interest-bearing Liabilities Fixed	6.25%	-	36,331	43,936	84,089	-	164,356
Interest-bearing Liabilities Floating	5.65%	1,560	-	-	-	-	1,560
Payables	N/A	-	-	-	-	21,014	21,014
TOTAL FINANCIAL LIABILITIES		1,560	36,331	43,936	84,089	21,014	186,930

THE COMPARATIVE INFORMATION WITH REGARD TO THE 2003-04 YEAR IS AS FOLLOWS:

2003-2004	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Cash	5.50%	22,873	-	-	-	503	23,376
Receivables	N/A	-	-	-	-	27,438	27,438
CURRENT							
Other Financial Assets	8.16%	-	-	10,616	-	-	10,616
NON CURRENT							
TOTAL FINANCIAL ASSETS		22,873	-	10,616	-	27,941	61,430
Interest-bearing Liabilities	6.41%	-	-	72,875	52,031	-	124,906
Payables	N/A	-	-	-	-	23,103	23,103
TOTAL FINANCIAL LIABILITIES				72,875	52,031	23,103	148,009

B CREDIT RISK EXPOSURES

The credit risk on financial assets of the economic entity which have been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

C NET FAIR VALUES

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

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of the Parent Entity, Clause 14 of the **Public Finance and Audit Regulation 2005**, and pursuant to Section 41C(1B) and 41C(1C) of the **Public Finance and Audit Act 1983**, in the opinion of the Directors:

- 1 The accompanying consolidated financial statements (pages 7 to 28) exhibit a true and fair view of the financial position of Hunter Water Corporation and its controlled entities as at 30 June 2005, 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 2005**, applicable Accounting Standards and other mandatory professional reporting requirements.
- 3 We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.



R ROBSON
CHAIRMAN



K YOUNG
MANAGING DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005

**HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION**

	ACTUAL 2004-05	BUDGET 2004-05	ACTUAL 2003-04	BUDGET 2003-04
OPERATING PROGRAM 2004-05 ECONOMIC ENTITY				
<i>A summary of actual and budgeted results for 2004-05 and comparisons with 2003-04 results and budget, before contributions for capital works, is as follows:</i>				
INCOME				
Net Tariff Income	131,316	131,183	129,934	125,757
Interest on Investments	1,132	1,258	2,000	2,032
Profit (Loss) on Sale of Assets	1,355	-	82	(53)
External Sales	12,062	12,402	8,921	14,579
CSO Receipts – PSP	1,158	1,158	-	-
Other (Including Non-Regulated Income)	1,651	1,676	3,238	2,032
TOTAL INCOME	148,674	147,677	144,175	144,347
EXPENDITURE				
Operating Expenses	63,784	62,499	57,735	59,375
Cost of External Sales	11,045	11,815	7,832	14,059
Employee Provisions – Accrued Charge	5,496	4,840	4,863	4,548
Superannuation Adjustment	(4,996)	-	(2,225)	-
Depreciation & Amortisation	35,935	35,626	33,423	30,490
Interest Payable	9,804	10,187	9,169	9,740
Financial Charges	328	154	136	104
Other Expenditure	12	-	3	-
TOTAL EXPENDITURE	121,408	125,121	110,932	118,316
PROFIT BEFORE TAX, DIVIDEND & CONTRIBUTIONS FOR CAPITAL WORKS	27,266	22,556	33,243	26,031
OPERATING PROGRAM 2005-06				
	Budget 2005-06 \$'000			
INCOME				
Net Tariff Income	142,074			
Interest on Investments	1,001			
Profit/(Loss) on Sale of Assets	-			
External Sales	22,974			
CSO Receipts – PSP	615			
Other (Including Non-Regulated Income)	1,659			
TOTAL INCOME	168,323			
EXPENDITURE				
Operating Expenses	71,538			
Cost of External Sales	22,078			
Employee Provisions – Accrued Charge	5,324			
Superannuation Adjustment	-			
Depreciation & Amortisation	32,891			
Interest Payable	13,814			
Financial Charges	788			
Other Expenditure	-			
TOTAL EXPENDITURE	146,433			
OPERATING PROFIT BEFORE TAX, DIVIDEND & CONTRIBUTIONS FOR CAPITAL WORKS	21,890			

**HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION**

	2004-05 \$'M	2003-04 \$'M	2002-03 \$'M	2001-02 \$'M	2000-01 \$'M
5 YEAR FINANCIAL SUMMARY AND RATIO ANALYSIS					
1 STATEMENT OF FINANCIAL POSITION <small>ECONOMIC ENTITY</small>					
<i>CURRENT ASSETS</i>					
Short Term Investments	6.4	23.4	46.8	62.0	27.6
Debtors and Other	38.1	31.2	27.7	25.7	30.3
TOTAL CURRENT ASSETS	44.5	54.6	74.6	87.6	57.9
<i>NON-CURRENT ASSETS</i>					
Fixed Assets	2271.3	2174.2	2093.0	1997.7	1949.7
Investments / Other	16.5	16.8	11.9	9.0	12.1
TOTAL NON-CURRENT ASSETS	2287.8	2191.0	2104.9	2006.7	1961.8
TOTAL ASSETS	2332.3	2245.6	2179.5	2094.3	2019.7
<i>CURRENT LIABILITIES</i>					
Loans and Advances	58.9	23.1	43.7	12.5	9.6
Provisions	40.0	41.8	43.9	36.8	36.1
Other	5.3	6.8	11.8	8.5	4.0
TOTAL CURRENT LIABILITIES	104.2	71.7	99.4	57.8	49.7
<i>NON-CURRENT LIABILITIES</i>					
Loans and Advances	128.0	124.9	99.0	131.1	83.7
Provisions / Other	65.9	69.4	63.3	48.4	36.5
TOTAL NON-CURRENT LIABILITIES	194.0	194.3	162.3	179.6	120.2
TOTAL LIABILITIES	298.2	266.1	261.7	237.4	169.9
NET ASSETS	2034.1	1979.5	1917.8	1859.9	1849.8
<i>CAPITAL AND RETAINED EARNINGS</i>					
Issued Capital	100	100	100	100	100
Asset Revaluation Reserve	1553.8	1515.1	1437.6	1348.6	1317.7
Capital Profits Reserve	0	0	0	0	31.7
Accumulated Funds	380.3	364.4	380.2	408.4	400.4
TOTAL EQUITY	2034.1	1979.5	1917.8	1859.9	1849.8

HUNTER WATER CORPORATION AND CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION

	2004-05 \$'M	2003-04 \$'M	2002-03 \$'M	2001-02 \$'M	2000-01 \$'M
2 STATEMENT OF FINANCIAL PERFORMANCE ECONOMIC ENTITY					
TRADING OPERATIONS					
REVENUE:					
• Tariff	131.3	129.9	127.0	117.3	115.4
• Other	16.2	12.2	10.2	6.0	5.0
LESS:					
• Operating Costs	74.8	64.8	62.5	56.6	54.9
GROSS MARGIN	72.7	77.4	74.6	66.7	65.5
OTHER INCOME:					
• Investments	1.1	2.0	2.7	2.8	4.0
OTHER EXPENDITURE:					
• Financing Charges	10.1	9.3	9.1	8.3	6.7
• Depreciation and Amortisation	35.9	33.4	28.2	26.8	27.3
• Employee Entitlements - Accrued Charge	5.5	5.6	5.3	3.0	2.9
PROFIT BEFORE DIVIDEND, SUPERANNUATION ADJUSTMENT AND CONTRIBUTIONS FOR CAPITAL WORKS	22.3	31.1	34.8	31.4	32.7
SUPERANNUATION ADJUSTMENT	¹ 5.0	¹ 2.2	¹ -8.4	¹ -11.8	¹ -2.5
PROFIT BEFORE DIVIDEND & CONTRIBUTIONS FOR CAPITAL WORKS	27.3	33.3	26.4	19.5	30.2
CONTRIBUTION FOR CAPITAL WORKS	² 36.6	8.2	7.6	6.7	6.2
PROFIT BEFORE DIVIDEND	63.8	41.5	34.0	26.3	36.4
DIVIDEND	33.8	36.0	38.0	31.1	30.0
PROFIT AFTER DIVIDEND	30.0	5.5	4.0	-4.8	6.4

1 Movement in Superannuation liabilities as advised by Pillar Administration

2 Includes Contributions for Capital Works from Developers of \$28.7M in 2004-05. In past years these contributions were written down to zero as projected cash flows did not support their carrying value

3 FINANCIAL RATIOS

Profit included in calculating ratios is Profit before Dividend, Abnormal Items and Contributions for Capital Works.

	2004-05	2003-04	2002-03	2001-02	2000-01
a Gross Profit (%)	49.28	54.45	54.43	54.08	54.42
b Working Capital	0.43	0.76	0.75	1.52	1.16
c Cash Ratio	0.06	0.33	0.47	1.07	0.56
d Equity to Total Liabilities	6.80	7.44	7.33	7.82	10.89
e Interest Cover (times)	3.20	4.34	4.84	4.80	5.91
f Return on Equity (%)	4.64	6.69	7.25	6.17	6.15
g Real Rate of Return (%)	1.38	1.76	1.96	1.84	1.81
h Return on Total Net Assets (%)	1.10	1.57	1.81	1.69	1.77

COMMENTS ON FINANCIAL RATIOS

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

GROSS PROFIT

A Gross Profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. This ratio has reduced slightly this year as a result of the lower usage income and higher operating costs.

WORKING CAPITAL

B Working Capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments. The reduction reflects a conscious reduction in the levels of cash being held as well as an increase in debt.

CASH RATIO

C Cash Ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. This ratio has decreased this year due to a lower level of cash being held as part of the introduction of some new financial asset and liability management initiatives as well as the increase in debt outlined above.

EQUITY TO TOTAL LIABILITIES

D Equity to Total Liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of the Corporation, in that it shows the level of financial equity in the Corporation as represented by how many times net assets if liquidated would cover total liabilities. Following the significant revaluation increment to infrastructure assets in 1990-91, this ratio has been favourable and is considered reasonably high. The ratio has decreased in recent years due to the Corporation borrowing funds to support the capital program.

INTEREST COVER

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

RETURN ON EQUITY

F Return on Equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. ROE for 2004-05 is 4.64%

REAL RATE OF RETURN

G Real Rate of Return is calculated as operating profit plus net interest plus financial charges divided by written down book value of infrastructure assets and works in progress and reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance ie capital costs, recurrent costs and revenue. The rate of return the Corporation may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 1.38%.

RETURN ON TOTAL NET ASSETS

H Return on Total Net Assets is calculated as operating profit before dividend 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 2004-05 RONA is 1.10%.

Hunter Water's tariffs normally apply for 12 months, commencing 1 July each year. However, for 2005-06 IPART did not deliver its price determination until September 2005.

* IPART has determined that the 2005-06 Service Charges for water, sewer, drainage and the Environmental Improvement Charge will apply from 1 NOV 2005. Therefore the Service Charges shown below are expressed on an annual equivalent basis - for the period 1 JUL 05 to 30 OCT 2005 the 2004-05 charges continued to apply.

** IPART has determined that the Usage Charges for 2005-06 will apply from 1 NOV 05. For the period 1 JUL 05 to 30 OCT 05 the 2004-05 Usage Charges continued to apply.

TARIFF STRUCTURE 2005-06

	WATER	SEWER	DRAINAGE
RESIDENTIAL			
SERVICE CHARGE *			
Stand alone dwelling 20mm	\$32.22	\$267.56	\$43.37
Flats and Units (minimum)	-	\$140.00	-
<i>For other meter sizes see table below</i>			
USAGE CHARGE **			
0-1000 Kilolitres	109c/kl	43c/kl	
1000 - 50 000 Kilolitres	103c/kl	43c/kl	
NON-RESIDENTIAL			
Valuation Based Charge (AAV):			
			1.25c/\$
SERVICE CHARGE *			
Base 20mm Meter	\$32.22	\$535.10	\$43.37
<i>For other meter sizes see table below</i>			
USAGE CHARGE **			
0 - 1000 kilolitres	109c/kl	#43c/kl	
1001 - 50 000 kilolitres	103c/kl	#43c/kl	
Over 50 000 kilolitres			
• Dungog Council	59.0c/kl		
• Kooragang/Stockton	86.8c/kl		
• South Wallsend	87.4c/kl		
• Tomago	90.8c/kl		
• Warners Bay/Valentine	90.8c/kl		
• Seaham/Hexham	94.4c/kl		
• Newcastle/Highfields	95.5c/kl		
• Raymond Terrace	97.0c/kl		
• Port Stephens	97.3c/kl		
• Kurri/Cessnock	97.7c/kl		
• Lookout	97.5c/kl		
• Edgeworth/West Wallsend	100.1c/kl		
• Other Areas	103.0c/kl		

EXEMPT PROPERTIES

WATER SERVICE CHARGES *
\$13.18 for 20mm & \$20.56 for 25mm services, then as per non-residential water service charge

SEWER SERVICE CHARGE
a charge of \$108.93 x meter size ratio *

USAGE CHARGES
see usage charges listed above

ENVIRONMENTAL IMPROVEMENT CHARGE

Environmental Improvement Charge of \$50.17 levied on properties liable for sewerage or properties to be provided with sewerage in the Hunter Sewerage Project, exc. eligible pensioners

SERVICE CHARGES *

Base charges for a 20mm meter are listed above. Customers with larger pipes should use the table below:

PIPE SIZE	WATER	*SEWER
20 mm	\$32.22	\$535.10
25 mm	\$50.27	\$834.75
32 mm	\$82.49	\$1,369.86
40 mm	\$128.88	\$2,140.40
50 mm	\$201.38	\$3,344.37
80 mm	\$515.52	\$8,561.60
100 mm	\$805.50	\$13,377.50
150 mm	\$1,812.38	\$30,099.38
200 mm	\$3,222.00	\$53,510.00
250 mm	\$5,034.38	\$83,609.37
300 mm	\$7,249.50	\$120,397.50
350 mm	\$9,867.38	\$163,874.37
400 mm	\$12,888.00	\$214,040.00
500 mm	\$20,137.50	\$334,437.50

Subject to discharge factor: the assessed percentage of water disposed of VIA the sewer (50% for residential customers)

TARIFF STRUCTURE 2004-05

	WATER	SEWER	DRAINAGE
RESIDENTIAL			
SERVICE CHARGE			
Stand alone dwelling 20mm	\$25.37	\$239.35	\$42.31
Flats and Units (minimum)	-	\$120.00	-
<i>For other meter sizes see table below</i>			
USAGE CHARGE			
0-1000 Kilolitres	101c/kl	42c/kl	
1000 - 50 000 Kilolitres	93c/kl	42c/kl	
NON-RESIDENTIAL			
Valuation Based Charge (AAV):			
			1.25c/\$
SERVICE CHARGE			
Base 20mm Meter	\$25.37	\$478.69	\$42.31
<i>For other meter sizes see table below</i>			
USAGE CHARGE			
0 - 1000 kilolitres	101c/kl	#42.0c/kl	
1001 - 50 000 kilolitres	93c/kl	#42.0c/kl	
Over 50 000 kilolitres			
• Dungog Council	54.8c/kl		
• Kooragang/Stockton	80.2c/kl		
• South Wallsend	80.7c/kl		
• Tomago	83.9c/kl		
• Warners Bay/Valentine	83.9c/kl		
• Seaham/Hexham	87.2c/kl		
• Newcastle/Highfields	88.2c/kl		
• Raymond Terrace	89.6c/kl		
• Port Stephens	89.9c/kl		
• Kurri/Cessnock	90.2c/kl		
• Lookout	90.1c/kl		
• Edgeworth/West Wallsend	92.5c/kl		
• Other Areas	93.0c/kl		

EXEMPT PROPERTIES

WATER SERVICE CHARGES
\$10.38 for 20mm & \$16.09 for 25mm services, then as per non-residential water service charge

SEWER SERVICE CHARGE
a charge of \$97.45 x meter size ratio #

USAGE CHARGES
see usage charges listed above

ENVIRONMENTAL IMPROVEMENT CHARGE

Environmental Improvement Charge of \$48.95 levied on properties liable for sewerage or properties to be provided with sewerage in the Hunter Sewerage Project, exc. eligible pensioners

SERVICE CHARGES

Base charges for a 20mm meter are listed above. Customers with larger pipes should use the table below:

PIPE SIZE	WATER	*SEWER
20 mm	\$25.37	\$478.69
25 mm	\$39.32	\$741.98
32 mm	\$64.69	\$1,220.67
40 mm	\$101.47	\$1,914.77
50 mm	\$158.55	\$2,991.84
80 mm	\$405.90	\$7,659.11
100 mm	\$634.21	\$11,967.35
150 mm	\$1,426.97	\$26,926.54
200 mm	\$2,536.84	\$47,869.39
250 mm	\$3,963.81	\$74,795.93
300 mm	\$5,707.88	\$107,706.13
350 mm	\$7,769.06	\$146,600.02
400 mm	\$10,147.35	\$191,477.58
500 mm	\$15,855.23	\$299,183.71

Subject to discharge factor: the assessed percentage of water disposed of VIA the sewer (50% for residential customers)

	30-6-05 \$M	30-6-04 \$M
1 RECEIVABLES		
<i>Receivables are shown as a current asset on the Statement of Financial Position and total \$33.8M.</i>		
Tariff Income - billed	9.686	10.313
Tariff Income - unbilled	10.402	11.748
Sundry Debtors	8.659	2.211
Net GST Receivable from ATO	1.480	1.820
Community Service Obligations	0.400	0.591
Treasury Funding (RLMC)	3.214	0.817
Miscellaneous Debtors	0.010	0.073
	33.851	27.573
Less Provision for Doubtful Debts	0.030	0.135
	33.821	27.438
 <i>A MORE DETAILED ANALYSIS OF THE MAJOR CATEGORIES FOLLOWS</i>		
A TARIFF INCOME		
<i>Billed: at 30 June 2005 the breakdown of outstanding rates and charges into customer categories and comparison with the 2003-04 result is as follows:</i>		
Residential	6.784	6.940
Vacant Land - Residential	0.097	0.103
Flats and Home Units	0.836	0.831
Commercial	1.510	1.833
Industrial	0.236	0.322
Vacant Land - Non Residential	0.016	0.019
Farms	0.081	0.107
Commercial Strata	0.056	0.057
Exempts	0.037	0.060
Other	0.033	0.041
	9.686	10.313
 LESS:		
Pensioners	2.721	2.806
Accounts not due*	3.774	3.855
Property Lists**	1.607	1.867
COLLECTABLE CHARGES	1.584	1.785

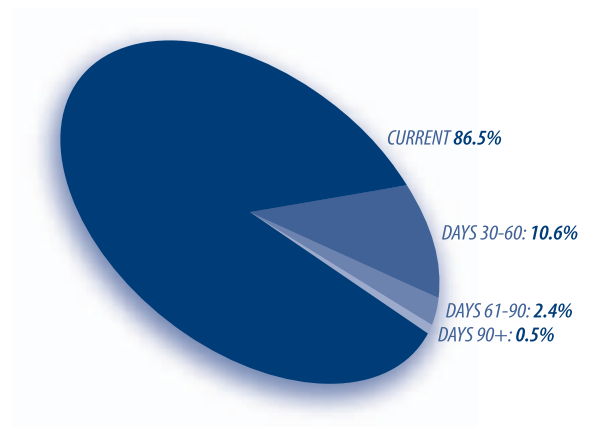
* Accounts not due refers to accounts rendered for which the 21 day payment period has not yet expired.

** Property Lists refers to customers for whom one account is calculated (but not yet forwarded) regarding multiple properties eg councils

Unbilled: this represents an estimate of water consumption not billed at 30 June 2005, \$10.4M has been accrued as income in the Statement of Financial Performance and raised as a receivable on the Statement of Financial Position.

B SUNDRY DEBTORS

Total sundry debtors as at 30 June 2005 were \$8.659M (including accruals) compared to \$2.211M at 30 June 2004. The increase this year is due to a receivable being recognised in respect to the sale of the current head office site. The following graph provides an aged analysis of the outstandings (exclusive of accruals). \$0.044M of this balance is outstanding in excess of 90 days, and is expected to have been settled by the end of August. During the year \$0.013M worth of bad debts were written off (\$0.007M tariff and \$0.006M sundry).



C PROVISION FOR DOUBTFUL DEBTS

The Economic Entity's total outstanding debtors (excluding unread water meters accrued) at 30 June 2005 totalled \$18.345M. Of this amount \$9.686M or 53% relates to tariff income debtors and \$8.659M or 47% to sundry customers.

The Tariff Income - billed outstandings are charges which are raised on the actual properties and are ultimately recoverable upon sale of the property. These outstandings are generally recovered and there are very few write offs. For the year ended 30 June 2005 total tariff income write offs were \$0.007M. The outstandings in respect of external trading customers potentially have the highest risk of non recovery.

Business Unit Managers review all their outstandings on a quarterly basis and have taken action to recover or recommend write off for those accounts considered irrecoverable. In respect of the year ended 30 June 2005 write-offs totalled \$0.006M for external trading customers and the amount of outstandings over 90 days totalled \$0.044M. During the year a full review of the provision for doubtful debts was undertaken and based on current doubtful debtors the provision for doubtful debts was decreased from \$0.135M in 03-04 to \$0.011M. This decrease relates to two amounts provided for in 2003-04 being recovered during the 2004-05 year.

D COMMUNITY SERVICE OBLIGATIONS

The Corporation seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant portfolio Minister for endorsement and inclusion in the State Budget. Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with Treasury. The Corporation's CSO claims for 2004-05 were for tariff rebates given to pensioners and exempt properties, for example, churches. The 2004-05 claim and cash received were as follows:

	Amount Claimed \$M	Cash Received \$M	Outstanding (Prepayment) \$M
Pensioner Rebate	8.534	8.256	0.278
Exempt Properties	1.134	1.012	0.122
TOTAL	9.668	9.268	0.400

The net under recoupment of \$0.400M is due to variations in actual rebates claimed compared to rebates budgeted for 2004-05. This under recoupment will be added to the 2005-06 claim. For 2005-06 the forecast CSO's included in State Budget estimates provided to NSW Treasury back in November 2004 are Pensioner Rebates \$8.255M and Exempt Properties \$0.911M.

	Reimbursable Due \$M
RLMC Reimbursable from Treasury	3.214

This amount will be claimed by Regional Land Management Corporation Pty Ltd from Treasury on completion of the annual financial statements. Arrangements have now been made for reimbursements to be claimed quarterly in arrears.

E GOODS AND SERVICES TAX (GST)

The Corporation is liable to pay GST on all taxable acquisitions. However, GST is only collected on a few taxable revenue items (eg. 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 Corporation are GST-free, but its purchases predominantly include GST, the Corporation receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable at 30 June 2005 (inclusive of accruals) and included in Receivables was \$1.480M (this includes a net GST receivable of \$0.193M from the Controlled Entity, Regional Land Management Corporation Pty Ltd).

For the Controlled Entity Hunter Water Australia Pty Ltd, a net liability for GST of \$0.288M was recorded as at 30 June 2005.

2 INVESTMENTS

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

	30-6-05 \$M	30-6-04 \$M
Cash at Bank	3.920	3.615
TCorp Deposits	2.496	19.761
Inscribed Stock - Government Issues (at market value)	10.626	10.616
	17.042	33.992
Interest Earned	1.132	2.001
Average Interest (on average monthly balance)	7.27%	6.03%
Investments are split on the Statement of Financial Position into:		
Current	6.416	23.376
Non Current	10.626	10.616
	17.042	33.992

In accordance with AASB1041 Revaluation of Non-Current Assets, the Inscribed Stock held has been revalued to market value.

3 FIXED ASSETS - PROPERTY PLANT AND EQUIPMENT

	30-6-05 \$M	30-6-04 \$M
Opening WDBV	2,125.448	2,017.514
Less - Depreciation Charge	(35.935)	(33.375)
Less - Retirements	(1.846)	(3.137)
Less - Sales	(7.826)	(1.282)
Add - Additions from WIP	45.084	61.694
Add - Assets Externally Funded	18.679	2.604
Add - Assets from HSP (only HWC's share)	0.115	13.561
Adjustment for Developer Funded Assets - Abstract 17	0	(13.371)
Revaluation - Increment / Decrement	44.504	81.240
Closing WDBV	2,188.223	2,125.448
Opening WIP	48.739	75.448
Expenditure	75.999	50.629
Less - Assets Commissioned	(41.666)	(77.338)
Closing WIP	83.072	48.739
TOTAL ASSETS PLUS WIP	2,271.295	2,174.187

The total assets of \$2,271M represents an increase of \$97.11M on the balance as at 30 June 2004.

4 BORROWINGS

The Corporation has engaged NSW TCorp to provide a Liability Advisory Role to assist in the management and structuring of the Financial Asset & Liability Portfolios. Management of the Portfolio is in accordance with the approved parameters. These parameters are to maintain a Portfolio structure which comprises debt that has an average life to maturity of between 3 years and 5 years.

	Lower Limit	30-6-05 Position	Benchmark Position	Upper Limit
	3	4	4	5

At 30 June 2005 the Corporation's Portfolio has a duration of 3.7 years. During 2004-05 the Corporation drew down new loans with face values totalling \$39.5M. The average interest yield cost of debt held at 30 June 2005 was 6.25%. A profile of the Corporation's Financial Liability Portfolio is as follows:

	30-6-05 \$M	30-6-04 \$M
NUMBER OF LOANS	19	14
Face Value	164.356	124.906
Market Value	173.437	131.387
Come and Go Facility	1.560	NIL
Interest bearing liabilities included in the Statement of Financial Position are:	165.916	124.906
	165.916	124.906
DEBT MATURITY PROFILE		
Come and Go Facility	1.560	NIL
Within 1 year	36.331	NIL
Between 1-5 years	43.936	72.875
Over 5 years	84.089	52.031
	165.916	124.906

5 NET DISCOUNT / PREMIUM ON LOANS

The Corporation's Treasury Corporation Debt portfolio includes loans taken up at premiums and discounts. These arise because loans are issued at a premium or discount to their face value to reflect the current market value. As an example a loan with a face value of \$1.0M with an interest cost of 12% is expensive in the current market. For a buyer (eg. Hunter Water Corporation) to purchase that loan of \$1.0M with a fixed cost of 12% in a market where the cost of borrowings are 8%, the seller (eg. NSW TCorp) will provide an amount of cash in excess of the face value to compensate for the higher interest cost. The buyer (eg. Hunter Water Corporation) receives a loan with a face value of \$1.0M plus the additional cash premium. The buyer's commitment to repay is still only the face value of the debt. The premium is amortised as income in the Statement of Financial Performance to offset the high interest cost of the debt. The opposite applies to discounts. Movement in respect of discounts (premiums) for the year to 30 June 2005 is as follows:

	\$M Discounts	\$M Premiums	\$M Net
Opening Balance 1.7.04	1.301	(3.807)	(2.506)
Amortisation 1.7.04 to 30.6.05	(0.321)	1.106	0.785
Debt Traded	0.230	(0.625)	(0.395)
BALANCE 30-6-05	1.210	(3.326)	(2.116)

6 EMPLOYEE PROVISIONS

Overview: at 30 June 2005 the liability for Employee Provisions totalled \$29.8M representing a decrease of \$3.61M during the year and comprised:

	Liability 30-6-05 \$M	Liability 30-6-04 \$M
Long Service Leave	14.135	13.176
Defined-Benefit Superannuation	10.199	15.194
Accrued Sick / Annual Leave	5.513	5.086
	29.847	33.456

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

	6.178	5.816
Current	6.178	5.816
Non Current	23.669	27.640
	29.847	33.456

At 30 June 2005 the Economic Entity's superannuation portfolio was under-funded in total by \$10.2M. At 30 June 2004 the portfolio was net under-funded by \$15.2M (see below for further details). Note the Long Service Leave (LSL) entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB 1028 Employee Benefits.

SUPERANNUATION

The fund manager, Pillar Administration has forwarded an assessment of the Economic Entity's liabilities as at 30 June 2005.

The movement in the liabilities over the year has been:

	30-6-05 \$M	30-6-04 \$M	Movement \$M
Gross Liability	85.3	75.1	10.2
Balance Funded with Pillar	75.1	59.9	5.2
Liability Unfunded / (Overfunded)	10.2	15.2	(5.0)
Percentage funded	88.1%	79.8%	

A superannuation adjustment of \$5.0M was required based on the decreased level of estimated Superannuation liabilities as advised by Pillar Administration as at 30 June 2005. This movement is as a result of the good investment returns experienced by the funds during the year. While it is not expected that the full extent of the estimated shortfall in the level of funding will be required to be paid, actual contributions will be required to be made towards this unfunded liability during the year.

7 BREAKDOWN OF LANDHOLDINGS 30 JUNE 2005

Code	Description	Properties	Value
		No	\$M
1	Land fully utilised as an integral part of the Corporation's system	357	23.440
2	Land partly used with the unused residue required for future integral needs	2	0.035
3	Land not currently used but fully required for future integral needs	23	5.005
4	Land being partly used, the residue having potential for alternative use	22	0.656
5	Land with significant potential for alternative use	31	21.611
	TOTAL	435	50.747

Landholdings are re-valued and assessed in accordance with Australian Accounting Standard AASB1041 and the NSW Treasury Accounting Policy – Valuation of Physical Non-Current Assets at Fair Value. The last full land revaluation was undertaken at 30 June 2003. Land holdings in Codes 1 to 4 have been re-valued to Fair Value based on existing use, whilst land holdings in Code 5 have been re-valued to Fair Value based on highest and best use.

8 PROPERTY DISPOSALS

There were six parcels of land disposed of during the financial year. Total proceeds of \$8.821M will be received at settlement. The properties were no longer required for operational purposes by the Corporation. The proceeds from the sale of these properties have been reinvested in the Economic Entity's operations and access to documents relating to the disposal of the land can be obtained under the Freedom of Information Act.

9 MATERIAL CAPITAL EXPENDITURE CONTRACTS AS AT 30 JUNE 2005 (GST-EXCLUSIVE)

(contracted for at balance date but not provided for)

Contract Number	Contract Description	Committed Amount \$M
CG169112	Construction of Cessnock WWTW & Cessnock No.1 WWPS Upgrade	19.987
CG153221	Construction of Major Sewer Rising Main by Trenchless Technology	8.500
CP189900	New HO	8.187
CG160214	Warners Bay - Valentine Package 3	7.581
CG169111	Cessnock WWTW - Tertiary Treatment Plant	2.750
CG008117	Grahamstown Dam New Spillway & Embankment	2.620
CG301403	Term Contract - Water Jet Cleaning & CCTV Inspection of Sewermains & Branches	1.750
CG323206	Rehabilitation of Sewermains by Lining in HWC's Area of Operations for a 1 Year (& Optional 2 Year) Period	1.581
CP214000	Backlog Sewer Area	0.779
CG160213	Warners Bay - Valentine Package 2	0.709
CG246717	Construction of Tallean Road Water Pump Station	0.691
CG169117	Construction of Cessnock WWTW Contract Management Services	0.577
	Mincom Upgrade	0.550
CG324336	Design & Construction of Watermain Replacements in Newcastle & Port Stephens Council Areas	0.541
	CIS Project	0.538
CP227900	Boulder Bay Upgrade Concept-Detail Design	0.482
CP232100	Dora Creek Wastewater Treatment Works Capacity Review	0.442
	HWA - Condition Assess - Assets Information	0.440
CG324379	Design & Construction of Replacement Watermains at Various Locations	0.402
CP208800	Morpeth Sewerage System Upgrade	0.362
	Serck Controls - Assets Information	0.362
CP230200	Edgeworth WWTW Capacity Assessment and Upgrade Strategy	0.293
CG323204	Term Contract - Smoke Testing, Dye Testing & Visual Inspections of Sanitary Drainage Systems	0.291
CP165300	North Lambton Reservoir - Remediation Works	0.246
CP234200	Burwood Beach WWTW Capacity Review, Optimisation & Upgrade Strategy	0.245
CP229400	Redhead and Branxton No.2 WWPS Upgrade	0.230
CG329701	Upgrade of Newcastle No.10 WWPS - Jesmond	0.203
CG298036	Watermain Replacements at Various Locations	0.196
CP229200	Newcastle Wastewater Transportation System - Servicing Strategy	0.175
	PI Consulting - Assets Information	0.172
1598	Replacement of CTGM between Tarro and Shortland	0.163
CP165402	Newcastle Sewerage System Upgrade - Stage 1 Works	0.159
CP186600	Belmont WWTW & Outfall Augmentation	0.153
CG006110	Construction of South Arm Crossing Watermain	0.139
CG181002	Construction of Farley WWTW Inlet Works Upgrade	0.138
CG3245104	Sewer Rehabilitation Myra Street, East Maitland	0.128
3090	Pre Construction Assistance provided by Dept of Commerce (under contract management services approved by Board in Sep 2003)	0.124
CP167000	Cessnock WWTW - Design and Construction	0.121
CG299602	Replacement of No.3 Pump & Switchboard at Cardiff South WPS	0.117
2719	Pre Construction Assistance by Dept of Commerce (Various Items)	0.102
CG325403	Concrete Stormwater Channel Rehabilitation - Throsby Creek, Adamstown Branch	0.101
CP228108	Software Development 2004-05	0.094
CP091909	South Wallsend Water Supply System Servicing Strategy	0.093
	Intergraph - Assets Information	0.090
CP208200	Windale Gateshead Upgrade Management Plan	0.090
CP136400	Belmont WWTW Servicing Strategy	0.088
CP228900	Flow Gauging 2004 Toronto and Dora Creek Wastewater Transportation System	0.085
CP230300	East LM WSS 2004	0.082
CG272002	Design & Construction of PAC Handling & Dosing Facility at George Schroder Pumping Station	0.073
CP185100	CMS for Construction of Tallean Road Water Pump Station	0.073
3016	Belmont WWPS Upgrade	0.068
CP208100	Rehabilitation of Toronto No 1 R/Main	0.067
CG153220	Design Development of Major Sewer Rising Main by Trenchless Technology	0.065
CP207200	Cockle Creek 500mm Aerial Trunkmain Rehabilitation	0.065
1212	Tomaree Water Supply System Servicing Strategy	0.060
CP230600	Maryland-Minmi Water Servicing Strategy 2004	0.055
OTHER		1.069
		65.545

HUNTER WATER CORPORATION

STATISTICAL AND STATUTORY INFORMATION 2004-05



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3	<i>COMMITTEE & MEMBERSHIPS</i>
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5	<i>WATER SYSTEM INCIDENTS</i>
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• BOARD OF DIRECTORS

Hunter Water Corporation's Board of Directors is comprised of eight members (including the Managing Director) appointed by the voting shareholders (the NSW Treasurer and the NSW Special Minister of State). 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.

• COMMITTEES AND MEMBERSHIPS

COMMITTEE & MEMBERSHIP	CORPORATE SUPPORT & CONTACT	MEETING FREQUENCY	MAJOR AREAS OF COVERAGE
REMUNERATION R Robson (Chairman) R Knights	K Young	Twice yearly and as required	To provide overall guidance and endorsement of methods of appointment of senior managers, including their remuneration.
ENVIRONMENT & COMMUNITY P Barrack (Chairman) W Elliott K Young B Crossley A Chappel	H Vorlicek	Twice yearly	To ensure the Corporation continues to maintain a pro-active and strategic approach in relation to relevant environmental initiatives / issues.
AUDIT & COMPLIANCE D Boyd (Chairman) R Robson R Knights W Elliott	A Fullick	Four meetings per year	To assist the Board in ensuring Hunter Water Corporation meets its financial, compliance and regulatory requirements across (but not limited to) the areas of financial, safety, environmental and engineering.
CAPITAL WORKS R Knights (Chairman) D Boyd P Barrack K Young A Chappel	R Pascoe	Three meetings per year	To provide a strategic overview of the longer term Capital Program of the Corporation, up to 20 years out. To review progress of all major capital works projects and oversee post completion reviews.
CORPORATE GOVERNANCE R Robson (Chairman) R Knights K Young	S Smith	Twice yearly	To overview Board strategic direction and business performance
MAJOR CUSTOMERS K Young (Chairman) R Robson B Crossley D Boyd	J O'Hearn	As required	To provide strategic oversight for the management of projects in respect of both new and existing major customers and its implications for other similar proposals.

• ATTENDANCE OF DIRECTORS AT HUNTER WATER CORPORATION COMMITTEE MEETINGS

	REMUNERATION		ENVIRONMENTAL		CAPITAL WORKS		MAJOR CUSTOMERS	
	A	B	A	B	A	B	A	B
R ROBSON	2	2	*	*	*	*	4	4
R KNIGHTS	2	2	*	*	3	3	2	2
P BARRACK	*	*	2	2	3	3	*	*
W ELLIOTT	*	*	2	2	2	2	*	*
K YOUNG	*	*	2	2	3	3	4	4
B CROSSLEY	*	*	2	2	2	2	2	2
A CHAPPEL	*	*	2	2	3	3	*	*
D BOYD	*	*	*	*	3	3	4	4

A: No of meetings attended. B: No of meetings held during the time the director held office or was a member of the committee during the year. *: Not a member of the relevant committee. For information on attendance at Board Meetings and the Audit & Compliance and Corporate Governance Committee Meetings refer to the Directors' Report in the financial statements

• **EXECUTIVE POSITIONS AT 30 JUNE 2005** (PAID AT EQUIVALENT OF SES LEVEL 1 OR ABOVE)

POSITION	2003-04	2004-05
Managing Director	1	1
Senior executives	8	8
Number of roles filled by women	2	2

All executive staff are employed under personal contract.

They are not members of the NSW Executive Service (SES) nor are their conditions of employment aligned with the SES.

• **PERFORMANCE STATEMENT**

PERFORMANCE STATEMENT

NAME: KEVIN YOUNG
 POSITION: MANAGING DIRECTOR
 APPOINTED: 19 JULY 2004
 REMUNERATION PACKAGE: \$286,625
 PERFORMANCE PAY: \$37,947 (2003-04)

Continued the strong overall performance of the Corporation. Achieved Operating Licence requirements and physical system performance criteria during 2004-05. Strong business performance & Statement of Corporate Intent outcomes. Achieved strategic initiatives including the development of profitable external sales and the effective management of an expanded capital program.

• **THE CORPORATION'S CUSTOMER BASE**

CUSTOMER	NUMBER OF PROPERTIES	INCOME RAISED 2004-05 \$M ACTUAL
Residential	164,208	85.60
Multi-Residential	*31,813	9.19
Commercial	9,829	21.89
Industrial	827	7.57
Other	**4,535	3.20
TOTAL	211,212	126.45

Note: Customer classifications have been revised slightly from last year

* includes total number of individual flats

** includes some Hunter Water properties from which no revenue is raised

• **RAINFALL RECEIVED (MILLIMETRES) - 12 MONTHS ENDING 19 APRIL 2005**

YEAR	NEWCASTLE	GRAHAMSTOWN	CHICHESTER
1998-99	1,843	1,732	1,772
1999-00	1,604	1,390	1,341
2000-01	704	820	1,298
2001-02	1,351	1,201	1,171
2002-03	788	837	1,032
2003-04	999	819	1,244
2004-05	910	1,242	1,299
Long Term Average	1,123	1,021	1,268
YEARS OF RECORD	140	38	79

• **WATER SUPPLIED (MEGALITRES) - 12 MONTHS ENDING 19 APRIL 2005**

SOURCE	2002	2003	2004
Chichester	27,532	*28,070	*27,957
Tomago	14,845	16,098	5,176
Grahamstown	31,142	26,338	35,360
Total Major Sources	73,519	70,506	68,493
Anna Bay	3,224	1,586	2,212
Lemon Tree Passage	884	790	911
TOTAL	*77,627	*72,882	*71,616

Note: above figures for Anna Bay include water supplied from Glovers Hill & the Anna Bay Water Treatment Plants

*To comply with DIPNR requirements, an extra 5,110 ML was released from Chichester Dam to meet environmental obligations

• **WATER CONSUMPTION (MEGALITRES) - 12 MONTHS ENDING APRIL 19 2005**

	2002-03 ML	2002-03 %	2003-04 ML	2003-04 (%)	2004-05 ML	2004-05 (%)
Domestic	41,953	54.0	40,068	55.0	38,558	53.8
Non-Domestic	23,239	30.0	21,239	29.1	21,901	30.6
Other	775	1.0	651	0.9	484	0.9
TOTAL CONSUMPTION	65,967	85.0	61,958	85.0	60,943	85.1
Gross Non-Revenue Generating	11,660	15.0	10,924	15.0	10,673	14.9
Estimated Losses	5,092	6.5	5,669	7.8	3,432	4.8
Unidentified Real Loss	6,568	8.5	5,255	7.2	7,241	10.1
TOTAL SUPPLY	77,627	100.0	72,882	100.0	71,616	100.0

• **WATER SYSTEM INCIDENTS**

INCIDENT / SOLUTION	2001-02	2002-03	2003-04	2004-05
Poor pressure	340	403	132	115
Pump problem	1	1	2	1
Seepage	156	136	132	230
Main flush	1,582	2,314	1,333	1,245
Main repair	1,818	2,057	2,034	1,891
Hydrant defect	1,044	1,165	960	1,038
Valve defect	437	437	366	382
Repair pathcock / maincock	4,192	3,528	3,177	2,852
Meter defect	228	389	228	193
Service defect repaired by Hunter Water's Operations staff	1,634	1,576	1,653	1,585
Service defect repaired by Private Plumber	516	489	466	520
Complaint unconfirmed	364	405	332	339
Other	2,005	2,345	2,163	1,925
Tap rewashers	160	150	133	87
Trunkmain repairs	3,386	4,017	3,912	3,808
TOTAL	17,863	19,412	17,023	16,211

• **WATER TRANSPORT SYSTEM RELIABILITY**

	2001-02	2002-03	2003-04	2004-05
Main breaks per 100kms main - trunkmains included in length of mains	41.83	46.60	*45.90	*42.20
Discoloured water complaints per 1000 properties connected (tenancy)	6.70	9.79	5.80	5.1

* Note: Water Breaks for 2003-04 & 2004-05 include all breaks, bursts and leaks in all diameter mains in the reporting period. It excludes those in the service connection to internal plumbing. It does not completely exclude those minor repairs to above ground mains that can be fixed without shutting down the main (as in WSAA and IPART definitions) as these repairs could not be identified in the current system, depending on job call off.

• WATER SUPPLY CONTINUITY 2004-2005: PROPERTIES AFFECTED BY WATER SUPPLY INTERRUPTION

	Planned	Unplanned	* Combined	** Total %
Total Interruption				
0-5 Hours (<300)	10,046	49,354	52,324	24.77
5-20 Hours (300<>1200)	3,380	9,132	13,466	6.38
>20 Hours (>1200)	12	171	257	0.12

No Interruption **145,165** **68.73**

* Note: combined is cumulative totals of all interruptions - thus the total will not agree to the sum of planned & unplanned.

** Note: combined % of total properties - the total number of water connections (tenancy) is 211,212

• WASTEWATER SYSTEM INCIDENTS

INCIDENT / SOLUTION	2001-02	2002-03	2003-04	2004-05
Chokage cleared - main	2,265	2,787	2,731	2,927
Chokage cleared - branch	1,768	2,233	2,368	2,744
Private plumbers job *	549	606	470	503
House drains cleared	10	8	1	3
Storm surcharge	516	63	145	313
Gravity sewer break	53	42	32	46
Rising main break	-	27	27	37
Pump Station malfunction	6	5	-	2
Vacuum Sewer Jobs	176	192	136	162
Pump Effluent Line	4	4	1	3
No work required	152	123	125	193
Complaint unconfirmed	186	232	198	192
Charge job **	2	-	-	2
Other	1,136	1,188	1,143	1,055
TOTAL	6,823	7,510	7,377	8,182

* Note: problem in customer's private drains or fittings.

** Note: completed by Corporation & customer billed.

• WASTEWATER TRANSPORT SYSTEM RELIABILITY

	NUMBER OF MAIN SURCHARGES	LENGTH OF SEWERMAIN KILOMETRES	* RATIO OF MAIN SURCHARGES PER 100KM OF MAIN
Northern	718	1,110	64.7
Central	1,133	1,610	70.4
Southern	1,436	1,693	84.8
TOTAL	3,287	4,413	74.5

* Note: regions were re-classified in 2004/05 which resulted in a change in lengths between these regions.

	NUMBER OF BRANCH/SHAFT SURCHARGES	NO OF WASTEWATER PROPERTIES	* RATIO OF DISCHARGES PER 1000 PROPERTIES
Northern	595	61,720	9.6
Central	1,285	65,954	19.5
Southern	1,118	71,540	15.6
TOTAL	2,998	199,214	15.0

* Note: this indicator has been revised in line with reporting requirements for WSAA and IPART. Sewer Surcharges are now classified into main and branch/shaft jobs. Main surcharges are those associated with the wastewater network. Branch/shaft surcharges are those that occur in the property connection. Length of sewermain includes reticulation, pressure and trunk mains but excludes property connection sewers and effluent mains to be consistent with WSAA and IPART definitions.

• GENERAL STATISTICS

		2002-03	2003-04	2004-05
WATER				
Population in area ¹	<small>1 Population figures have been adjusted using data from the 2001 Census.</small>	502,436	507,460	512,432
Population supplied with water ¹	<small>2 Property numbers have been revised: includes Hunter Water properties.</small>	489,272	496,346	501,089
Properties where water is available ²	<small>3 Full Supply Level of Grahamstown increased from RL10.4m to RL10.6m.</small>	212,193	215,076	218,144
Properties connected to water (metered) ²	<small>4 Supply & consumption figures based on Water Year, ie 12 months ending 19 April.</small>	204,926	208,542	211,212
	<small>5 Target is to not exceed 215KL/annum, based on 5 year rolling average.</small>			
Capacity of major sources - ML ³	<small>6 The length of watermains and sewer mains in service has been revised.</small>	179,800	228,000	*248,000
Total supply from sources - ML ⁴	<small>7 Includes 5 main local Government areas only</small>	77,627	72,882	71,616
Average day net supply - ML	<small>8 For 2002-03, sewer length reported was based on: Effluent main, gravity pressure branches, gravity pressure mains, relief main, rising main, vacuum main, vent line & estimated length of property branch/shaft. However to be consistent with IPART and WSA definitions, length of sewer main</small>	212.7	199.7	196.2
Maximum day net supply - ML	<small>now only includes trunk, pressure and reticulation mains, but excludes property connection sewers and effluent mains. Figures for 2002-03 have been revised to reflect this change in definition.</small>	329.1	292.7	294.9
Maximum week net supply ML/day		293.1	262.9	258.4
Minimum day net supply ML		145.6	149.8	151.4
Average consumption per residential tenement - kl/annum ⁵		222.0	207.6	210.0
Watermains laid during year - km		112.9	79.0	56.1
Watermains abandoned during year - km		15.3	19.0	13.3
Watermain length revisions during the year - km		26.7	(45.0)	(5.2)
Total watermains in service - km ⁶		4,414.0	4,429.0	4,479.0
Length of watermain per connected property - m		21.5	21.3	21.2
Water supplied free of charge: charitable, public & miscellaneous purposes - kl		348,539	383,903	404,452
Water supplied free of charge: dollar value		\$400,820	\$456,845	\$489,387
WASTEWATER				
Population supplied with water & sewer ¹		468,974	477,154	481,882
Properties where sewer is available ²		201,442	205,028	208,001
Properties connected to sewer ²		192,225	196,306	199,214
Sewer mains laid during the year - km		110.9	106.7	51.7
Sewer mains abandoned during the year - km		4.6	6.4	5.5
Sewer main length revisions during the year - km		(24.2)	0.2	0.0
Total sewer mains in service - km ^{6/8}		4,266.5	4,367.0	4,413.0
Length of sewer main per liable property - m ⁸		22.2	22.2	22.2
DRAINAGE				
Properties liable ²		57,666	58,192	58,635
DISSECTION OF POPULATION - JUNE 2005 ¹				
REGION		POPULATION IN AREA	SERVED WATER	SERVED SEWER
Newcastle		147,621	147,621	146,945
Lake Macquarie		192,797	189,250	184,210
Maitland		60,222	58,500	57,002
Cessnock		48,089	42,000	38,431
Port Stephens		63,703	60,000	55,190
SUB TOTAL		512,432	497,371	481,778
Dungog (Bulk and from CTGM)		-	3,465	-
Singleton (Part Branxton)		-	168	94
Great Lakes (East Karuah/Alicetown)		-	85	-
TOTAL		512,432	501,089	481,872
Ratio of properties connected to water & sewer, and water only ⁷		96.6%	96.8%	96.8%
FINANCIAL				
Total Core Revenue - \$ millions		133.896	137.768	139.406
Capital Indebtedness (external) - \$ millions		129.97	124.91	164.36
STAFFING				
Salaried		254	253	271
Wages		124	121	116
Engineers		46	54	50
TOTAL		424	428	437

• EMPLOYEE SAFETY PERFORMANCE

	2002-03	2003-04	2004-05	CHANGE %
Lost time frequency rates	13.99	23.55	6.84	70.96 -
Total hours lost	3,421	2,973	2,402	19.21 -
Lost time injuries	10	17	5	70.59 -
Minor injuries	139	91	93	2.20 +
Property damage	29	50	27	46.00 -
Prosecutions	Nil	Nil	1	N/A

• WORKFORCE PROFILE

	2003	2004	2005
Males	296	295	303
Females	128	133	134
TOTAL	424	428	437
Permanent	374	381	358
Temporary	11	8	26
Part-time	39	39	53
TOTAL	424	428	437
Redundancies	12	7	3
Recruitment	37	31	34
Unplanned absences (%)	2.71	3.39	2.93

• TRENDS IN THE REPRESENTATION OF EEO GROUPS¹

	BENCHMARK OR TARGET	2002	2003	2004	2005
Women	50%	32%	32%	34%	33%
Aboriginal people and Torres Strait Islanders	2%	1.1%	1.1%	1.1%	1.1%
People whose first language was not English	20%	5%	5%	5%	5%
People with a disability	12%	7%	7%	7%	6%
People with a disability requiring work- related adjustment	7%	1.1%	1.1%	1.1%	0.8%

² % OF TOTAL STAFF

• TRENDS IN THE DISTRIBUTION OF EEO GROUPS¹

	BENCHMARK OR TARGET	2002	2003	2004	2005
Women	100	87	84	85	86
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A
People with a disability	100	100	99	100	102
People with a disability requiring work - related adjustment	100	N/A	N/A	N/A	N/A

³ DISTRIBUTION INDEX

1 Staff numbers are as at 30 June

2 Excludes casual staff

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

Note: data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis

• FREEDOM OF INFORMATION REQUESTS

Five applications were received during this financial year - few FOI applications have ever been received by the Corporation.

FOI REQUESTS		PERSONAL	OTHER	TOTAL
New		-	4	4
Brought forward (incomplete)		-	1	1
TOTAL TO PROCESS		-	5	5
Complete		-	5	5
TOTAL PROCESSED		-	5	5
Unfinished (Carried Forward)		-	-	-
RESULT OF FOI REQUEST		PERSONAL	OTHER	TOTAL
Granted in Full		-	2	2
Granted in Part		-	2	2
Refused		-	1	1
Deferred		-	-	-
Withdrawn		-	1	1
COMPLETED		-	5	5
NUMBER OF REQUESTS REQUIRING FORMAL CONSULTATIONS			ISSUED	TOTAL
TOTAL			-	-
GROUND ON WHICH INTERNAL REVIEW REQUESTED	UPHELD	PERSONAL VARIED	OTHER UPHELD	VARIED
TOTAL	-	-	-	-
BASIS FOR DISALLOWING OR RESTRICTING ACCESS			PERSONAL	OTHER
S.19 application incomplete, wrongly directed			-	-
S.22 deposit not paid			-	2
S.25 (1)(a1) unreasonable diversion of resources			-	-
S.25 (1)(a) exempt			-	1
S.25 (1)(b)(b1)(c)(d) otherwise available			-	-
S.28 (1)(b) documents not held			-	-
S.24 (2) deemed refused over 21 days			-	-
S.31 (4) releases to medical practitioner			-	-
TOTAL			-	3
COSTS & FEES OF REQUESTS PROCESSED - INCLUDING ALL PROCESSED AND WITHDRAWN FOI REQUESTS			ASSESSED COSTS	FOI FEES RECEIVED
All requests			\$200	\$200
TOTAL			\$200	\$200
TYPE OF DISCOUNT ALLOWED ON FEES CHARGED			PERSONAL	OTHER
Public interest			-	-
Financial hardship – Pensioner/Child			-	-
Financial hardship – Non-profit Organisation			-	-
TOTAL			-	-
DAYS TO PROCESS - ELAPSED TIME			PERSONAL	OTHER
0-21 days			-	4
22-35 days			-	1
Over 35 days			-	-
TOTAL			-	5
PROCESSING HOURS			PERSONAL	OTHER
0-10 hours			-	5
11-20 hours			-	-
21-40 hours			-	-
Over 40 hours			-	-
TOTAL			-	5

• SOCIAL RESPONSIBILITY STATEMENT

SOCIAL RESPONSIBILITY STATEMENT - IN ACCORDANCE WITH S.26 (5) OF THE STATE OWNED CORPORATIONS ACT 1989

"(5) The material referred to in subsection (1) (i) must be accompanied by a statement describing how the State owned corporation has, during the financial year concerned, exhibited a sense of social responsibility, including:

(a) a summary of any community interests considered under section 8 (c) or 20E (1) (c) the accommodation of which was thought to be incompatible with its principal objectives, and

(b) an assessment of the costs that would have been incurred in accommodating any such interests."

Community interests are considered through a number of mechanisms including the Consultative Forum which was expanded in 1995 to include representatives from the five local council areas in Hunter Water's area of operations, representatives of major customer and community groups, representatives from environmental groups, migrant & senior citizen representatives. Community issues are also reviewed and considered as part of proposals to upgrade or establish new water or wastewater assets. The Corporation's 5 year Operating Licence which is in place from 1 July 2002, also covers a number of additional processes for community involvement/comment.

At no time were these operations incompatible with the stated objectives. No significant costs were incurred.

• STATEMENT OF CORPORATE INTENT

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water Corporation and its voting shareholders. These targets are in turn driven down through Hunter Water Corporation in business unit budgets.

The SCI performance targets for the 2004/05 financial year and the actual results are as follows:

	2004-05 SCI TARGET	2004-05 ACTUAL
Operating Profit before Income tax and Contributions for Capital Works	23.7	27.3
Income Tax Expense	23.5	20.7
Income Tax Payable	21.2	19.6
Net Debt	149.7	151.0

Tax payable and tax expense were both proportionately lower than target primarily due to the lower level of assessable income generated as a result of lower tariff income, higher operational costs and a decrease in developer contributions (which are assessable under the National Tax Equivalent Regime regardless of whether they have been written down for accounting purposes).

• RESEARCH & DEVELOPMENT 2004-05

During 2004-05 the Corporation continued research & development on two projects covering water & corrosion subjects. This research was conducted both internally and in collaboration with other organisations such as the University of Newcastle & CSIRO.

1 Ongoing research with CSIRO & the University of Newcastle into pitting corrosion of copper tubes.	\$6,281
2 HWC Research funding for University Projects into optional source control in urban water cycle management	\$12,000

• CONSULTANTS: 1 JULY 2004 TO 30 JUNE 2005

CONSULTANTS OVER \$30,000

CONSULTANT - ENGINEERING	PROJECT	COST
Aqua Environmental	Leak Detection Survey in Raymond Terrace, Karuah & Lemon Tree Passage	\$38,110
CH2M Hill Australia Pty Ltd	Belmont WWTW Stage 3 Detail Design	\$663,988
CH2M Hill Australia Pty Ltd	Burwood Beach WWTW Capacity Review/Upgrade Strategy	\$92,300
CH2M Hill Australia Pty Ltd	Dora Creek Optimisation Study	\$56,924
Connell Wagner Pty Ltd	Lochinvar Sewerage Scheme	\$362,389
Connell Wagner Pty Ltd	Newcastle Wet Weather Pump Station	\$229,504
Connell Wagner Pty Ltd	Morpeth Stage 1 Sewerage Upgrade Design	\$133,505
Connell Wagner Pty Ltd	Edgeworth/Belmont WWPS Upgrade – Concept/Detail Design	\$131,126
Connell Wagner Pty Ltd	Horizontal Directional Drill Geotech & Environmental Study	\$124,790
Connell Wagner Pty Ltd	Branxton No 2 & Redhead WWPS Upgrade – Concept/Detail Design	\$84,961
CSIRO Corporate Finance	Implementation of Parns Planning Asset Management System	\$38,450
Earth Engineering	Intelligent Pigging of Five 150mm Cast Iron Gravity Sewer mains	\$44,706
GHD Pty Ltd	Wallsend Water Pump Station Upgrade	\$123,692
GHD Pty Ltd	Rutherford, Karuah Water mains & Park St Charlestown Sewer Upgrade	\$86,023
GHD Pty Ltd	Grahamstown Dam New Spillway Technical Input	\$75,296
GHD Pty Ltd	Farley & Branxton WWTW Servicing Strategy	\$68,092
GHD Pty Ltd	Replacement of Pumps at Newcastle No 10 WWPS – Design & Tech Specs	\$40,086
GHD Pty Ltd	Whitebridge WPS Design	\$38,654
GHD Pty Ltd	Stockton WWTW Site Contamination Assessments	\$38,004
Greenspan Technology Pty Ltd	Sewer Flow Gauging Study at Dora Creek & Toronto WWTW Catchments	\$56,633
Hunter Water Australia	Cessnock WWTW/No 1 WWPS Design	\$604,854
Hunter Water Australia	Sewerage System for Fern Bay Concept Design	\$334,173
Hunter Water Australia	Belmont HLS/Morisset Peninsula Augmentations	\$210,591
Hunter Water Australia	Kitchener Wastewater System Concept/Detailed Design	\$196,343
Hunter Water Australia	George Schroder Pump Station Modification Concept/Detailed Design	\$181,177
Hunter Water Australia	Boulder Bay WWTW – Stage 2 Upgrade Design	\$83,039
Hunter Water Australia	Burwood Beach Aeration System Upgrade Strategy & Specification	\$74,593
Hunter Water Australia	Toronto WWTW Sewerage Servicing Strategy	\$74,067
Hunter Water Australia	BUD Enquiries & Technical Advisory Work	\$73,545
Hunter Water Australia	Condition Assessment of Watermain – Morisset to Vales Point	\$64,000
Hunter Water Australia	Cameron Park No. 2 Regional WPS	\$61,532
Hunter Water Australia	ISD Manuals for the Corporation's Wastewater Treatment Plants	\$56,944
Hunter Water Australia	Trunkmain Condition Assessments	\$54,150
Hunter Water Australia	Boulder Bay WWTW Projected Loadings, Capacity Review and Upgrade Study	\$47,000
Hunter Water Australia	Edgeworth WWTW Capacity Review & Upgrade Strategy	\$34,548
Hunter Water Australia	South Wallsend Water Supply Servicing Strategy	\$33,437
Hunter Water Australia	Kurri WWTW Catchment Servicing Strategy	\$32,711
Hunter Water Australia	Fire Flow Standard Analysis	\$30,340
MWH Australia Pty Ltd	Lookout Water Supply System Servicing Plan	\$32,492
MWH Australia Pty Ltd	Boulder Bay WWTW Transportation Servicing Plan	\$31,983
MWH Australia Pty Ltd	East Lake Macquarie Water Servicing Strategy	\$31,780
Optimatics Pty Ltd	Hydraulic Model Conversion Edgeworth & West Wallsend	\$36,077
Parsons Brickerhoff	Windale/Gateshead Wastewater Upgrade Management Plan	\$70,621
Parsons Brickerhoff	Dora Creek WWTW Upgrade – Concept, EIA & Detail Design	\$41,030
Patterson Britton & Partners	Wyong Stage 3 Concept & Tender Documentation	\$342,397
Patterson Britton & Partners	Warners Bay-Valentine Wastewater Transportation System	\$201,221
Patterson Britton & Partners	Upgrade Mgt Plan for the WW Systems Dudley/Charlestown Catchment	\$95,094
Patterson Britton & Partners	Raymond Terrace No 4 WWPS Rising Main Replacement, Review, Concept & Design	\$38,720
Patterson Britton & Partners	Waratah/Mayfield Carrier Main Upgrade	\$31,144
Sinclair Knight Merz	North Stockton – Groundwater Model & Estimation of Sale Extract Yield	\$324,118
Sinclair Knight Merz	Kurri Wastewater Treatment Strategy Study	\$50,481
Sinclair Knight Merz	Catchment & Bulk Water Quality Reporting	\$47,400
Sinclair Knight Merz	Stormwater Assets Revaluation	\$42,292
Smec Australia Pty Ltd	Balickera Pump Station Upgrade – Investigation & Upgrade Strategy	\$165,650
SUB TOTAL		\$6,356,777

CONSULTANTS LESS THAN \$30,000

CATEGORY	NO	COST
Engineering	74	\$1,384,958
Environmental	2	\$5,733
Finance and Accounting/Tax	5	\$73,700
Information Technology	4	\$72,325
Organisational Review	3	\$32,026
Training	2	\$37,837
TOTAL CONSULTANTS LESS THAN \$30,000	90	\$1,606,579

• MAJOR ACQUISITIONS OVER \$0.5 MILLION

HUNTER WATER IS REQUIRED BY ITS OPERATING LICENCE TO REPORT ON MAJOR ACQUISITIONS OVER \$0.5M:

Replacement of Assets (various watermains, sewer mains etc)	\$11.4M
Grahamstown Dam – Stage 2	\$9.4M
Head Office – Land Purchase & Construction	\$8.7M
IT Projects (Software/Hardware, CIS, EDMS, MIMS, SCADA, Telephony)	\$7.7M
Warners Bay – Valentine Transfer System Package 1 & 2	\$5.5M
Belmont Outfall & WWTW Upgrade	\$4.0M
Morisset Peninsula Water Transportation Upgrade	\$2.3M
Hunter River South Arm Trunkmain - Construction	\$2.2M
Fleet	\$1.9M
Wallalong Water Supply Augmentation	\$1.7M
Cessnock WWTW – Design & Construction	\$1.4M
Wallsend 900mm Trunkmain Upgrade	\$1.1M
Priority Sewer Program	\$0.9M
TOTAL COST	\$58.2M

• DONATIONS & SPONSORSHIPS

TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

ORGANISATION	DESCRIPTION	AMOUNT \$
Bonnells Bay Primary School	Sponsorship for Rainwater Tank	2,000
Callaghan College - Jesmond	Trees for Tawny Frogmouths	500
Callaghan College - Jesmond	Sponsorship for Rainwater Tank	1,075
Dungog Information & N/Hood Service	Sponsorship Dungog Gardens	2,273
Dungog Pedalfest Organising Committee	Sponsorship 2004 Pedalfest	1,500
EAR – The Wilderness Society	Green Day Community Event	1,000
East Maitland Public School	Sponsorship Water Feature Tech Quest	1,364
Ecohome	Sponsorship for Rainwater Tank	4,999
Engineers Australia	Sponsorship 2005 Risk Management Awards	400
Garden Suburb Public School	Sponsorship for Rainwater Tank	1,000
Girl Guides Association	Junior Waterwatch Kit & Water Quality Kits	1,965
Heaton Public School	Environmental Project Sponsorship	1,000
Housing Industry Association	HIA Housing Awards 2004 Sponsorship	1,500
Hunter Organic Growers Society	Attendance & Water Conservation Exhibit	350
Hunter Region Botanic Gardens	Sponsorship of Hunter Region Botanic Gardens	3,254
Hunter Region Landcare Network	Hunter Region Landcare Forum 2005	1,500
Hunter Surf Lifesaving Inc.	Hunter Surf Life Saving Sponsor 2004-05	30,000
Hunter Valley Research Foundation	2004-05 Sponsorship for Regional Research Program	7,500
Intrados Gallery Incorporated	Water Related Art Exhibition Sponsorship	2,000
Kurri Kurri Landcare Group Branch	Tree Planting & Purchase of Mobile Liming Unit	7,000
Linuwel School LTD	Sponsorship of Rainwater Tank	1,221
Maitland Region Landcare	Contribution "Planting Memories for the Future"	1,500
Mount View High School	Irrigation System for Grape Growing	1,000
National Trust of Australia	Restoration of Water Tank at Heritage Property	1,580
Nelson Bay Town Management	Nelson Bay Festival Of The Whales 2005	2,500

NSW Coastal Conference 2004	Community Sponsorship for 2004 Conference	1,000
Permaculture Hunter Region (INC)	Eco-Display at Newcastle Home Show	600
Shortland to Wallsend Landcare	Rehabilitation of Coby St Creek	930
St Columban's Primary School	Rainwater Tank for School Garden	2,727
St Joseph's Primary School	Sponsorship of Garden Mulcher	500
Surfest Pro	Surfest 2004 Naming Rights + Encouragement Awards	10,000
The Wetlands Centre	Major Sponsorship July 04 to June 05	16,000
The Wetlands Centre	Sustainable School Project	3,500
The Wetlands Centre	Rainforest and Ironbark Creek Project	1,165
The Wetlands Centre	OH&S Guide Clothing	1,279
Total Field Days Inc	Sponsorship of Best Land Management Exhibit Award	1,000
Trees In Newcastle	Annual Sponsorship of Tree Planting	6,000
Tsunami Appeal	Donation to Tsunami Appeal	10,000
Waratah Technology Campus	Sponsorship of 'Groundforce' Activity	1,000
Waratah West Public School	Restoration & Regeneration of School Grounds	1,500
Warada Landcare Group	Warada Aboriginal Landcare Sponsorship	1,212
WaterAid Australia	Hunter Water Donation for Vietnam Project	1,480
WaterAid Australia	Sponsorship of WaterAid	5,000
Williams River CARE Association Inc	Funding for Computer and Accessories	1,169
		146,043

TO GOVERNMENT ORGANISATIONS

ORGANISATION	DESCRIPTION	AMOUNT \$
Dept Energy, Utilities & Sustainability	2004 Energy & Water Greening	5,000
Dungog Shire Council	Visitors Information Centre Sponsorship	1,000
Hunter Central Rivers CMA	Sponsorship for Environmental Education	16,250
Hunter Central Rivers CMA	Stormwater Education – Lambton, Throsby, Ironbark	19,000
Hunter Central Rivers CMA	Hunter Waterwatch Program	4,560
Hunter Central Rivers CMA	Sponsorship – Water Watch Program	1,300
Hunter Central Rivers CMA	Contribution to School of Performing Arts	386
Hunter Central Rivers CMA	Sponsorship – Junior Waterwatch Kit	1,650
Lake Macquarie City Council	Water Quality Monitoring	14,000
Lake Macquarie City Council	Stormwater Education and Support	6,000
Lake Macquarie City Council	Clean Up Lake Macquarie 2005 Sponsorship	3,000
Lake Macquarie City Council	Sponsorship – Stormwater Education	2,000
Lake Macquarie City Council	Schools Environment Award 2004-05	955
Lake Macquarie City Council	Sponsorship of Senior School Waterwatch Kit	627
Lake Macquarie Landcare Inc	Allambee Gardens Reserve Landcare	1,500
Maitland City Council	Annual Spring Garden Competition 2004-05	273
Newcastle City Council	Stormwater Quality Monitoring Project	20,000
Newcastle City Council	Stormwater Community Education	10,000
Newcastle City Council	Dixon Park-Bar Beach Clean Beach Project	10,800
Newcastle City Council	Sustainable Living Workshop	2,000
Newcastle City Council	Sponsorship of Environmental Achievement Awards	7,500
Newcastle City Council	Clean Up Australia Sponsorship	3,000
Port Stephens Council	Port Stephens School Environmental Program	500
Port Stephens Council	Koala Survey Sponsorship	1,000
Port Stephens Council	2004-05 Green Access Poster Sponsorship	500
University of Newcastle	2005 Sponsorship to UniSS Engineering	18,811
University of Newcastle	Optimal Source Control Urban Water Cycle	24,000
University of Newcastle	Scholarship for Students with Disabilities	2,000
University of Newcastle	2004 Achievement Award for Enviro Engineering	500
University of Newcastle	2004 Environmental Engineering Prize	500
University of Newcastle	2004 HWC Prize Environmental Law	500
University of Newcastle	2004 HWC Chemical Engineering Prize	500
University of Newcastle	2005 Environment Program Sponsorship	100,838
University of Newcastle	Sponsorship – Smart Water Game	4,500
		284,950

• **OVERSEAS TRIPS - COMMENCED DURING 2004-05**

HUNTER WATER CORPORATION

PERSON	WHERE	DAYS	REASON
P Buckland	USA	12	Consultancy
S Hope	USA	16	Consultancy
D Taylor	Vietnam	7	Consultancy
A Thornton	USA	10	Consultancy
A Thornton	USA	9	Consultancy
C Turnbull	UK	5	Consultancy
K Young	USA	10	Consultancy
K Young	USA	15	Consultancy
S Zander	USA	12	Conference/Consultancy
S Zander	USA	13	Consultancy
S Zander	USA	8	Consultancy

HUNTER WATER AUSTRALIA

PERSON	WHERE	DAYS	REASON
M Dawson	Singapore	4	Consultancy
P Dennis	Singapore	4	Consultancy
J Gleeson	USA	6	Consultancy
C Jakubowski	New Zealand	4	Consultancy
C Jakubowski	New Zealand	11	Consultancy
J Keary	Canada	3	Consultancy
J Keary	New Zealand	2	Consultancy
J Keary	USA	14	Consultancy
J Keary	USA	16	Consultancy
J Keary	USA	9	Consultancy
J Keary	USA	8	Consultancy
J Keary	USA	12	Consultancy
J Keary	USA	14	Consultancy
A Majerowski	New Zealand	4	Consultancy
A Majerowski	New Zealand	12	Consultancy
A Majerowski	New Zealand	3	Consultancy
A Majerowski	New Zealand	4	Consultancy
A Majerowski	New Zealand	4	Consultancy
D Nicolas	USA	6	Consultancy

• **CONSULTATIVE FORUM**

Cr Wendy Harrison	Lake Macquarie City Council
Cr Jeffrey Maybury	Cessnock City Council
Cr Josh Hodges	Port Stephens Council
Mr John Steele	Employers' Federation of NSW
Mr Harold Sternbeck	Small Business & Consumer Affairs
Mr Robert Monteath	Newcastle & Hunter Business Chamber
Ms Carolyn Gillard	Environmental Education
Mr Kevin McDonald	Eco Edge Network Inc. (Env. Education)

Mr Glenn Evans	Hunter-Rivers Catchment Management Authority
Mr Col Mondy	Waterwatch
Mr Alex Burns	Migrant Resource Centre
Mr Bob Hopkins	Newcastle Combined Pensioners Area Council
Cr Arch Humphery	Maitland City Council
Cr Paul Scobie	Newcastle City Council
Mr James Hopson	Williams River Total Catchment Management Committee

• **ACCOUNT PAYMENT PERFORMANCE**

Accounts paid on time:	93.4%
Total amount of accounts paid on time	\$191,073,591
Total amount of accounts paid	\$201,348,088

ACCOUNTS PAID ON TIME WITHIN EACH QUARTER:	ON TIME * TARGET %	ON TIME ACTUAL %	ON TIME \$'000	TOTAL PAID \$'000
September Quarter	95	89.5	42,889	45,996
December Quarter	95	93.8	50,985	51,777
March Quarter	95	93.3	45,056	46,627
June Quarter	95	96.3	52,143	56,947

* Note: Percentages based on number of invoices. The number of invoices which were not paid promptly were those which were under dispute or waiting until full finalisation or satisfaction of the related work. There was no interest paid by the Corporation with respect to late paid invoices during the financial year.

• **CREDIT CARD CERTIFICATION**

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

• **COST OF PRODUCING ANNUAL REPORT**

Printing 1000 copies	\$20,000
Photographic services	\$9,900
TOTAL COST	\$29,900

HUNTER WATER AUSTRALIA

FINANCIAL REPORT 2004-05



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- 8** *Statement of Cash Flows*
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- 20** *Directors' Declaration*

COMPANY PARTICULARS

DIRECTORS

Mr R Robson (Chairman)

Mr R Knights

Mr K Young (appointed 3-11-04)

Mr W Evans (resigned 26-8-04)

COMPANY SECRETARY

Mr J Keary

REGISTERED OFFICE

Unit 8 & 10 Kings Road

Broadmeadow NSW 2292

tel: 02 4941 5851

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited for the year ended 30 June 2005.

DIRECTORS

The following persons were Directors of the Company during the financial year:

Mr R Robson (Chairman)
Mr R Knights
Mr K Young (appointed 3-11-04)
Mr W Evans (resigned 26-8-04)

INFORMATION ON DIRECTORS

R ROBSON

OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 22 January 1998. Mr Robson is Chairman of Hunter Water Corporation and the Regional Land Management Corporation Pty Ltd (the Corporation's subsidiary company), a Director of Robson Health Care Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

Attended 12 of a maximum of 12 Board Meetings.

RI KNIGHTS

Dip Civ Eng, MIE Aust, M Aust IMM, FAICD

Mr Knights was appointed as a Director on 22 January 1998 and is also a Director of Hunter Water Corporation and a Director of the Regional Land Management Corporation Pty Ltd. Mr Knights was previously Chairman of the Broke Fordwich Private Irrigation District, Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

Attended 12 of a maximum of 12 Board Meetings.

KJ YOUNG

B Eng, MBA, FIE Aust, CPENG, GAICD

Mr Young was appointed as a Director on 3 November 2004 and is also Managing Director of Hunter Water Corporation. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets.

Attended 7 of a maximum of 8 Board Meetings.

WD EVANS

B Ec (HONS), FAICD

Mr Evans was appointed as a Director on 22 January 1998 and resigned on 26 August 2004. Mr Evans is also the Chief Executive Officer of the Regional Land Management Corporation Pty Ltd. Mr Evans was previously Managing Director of Hunter Water Corporation, Chairman of the Board of the Hunter Area Health Service, a member of the Hunter Catchment Management Trust and a Director of the Newcastle Business Chamber. Mr Evans was appointed Managing Director of Sydney Water Corporation in April 2004.

Attended 0 of a maximum of 2 Board Meetings.

PRINCIPAL ACTIVITIES

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

No significant change in the nature of these activities occurred during the year.

RESULTS OF OPERATIONS

The result after tax and before dividends, for the year ended 30 June 2005, amounted to \$2,053,971. The entity's operating result before tax for the year ended 30 June 2005 was \$2,552,574.

The entity comprises five businesses whose performance is independently monitored. All businesses achieved a very good performance.

DIVIDENDS

The 2004 dividend of \$500,000 was paid to the parent entity on 1 November 2004. Since the end of the financial year, the Directors have recommended that a dividend of \$500,000 be paid out of retained profits at 30 June 2005. This dividend will be paid on 1 November 2005 following the company's Annual General Meeting.

AFTER BALANCE DATE EVENTS

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

FUTURE DEVELOPMENTS

The company expects to maintain the present status and level of operations.

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

DIRECTORS INDEMNIFICATION

The Company has an agreement to indemnify the Directors and Secretary of the company, this relates to:

- any 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.
- 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.

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.

ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory law.

Signed in accordance with a resolution of the directors of Hunter Water Australia Pty Limited.



MR R ROBSON
CHAIRMAN



MR R KNIGHTS
DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



**INDEPENDENT AUDIT REPORT
HUNTER WATER AUSTRALIA PTY LIMITED**

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

Audit Opinion

In my opinion, the financial report of Hunter Water Australia Pty Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Hunter Water Australia Pty Limited's financial position as at 30 June 2005 and financial performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia, and the *Corporations Regulations 2001*,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the *Public Finance and Audit Act 1983*.

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

The Directors' Role

The financial report is the responsibility of the company's directors. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes, and directors' declaration.

The Auditor's Role and the Audit Scope

As required by the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of Hunter Water Australia Pty Limited that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the directors in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the company's directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. The *Public Finance and Audit Act 1983* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.

My Declaration of Independence dated 7 September 2005 would have been made on the same terms if it had been made at the date of this report.

A handwritten signature in blue ink, appearing to read 'J-Kheir B Ec'.

J-Kheir B Ec, FCPA
Director, Financial Audit Services

SYDNEY
21 September 2005

	NOTE	30 JUN 05 \$	30 JUN 04 \$
Revenue from ordinary activities	2	16,546,926	15,031,159
Change in work in progress		556,075	429,984
Expenses from ordinary activities		(12,670,741)	(11,065,983)
Employee benefits expense		(919,998)	(769,756)
Depreciation and amortisation expense	3	(371,225)	(535,446)
Superannuation expense		(588,463)	(441,196)
PROFIT FROM ORDINARY ACTIVITIES - BEFORE INCOME TAX EXPENSE		2,552,574	2,648,762
Income tax expense relating to ordinary activities		498,603	890,783
PROFIT FROM ORDINARY ACTIVITIES - AFTER INCOME TAX EXPENSE		2,053,971	1,757,979
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		2,053,971	1,757,979

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pp 9-19

	NOTE	30 JUN 05 \$	30 JUN 04 \$
CURRENT ASSETS			
Cash	5	2,575,416	4,244,404
Receivables	6	2,298,459	2,993,250
Other	7	2,112,096	1,333,339
TOTAL CURRENT ASSETS		6,985,971	8,570,993
NON-CURRENT ASSETS			
Receivables	6	1,049,429	784,599
Plant and equipment	8	1,037,781	888,671
Investment	9	3,500,000	-
Overfunded Defined Benefit Superannuation	16	39,208	-
TOTAL NON-CURRENT ASSETS		5,626,418	1,673,270
TOTAL ASSETS		12,612,389	10,244,263
CURRENT LIABILITIES			
Payables	10	2,297,672	1,606,287
Current Tax Liabilities		-	56,612
Provisions	11	1,243,481	1,075,349
TOTAL CURRENT LIABILITIES		3,541,153	2,738,248
NON-CURRENT LIABILITIES			
Provisions	11	1,707,429	1,696,179
TOTAL NON-CURRENT LIABILITIES		1,707,429	1,696,179
TOTAL LIABILITIES		5,248,582	4,434,427
NET ASSETS		7,363,807	5,809,836
EQUITY			
Contributed equity	12	900,010	900,010
Retained profits	13	6,463,797	4,909,826
TOTAL EQUITY		7,363,807	5,809,836

The Statement of Financial Position should be read in conjunction with the accompanying notes on pp 9-19

	NOTE	30 JUN 05 \$	30 JUN 04 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		18,464,151	14,914,966
Payments to suppliers and employees (inclusive of goods and services tax)		(15,147,729)	(13,466,119)
		3,316,422	1,448,847
Interest received		221,617	193,031
Interest paid		(47)	(160)
Income tax paid		(755,703)	(945,366)
NET CASH FLOW FROM OPERATING ACTIVITIES	14B	2,782,289	696,352
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(464,046)	(536,743)
Proceeds from sale of plant and equipment		9,000	3,000
Loan to parent entity		(3,500,000)	-
NET CASH FLOW USED IN INVESTING ACTIVITIES		(3,955,046)	(533,743)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	4	(500,000)	(400,000)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(500,000)	(400,000)
NET INCREASE IN CASH HELD		(1,672,757)	(237,391)
CASH AT BEGINNING OF FINANCIAL PERIOD		4,244,404	4,478,564
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		3,769	3,231
CASH AT END OF FINANCIAL PERIOD	14A	2,575,416	4,244,404

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pp 9-19

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with the **Public Finance and Audit Act 1983**, **Corporations Act 2001**, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is for the entity Hunter Water Australia Pty Limited as an individual entity. Hunter Water Australia Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements have been prepared on an accruals basis using the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets. Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

CHANGES IN ACCOUNTING POLICY

Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The economic entity will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005. Note 24 outlines the key differences in accounting policy that will occur on adoption of AIFRS and management's best estimates about the impact had the 2005 financial report been prepared under AIFRS

THE FOLLOWING IS A SUMMARY OF THE MATERIAL ACCOUNTING POLICIES ADOPTED BY THE COMPANY IN THE PREPARATION OF THE FINANCIAL REPORT. THE ACCOUNTING POLICIES HAVE BEEN CONSISTENTLY APPLIED, UNLESS OTHERWISE STATED.

CASH

For the purpose of the Statement of Cash Flows, cash includes cash on hand, in banks or financial institutions, net of outstanding bank overdrafts.

WORK IN PROGRESS

Work in progress is stated at cost plus profit recognised to date less progress billing. Costs include all costs directly related to specific contracts and an allocation of overhead costs attributed 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.

PLANT & EQUIPMENT

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

PLANT AND EQUIPMENT

Plant and equipment is measured on the cost basis. Depreciated cost of these assets is considered to equate to fair value.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount.

DEPRECIATION

Depreciation is provided on a straight-line basis on all plant and equipment, at rates calculated to depreciate assets over their useful lives to the company commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable asset are:

CLASS OF ASSET	USEFUL LIFE
Computers	4 years
Support Assets	3 to 10 years

OTHER NON-CURRENT ASSETS

RESEARCH & DEVELOPMENT COSTS

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are not expensed but deferred, such costs are amortised over future years on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount so identified is written off.

LEASES

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

REVENUE

Revenue is recognised when Hunter Water Australia Pty Limited has passed on control of the good, it is probable that the economic benefits will flow to Hunter Water Australia Pty Limited and the amount of revenue can be reliably measured. Investment income represents earnings on surplus cash invested in the company's bank accounts, NSW TCorp deposits or in the parent entity.

INCOME TAX

The company became a member of a tax-consolidated group from 1 July 2003. As a result, from this date, the company is not subject to income tax in its own right and all income tax expenses, revenues, assets and liabilities related to the transactions, balances and events of the company are recognised in the financial statements of the head entity, Hunter Water Corporation. The impact of the derecognition of deferred tax balances and payments made to/from the head entity in respect of these balances has been recognised in income tax expense.

Hunter Water Australia Pty Limited has entered into a tax sharing and funding agreement with the head entity. Under the terms of this agreement, the company has agreed to reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of its 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 payable by Hunter Water Australia Pty Limited (see note 10). 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 company in the case of default by Hunter Water Corporation.

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 an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position. Cashflows are included in the Statement of Cash Flows on a gross basis.

EMPLOYEE BENEFITS

Provision is made for long service leave, annual leave and superannuation, estimated to be payable to employees on the basis of statutory and contractual requirements.

Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The company's superannuation liabilities as at 30 June 2005 have been calculated and advised by Pillar Administration.

In accordance with Australian Accounting Standard AASB1028 Employee Benefits, employee benefits that are expected to be settled within 12 months of the reporting date have been measured and disclosed at nominal amounts, using the remuneration rates expected to be paid when these obligations are settled. Long Service Leave has been measured at the present value of the estimated future cash outflows to be made for those entitlements. The provisions for leave entitlements also include the relevant oncosts.

DEBT FINANCING

The Company has no loans since having repaid a fixed term loan from Hunter Water Corporation on 1 September 1998.

GOODWILL

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Purchased goodwill is amortised on a straight-line basis over a period of three years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES TRANSACTIONS

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

HEDGE TRANSACTIONS

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into a hedge transaction is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale are deferred and included in the measurement of the purchase or sale.

NOTE	30 JUN 05 \$	30 JUN 04 \$
2 REVENUE		
REVENUE FROM OPERATING ACTIVITIES		
<i>Sale of goods / services</i>	16,299,428	14,770,133
	16,299,428	14,770,133
REVENUE FROM OUTSIDE OPERATING ACTIVITIES		
<i>Other</i>	986	64,995
<i>Interest from financial institutions</i>	129,578	193,031
<i>Interest on non-current investment</i>	107,934	-
<i>Proceeds on disposal of plant and equipment</i>	9,000	3,000
	247,498	261,026
REVENUE FROM ORDINARY ACTIVITIES	16,546,926	15,031,159
3 PROFIT FROM ORDINARY ACTIVITIES		
<i>Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:</i>		
NET GAINS		
<i>Foreign exchange loss (net gain in 2004)</i>	11,558	(3,231)
NET FOREIGN EXCHANGE LOSS (GAIN) RECOGNISED IN PROFIT FROM ORDINARY ACTIVITIES FOR THE YEAR	11,558	(3,231)
EXPENSES		
<i>Depreciation</i>		
<i>Plant and equipment</i>	371,225	361,268
TOTAL DEPRECIATION	371,225	361,268
AMORTISATION		
<i>Goodwill</i>	-	174,178
TOTAL AMORTISATION	-	174,178
OTHER CHARGES AGAINST ASSETS		
<i>BAD AND DOUBTFUL DEBTS – TRADE DEBTORS</i>	19,320	545
BORROWING COSTS		
<i>Interest and financial charges payable</i>	47	160
BORROWING COSTS EXPENSED	47	160
<i>NET GAIN ON DISPOSAL OF PLANT & EQUIPMENT (NET LOSS IN 2004)</i>	7,832	(29,695)
RENTAL EXPENSE RELATING TO OPERATING LEASES		
<i>Minimum lease payments</i>	331,969	191,768
TOTAL RENTAL EXPENSE RELATING TO OPERATING LEASES	331,969	191,768
4 DIVIDENDS PAID		
<i>Dividends Paid</i>	500,000	400,000
DIVIDENDS PAID	500,000	400,000

	NOTE	30 JUN 05 \$	30 JUN 04 \$
5 CASH ASSETS			
<i>CURRENT</i>			
Short term deposits – bank and TCorp deposits		2,572,766	4,241,754
Cash on hand		2,650	2,650
CASH		2,575,416	4,244,404
6 RECEIVABLES			
<i>CURRENT</i>			
Trade debtors		2,086,679	2,795,086
Provision for doubtful debts		(19,320)	(545)
Other receivables		2,067,359	2,794,541
		231,100	198,709
RECEIVABLES (CURRENT)		2,298,459	2,993,250
<i>NON-CURRENT</i>			
Tax-related receivable		1,049,429	784,599
RECEIVABLES (NON-CURRENT)		1,049,429	784,599
7 OTHER ASSETS			
<i>CURRENT</i>			
Prepayments		136,584	46,010
Work in Progress		1,321,986	765,912
Accrued Income		637,631	521,417
Accrued Interest		15,895	-
OTHER		2,112,096	1,333,339
8 PLANT & EQUIPMENT			
COMPRISE THE FOLLOWING ALL AT COST			
<i>GENERAL SUPPORT ASSETS</i>			
Computers		1,665,577	1,403,137
Support Facilities		2,033,315	1,776,622
GENERAL SUPPORT ASSETS TOTAL		3,698,892	3,179,759
ACCUMULATED DEPRECIATION		(2,661,111)	(2,291,088)
PLANT & EQUIPMENT		1,037,781	888,671
<i>A: MOVEMENTS IN CARRYING AMOUNTS</i>			
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year			
Balance at the beginning of year		\$888,671	
Additions		\$521,503	
Assets written off/disposed		(\$1,168)	
Depreciation expense		(\$371,225)	
CARRYING AMOUNT AT THE END OF YEAR		\$1,037,781	

	NOTE	30 JUN 05 \$	30 JUN 04 \$
9 INVESTMENT			
Loan to parent entity		3,500,000	-
INVESTMENT		3,500,000	-
10 PAYABLES			
Trade creditors		1,471,620	896,995
Other creditors		504,512	452,094
Tax-related payable		321,540	257,198
PAYABLES		2,297,672	1,606,287
11 PROVISIONS			
CURRENT			
Employee benefits		1,243,481	1,075,349
PROVISIONS		1,243,481	1,075,349
NON-CURRENT			
Employee benefits		1,707,429	1,696,179
PROVISIONS		1,707,429	1,696,179
A: AGGREGATE EMPLOYEE BENEFITS LIABILITY		2,950,910	2,771,528
B: NUMBER OF EMPLOYEES AT YEAR END		128	115
12 EQUITY			
900,010 (2004: 900,010) fully paid ordinary shares	12A	900,010	900,010
EQUITY		900,010	900,010
A: 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			
13 RETAINED PROFITS			
Retained profits at the beginning of the financial year		4,909,826	3,551,847
Profit from ordinary activities after related income tax expense		2,053,971	1,757,979
Dividends provided for or paid		(500,000)	(400,000)
RETAINED PROFITS		6,463,797	4,909,826

NOTE	30 JUN 05 \$	30 JUN 04 \$
14 STATEMENT OF CASH FLOWS		
A RECONCILIATION OF CASH		
<i>Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:</i>		
Cash on hand	2,650	2,650
Bank deposits	82,341	500,610
TCorp deposits	2,490,425	3,741,144
CASH AT END OF YEAR	2,575,416	4,244,404
B RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX		
Depreciation and amortisation	371,225	535,446
Net (gain) loss on sale of non-current assets	(7,832)	29,695
Net exchange differences	11,558	(3,231)
CHANGE IN OPERATING ASSETS & LIABILITIES		
(Increase) decrease in trade debtors	708,407	(1,274,475)
(Increase) in inventories	(556,074)	(429,985)
Decrease in future income tax benefit	-	784,599
(Increase) in tax-related receivable	(264,830)	-
(Increase) in other operating assets	(294,282)	(900,746)
Increase in trade creditors	573,035	96,187
Increase (decrease) in other operating liabilities	(167,890)	320,678
(Decrease) in provision for income tax payable	-	(311,792)
Increase in inter-company tax payable	7,729	-
Increase in other provisions	347,272	91,997
NET CASH FLOW FROM OPERATING ACTIVITIES	2,782,289	696,352
C BANK OVERDRAFT FACILITY		
<i>The Company has a bank overdraft Facility available to the extent of \$200,000.</i>		

15 LEASE EXPENDITURE COMMITMENTS

OPERATING LEASES: COMMITMENTS IN RELATION TO NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:

Not later than one year	514,627	339,029
Later than one year but not later than five years	846,569	1,024,905
LEASE EXPENDITURE COMMITMENTS	1,361,196	1,363,934

There are three major operating leases of the company. The first is a non-cancellable lease with a 5 year term expiring in June 2009 with an option to renew the lease at the end of this term for an additional five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by CPI.

Another is a non-cancellable lease with a 3 year term expiring in May 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3%. Both of the above two leases do not allow for subletting of the lease area.

The final lease is a non-cancellable lease with a 2 year term expiring in June 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3%. This lease allows for subletting of the lease area.

16 SUPERANNUATION

All employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries.

The State Authorities Superannuation Scheme closed on 18 December 1992. Superannuation benefits for new entrants are now provided through the First State Super (FSS), which is an accumulation type scheme. The Company has made full provision for these superannuation commitments. Pillar Administration assessed employers' liabilities as at 30 June 2005 and advised that the company has a net over-funded asset position with Pillar Administration, which is recognised as a non-current asset on the Statement of Financial Position. The triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefits schemes was undertaken as at 30 June 2003. The following assumptions are based on information provided by Pillar.

Investment Return	7.0
Salary Growth Rate	4.0
Consumer Price Index	2.5

Payments made to Pillar Administration towards superannuation liabilities are held in Investment Reserve Accounts. The liability funding with Pillar is disclosed in the Statement of Financial Position and comprises:

AS AT 30 JUNE 2005:	(i)	(ii)	(iii)	2004-05
	SSF	SASS	SANCS	Total
	\$M	\$M	\$M	\$M
Gross Liability Assessed by Actuaries as at 30 June 2005	5.27	1.79	0.73	7.79
Less: Investment Reserve Account Balance	5.66	1.52	0.65	7.83
UNFUNDED LIABILITY / (PREPAID CONTRIBUTIONS)	(0.39)	0.27	0.08	(0.04)

AS AT 30 JUNE 2004:	(i)	(ii)	(iii)	2003-04
	SSF	SASS	SANCS	Total
	\$M	\$M	\$M	\$M
Gross Liability Assessed by Actuaries as at 30 June 2004	4.75	1.61	0.64	7.00
Less: Investment Reserve Account Balance	4.87	1.40	0.57	6.84
UNFUNDED LIABILITY / (PREPAID CONTRIBUTIONS)	(0.12)	0.21	0.07	0.16

- (i) SSF State Superannuation Fund
- (ii) SASS State Authorities Superannuation Scheme
- (iii) SANCS State Authorities Non-Contributory Superannuation Scheme

17 CONTINGENT LIABILITIES

No significant claims for damages are being negotiated.
 This does not include matters covered by insurance.

18 AUDITORS REMUNERATION

Amounts receivable or due and receivable by the auditors, from the Company, exclusive of GST.

AUDITING FINANCIAL STATEMENTS

30 JUN 05	30 JUN 04
10,400	8,400

19 RELATED PARTY DISCLOSURES

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

A DIRECTORS AND ANY DIRECTOR RELATED ENTITIES

The directors of Hunter Water Australia Pty Limited during the financial year were:

*Mr R Robson
 Mr K Young (appointed 03-11-04)
 Mr R Knights
 Mr W Evans (resigned 26-8-04)*

*All directors of Hunter Water Australia Pty Limited with the exception of Mr W Evans were also directors of the parent entity, Hunter Water Corporation during the year.
 Mr W Evans resigned as a director of Hunter Water Australia Pty Limited on 26 August 2004.
 Mr K Young was appointed as a director of Hunter Water Australia Pty Limited on 3 November 2004.*

Details of directors' remuneration are provided in note 21.

B CONTROLLING ENTITY

*The Controlling Entity Hunter Water Corporation owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.
 Sales were made to the parent entity under normal commercial terms and conditions no more favourable than those available to other parties.
 Purchases from the parent entity were made under normal commercial terms and conditions no more favourable than those available to other parties.
 A loan of \$3,500,000 was made to the parent entity during 2004-05. A formal loan agreement has been entered into under normal terms and conditions.
 Interest is payable quarterly at market rates.*

C THE FOLLOWING RELATED PARTY TRANSACTION OCCURRED DURING THE FINANCIAL YEAR.

*Director Mr R Knights and Chairman Mr R Robson, are also a Director and Chairman respectively of Regional Land Management Corporation Pty Ltd.
 Hunter Water Australia Pty Limited provided consulting services to Regional Land Management Corporation Pty Ltd during the year.
 These services were based on normal commercial terms and conditions no more favourable than those available to other parties.
 The aggregate value of these services in the year was \$117,859.*

20 SEGMENT INFORMATION

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

21 REMUNERATION & RETIREMENT BENEFITS OF DIRECTORS

A DIRECTORS' REMUNERATION

Amounts received or due and receivable by the Directors of the Company from the parent entity

The number of directors of the company whose remuneration from the parent entity falls within the following bands:

	30 JUN 05	30 JUN 04
	431,461	393,009
	NO	NO
\$30,000 - \$39,999	1	1
\$60,000 - \$69,999	1	1
\$280,000 - \$289,999	-	1
\$320,000 - \$329,999	1	-

22 ECONOMIC DEPENDENCY

Hunter Water Australia Pty Limited operated independently of the parent entity. All transactions were on normal commercial terms and conditions. A significant portion of sales are derived from the parent entity, Hunter Water Corporation.

23 EVENTS OCCURRING AFTER BALANCE DATE

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

24 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian Equivalents to International Financial Reporting Standards (AEIFRS) and the economic entity will apply these standards from the reporting period beginning 1 July 2005.

The economic entity has been managing the transition to AEIFRS for the group of companies by allocating resources to analyse new standards and Urgent Issues Group (UIG) Abstracts and then identifying and implementing consequential changes in policies, procedures, systems, training and financial figures required on transition.

The economic entity has established an IFRS Steering Committee that reports regularly to the Audit & Compliance Committee. A project team has also been established, which the IFRS Project Controller leads. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable. The detailed timetable for managing the transition is currently on schedule.

The economic entity has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from accounting policy options available in AEIFRS.

To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect NSW Treasury's likely mandates.

Entities complying with AEIFRS for the first time are required to restate their comparative Financial Statements to amounts reflecting the application of AEIFRS to that period. The economic entity has restated the 1 July 2004 Balance Sheet and year ended 30 June 2005 Financial Statement amounts. Shown below are Management's best estimates as at the date of preparing the 30 June 2005 Financial Report of the estimated financial impacts of AEIFRS on Hunter Water Australia's equity and profit/loss. Hunter Water Australia does not anticipate any material impacts on its cash flows.

The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The economic entity's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

A RECONCILIATION OF KEY AGGREGATES

	NOTE	ECONOMIC ENTITY **30 JUN 05	*30 JUN 04
Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:			
Total equity under AGAAP		7,363,807	5,809,836
Adjustments to accumulated funds:			
Defined benefit superannuation adjustment for change in discount rate	1	(2,963,013)	(1,446,023)
Tax effect adjustment	2	877,142	484,174
ADJUSTMENTS TO OTHER RESERVES		NIL	NIL
TOTAL EQUITY UNDER AEIFRS		5,277,936	4,847,987

*adjustments as at the date of transition

**cumulative adjustments as at date of transition plus the year ended 30 June 2005

	NOTE	ECONOMIC ENTITY **30 JUN 05
<i>Reconciliation of surplus / (deficit) under AGAAP to surplus / (deficit) under AEIFRS:</i>		
<i>Surplus / (deficit) under AGAAP</i>		2,053,971
<i>Defined benefit superannuation</i>	1	(1,516,990)
<i>Tax effect adjustment</i>	2	392,968
SURPLUS / (DEFICIT) UNDER AEIFRS		929,949

NOTES TO TABLES ABOVE

- 1 AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. As the superannuation obligation is not assumed by the Crown, this will increase the amount of the unfunded defined benefit superannuation liability and the volatility of the superannuation expense.
- 2 AASB 112 Income Taxes uses a balance sheet approach which requires deferred tax assets or liabilities to be recognised where differences exist between the accounting and tax value of assets and liabilities. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to unfunded superannuation liabilities that was not recognised under current AGAAP. This also changes the quantum and timing of the tax expense.

B AEIFRS POLICY CHANGES EXPECTED TO AFFECT FINANCIAL STATEMENTS FROM THE YEAR ENDING 30 JUNE 2006:

- 1 AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AEIFRS's from 1 July 2004 with limited exemptions. Similarly, AASB108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- 2 Financial Instruments. In accordance with NSW Treasury's indicative mandates, the economic entity will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any AEIFRS impact for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Any changes for financial instrument measurement and recognition when applied from 1 July 2005 are not expected to have a material impact. Further, the impact of the Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

AASB 139 Financial Instruments: Recognition and Measurement also outlines stricter rules for the adoption of hedge accounting and requires the recognition of derivatives that were previously off balance sheet. Any changes for hedge accounting and derivatives when applied from 1 July 2005 are not expected to have a material impact.
- 3 AASB110 Events After Balance Sheet Date states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach, which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the Statement of Corporate Intent before the reporting date to which it relates, "authorises" the dividend. Any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".
- 4 AASB101 Presentation of Financial Statements and AASB107 Cash Flow Statements require new financial statement formats to be utilised in the 2006 Financial Report. These changes along with other new and amended disclosure requirements will also be introduced to comply with all other AEIFRS standards in the 2006 Financial Report.

25 FINANCIAL INSTRUMENTS

A INTEREST RATE RISK

The company's exposure to interest rate risk, which 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, is as follows:

AS AT 30 JUNE 2005:	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Receivables	N/A	-	-	-	-	2,298,459	2,298,459
Cash	5.2%	2,490,425	-	-	-	84,991	2,575,416
Investment	5.3%	3,500,000	-	-	-	-	3,500,000
TOTAL FINANCIAL ASSETS		5,990,425	-	-	-	2,383,450	8,373,875
Trade & Sundry Creditors	N/A	-	-	-	-	2,297,672	2,297,672
TOTAL FINANCIAL LIABILITIES		-	-	-	-	2,297,672	2,297,672

AS AT 30 JUNE 2004:

Receivables	N/A	-	-	-	-	2,993,250	2,993,250
Cash	5.5%	3,741,144	-	-	-	503,260	4,244,404
TOTAL FINANCIAL ASSETS		3,741,144	-	-	-	3,496,510	7,237,654
Trade & Sundry Creditors	N/A	-	-	-	-	1,606,287	1,606,287
TOTAL FINANCIAL LIABILITIES		-	-	-	-	1,606,287	1,606,287

B CREDIT RISK EXPOSURES

The credit risk on financial assets of the Company, which have been recognised on the Statement of Financial Position, is generally the carrying amount, net of any provisions for doubtful debts. The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

C NET FAIR VALUES

Financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair values.

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 The financial statements and notes:
 - a) comply with the **Public Finance and Audit Act 1983**, Accounting Standards and the **Corporations Act 2001**; and
 - b) give a true and fair view of the financial position as at 30 June 2005 and the performance for the year ended on that date of the company; and
- 2 In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due and payable.

This declaration is made in accordance with a resolution of the Directors



R ROBSON
CHAIRMAN



R KNIGHTS
DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



GPO BOX 12
SYDNEY NSW 2001

To the Directors
Hunter Water Australia Pty Limited
PO Box 5171
HRMC NSW 2310

Auditor's Independence Declaration

As auditor for the audit of Hunter Water Australia Pty Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) The independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b) Any applicable code of professional conduct in relation to the audit.



J-Kheir
Director, Financial Audit Services

7 September 2005
SYDNEY

REGIONAL LAND MANAGEMENT CORPORATION
FINANCIAL REPORT 2004-05



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- 17** *Directors' Declaration*

COMPANY PARTICULARS

DIRECTORS

Mr R Robson (Chairman)

Cr J Tate

Mr D Simmons

Mr R Knights

COMPANY SECRETARY

Mrs S Smith

REGISTERED OFFICE

*The registered office and principal place
of business of the Company is:*

First Floor, Administration Building

99 Selwyn Street

MAYFIELD NSW 2304

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

The Directors submit the following report made in accordance with a resolution of the Directors of the Regional Land Management Corporation Pty Ltd for the year ended 30 June 2005.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year and up to the date of this report are:

Mr R Robson - Chairman
Cr J Tate
Mr D Simmons
Mr R Knights

INFORMATION ON DIRECTORS

RON ROBSON

OAM, FAIM, FAICD, JP

Mr Robson was appointed Chairman of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Mr Robson is Chairman of Hunter Water Corporation, Chairman of Hunter Water Australia Pty Limited, a Director of Robson Health Care Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

Attended 14 of a maximum of 14 Board Meetings.

JOHN TATE

Councillor Tate was appointed as Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Councillor Tate has been a Councillor of Newcastle City Council since September 1980 and Lord Mayor since September 1999. Councillor Tate is Chair of the Hunter Economic Development Corporation and a Director of Honeysuckle Development Corporation, Hunter Councils and the Hunter Region Tourism Organisation. Councillor Tate was also a former director of the Westpac Rescue Helicopter Service.

Attended 12 of a maximum of 14 Board Meetings.

DAVID SIMMONS

OAM, BA, M.ED (HONS), FAICD

Mr Simmons was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. From 1983 to 1996, Mr Simmons represented the Federal Electorate of Calare in the House of Representatives and held a number of executive positions in the government. Mr Simmons is a former Chief Executive of the Hunter Business Chamber, served as Chairman of the Hunter Medical Research Institute Foundation, 2002-03, and was a Board Member of Tourism New South Wales from 1997-2003. In April 2005 Mr Simmons was appointed a director of the National Heart Foundation (NSW Division).

Attended 11 of a maximum of 14 Board Meetings.

ROSS KNIGHTS

Dip Civ Eng, MIE Aust, M Aust IMM, FAICD

Mr Knights was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003 and is also a Director of Hunter Water Corporation and a Director of Hunter Water Australia Pty Limited. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he resigned as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

Attended 14 of a maximum of 14 Board Meetings.

PRINCIPAL ACTIVITIES

In accordance with the Regional Land Management Corporation Pty Ltd's Implementation Agreement with the State, the principal activities of the Company are to assume interim management of a number of properties in the Lower Hunter Region, and will undertake all tasks incidental thereto. During the course of the financial period such tasks may include:

- day-to-day property management activities
- preparing and implementing contaminated land remediation activities
- strategic land development planning and management
- providing advice to the State on various employment, environmental, residential and infrastructure use of the lands
- completion of the multi-user infrastructure Environmental Impact Study
- resolution of outstanding multi-user infrastructure design issues
- promoting and facilitating strategic development of the land holdings for industrial/commercial usage

OPERATING RESULT

The operating profit after providing for income tax of the Company for the year ended 30 June 2005 amounted to \$NIL.

DIVIDENDS

No dividends were declared or paid by the Company during the financial period.

REVIEW OF OPERATIONS

The results of activities and levels of expenditure have been satisfactory and within the Directors' expectations.

STATE OF AFFAIRS

The Company was formed on 5 March 2003 to undertake the above activities after the State issued a direction to Hunter Water Corporation under section 20N of the **State Owned Corporations Act 1989 (NSW)** to form a special purpose subsidiary Company. In November 2004 The Cabinet Standing Committee on the Budget endorsed an extension of Regional Land Management Corporation Pty Ltd's operating term to 30 June 2008. In June 2005 a ministerial direction was received extending the operating term to 30 June 2008.

AFTER BALANCE DATE EVENTS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration is included on page 17.

DIRECTORS AND AUDITORS INDEMNIFICATION

The State has an agreement with the Regional Land Management Corporation Pty Ltd by way of an Indemnity Deed Poll to indemnify the Directors and officers of the Company. The indemnity relates to:

- any civil liability to a third party (other than Regional Land Management Corporation Pty Ltd 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 judgment is given in favour of the officer

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

DIRECTORS' BENEFITS

During or since the financial period no Director 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.

ENVIRONMENTAL REGULATIONS

The Waste Emplacement Facility on Kooragang Island managed by Regional Land Management Corporation Pty Ltd, although not presently an active landfill site, remains subject to a licence issued under the **Protection of the Environment Operations Act 1997**. During the financial period the Company complied with the material requirements of this licence and associated legislation. There was some minor technical non-compliance associated with reporting requirements which had no environmental impact.

The Closure Area of the former steelworks site at Mayfield is managed by Regional Land Management Corporation Pty Ltd on behalf of the State Government, who is the land owner. Environmental liability and funding relating to all remediation activities undertaken by Regional Land Management Corporation Pty Ltd resides with the State Government. This site was declared a declared Remediation Site under the **Contaminated Lands Management Act 1997** in June 2001 by the Department of Environmental Conservation (DEC). Regional Land Management Corporation Pty Ltd and the DEC are finalising details of a Voluntary Remediation Agreement under the **Contaminated Lands Management Act 1997**.

LIKELY DEVELOPMENTS

In accordance with the direction issued by the State, in June 2005, the Company will continue to perform the activities as set out in the Implementation Agreement and any subsequent variation to Implementation Agreement deeds between the State, Hunter Water Corporation and Regional Land Management Corporation Pty Ltd concerning, inter alia, the acquisition and management of the Land.

In the coming year the Company will continue its convergence project to Australian Equivalents to International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.



Mr R ROBSON
CHAIRPERSON



Mr D SIMMONS
DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



**INDEPENDENT AUDIT REPORT
REGIONAL LAND MANAGEMENT CORPORATION PTY LTD**

To Members of the New South Wales Parliament and Members of Regional Land Management Corporation Pty Ltd.

Audit Opinion

In my opinion the financial report of Regional Land Management Corporation Pty Ltd is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Regional Land Management Corporation Pty Ltd's financial position as at 30 June 2005 and financial performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia, and the *Corporations Regulations 2001*,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the *Public Finance and Audit Act 1983*.

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

The Directors' Role

The financial report is the responsibility of the company's directors. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes, and directors' declaration.

The Auditor's Role and the Audit Scope

As required by the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of Regional Land Management Corporation Pty Ltd that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the directors in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the company's directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. The *Public Finance and Audit Act 1983* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.

My Declaration of Independence dated 7 September 2005 would have been made on the same terms if it had been made at the date of this report.

J'Kheir B Ec, FCPA
Director, Financial Audit Services

	NOTE	30 JUN 05 \$	30 JUN 04 \$
REVENUE			
Treasury funding	2	3,213,836	816,738
Rental income	2	2,792,626	2,949,121
Other revenues from ordinary activities	2	35,205	79,237
TOTAL REVENUE FROM ORDINARY ACTIVITIES		6,041,667	3,845,096
EXPENDITURE			
Expenditure relating to contracts and consulting		(4,029,614)	(2,321,867)
Insurance costs		(74,945)	(83,926)
Legal fees		(77,977)	(31,171)
Licence fees		(0)	(43,644)
Property security costs		(276,066)	(383,636)
Salaries, wages and Directors fees		(1,200,078)	(668,460)
Borrowing costs	3	(129,319)	(73,997)
Other		(253,668)	(259,026)
TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES		(6,041,667)	(3,865,727)
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		-	(20,631)
INCOME TAX BENEFIT/(EXPENSE) RELATING TO OPERATING ACTIVITIES	4A	-	20,631
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		-	-

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pp9-16

	NOTE	30 JUN 05 \$	30 JUN 04 \$
CURRENT ASSETS			
Cash	5	1,242,175	792,474
Receivables	6	3,433,448	947,151
Other	7	13,112	19,075
TOTAL CURRENT ASSETS		4,688,735	1,758,700
NON-CURRENT ASSETS			
Other	7	65,324	-
TOTAL NON-CURRENT ASSETS		65,324	-
TOTAL ASSETS		4,754,059	1,758,700
CURRENT LIABILITIES			
Payables	8	817,017	277,323
Interest-bearing liabilities	9	3,323,425	1,075,161
Provisions	10	96,820	135,948
Other	11	267,332	270,168
TOTAL CURRENT LIABILITIES		4,504,594	1,758,600
NON-CURRENT LIABILITIES			
Provision for employee entitlements	10	249,365	-
TOTAL NON-CURRENT LIABILITIES		249,365	-
TOTAL LIABILITIES		4,753,959	1,758,600
NET ASSETS		100	100
EQUITY			
Contributed equity	12	100	100
Retained profits	13	-	-
TOTAL EQUITY		100	100

The Statement of Financial Position should be read in conjunction with the accompanying notes on pp 9-16

	NOTE	30 JUN 05 \$	30 JUN 04 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of Goods and Services Tax)		3,861,792	4,205,905
Payments to Suppliers and Employees (inclusive of Goods and Services Tax)		(5,561,330)	(4,083,564)
Interest received		30,294	29,810
Interest paid		(129,319)	(73,997)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	14B	(1,798,563)	78,154
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
BORROWINGS - LOAN FROM HUNTER WATER CORPORATION			
		3,323,425	1,075,161
REPAYMENT OF BORROWINGS			
		(1,075,161)	(809,154)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,248,264	266,007
NET INCREASE/(DECREASE) IN CASH HELD		449,701	344,161
CASH AT BEGINNING OF FINANCIAL PERIOD		792,474	448,313
CASH AT END OF FINANCIAL PERIOD	14A	1,242,175	792,474

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pp 9-16

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with the **Public Finance and Audit Act 1983**, **Corporations Act 2001**, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an accrual basis and is based on historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, unless otherwise stated and are consistent with those of the previous year.

AUSTRALIAN EQUIVALENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Company will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 July 2005. Note 24 outlines the key differences in accounting policy that will occur on adoption of AEIFRS and management's best estimates about the impact had the 2005 financial report been prepared under AEIFRS.

REVENUE RECOGNITION

Revenue is recognised when Regional Land Management Corporation Pty Ltd has passed on control of the good, it is probable that the economic benefits will flow to Regional Land Management Corporation Pty Ltd and the amount of the revenue can be reliably measured.

RENTS AND LEASES

Rent is received for Government owned properties managed by Regional Land Management Corporation Pty Ltd in accordance with Regional Land Management Corporation Pty Ltd's Implementation Agreement with the State. Revenue from rents and leases is recognised upon the delivery of the service to the customer.

TREASURY FUNDING

Revenue from Treasury funding is recognised once expenditure that the funding relates to is incurred.

INTEREST REVENUE

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

INCOME TAX

Regional Land Management Corporation Pty Ltd is exempt from the National Taxation Equivalent Regime (NTER), NSW Tax Equivalent Regime (TER) and **Income Tax Assessment Act**. The exemption is based on the non-commercial nature of the Company and that, given the current activities of the Company, competitive neutrality issues are unlikely to arise. However should the activities or format of the Company materially change, this exemption will be reviewed.

GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

EMPLOYEE BENEFITS

Provision is made for long service leave, annual leave and superannuation, estimated to be payable to employees on the basis of statutory and contractual requirements.

Employer contributions are made to both defined benefit and defined contribution superannuation plans. Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The Company's superannuation liabilities as at 30 June 2005 have been calculated and advised by Pillar Administration.

In accordance with the Australian Accounting Standard AASB1028 "Employee Benefits", employee benefits that are expected to be settled within 12 months of the reporting date have been measured and disclosed at nominal amounts, using the remuneration rates expected to be paid when these obligations are settled. Long Service Leave has been measured at the present value of the estimated future cash outflows to be made for those entitlements. The provisions for leave entitlements also include the relevant on costs.

CASH

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions and is net of bank overdrafts.

RECEIVABLES

The collectibility of debts is assessed at the reporting date and specific provision is made for any doubtful accounts.

PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received.

BORROWING COSTS

Borrowing costs include interest and other charges relating to borrowings. Borrowing costs are expensed as incurred.

INTEREST BEARING LIABILITIES

Regional Land Management Corporation Pty Ltd has borrowed funds from the parent entity, Hunter Water Corporation, in the form of an inter-entity loan.

Interest expense is accrued on a compounding basis at the contracted rate.

NOTE	30 JUN 05 \$	30 JUN 04 \$
2 REVENUE FROM ORDINARY ACTIVITIES		
Treasury funding	3,213,836	816,738
Rental income	2,792,626	2,949,121
Other revenue	35,205	79,237
	6,041,667	3,845,096
3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		
Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:		
Borrowing costs: related parties	129,319	73,997
Operating lease rental expense: minimum lease payments	58,788	45,259
Net expense including movement in provision for: employee benefits	210,237	17,088
4 INCOME TAX EXPENSE		
A INCOME TAX EXPENSE		
Prima facie income tax expense calculated at Nil% (2004: 30%) on the profit from ordinary activities	-	-
Increase in income tax expense due to: Non-allowable items	-	-
Income tax expenses on the profit from ordinary income before individually significant items	-	-
Individually significant income tax items: Reversal of prior year provision due to reclassification of Company tax status	-	(20,631)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT FROM ORDINARY ACTIVITIES	-	(20,631)
Income tax expense/(revenue) attributable to profit from ordinary activities is made up of:		
Current income tax provision	-	(81,273)
Future income tax benefit	-	60,642
	-	(20,631)
B PROVISION FOR INCOME TAX PAYABLE		
PROVISION FOR CURRENT INCOME TAX - MOVEMENTS DURING THE YEAR:		
Balance at beginning of year	-	81,273
Current year's income tax expense on profit from ordinary activities	-	-
Reversal of prior year provision due to reclassification of Company tax status	-	(81,273)
	-	-
5 CASH		
Cash at Bank	1,241,845	792,174
Cash on hand	330	300
	1,242,175	792,474
6 RECEIVABLES		
CURRENT		
NSW Treasury reimbursements	3,213,836	816,738
Rent	26,201	70,687
GST receivable	193,411	59,726
	3,433,448	947,151

	NOTE	30 JUN 05 \$	30 JUN 04 \$
7 OTHER ASSETS			
<i>CURRENT</i>			
Prepayments		13,112	19,075
<i>NON-CURRENT</i>			
Prepaid/overfunded superannuation		65,324	-
8 PAYABLES			
<i>CURRENT</i>			
Creditors and accrued expenditure		817,017	277,323
9 INTEREST BEARING LIABILITIES			
Loans payable to Parent Entity - Hunter Water Corporation		3,323,425	1,075,161
10 PROVISIONS			
<i>CURRENT</i>			
Employee benefits		96,820	135,948
<i>NON-CURRENT</i>			
Employee benefits		249,365	-
Number of employees at year end		11	5
<p><i>Certain employees of the Company were seconded from the parent entity on commencement of operations. Entitlements to annual leave and long service leave at this date were transferred to the Company, and are included in the current provision as at balance date.</i></p>			
11 OTHER CURRENT LIABILITIES			
Income received in advance		267,332	270,168
12 CONTRIBUTED EQUITY			
ISSUED AND PAID UP SHARE CAPITAL 100 (2004: 100) FULLY PAID ORDINARY SHARES		100	100
<p><i>There were no movements in share capital during the year.</i></p>			
13 RETAINED PROFITS			
Retained profits at the beginning of year		-	-
Net profit attributable to members of the Company		-	-
Retained profits at end of year		-	-

	NOTE	30 JUN 05 \$	30 JUN 04 \$
14 NOTES TO THE STATEMENT OF CASH FLOWS			
A RECONCILIATION OF CASH			
<i>For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows.</i>			
Cash on hand	5	330	300
Bank deposits	5	1,241,845	792,174
		1,242,175	792,474
B RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Profit from ordinary activities after income tax		-	-
CHANGES IN ASSETS AND LIABILITIES			
• (Increase)/decrease in receivables		(2,486,297)	4,142
• (Increase)/decrease in prepayments		5,963	18,582
• (Increase)/decrease in future income tax benefit		-	60,642
• (Increase)/decrease in prepaid/ overfunded superannuation		(65,324)	-
• (Decrease)/increase in payables		539,694	(23,798)
• (Decrease)/increase in provisions		210,237	17,088
• (Decrease)/increase in income tax payable		-	(81,273)
• (Decrease)/increase in other liabilities		(2,836)	82,771
NET CASH FLOW FROM OPERATING ACTIVITIES		(1,798,563)	78,154
15 CONTRACTUAL COMMITMENTS			
OPERATING LEASE EXPENSE COMMITMENTS			
<i>Future operating lease commitments not provided for in the financial statements and payable:</i>			
Within one year		2,732	38,561
		2,732	38,561
CONSULTANCY COMMITMENTS			
<i>Estimated consultancies contracted for at balance date but not provided for and payable:</i>			
Within one year		655,250	779,202
One year or later and no later than five years		-	10,142
		655,250	789,344
16 SUPERANNUATION			
<i>All employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formally the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Company also contributes to the plans.</i>			
<i>The State Authorities Superannuation Scheme closed on 18 December 1992. Superannuation benefits for new entrants are now provided through First State Super (FSS), which is an accumulation type scheme. The Company has made full provision for these commitments.</i>			
<i>Pillar Administration (Pillar) has advised the level of estimated superannuation asset outstanding as at 30 June 2005. In accordance with this advice there has been an increase in the Company's net asset position, which has been recognised as an offset to superannuation expense in the results for the year ended 30 June 2005.</i>			
<i>The Company has a net over-funded position with Pillar, which is recognised as a non-current asset on the Statement of Financial Position. The triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2003.</i>			
<i>The following economic assumptions are based on information provided by Pillar:</i>			
	2004-05		
	% pa		
Investment Return	7.0%		
Salary Growth Rate	4.0%		
Consumer Price Index	2.5%		

Payments made to Pillar towards superannuation liabilities are held in Investment Reserve Accounts.
 The asset position with Pillar is disclosed in the Statement of Financial Position and comprises:

	SSS \$	SASS \$	SANCS \$	04-05 \$
Gross Liability Assessed by Actuaries as at 30 June 2005	202,730	301,578	78,526	582,834
Less: Investment Reserve Account Balance	(213,803)	(339,316)	(95,039)	(648,158)
UNDER FUNDED LIABILITY / (PREPAID CONTRIBUTIONS)	(11,073)	(37,738)	(16,513)	(65,324)

- (i) SSS State Superannuation Scheme
- (ii) SASS State Authorities Superannuation Scheme
- (iii) SANCS State Authorities Non-Contributory Superannuation Scheme

17 CONTINGENT LIABILITIES

No significant claims for damages are being negotiated. This does not include matters covered by insurance.
 As at the date of signing this report we were not aware of any contingent liabilities in existence.

18 AUDITORS' REMUNERATION

Amounts received by the auditors for the audit of the Company's financial statements

NOTE	30 JUN 05 \$	30 JUN 04 \$
	7,200	7,100

19 RELATED PARTIES DISCLOSURES

A DIRECTORS

The Directors of Regional Land Management Corporation Pty Ltd during the financial period were:

- Mr R Robson • Cr J Tate • Mr D Simmons • Mr R Knights

Mr R Robson and Mr R Knights are also Directors of the parent entity Hunter Water Corporation and related entity Hunter Water Australia Pty Limited.
 Details of Directors' remuneration are provided in note 21

B CONTROLLING ENTITY

The controlling entity Hunter Water Corporation owns 100% of Regional Land Management Corporation Pty Ltd.

C TRANSACTIONS BETWEEN RELATED PARTIES

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

D NON-DIRECTOR RELATED PARTIES - TRANSACTIONS WITH CONTROLLING ENTITY

The Company has loans from the controlling entity, Hunter Water Corporation (refer Note 9), with interest payable on the loans.
 Loans totalling \$3,323,425 were drawn from the parent entity by the Company during the year.

20 SEGMENT INFORMATION

The Company operates predominantly in one business and geographical segment being the management of Government owned land in the Lower Hunter Region of Australia.
 The Company has management responsibility for five (5) parcels of Government owned land:

- Mayfield site (150 hectares)
- former BHP waste site at Kooragang Island (239 hectares)
- former BHP land in West Wallsend area (1545 hectares)
- land adjacent to Hunter River at Tomago (545 hectares)
- Crown land on Kooragang Island (860 hectares)

These Government owned lands are owned and controlled by the Crown Property Portfolio.

NOTE	30 JUN 05 \$	30 JUN 04 \$
21 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS		
<i>DIRECTORS' REMUNERATION</i>		
<i>The number of Directors of the Company whose income from the Company or other related parties falls within the following bands:</i>	<i>No</i>	<i>No</i>
\$20,000 - \$29,999	2	2
\$60,000 - \$69,999	1	1
\$90,000 - \$99,999	-	1
\$100,000 - \$109,999	1	-
<i>Total income paid or payable, or otherwise made available, to all Directors of the Company from the Company or any related party</i>	204,654	207,477

22 ECONOMIC DEPENDENCY

Regional Land Management Corporation Pty Ltd is entitled under section 20N of the **State Owned Corporations Act 1989 (NSW)** to be reimbursed, up to \$20 million, from money advanced by the Treasurer, or appropriated by Parliament for the following:

- amounts equal to the net cost of performing any such activities relating to the interim management of Government owned land in the Lower Hunter Region (including the cost of capital); or
- the net cost of complying with a direction to cease to perform or not to perform such activities.

From 1 July 2005 Regional Land Management Corporation Pty Ltd is entitled under section 20N of the **State Owned Corporations Act 1989 (NSW)** to be fully reimbursed to an estimated \$77 million (\$2004). This funding will cover the Company's remediation, development and operational activities from 1 July 2005 to 30 June 2008.

Regional Land Management Corporation Pty Ltd operated independently from the parent entity. All transactions were on normal commercial terms and conditions.

23 EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

24 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian Equivalents to International Financial Reporting Standards (AEIFRS) and the economic entity will apply these standards from the reporting period beginning 1 July 2005.

The economic entity has been managing the transition to AEIFRS for the group of companies by allocating resources to analyse new standards and Urgent Issues Group (UIG) Abstracts and then identifying and implementing consequential changes in policies, procedures, systems, training and financial figures required on transition.

The economic entity has established an IFRS Steering Committee that reports regularly to the Audit & Compliance Committee. A project team has also been established, which the IFRS Project Controller leads. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable. The detailed timetable for managing the transition is currently on schedule.

The economic entity has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from accounting policy options available in AEIFRS.

To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect NSW Treasury's likely mandates.

Entities complying with AEIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AEIFRS to that period. The Company has restated the 1 July 2004 balance sheet and year ended 30 June 2005 financial statement amounts. Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on Regional Land Management Corporation Pty Ltd's equity and profit/loss. Regional Land Management Corporation Pty Ltd does not anticipate any material impacts on its cash flows.

The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The economic entity's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

	NOTE	**30 JUN 05 \$	*30 JUN 04 \$
A RECONCILIATION OF KEY AGGREGATES			
RECONCILIATION OF EQUITY UNDER EXISTING STANDARDS (AGAAP) TO EQUITY UNDER AEIFRS			
TOTAL EQUITY UNDER AGAAP		100	100
ADJUSTMENTS TO ACCUMULATED FUNDS			
Defined benefit superannuation adjustment for change in discount rate	1	(237,211)	0
Increase in Treasury Reimbursement Receivable	2	237,211	0
TOTAL EQUITY UNDER AEIFRS		100	100
* adjustments as at the date of transition **cumulative adjustments as at date of transition plus the year ended 30 June 2005			
RECONCILIATION OF SURPLUS / (DEFICIT) UNDER AGAAP TO SURPLUS / (DEFICIT) UNDER AEIFRS			
Surplus/(deficit) under AGAAP		Nil	
Defined benefit superannuation adjustments for change in discount rate	1	(237,211)	
Increase in Treasury Funding Revenue	2	237,211	
SURPLUS / (DEFICIT) UNDER AEIFRS		NIL	

NOTES TO TABLES ABOVE:

- AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. As the superannuation obligation is not assumed by the Crown, this will increase the amount of the unfunded defined benefit superannuation liability and the volatility of the superannuation expense.
- Revenue from Treasury Funding is recognised once expenditure that the funding relates to has been incurred. As a result, the change in the defined benefit superannuation obligation is offset by a Treasury Receivable

B AEIFRS POLICY CHANGES EXPECTED TO AFFECT FINANCIAL STATEMENTS FROM THE YEAR ENDING 30 JUNE 2006:

- AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AEIFRS's from 1 July 2004 with limited exemptions. Similarly, AASB108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB101 Presentation of Financial Statements and AASB107 Cash Flow Statements require new financial statement formats to be utilised in the 2006 Financial Report. These changes along with other new and amended disclosure requirements will also be introduced to comply with all other AEIFRS standards in the 2006 Financial Report.

25 FINANCIAL INSTRUMENTS

A INTEREST RATE RISK

The Company's exposure to interest rate risk which 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 those financial assets and financial liabilities, is as follows:

2005	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Within 1 Year \$	Between 1-5 Years \$	Non Interest Bearing \$	Total \$
FINANCIAL ASSETS						
CURRENT						
Cash at bank	4.50%	1,241,845	-	-	-	1,241,845
Receivables		-	-	-	3,433,448	3,433,448
TOTAL		1,241,845	-	-	3,433,448	4,675,293
FINANCIAL LIABILITIES						
CURRENT						
Payables		-	-	-	817,017	817,017
Interest-bearing liabilities	7.99%	-	3,323,425	-	-	3,323,425
TOTAL		-	3,323,425	-	817,017	4,140,442

2004	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Within 1 Year \$	Between 1-5 Years \$	Non Interest Bearing \$	Total \$
FINANCIAL ASSETS						
CURRENT						
Cash at bank	4.25%	792,174	-	-	-	792,174
Receivables		-	-	-	947,151	947,151
TOTAL		792,174	-	-	947,151	1,739,325
FINANCIAL LIABILITIES						
CURRENT						
Payables		-	-	-	277,323	277,323
Interest-bearing liabilities	7.56%	-	1,075,161	-	-	1,075,161
TOTAL		-	1,075,161	-	277,323	1,352,484

B CREDIT RISK

The credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Company, which have been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

C NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair value.

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 the financial statements and notes, set out on pages 6 to 16
 - a) comply with Accounting Standards, the *Corporations Act 2001* and the *Public Finance and Audit Act 1983*; and
 - b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the Company; and
- 2 In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the Board of Directors



R ROBSON
CHAIRPERSON



D SIMMONS
DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



GPO BOX 12
SYDNEY NSW 2001

To the Directors
Regional Land Management Corporation Pty Ltd
PO Box 5171
HRMC NSW 2310

Auditor's Independence Declaration

As auditor for the audit of Regional Land Management Corporation Pty Ltd for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) The independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b) Any applicable code of professional conduct in relation to the audit.



J Kheir
Director, Financial Audit Services

7 September 2005
SYDNEY

HUNTER WATER CORPORATION
FINANCIAL REPORT 2004-05





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APPENDIX

Statistical and Statutory Information

COMPANY PARTICULARS

DIRECTORS

Mr R Robson – Chairman
Mr K Young – Managing Director
Mr R Knights
Mr P Barrack
Mr D Boyd
Mr W Elliott
Ms B Crossley
Mr A Chappel

COMPANY SECRETARY

Mrs S Smith

REGISTERED OFFICE

426-432 King Street
Newcastle West 2302
02 4979 9799

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

The directors submit the following report made in accordance with a resolution of the Directors of the Parent Entity and Controlled Entities for the year ended 30 June 2005.

DIRECTORS

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

Mr R Robson – Chairman
Mr K Young – Managing Director
Mr R Knights
Mr P Barrack
Mr D Boyd
Mr W Elliott
Ms B Crossley
Mr A Chappel

INFORMATION ON DIRECTORS

R ROBSON

OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 1 August 1995 and previously held the position of Director since 1 January 1992. Mr Robson is Chairman of Hunter Water Australia Pty Limited and the Regional Land Management Corporation Pty Ltd (the Corporation's subsidiary companies), a Director of Robson Health Care Pty Limited and Patron of Newcastle/Hunter Valley Rugby Union.

KJ YOUNG

B Eng, MBA, FIE Aust, CPENG, GAICD

Mr Young was appointed Managing Director on 19 July 2004 and was appointed as a Director of Hunter Water Australia Pty Limited on 3 November 2004. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets.

RI KNIGHTS

Dip Civ Eng, MIE Aust, M Aust IMM, FAICD

Mr Knights was appointed as a Director on 1 December 1992 and is also a Director of Hunter Water Australia Pty Limited and a director of the Regional Land Management Corporation Pty Ltd. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he resigned as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

PG BARRACK

AM, MAICD

Mr Barrack was appointed as a Director on 1 August 1995. Mr Barrack is a Director of The Hunter Development Board, Honeysuckle Development Corporation, Hunter Group Training and the former Chairman of the Board of Newcastle and Cardiff Workers Clubs. Mr Barrack was previously Secretary of Newcastle Trades Hall Council.

DW BOYD

F CPA, AICD

Mr Boyd was appointed as a Director on 1 January 2000. Mr Boyd is a Certified Practising Accountant and is currently employed as a Management Consultant, mainly in the mining industry. Mr Boyd has extensive experience in management roles in Port Waratah Coal Services and Rio Tinto. Mr Boyd was previously a Director of Mega First Corp (Malaysia) and Perilya Mines.

WJ ELLIOTT

CPA, MAICD

Mr Elliott was appointed as a Director on 1 September 2001. He has had extensive experience in the financial/administrative field and was previously Chief Executive Officer of Shortland Electricity and Chairman of Advance Energy. Mr Elliott is a Director of the Newcastle Permanent Building Society (NPBS) Ltd, Newcastle Friendly Society Ltd and Chairman of NPBS Securities Pty Ltd.

BL CROSSLEY

B.Nat.Res. (Hons)

Ms Crossley was appointed as a Director on 1 February 2004. Ms Crossley is a Director of Umwelt, a local environmental consultancy firm and is also Chairperson of Hunter Environment Institute. She has extensive knowledge of local environmental issues and has a business and marketing focus.

RA CHAPPEL

BE (Civil), Dip T & R.P.

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

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 consolidated profit before tax and dividend, for the financial year 1 July 2004 to 30 June 2005, amounted to \$63.8M. This includes income from contributions for Capital Works totalling \$36.6M. This profit amount is reduced to \$43.0M after attributing the applicable income tax expense. The directors recommend a dividend in respect of the 2004/05 operating results of \$33.8M. On 2 August 2005 \$17M of this dividend was paid to the shareholders.

MEETING OF DIRECTORS

	BOARD MEETINGS		COMMITTEE MEETINGS			
	A	B	AUDIT & COMPLIANCE		CORPORATE GOVERNANCE	
			A	B	A	B
R ROBSON	12	12	4	4	2	2
K YOUNG	12	12	*	*	2	2
R KNIGHTS	12	12	4	4	2	2
P BARRACK	12	12	*	*	*	*
D BOYD	12	12	4	4	*	*
W ELLIOTT	11	12	4	4	*	*
B CROSSLEY	12	12	*	*	*	*
R CHAPPEL	11	12	*	*	*	*

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

REVIEW OF OPERATIONS

FINANCIAL

The terminology used in reporting the results is as follows:

- The Group, ie Hunter Water Corporation, Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd is referred to as the Economic Entity
- The Parent or Hunter Water Corporation is referred to as the Parent Entity
- The Subsidiaries or Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd are referred to as the Controlled Entities

The State issued a direction to Hunter Water Corporation under section 20N of the **State Owned Corporations Act 1989 (NSW)** to form a special purpose subsidiary company (Regional Land Management Corporation Pty Ltd) for an interim period. Regional Land Management Corporation Pty Ltd was incorporated on the 5 March 2003 as a wholly owned subsidiary of Hunter Water Corporation. The company commenced operations on 1 April 2003. In November 2004 the Cabinet Standing Committee on the Budget endorsed an extension of Regional Land Management Corporation Pty Ltd's operating term to 30 June 2008. In June 2005 a ministerial direction was received extending the operating term to 30 June 2008.

The actual operating profit of the Economic Entity before income tax and dividends was \$63.8M or \$2.4M favourable to budget.

The favourable operating result compared to budget is largely comprised of income being recognised to reflect the good performance of the Corporation's defined benefit superannuation funds and profit being recognised on the sale of surplus land. Partial offsets exist in the form of higher operational costs, additional Employee Provisions and depreciation charges as well as lower contributions for capital works.

AFTER BALANCE DATE EVENTS

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

DIRECTORS INDEMNIFICATION

Hunter Water Corporation has an agreement to indemnify the directors and secretary of the Corporation and its controlled entities.

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.

AUDIT AND COMPLIANCE COMMITTEE

Hunter Water Corporation has an Audit and Compliance Committee, which meets four times per year which is currently comprised of:

- Mr D Boyd – Director / Committee Chairman
- Mr R Robson – Director / Chairman
- Mr W Elliott – Director
- Mr R Knights – Director

The committee's main objectives are to:

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

CORPORATE GOVERNANCE

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

The Duties and Responsibilities are:

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

The current Membership of the Committee is as follows:

Mr R Robson - Chairman
Mr K Young - Managing Director
Mr R Knights - Director

DIRECTORS' BENEFITS

During or since the financial year no director of the Economic Entity has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the accounts, by reason of a contract entered into by the Parent Entity or the Controlled Entities 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.

ENVIRONMENTAL REGULATION

Operations of the Parent Entity are subject to licences issued under the **Protection of the Environment Operations Act 1997**. During the financial year the Corporation materially complied with all requirements in respect to these licences and associated legislation. Further details of compliance are contained within the Environmental section of this Annual Report.

ROUNDING TO NEAREST \$000

The amounts contained in this report have been rounded off to the nearest thousand dollars in accordance with Clause 12 of the **Public Finance and Audit Regulation 2000**.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS OF
HUNTER WATER CORPORATION.



R ROBSON
CHAIRMAN



K YOUNG
MANAGING DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005



**INDEPENDENT AUDIT REPORT
HUNTER WATER CORPORATION**

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Hunter Water Corporation:

- (a) presents fairly Hunter Water Corporation's and the consolidated entity's financial position as at 30 June 2005 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of Hunter Water Corporation. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for the Corporation and the consolidated entity. The consolidated entity comprises Hunter Water Corporation and the entities controlled at the year's end or during the financial year.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of Hunter Water Corporation or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.

J. Kheir B. Ec, FCPA
Director, Financial Audit Services

SYDNEY
21 September 2005

HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
REVENUE					
Services	2A	182,762	163,651	171,780	156,484
Other	2B	10,642	3,431	11,115	3,706
TOTAL REVENUE FROM ORDINARY ACTIVITIES		193,404	167,082	182,895	160,190
EXPENDITURE					
Operational costs	3	(73,688)	(64,759)	(66,676)	(61,235)
Depreciation	4	(35,935)	(33,375)	(35,564)	(33,014)
Employee provisions charge		(2,400)	(1,933)	(1,584)	(1,163)
Interest payable	4	(10,132)	(9,305)	(10,240)	(9,305)
Written down value of assets sold		(8,167)	(1,346)	(8,165)	(1,313)
External funded asset write down	4	NIL	(13,371)	NIL	(13,371)
Superannuation (expense) revenue	4	760	(1,514)	1,385	(1,073)
TOTAL OPERATING EXPENDITURE		(129,562)	(125,603)	(120,844)	(120,474)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		63,842	41,479	62,051	39,716
Income tax expense relating to ordinary activities	5	(20,819)	(21,301)	(20,317)	(20,410)
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		43,023	20,178	41,734	19,306
Net increase/(decrease) in asset revaluation reserve	21	38,659	77,505	38,659	77,505
Plus aggregate of amounts transferred within reserves	21	6,661	33	6,661	33
Total Valuation Adjustments Recognised Direct in Equity		45,320	77,538	45,320	77,538
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		88,343	97,716	87,054	96,844

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pp11-28

HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
CURRENT ASSETS					
Cash	7	6,416	23,376	2,598	18,337
Receivables	8	33,821	27,438	30,138	26,018
Other financial assets	9	NIL	NIL	3,323	1,075
Inventories	10	2,977	2,624	2,148	1,858
Other	11	1,255	1,170	1,105	1,105
TOTAL CURRENT ASSETS		44,469	54,608	39,312	48,393
NON-CURRENT ASSETS					
Other financial assets	9	10,626	10,616	11,526	11,516
Property plant & equipment	12	2,271,295	2,174,187	2,271,177	2,173,954
Deferred tax assets	13	5,876	6,159	5,876	6,159
TOTAL NON-CURRENT ASSETS		2,287,797	2,190,962	2,288,579	2,191,629
TOTAL ASSETS		2,332,266	2,245,570	2,327,891	2,240,022
CURRENT LIABILITIES					
Payables	14	21,014	23,103	20,828	23,988
Current tax liabilities	15	5,365	6,791	5,365	6,734
Interest-bearing liabilities	16	37,891	NIL	37,891	NIL
Provisions	17	39,978	41,816	38,638	40,606
TOTAL CURRENT LIABILITIES		104,248	71,710	102,722	71,328
NON CURRENT LIABILITIES					
Payables	14	NIL	NIL	1,049	785
Interest-bearing liabilities	16	128,025	124,906	131,525	124,906
Provisions	17	23,669	27,640	21,816	25,945
Deferred tax liabilities	18	40,149	39,292	40,149	39,292
Other	19	2,116	2,506	2,116	2,506
TOTAL NON-CURRENT LIABILITIES		193,959	194,344	196,655	194,434
TOTAL LIABILITIES		298,207	266,054	299,377	264,762
NET ASSETS		2,034,059	1,979,516	2,028,514	1,975,260
EQUITY					
Contributed equity	20	100,000	100,000	100,000	100,000
Reserves	21A	1,553,781	1,515,121	1,553,781	1,515,121
Retained profits	21B	380,278	364,395	374,733	360,139
TOTAL EQUITY		2,034,059	1,979,516	2,028,514	1,975,260

The Statement of Financial Position should be read in conjunction with the accompanying notes on pp11-28

**HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		158,727	149,823	148,006	140,596
Payments to suppliers and employees (inclusive of goods & services tax)		(92,536)	(75,404)	(83,238)	(67,186)
		66,191	74,419	64,768	73,410
Dividends received		NIL	NIL	500	400
Interest received		1,073	1,951	1,028	1,832
Borrowing costs		(9,988)	(8,421)	(10,080)	(8,421)
Income taxes paid		(21,110)	(25,125)	(20,349)	(24,158)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	36,166	42,824	35,867	43,063
CASH FLOW FROM INVESTING ACTIVITIES					
Cash paid for purchases of property, plant and equipment		(79,558)	(45,975)	(79,277)	(46,054)
Cash proceeds from sales of property, plant and equipment		3,522	1,178	3,513	1,175
Cash proceeds from environmental levy and developers		17,896	21,560	17,896	21,560
Loans to related entities		NIL	NIL	(2,248)	(266)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(58,140)	(23,237)	(60,116)	(23,585)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		41,010	25,937	44,510	25,937
Repayment of borrowings		NIL	(31,000)	NIL	(31,000)
Dividends paid	6	(36,000)	(38,000)	(36,000)	(38,000)
Other		NIL	NIL	NIL	NIL
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		5,010	(43,063)	8,510	(43,063)
NET INCREASE/(DECREASE) IN CASH HELD					
Cash at beginning of financial period		23,376	46,849	18,337	41,922
Effects of exchange rate changes on cash		4	3	NIL	NIL
CASH AT THE END OF THE FINANCIAL PERIOD	22	6,416	23,376	2,598	18,337

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pp11-28

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with the **Public Finance and Audit Act 1983**, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements also incorporate financial reporting requirements specified in the **Public Finance and Audit Regulation 2005**, the **Annual Reports (Statutory Bodies) Act 1984**, **Annual Reports (Statutory Bodies) Regulation 1995** and the relevant Treasurer's Directions.

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

The financial statements have been prepared on an accruals basis using the historical cost convention, except for the non-current physical assets which are shown at valuation. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CHANGES IN ACCOUNTING POLICY:

Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The economic entity will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 July 2005. Note 34 outlines the key differences in accounting policy that will occur on adoption of AEIFRS and management's best estimates about the impact had the 2005 financial report been prepared under AEIFRS.

THE FOLLOWING IS A SUMMARY OF THE MATERIAL ACCOUNTING POLICIES ADOPTED BY THE ECONOMIC ENTITY IN THE PREPARATION OF THE FINANCIAL STATEMENTS.

PRINCIPLES OF CONSOLIDATION

The consolidated accounts of the Economic Entity comprise the accounts of the Parent Entity Hunter Water Corporation and the accounts of its two wholly owned Controlled Entities, Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd.

Hunter Water Corporation had the capacity to dominate the decision making in relation to the financial and operating policies of the Controlled Entities so that the Controlled Entities operated with Hunter Water Corporation to achieve its objectives. The Controlled Entities are detailed in Note 31 to the accounts.

All inter-company balances and transactions between Entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. In the consolidated results the income generated by the Regional Land Management Corporation Pty Ltd has been categorised as an External Sale (refer Note 2).

The associated costs have been categorised as a Cost of External Sales and disclosed accordingly in Note 3. This treatment has been adopted as the nature of the work undertaken by the Regional Land Management Corporation Pty Ltd differs significantly from that performed by either the Parent Entity or the other Controlled Entity, Hunter Water Australia Pty Limited.

Regional Land Management Corporation Pty Ltd was incorporated on 5 March 2003 as a wholly owned subsidiary of Hunter Water Corporation. The company commenced operations on 1 April 2003.

CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks or financial institutions, net of outstanding bank overdrafts.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

EXTERNAL CONTRACTS

External contracts work-in-progress are stated at cost plus profit recognised to date, less progress billings. Cost includes all costs directly related to specific contracts, and an allocation of overhead costs attributable to contract activity in general.

PROPERTY, PLANT AND EQUIPMENT

VALUATION

The Entity has valued its non current assets in accordance with AASB 1041 Revaluation of Non Current Assets and NSW Treasury's accounting policy "Valuation of Physical Non-Current Assets at Fair Value".

All assets of Hunter Water Corporation are shown at their written down replacement cost value. The Parent Entity's policy is to revalue assets over a 5 year cycle by selecting assets according to a predetermined schedule of five asset groups. Other than the asset group scheduled for revaluation, the remaining four groups are indexed annually to maintain current values.

In recent years with increased focus on asset management and improved technology such as camera inspections, both the Parent Entity and the Water Industry have greater knowledge of the condition and performance of infrastructure assets.

The revaluation process requires the determination of a modern equivalent reference asset at the productive unit or component level. This valuation is an assessment of the lowest cost at which the service potential or future economic benefit could currently be obtained in the ordinary course of business.

The written down valuation is then determined taking into account the relative age and life expectancy of each unit or component.

While assets are valued at their estimated written down current replacement cost, the carrying amounts of the total asset set is assessed against their net cash inflows. Where the carrying values exceed the recoverable amount, assets are written down. (Refer note 12D and discussion below on Net Cash Inflows).

In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate of 4%. It should be recognised that due to the nature of the water industry assets (in particular pipes) their realisable value is determined by the stream of income that can be derived from use of the assets, rather than the realisable value of the assets themselves. It therefore follows that in individual cases the value ascribed may not be achieved in the event of a sale.

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 result of the Entity in the year of disposal. The value of net revaluation increments or decrements are also disclosed on the face of the Statement of Financial Performance in accordance with the requirements of AASB1018.

Any surplus on revaluation is credited directly to the Asset Revaluation Reserve.

NET CASH INFLOWS (FORMERLY 'RECOVERABLE AMOUNT TEST' OR RAT)

In accordance with the requirements of AASB1010 and NSW Treasury Circular NSWTC01/03, an assessment has been made of the expected net cash flows to be received over the remaining life of the existing asset base to determine the extent of any difference in the economic value and the accounting book value of the assets. This assessment includes business assumptions in respect of future income streams, ongoing operational cost efficiencies and future growth in new connections. With respect to future income streams, estimates of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) Line in the Sand pricing methodology. The expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate of 4%.

The RAT calculation showed the estimated economic value supported the accounting book value.

DEPRECIATION

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land, at rates calculated to allocate the cost or valuation, less estimated residual value at the end of the useful lives of the assets, against revenue over those estimated useful lives.

It is Hunter Water'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 average useful lives used for each class of assets are:

CLASS OF FIXED ASSET	AVERAGE USEFUL LIFE
Water	95 yrs
Sewer	84 yrs
Drainage	70 yrs
General Support	24 yrs
Non Commercial	54 yrs

LEASES

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

REVENUE RECOGNITION

Revenue is recognised when the Economic Entity has passed on control of the good, it is probable that the economic benefits will flow to the Economic Entity and the amount of revenue can be reliably measured. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

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).

Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by multiplying the number of days since the last reading date to 30 June by the historic average daily consumption for each property.

INVESTMENT INCOME

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

PROPERTY SALES

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

CURRENT YEAR'S CONTRIBUTIONS FOR CAPITAL WORKS

Includes Environmental Levy receipts and Contributions from Developers and the Hunter Sewer Program (HSP). In accordance with Urgent Issues Group Abstract 17, physical asset contributions received from Developers and HSP are recognised as revenue and assets at their assessed fair value on receipt. For 2004/05 physical assets totalling \$18.7M (2003/04 \$18.2M) were received and were assessed as having a fair value of \$18.7M. The current year's contribution has been based on estimated net future cash inflows.

In respect of cash contributions received from Developers of \$10M (2003/04 \$13.9M), these have been shown as revenue and the economic assessment of the future cash flows embodied in the assets funded by these Contributions indicates that these asset values are supported. Environmental Levy receipts are considered revenue in nature and are shown at their cash value.

In past years the written down value of total infrastructure assets was roughly equal to the recoverable amount of these assets. As a result, any developer contributions received during the year were written down to zero as the cash flows for those assets did not support a higher carrying value. This year the recoverable amount of total assets was higher than the carrying value and as a result, developer contributions received during the year have been recognised at the values stated above.

INCOME TAX

Hunter Water Corporation and its wholly-owned Australian controlled entities 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 Act (1997)** (ITAA) and is administered by the Australian Taxation Office.

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit at the rates which are expected to apply when those timing differences reverse.

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 Australian Taxation Office has been notified of this decision.

As a consequence, Hunter Water Corporation, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entity in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entity are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to the wholly-owned entity joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

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 an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

EMPLOYEE BENEFITS

Provision is made for long service leave, annual leave, sick leave and superannuation, estimated to be payable to employees on the basis of statutory and contractual requirements. The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993. This requirement to provide for untaken sick leave ceased from 15 February 1993 with amendments to the **Industrial Relations Act 1991**.

Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The Corporation's superannuation liabilities as at 30 June 2005 have been calculated and advised by Pillar Administration.

In accordance with Australian Accounting Standard AASB1028 Employee Benefits, employee benefits that are expected to be settled within 12 months of the reporting date have been measured and disclosed at nominal amounts, using the remuneration rates expected to be paid when these obligations are settled. Long Service Leave has been measured at the present value of the estimated future cash outflows to be made for those entitlements. The provisions for leave entitlements also include the relevant oncosts.

DEBT FINANCING

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

FOREIGN CURRENCY TRANSACTIONS AND BALANCES TRANSACTIONS

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

HEDGE TRANSACTIONS

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into a hedge transaction is deferred and brought to account in the profit from ordinary activities over the lives of the hedges. Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale are deferred and included in the measurement of the purchase or sale.

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
2 REVENUE					
A REVENUE FROM OPERATING ACTIVITIES					
SERVICES					
Tariff - Service charges		58,476	55,746	58,476	55,746
Tariff - Usage charges		67,813	69,566	67,813	69,566
Other regulated income		5,027	4,622	5,027	4,799
		131,316	129,934	131,316	130,111
External Sales		6,122	5,085	183	446
External revenue generated by RLMC		5,745	3,836	NIL	NIL
		11,867	8,921	183	446
Developer contributions – Environmental charge		7,932	7,680	7,932	7,680
Developer contributions – Cash		9,964	13,880	9,964	13,880
Developer contributions – Assets		18,679	NIL	18,679	NIL
		36,575	21,560	36,575	21,560
Corporate Services		195	2,946	726	4,142
Other		2,809	290	2,980	225
		3,004	3,236	3,706	4,367
TOTAL SERVICES		182,762	163,651	171,780	156,484
B REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES					
Interest		1,132	2,000	1,102	1,881
Dividends		NIL	NIL	500	400
Sale of non-current assets		9,522	1,428	9,513	1,425
Foreign exchange gain (loss)		(12)	3	NIL	NIL
		10,642	3,431	11,115	3,706
REVENUE FROM ORDINARY ACTIVITIES		193,404	167,082	182,895	160,190
3 OPERATING EXPENDITURE					
EXPENDITURE - OPERATIONAL COSTS					
Labour & related costs		35,490	33,050	28,631	27,112
Materials		9,479	9,108	5,958	6,140
Energy		5,779	5,199	5,779	5,199
Plant & vehicles		2,588	2,485	2,238	2,058
Contracts & other		9,307	7,085	23,648	19,722
Cost of External Sales	2A	5,300	3,996	422	1,004
Cost of External Revenue generated by RLMC	2A	5,745	3,836	NIL	NIL
		73,688	64,759	66,676	61,235

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
4 PROFIT FROM ORDINARY ACTIVITIES				
<i>Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:</i>				
NET GAINS				
<i>Net gain on disposal of Property, plant and equipment</i>	1,355	82	1,347	112
<i>Foreign exchange gain (loss)</i>	(12)	3	NIL	NIL
EXPENSES				
<i>Depreciation</i>				
<i>Buildings</i>	212	185	212	185
<i>Plant and equipment</i>	35,723	33,190	35,352	32,829
	35,935	33,375	35,564	33,014
<i>Other charges against assets:</i>				
<i>Write down of externally funded assets</i>	NIL	13,371	NIL	13,371
<i>Bad and doubtful debts – trade debtors</i>	(123)	97	(117)	97
<i>Borrowing costs:</i>				
<i>Interest and finance charges paid/payable</i>	10,132	9,305	10,240	9,305
<i>Borrowing costs expensed</i>	10,132	9,305	10,240	9,305
<i>Rental expense relating to operating leases:</i>				
<i>Minimum lease payments</i>	109	261	50	69
	109	261	50	69
<i>Superannuation expense (revenue)</i>	(760)	1,514	(1,385)	1,073
	(760)	1,514	(1,385)	1,073
5 INCOME TAX				
INCOME TAX EXPENSE				
<i>The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:</i>				
<i>Profit from ordinary activities before income tax expense (ex dividend)</i>	63,842	41,479	61,551	39,716
<i>Income tax calculated at 30% (2004: 30%)</i>	19,153	12,444	18,465	11,914
TAX EFFECT OF PERMANENT DIFFERENCES:				
<i>Non-deductible depreciation and amortisation</i>	4,248	3,144	4,248	3,144
<i>Assessable externally funded assets (post July 2001)</i>	NIL	8,737	NIL	8,737
<i>Non-assessable contributions to capital works</i>	(2,181)	(2,304)	(2,181)	(2,304)
<i>Sundry items</i>	(482)	(721)	(429)	(708)
<i>Income tax adjusted for permanent differences</i>	20,738	21,300	20,103	20,783
<i>Under (over) provision in previous year</i>	81	1	214	(53)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT FROM ORDINARY ACTIVITIES BEFORE IMPACT OF TAX CONSOLIDATION	20,819	21,301	20,317	20,730
<i>Profit from ordinary activities before income tax expense: tax consolidated group (excluding parent entity)</i>	-	-	-	1,991

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
Income tax calculated at 30% (2004: 30%)	-	-	-	597
TAX EFFECT OF PERMANENT DIFFERENCES:				
Non-deductible depreciation and amortisation	-	-	-	52
Sundry items	-	-	-	(132)
Income tax adjusted for permanent differences	-	-	-	517
Benefit of tax losses of prior years recouped	-	-	-	NIL
Income tax expense – tax consolidated group (excluding parent entity)	-	-	-	517
Net deferred tax liabilities of tax consolidated group entities assumed on implementation of tax consolidation	-	-	-	(785)
Compensation received/receivable from tax consolidated group entities	-	-	-	(837)
Compensation paid/payable to tax consolidated group entities	-	-	-	785
Income tax expense attributable to profit from ordinary activities	20,819	21,301	20,317	20,410
AGGREGATE INCOME TAX EXPENSE	20,819	21,301	20,317	20,410
TAX LOSSES				
The future income tax benefit attributable to tax losses is	-	401	-	401
<p><i>This benefit for tax losses will only be obtained if:</i></p> <p><i>(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; and</i></p> <p><i>(ii) the consolidated entity continues to comply with the conditions of deductibility imposed by tax legislation; and</i></p> <p><i>(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the losses.</i></p>				
<p>Hunter Water Corporation and its wholly-owned Australian controlled entity, Hunter Water Australia Pty Limited decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in Note 1. The impact on the income tax expense for the year is disclosed in the tax reconciliation above.</p>				
<p>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.</p>				
<p>The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entity will reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Hunter Water Corporation (see Note 8). 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.</p>				
NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
6 DIVIDENDS PAID OR PROVIDED FOR				
Opening balance	36,000	38,000	36,000	38,000
Add Dividend declared	33,800	36,000	33,800	36,000
Less Dividend paid	36,000	38,000	36,000	38,000
	33,800	36,000	33,800	36,000
<p>Under the National Tax Equivalent Regime, the Corporation is not required to maintain a dividend franking account</p>				
7 CASH ASSETS				
Current				
Cash at bank and on hand	3,920	3,615	2,593	2,317
Deposits at call	2,496	19,761	5	16,020
	6,416	23,376	2,598	18,337
<p>Deposits at call are bearing interest rates between 5.2% and 5.5% (2004: 4.75% and 5.5%)</p>				

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
8 RECEIVABLES				
<i>CURRENT</i>				
Trade debtors	33,851	27,573	29,827	25,896
Provision for doubtful debts	(30)	(135)	(11)	(135)
<i>Net Trade Debtors</i>	33,821	27,438	29,816	25,761
Tax-related receivable	NIL	NIL	322	257
TOTAL RECEIVABLES	33,821	27,438	30,138	26,018
9 OTHER FINANCIAL ASSETS				
<i>CURRENT</i>				
Loan to Controlled Entity	NIL	NIL	3,323	1,075
	NIL	NIL	3,323	1,075
<i>NON-CURRENT</i>				
Investments traded on organised markets	-	-	-	-
Inscribed Stock - Government Issues - at market value	10,626	10,616	10,626	10,616
	10,626	10,616	10,626	10,616
<i>Other (non-traded) investments</i>				
Shares in controlled entities – at cost	NIL	NIL	900	900
TOTAL NON-CURRENT	10,626	10,616	11,526	11,516
<i>The above external investments are not quoted on the stock exchange but are marketable. Market valuation was provided by NSW Treasury Corporation Limited as at 30 June 2005.</i>				
<i>The inscribed stock was acquired in 1997, has a face value of \$10M and is redeemable in 3 years. The effective yield is 8.27%.</i>				
10 INVENTORIES				
<i>CURRENT</i>				
Consumable Stores at cost	1,641	1,409	1,641	1,409
Consumable Stores at Net Realisable Value	507	449	507	449
Work-in-progress at cost	829	766	NIL	NIL
TOTAL INVENTORIES AT LOWER OF COST & REALISABLE VALUE	2,977	2,624	2,148	1,858
11 OTHER ASSETS				
<i>CURRENT</i>				
Prepayments	968	893	818	828
Accrued Interest	287	277	287	277
	1,255	1,170	1,105	1,105

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
12 PROPERTY, PLANT AND EQUIPMENT				
NON-CURRENT				
A FIXED ASSETS - COMPRISE THE FOLLOWING ALL AT DIRECTORS' VALUATION:				
WATER				
Water sources and raw water delivery	226,177	222,092	226,177	222,092
Water treatment	97,400	94,165	97,400	94,165
Clear water delivery	185,610	182,015	185,610	182,015
Watermains	447,608	426,644	447,608	426,644
Water reservoirs & tanks	62,606	59,664	62,606	59,664
Water pump stations	17,195	15,303	17,195	15,303
Water Chlorinators	823	791	823	791
General Support – Water	6,662	6,414	6,662	6,414
	1,044,081	1,007,088	1,044,081	1,007,088
Accumulated Depreciation	(218,337)	(208,150)	(218,337)	(208,150)
TOTAL WATER	825,744	798,938	825,744	798,938
SEWER / WASTEWATER				
Sewer mains	1,028,113	992,653	1,028,113	992,653
Sewer treatment / disposal	276,795	263,792	276,795	263,792
Sewer pump stations	110,650	105,938	110,650	105,938
General Support – Sewer	3,663	1,375	3,663	1,375
	1,419,221	1,363,758	1,419,221	1,363,758
Accumulated Depreciation	(224,448)	(211,638)	(224,448)	(211,638)
TOTAL SEWER / WASTEWATER	1,194,773	1,152,120	1,194,773	1,152,120
DRAINAGE				
Stormwater channels	131,880	129,296	131,880	129,296
General Support – Drainage	33	46	33	46
	131,913	129,342	131,913	129,342
Accumulated Depreciation	(29,384)	(27,644)	(29,384)	(27,644)
TOTAL DRAINAGE	102,529	101,698	102,529	101,698
GENERAL SUPPORT				
Meters	16,243	16,141	16,243	16,141
Computers	16,900	27,286	15,234	25,883
Support Facilities / Buildings	16,853	11,846	14,820	10,069
Mobile Plant / Motor Vehicles	8,465	7,892	8,465	7,892
	58,461	63,165	54,762	59,985
Accumulated Depreciation	(37,330)	(36,846)	(34,669)	(34,555)
TOTAL GENERAL SUPPORT	21,131	26,319	20,093	25,430
LAND				
	43,499	45,796	43,499	45,796
NON-COMMERCIALS				
Non Commercial	882	879	882	879
Accumulated Depreciation	(335)	(302)	(335)	(302)
TOTAL NON COMMERCIALS	547	577	547	577
TOTAL GROSS ASSETS				
	2,698,057	2,610,028	2,694,358	2,606,848
Accumulated Depreciation	(509,834)	(484,580)	(507,173)	(482,289)
	2,188,223	2,125,448	2,187,185	2,124,559

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
B WORKS IN PROGRESS AT COST					
Works under construction		83,072	48,739	83,992	49,395
TOTAL PROPERTY PLANT & EQUIPMENT		2,271,295	2,174,187	2,271,177	2,173,954

C RECONCILIATIONS

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

	Water	Sewer	Drainage	General Support	Land	Non Commercial	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED 2005							
Carrying amount 1 JUL 2004	820,194	1,173,490	101,882	29,948	48,106	567	2,174,187
Additions	34,828	38,807	510	19,118	2,478	21	95,762
Disposals	(753)	(594)	(472)	(3,325)	(4,528)	0	(9,672)
Revaluation: increments/(decrements)	16,834	27,103	2,820	196	0	0	46,953
Depreciation expense	(10,640)	(16,396)	(1,909)	(6,957)	0	(33)	(35,935)
CARRYING AMOUNT 30 JUN 2005	860,463	1,222,411	102,831	38,980	46,056	555	2,271,295
PARENT ENTITY 2005							
Carrying amount 1 JUL 2004	820,462	1,173,877	101,882	29,044	48,106	583	2,173,955
Additions	34,828	38,807	510	18,858	2,478	21	95,502
Disposals	(753)	(594)	(472)	(3,322)	(4,528)	0	(9,669)
Revaluation: increments/(decrements)	16,834	27,103	2,820	196	0	0	46,953
Depreciation expense	(10,640)	(16,396)	(1,909)	(6,586)	0	(33)	(35,564)
CARRYING AMOUNT 30 JUN 2005	860,731	1,222,798	102,831	38,190	46,056	571	2,271,177

D VALUATION NOTES

The valuation of assets is based on the modern engineering equivalent replacement asset methodology (MEERA). The valuation of these assets is confirmed by application of a recoverable amount test based on the expected net cash flows to be generated discounted to their present value based on a real discount rate of 4%. In estimating future income streams, assumptions of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) Line in the Sand methodology. The outcome of this test indicated that the net present value of future revenues supported accounting book values of the asset base.

As at 30 June 2005 the directors have revalued interests in: Drainage Assets and some items of Plant. The remaining assets have been indexed by the Consumer Price Index (CPI) for the year to 31 March 2005 of 2.4%

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
13 DEFERRED TAX ASSETS					
NON-CURRENT					
Future Income Tax Benefit		5,876	6,159	5,876	6,159
		5,876	6,159	5,876	6,159
14 PAYABLES					
CURRENT					
Trade creditors		15,976	18,582	16,041	19,723
Deposits received for services		1,451	1,512	1,451	1,512
Prepaid income		1,056	1,012	789	756
Accrued expenses		2,531	1,997	2,547	1,997
		21,014	23,103	20,828	23,988
NON-CURRENT					
Tax-related payable		NIL	NIL	1,049	785
		NIL	NIL	1,049	785

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
15 CURRENT TAX LIABILITIES				
<i>PROVISION FOR INCOME TAX PAYABLE</i>				
<i>Opening balance</i>	6,791	11,796	6,734	11,346
<i>Add Under provision for income tax in prior year</i>	81	504	81	595
<i>Less Amount paid relating to prior year</i>	6,872	11,652	6,815	11,350
<i>Add Amount payable for current year</i>	19,594	19,532	19,594	19,532
<i>Less Amount paid relating to current year</i>	14,229	13,389	14,229	13,389
	5,365	6,791	5,365	6,734
16 INTEREST-BEARING LIABILITIES				
<i>CURRENT</i>				
<i>Other loans</i>	37,891	NIL	37,891	NIL
<i>NON-CURRENT</i>				
<i>Other loans</i>	128,025	124,906	131,525	124,906
TOTAL INTEREST – BEARING LIABILITIES	165,916	124,906	169,416	124,906
17 PROVISIONS				
<i>CURRENT</i>				
<i>Dividends</i>	33,800	36,000	33,800	36,000
<i>Employee benefits</i>	6,178	5,816	4,838	4,606
	39,978	41,816	38,638	40,606
<i>NON-CURRENT</i>				
<i>Employee benefits</i>	23,669	27,640	21,816	25,945
	23,669	27,640	21,816	25,945
18 DEFERRED TAX LIABILITIES				
<i>NON-CURRENT</i>				
<i>Provision for deferred income tax</i>	40,149	39,292	40,149	39,292
	40,149	39,292	40,149	39,292
19 OTHER				
<i>NON CURRENT</i>				
<i>Premium on Loans</i>	2,116	2,506	2,116	2,506
	2,116	2,506	2,116	2,506
20 CONTRIBUTED EQUITY				
<i>Issued and paid up capital 100,000,003 ordinary shares each fully paid</i>	100,000	100,000	100,000	100,000

	NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
21 RESERVES AND RETAINED PROFITS					
A RESERVES					
Asset revaluation		1,553,781	1,515,121	1,553,781	1,515,121
		1,553,781	1,515,121	1,553,781	1,515,121
MOVEMENTS IN RESERVES					
ASSET REVALUATION					
• Balance at beginning of year		1,515,121	1,437,616	1,515,121	1,437,616
REVALUATION INCREMENTS ON REVALUATION OF:					
• Water		16,834	16,699	16,834	16,699
• Sewer		27,103	61,299	27,103	61,299
• Drainage		2,820	2,189	2,820	2,189
• General support		196	69	196	69
• Buildings		1	984	1	984
REVALUATION DECREMENT ON REVALUATION OF:					
• Treasury Bond		(39)	(598)	(39)	(598)
Write-back of written down value of decommissioned assets		(1,594)	(3,104)	(1,594)	(3,104)
Transfer to Retained Profits with respect to decommissioned assets		(6,661)	(33)	(6,661)	(33)
BALANCE AT END OF YEAR		1,553,781	1,515,121	1,553,781	1,515,121
B RETAINED PROFITS					
• Retained profits at the beginning of year		364,395	380,184	360,138	376,800
• Net profit attributable to the economic entity		43,022	20,178	41,734	19,306
• Dividends provided for		(33,800)	(36,000)	(33,800)	(36,000)
• Aggregate of amounts transferred to reserves		6,661	33	6,661	33
RETAINED PROFITS AT END OF YEAR		380,278	364,395	374,733	360,139
C NATURE AND PURPOSE OF RESERVES					
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1.					
22 STATEMENT OF CASH FLOWS					
RECONCILIATION OF CASH					
Cash on hand		3,920	3,615	2,593	2,317
Deposits at call		2,496	19,761	5	16,020
CLOSING CASH BALANCE	7	6,416	23,376	2,598	18,337
RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES					
Profit from ordinary activities after related income tax		43,023	20,178	41,734	19,306
Depreciation and amortisation		35,935	33,375	35,564	33,014
Amortisation of discount on investments		(49)	(50)	(49)	(50)
(Profit) on sale of non-current assets		(1,355)	(114)	(1,347)	(144)
Capital Contributions		(36,575)	(8,189)	(36,575)	(8,189)
Net exchange differences		(4)	(3)	NIL	NIL

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
CHANGE IN OPERATING ASSETS AND LIABILITIES				
(Increase) decrease in trade debtors	(633)	(2,635)	1,696	(2,862)
(Increase) in inventories	(353)	(635)	(290)	(205)
(Increase) decrease in future income tax benefit	283	(5,313)	283	(6,159)
(Increase) in other operating assets	(85)	(54)	(65)	(334)
Increase (decrease) in trade creditors	32	4,112	(1,071)	5,530
Increase in other operating liabilities	127	1,808	396	2,524
(Decrease) in provision for income taxes payable	(1,426)	(5,005)	(1,369)	(4,612)
Increase in deferred income tax	857	6,494	857	6,494
(Decrease) in other provisions	(3,611)	(1,145)	(3,897)	(1,250)
NET CASH INFLOW FROM OPERATING ACTIVITIES	36,166	42,824	35,867	43,063
23 CONTRACTUAL COMMITMENTS				
<i>CAPITAL EXPENDITURE CONTRACTED FOR AT BALANCE DATE BUT NOT PROVIDED FOR</i>				
Payable not later than one year	42,633	39,375	43,083	39,375
Payable later than one year but not later than five years	22,462	5,240	22,462	5,240
	65,095	44,615	65,545	44,615
<i>CONSULTANCY COMMITMENTS CONTRACTED FOR AT BALANCE DATE BUT NOT PROVIDED FOR</i>				
Payable not later than one year	655	779	NIL	NIL
Payable later than one year but not later than five years	NIL	10	NIL	NIL
	655	789	NIL	NIL
24 LEASE EXPENDITURE COMMITMENTS				
<i>OPERATING LEASE COMMITMENTS IN RELATION TO NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:</i>				
Not later than one year	560	437	43	59
Later than one year but not later than 5 years	896	1,092	50	67
Later than 5 years	24	36	24	36
	1,480	1,565	117	162
<p>There are three major operating leases of the Economic Entity. The first is a non-cancellable lease with a five year term expiring in June 2009 with an option to renew the lease at the end of this term for an additional five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by CPI. Another is a non-cancellable lease with a 3 year term expiring in May 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3%. Both of the above two leases do not allow for subletting of the lease area. The final lease is a non-cancellable lease with a 2 year term expiring in June 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease require that the minimum lease payments shall be increased by 3%. This lease allows for subletting of the lease area.</p>				
<p>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.</p>				
<p>All lease expenditure commitments disclosed above are GST-exclusive.</p>				

25 SUPERANNUATION

All employees are entitled to benefits on retirement, disability or death. The superannuation plans are administered by Pillar Administration (formerly the Superannuation Administration Corporation) and provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Parent and Controlled Entities also contribute to the plans.

The State Authorities Superannuation Scheme closed on 18 December 1992. Superannuation benefits for new entrants are now provided through First State Super (FSS), which is an accumulation type scheme. The Economic Entity has made full provision for these commitments.

Pillar Administration (Pillar) has advised the level of estimated superannuation liability outstanding as at 30 June 2005. In accordance with this advice there has been a decrease in the Economic Entity's estimated outstanding liability, which has been recognised as an offset to superannuation expense in the results for the year ended 30 June 2005.

The Economic Entity has a net under-funded liability position with Pillar, which is recognised as a non-current liability on the Statement of Financial Position. The triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2003.

The following economic assumptions are based on information provided by Pillar:

2004-05	% pa
Investment Return	7.0
Salary Growth Rate	4.0
Consumer Price Index	2.5

Payments made to Pillar towards superannuation liabilities are held in Investment Reserve Accounts. The liability funding with Pillar is disclosed in the Statement of Financial Position and comprises:

	SSS \$M	SASS \$M	SANCS \$M	04-05 \$M	03-04 \$M
Gross Liability Assessed by Actuaries as at 30 June 2005	61.0	18.7	5.6	85.3	75.1
Less: Investment Reserve Account Balance	(57.2)	(13.4)	(4.5)	(75.1)	(59.9)
Unfunded Liability / (Prepaid Contributions)	3.8	5.3	1.1	10.2	15.2

- (i) SSS State Superannuation Scheme
- (ii) SASS State Authorities Superannuation Scheme
- (iii) SANCS State Authorities Non-Contributory Superannuation Scheme

26 CONTINGENT LIABILITIES

Capital gains tax would be payable if asset revaluation increments were realised at balance date. No provision has been made for this liability as disposal of this property is not anticipated. No significant claims for damages are being negotiated. This does not include matters covered by insurance.

27 AUDITORS' REMUNERATION

AMOUNTS RECEIVABLE OR DUE & RECEIVABLE BY THE AUDITORS,
FROM ENTITIES WITHIN THE ECONOMIC ENTITY

Auditing financial statements

NOTE	ECONOMIC ENTITY 30 JUN 05 \$'000	ECONOMIC ENTITY 30 JUN 04 \$'000	PARENT ENTITY 30 JUN 05 \$'000	PARENT ENTITY 30 JUN 04 \$'000
	151	144	133	129
	151	144	133	129

31 CONTROLLED ENTITIES

PARENT ENTITY:

Hunter Water Corporation

CONTROLLED ENTITIES:

Hunter Water Australia Pty Limited

Regional Land Management Corporation Pty Ltd

EQUITY HOLDING

100%

100%

32 ECONOMIC DEPENDENCY

The Controlled Entities Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd operated independent of the Parent Entity. All transactions were on normal commercial terms and conditions.

33 EVENTS OCCURRING AFTER BALANCE DATE

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

34 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian Equivalents to International Financial Reporting Standards (AEIFRS) and the economic entity will apply these standards from the reporting period beginning 1 July 2005.

The economic entity has been managing the transition to AEIFRS for the group of companies by allocating resources to analyse new standards and Urgent Issues Group (UIG) Abstracts and then identifying and implementing consequential changes in policies, procedures, systems, training and financial figures required on transition.

The economic entity has established an IFRS Steering Committee that reports regularly to the Audit & Compliance Committee. A project team has also been established, which the IFRS Project Controller leads. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable. The detailed timetable for managing the transition is currently on schedule.

The economic entity has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from accounting policy options available in AEIFRS.

To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect NSW Treasury's likely mandates.

Entities complying with AEIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AEIFRS to that period. The economic entity has restated the 1 July 2004 balance sheet and year ended 30 June 2005 financial statement amounts. Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on Hunter Water Corporation's equity and profit/loss. Hunter Water Corporation does not anticipate any material impacts on its cash flows.

The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The economic entity's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

	NOTE	ECONOMIC ENTITY ** 30 JUN 05 \$'000	ECONOMIC ENTITY * 30 JUN 04 \$'000	PARENT ENTITY ** 30 JUN 05 \$'000	PARENT ENTITY * 30 JUN 04 \$'000
A: RECONCILIATION OF KEY AGGREGATES					
Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:					
TOTAL EQUITY UNDER AGAAP		2,034,059	1,979,516	2,028,514	1,975,260
ADJUSTMENTS TO ACCUMULATED FUNDS:					
Recognition of restoration costs	1	(897)	(3,132)	(897)	(3,132)
Derecognition of intangible assets	2	(9,234)	(8,951)	(9,234)	(8,951)
Defined benefit superannuation adjustment for change in discount rate	3	(26,125)	(13,530)	(22,925)	(12,084)
Recognition of contributed assets	5	176,792	182,363	176,792	182,363
Impairment decrement - depreciation impact	4	8,674	0	8,674	0
Tax effect adjustment	6	45,727	43,593	44,850	43,109
ADJUSTMENTS TO OTHER RESERVES:					
Impairment decrement	4	(259,783)	(577,881)	(259,783)	(577,881)
Tax effect adjustment	6	(398,715)	(290,880)	(398,715)	(290,880)
Recognition of contributed assets	5	124,973	121,308	124,973	121,308
Derecognise revaluation of intangible assets	2	(423)	(267)	(423)	(267)
Assets held for sale (valuation basis change)	7	162	255	162	255
TOTAL EQUITY UNDER AEIFRS		1,695,210	1,432,394	1,691,988	1,429,100
* adjustments as at the date of transition					
** cumulative adjustments as at date of transition plus the year ended 30 June 2005					
Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:					
SURPLUS / (DEFICIT) UNDER AGAAP		43,023		41,734	
Restoration costs	1	2,235		2,235	
Research costs expensed	2	(500)		(500)	
Defined benefit superannuation	3	(12,594)		(10,840)	
Impairment decrement - depreciation impact	4	8,674		8,674	
Recognition of contributed assets - depreciation impact	5	(5,571)		(5,571)	
Tax effect adjustment	6	2,134		1,741	
SURPLUS / (DEFICIT) UNDER AEIFRS		37,401		37,473	

NOTES TO TABLES ABOVE

- 1 AASB 116 Property Plant & Equipment requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. These restoration costs must be depreciated. This treatment is not required under current AGAAP.
- 2 AASB 138 Intangible Assets requires all research costs to be expensed and restricts the capitalisation of development costs. Current AGAAP permits some research and development costs to be capitalised when certain criteria are met. As a result, some currently recognised intangible assets will need to be derecognised. Further, intangibles can only be revalued where there is an active market, which is unlikely to occur. Therefore, revaluation increments will need to be derecognised and intangible assets recognised at amortised cost. The adoption of AASB 138 will also result in certain reclassifications from property, plant and equipment to intangible assets (eg computer software and easements).
- 3 AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. As the superannuation obligation is not assumed by the Crown, this will increase the amount of the unfunded defined benefit superannuation liability and the volatility of the superannuation expense.
- 4 AASB 136 Impairment requires the recoverable amount test for assets in a cash generating unit to use a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset. The real pre-tax discount rates used in the AEIFRS impairment tests as at 1 July 2004 and 30 June 2005 were 5.2% and 4.4% respectively. Under AGAAP, the real pre-tax discount rate used for impairment was 4%. AASB 136 is also more prescriptive in the inputs to be used for the recoverable amount test. The adoption of the higher discount rate, the recognition of contributed assets at their fair value (see note 5) and changes in the prescribed inputs into the recoverable amount model have combined to result in impairment decrements being recognised that were not recognised under AGAAP.

- 5 AASB 116 Property Plant & Equipment and UIG Interpretation 1017 Developer and Customer Contributions for Connection to a Price-Regulated Network prescribe the accounting treatment for an asset acquired at no cost, or for a nominal cost, where that asset has been contributed in return for connection to a price regulated service delivery network. They require recognition of both revenue and a non-current asset equal to the fair value of the contributed asset. AASB 136 Impairment does not allow the impairment test to be applied separately to the contributed assets as they do not have their own active market and their value in use can not be determined separately from other assets in the network. This differs to the AGAAP UIG Abstract 17, which allowed the write-down of contributed assets when the carrying amount of the network to which the contributed asset belongs, was greater than its recoverable amount. Contributed assets previously not recognised under AGAAP have been recognised in the balance sheet on transition to AEIFRS.
- 6 AASB 112 Income Taxes uses a balance sheet approach which requires deferred tax assets or liabilities to be recognised where differences exist between the accounting and tax value of assets and liabilities. Current AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that are generally not recognised under current AGAAP. This also changes the quantum and timing of the tax expense.
- 7 AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires non-current assets classified as 'held for sale' to be reclassified as current and recognised at the lower of the carrying amount and the fair value less costs to sell. Unlike current AGAAP, 'held for sale' assets are not depreciated.

B: AEIFRS POLICY CHANGES EXPECTED TO AFFECT FINANCIAL STATEMENTS FROM THE YEAR ENDING 30 JUNE 2006:

- 1 AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AEIFRS's from 1 July 2004 with limited exemptions. Similarly, AASB108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- 2 Financial Instruments. In accordance with NSW Treasury's indicative mandates, the economic entity will apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any AEIFRS impact for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit / loss. Any changes for financial instrument measurement and recognition when applied from 1 July 2005 are not expected to have a material impact. Further, the impact of the Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.
- AASB 139 Financial Instruments: Recognition and Measurement also outlines stricter rules for the adoption of hedge accounting and requires the recognition of derivatives that were previously off balance sheet. Any changes for hedge accounting and derivatives when applied from 1 July 2005 are not expected to have a material impact.
- 3 AASB110 Events After Balance Sheet Date states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach, which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the Statement of Corporate Intent before the reporting date to which it relates, "authorises" the dividend. Any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".
- 4 AASB101 Presentation of Financial Statements and AASB107 Cash Flow Statements require new financial statement formats to be utilised in the 2006 Financial Report. These changes along with other new and amended disclosure requirements will also be introduced to comply with all other AEIFRS standards in the 2006 Financial Report.

35 FINANCIAL INSTRUMENTS

A INTEREST RATE RISK

The economic entity's exposure to interest rate risk, which 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, is as follows:

2004-2005	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Cash	5.45%	2,496	-	-	-	3,920	6,416
Receivables	N/A	-	-	-	-	33,821	33,821
CURRENT							
Other Financial Assets	8.27%	-	-	10,626	-	-	10,626
NON CURRENT							
TOTAL FINANCIAL ASSETS		2,496	-	10,626	-	37,741	50,863
Interest-bearing Liabilities Fixed	6.25%	-	36,331	43,936	84,089	-	164,356
Interest-bearing Liabilities Floating	5.65%	1,560	-	-	-	-	1,560
Payables	N/A	-	-	-	-	21,014	21,014
TOTAL FINANCIAL LIABILITIES		1,560	36,331	43,936	84,089	21,014	186,930

THE COMPARATIVE INFORMATION WITH REGARD TO THE 2003-04 YEAR IS AS FOLLOWS:

2003-2004	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Cash	5.50%	22,873	-	-	-	503	23,376
Receivables	N/A	-	-	-	-	27,438	27,438
CURRENT							
Other Financial Assets	8.16%	-	-	10,616	-	-	10,616
NON CURRENT							
TOTAL FINANCIAL ASSETS		22,873	-	10,616	-	27,941	61,430
Interest-bearing Liabilities	6.41%	-	-	72,875	52,031	-	124,906
Payables	N/A	-	-	-	-	23,103	23,103
TOTAL FINANCIAL LIABILITIES				72,875	52,031	23,103	148,009

B CREDIT RISK EXPOSURES

The credit risk on financial assets of the economic entity which have been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

C NET FAIR VALUES

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

END OF AUDITED FINANCIAL STATEMENTS

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of the Parent Entity, Clause 14 of the **Public Finance and Audit Regulation 2005**, and pursuant to Section 41C(1B) and 41C(1C) of the **Public Finance and Audit Act 1983**, in the opinion of the Directors:

- 1 The accompanying consolidated financial statements (pages 7 to 28) exhibit a true and fair view of the financial position of Hunter Water Corporation and its controlled entities as at 30 June 2005, 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 2005**, applicable Accounting Standards and other mandatory professional reporting requirements.
- 3 We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.



R ROBSON
CHAIRMAN



K YOUNG
MANAGING DIRECTOR

NEWCASTLE 14 SEPTEMBER 2005

**HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION**

	ACTUAL 2004-05	BUDGET 2004-05	ACTUAL 2003-04	BUDGET 2003-04
OPERATING PROGRAM 2004-05 ECONOMIC ENTITY				
<i>A summary of actual and budgeted results for 2004-05 and comparisons with 2003-04 results and budget, before contributions for capital works, is as follows:</i>				
INCOME				
Net Tariff Income	131,316	131,183	129,934	125,757
Interest on Investments	1,132	1,258	2,000	2,032
Profit (Loss) on Sale of Assets	1,355	-	82	(53)
External Sales	12,062	12,402	8,921	14,579
CSO Receipts – PSP	1,158	1,158	-	-
Other (Including Non-Regulated Income)	1,651	1,676	3,238	2,032
TOTAL INCOME	148,674	147,677	144,175	144,347
EXPENDITURE				
Operating Expenses	63,784	62,499	57,735	59,375
Cost of External Sales	11,045	11,815	7,832	14,059
Employee Provisions – Accrued Charge	5,496	4,840	4,863	4,548
Superannuation Adjustment	(4,996)	-	(2,225)	-
Depreciation & Amortisation	35,935	35,626	33,423	30,490
Interest Payable	9,804	10,187	9,169	9,740
Financial Charges	328	154	136	104
Other Expenditure	12	-	3	-
TOTAL EXPENDITURE	121,408	125,121	110,932	118,316
PROFIT BEFORE TAX, DIVIDEND & CONTRIBUTIONS FOR CAPITAL WORKS	27,266	22,556	33,243	26,031
OPERATING PROGRAM 2005-06				
	Budget 2005-06 \$'000			
INCOME				
Net Tariff Income	142,074			
Interest on Investments	1,001			
Profit/(Loss) on Sale of Assets	-			
External Sales	22,974			
CSO Receipts - PSP	615			
Other (Including Non-Regulated Income)	1,659			
TOTAL INCOME	168,323			
EXPENDITURE				
Operating Expenses	71,538			
Cost of External Sales	22,078			
Employee Provisions – Accrued Charge	5,324			
Superannuation Adjustment	-			
Depreciation & Amortisation	32,891			
Interest Payable	13,814			
Financial Charges	788			
Other Expenditure	-			
TOTAL EXPENDITURE	146,433			
OPERATING PROFIT BEFORE TAX, DIVIDEND & CONTRIBUTIONS FOR CAPITAL WORKS	21,890			

**HUNTER WATER CORPORATION AND CONTROLLED ENTITIES
SUPPLEMENTARY INFORMATION**

	2004-05 \$'M	2003-04 \$'M	2002-03 \$'M	2001-02 \$'M	2000-01 \$'M
5 YEAR FINANCIAL SUMMARY AND RATIO ANALYSIS					
1 STATEMENT OF FINANCIAL POSITION <small>ECONOMIC ENTITY</small>					
<i>CURRENT ASSETS</i>					
Short Term Investments	6.4	23.4	46.8	62.0	27.6
Debtors and Other	38.1	31.2	27.7	25.7	30.3
TOTAL CURRENT ASSETS	44.5	54.6	74.6	87.6	57.9
<i>NON-CURRENT ASSETS</i>					
Fixed Assets	2271.3	2174.2	2093.0	1997.7	1949.7
Investments / Other	16.5	16.8	11.9	9.0	12.1
TOTAL NON-CURRENT ASSETS	2287.8	2191.0	2104.9	2006.7	1961.8
TOTAL ASSETS	2332.3	2245.6	2179.5	2094.3	2019.7
<i>CURRENT LIABILITIES</i>					
Loans and Advances	58.9	23.1	43.7	12.5	9.6
Provisions	40.0	41.8	43.9	36.8	36.1
Other	5.3	6.8	11.8	8.5	4.0
TOTAL CURRENT LIABILITIES	104.2	71.7	99.4	57.8	49.7
<i>NON-CURRENT LIABILITIES</i>					
Loans and Advances	128.0	124.9	99.0	131.1	83.7
Provisions / Other	65.9	69.4	63.3	48.4	36.5
TOTAL NON-CURRENT LIABILITIES	194.0	194.3	162.3	179.6	120.2
TOTAL LIABILITIES	298.2	266.1	261.7	237.4	169.9
NET ASSETS	2034.1	1979.5	1917.8	1859.9	1849.8
<i>CAPITAL AND RETAINED EARNINGS</i>					
Issued Capital	100	100	100	100	100
Asset Revaluation Reserve	1553.8	1515.1	1437.6	1348.6	1317.7
Capital Profits Reserve	0	0	0	0	31.7
Accumulated Funds	380.3	364.4	380.2	408.4	400.4
TOTAL EQUITY	2034.1	1979.5	1917.8	1859.9	1849.8

HUNTER WATER CORPORATION AND CONTROLLED ENTITIES SUPPLEMENTARY INFORMATION

	2004-05 \$'M	2003-04 \$'M	2002-03 \$'M	2001-02 \$'M	2000-01 \$'M
2 STATEMENT OF FINANCIAL PERFORMANCE ECONOMIC ENTITY					
TRADING OPERATIONS					
REVENUE:					
• Tariff	131.3	129.9	127.0	117.3	115.4
• Other	16.2	12.2	10.2	6.0	5.0
LESS:					
• Operating Costs	74.8	64.8	62.5	56.6	54.9
GROSS MARGIN	72.7	77.4	74.6	66.7	65.5
OTHER INCOME:					
• Investments	1.1	2.0	2.7	2.8	4.0
OTHER EXPENDITURE:					
• Financing Charges	10.1	9.3	9.1	8.3	6.7
• Depreciation and Amortisation	35.9	33.4	28.2	26.8	27.3
• Employee Entitlements - Accrued Charge	5.5	5.6	5.3	3.0	2.9
PROFIT BEFORE DIVIDEND, SUPERANNUATION ADJUSTMENT AND CONTRIBUTIONS FOR CAPITAL WORKS	22.3	31.1	34.8	31.4	32.7
SUPERANNUATION ADJUSTMENT	¹ 5.0	¹ 2.2	¹ -8.4	¹ -11.8	¹ -2.5
PROFIT BEFORE DIVIDEND & CONTRIBUTIONS FOR CAPITAL WORKS	27.3	33.3	26.4	19.5	30.2
CONTRIBUTION FOR CAPITAL WORKS	² 36.6	8.2	7.6	6.7	6.2
PROFIT BEFORE DIVIDEND	63.8	41.5	34.0	26.3	36.4
DIVIDEND	33.8	36.0	38.0	31.1	30.0
PROFIT AFTER DIVIDEND	30.0	5.5	4.0	-4.8	6.4

1 Movement in Superannuation liabilities as advised by Pillar Administration

2 Includes Contributions for Capital Works from Developers of \$28.7M in 2004-05. In past years these contributions were written down to zero as projected cash flows did not support their carrying value

3 FINANCIAL RATIOS

Profit included in calculating ratios is Profit before Dividend, Abnormal Items and Contributions for Capital Works.

	2004-05	2003-04	2002-03	2001-02	2000-01
a Gross Profit (%)	49.28	54.45	54.43	54.08	54.42
b Working Capital	0.43	0.76	0.75	1.52	1.16
c Cash Ratio	0.06	0.33	0.47	1.07	0.56
d Equity to Total Liabilities	6.80	7.44	7.33	7.82	10.89
e Interest Cover (times)	3.20	4.34	4.84	4.80	5.91
f Return on Equity (%)	4.64	6.69	7.25	6.17	6.15
g Real Rate of Return (%)	1.38	1.76	1.96	1.84	1.81
h Return on Total Net Assets (%)	1.10	1.57	1.81	1.69	1.77

COMMENTS ON FINANCIAL RATIOS

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

GROSS PROFIT

A Gross Profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. This ratio has reduced slightly this year as a result of the lower usage income and higher operating costs.

WORKING CAPITAL

B Working Capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments. The reduction reflects a conscious reduction in the levels of cash being held as well as an increase in debt.

CASH RATIO

C Cash Ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. This ratio has decreased this year due to a lower level of cash being held as part of the introduction of some new financial asset and liability management initiatives as well as the increase in debt outlined above.

EQUITY TO TOTAL LIABILITIES

D Equity to Total Liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of the Corporation, in that it shows the level of financial equity in the Corporation as represented by how many times net assets if liquidated would cover total liabilities. Following the significant revaluation increment to infrastructure assets in 1990-91, this ratio has been favourable and is considered reasonably high. The ratio has decreased in recent years due to the Corporation borrowing funds to support the capital program.

INTEREST COVER

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

RETURN ON EQUITY

F Return on Equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. ROE for 2004-05 is 4.64%

REAL RATE OF RETURN

G Real Rate of Return is calculated as operating profit plus net interest plus financial charges divided by written down book value of infrastructure assets and works in progress and reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance ie capital costs, recurrent costs and revenue. The rate of return the Corporation may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 1.38%.

RETURN ON TOTAL NET ASSETS

H Return on Total Net Assets is calculated as operating profit before dividend 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 2004-05 RONA is 1.10%.

Hunter Water's tariffs normally apply for 12 months, commencing 1 July each year. However, for 2005-06 IPART did not deliver its price determination until September 2005.

* IPART has determined that the 2005-06 Service Charges for water, sewer, drainage and the Environmental Improvement Charge will apply from 1 NOV 2005. Therefore the Service Charges shown below are expressed on an annual equivalent basis - for the period 1 JUL 05 to 30 OCT 2005 the 2004-05 charges continued to apply.

** IPART has determined that the Usage Charges for 2005-06 will apply from 1 NOV 05. For the period 1 JUL 05 to 30 OCT 05 the 2004-05 Usage Charges continued to apply.

TARIFF STRUCTURE 2005-06

	WATER	SEWER	DRAINAGE
RESIDENTIAL			
SERVICE CHARGE *			
Stand alone dwelling 20mm	\$32.22	\$267.56	\$43.37
Flats and Units (minimum)	-	\$140.00	-
<i>For other meter sizes see table below</i>			
USAGE CHARGE **			
0-1000 Kilolitres	109c/kl	43c/kl	
1000 - 50 000 Kilolitres	103c/kl	43c/kl	
NON-RESIDENTIAL			
Valuation Based Charge (AAV):			1.25c/\$
SERVICE CHARGE *			
Base 20mm Meter	\$32.22	\$535.10	\$43.37
<i>For other meter sizes see table below</i>			
USAGE CHARGE **			
0 - 1000 kilolitres	109c/kl	#43c/kl	
1001 - 50 000 kilolitres	103c/kl	#43c/kl	
Over 50 000 kilolitres			
• Dungog Council	59.0c/kl		
• Kooragang/Stockton	86.8c/kl		
• South Wallsend	87.4c/kl		
• Tomago	90.8c/kl		
• Warners Bay/Valentine	90.8c/kl		
• Seaham/Hexham	94.4c/kl		
• Newcastle/Highfields	95.5c/kl		
• Raymond Terrace	97.0c/kl		
• Port Stephens	97.3c/kl		
• Kurri/Cessnock	97.7c/kl		
• Lookout	97.5c/kl		
• Edgeworth/West Wallsend	100.1c/kl		
• Other Areas	103.0c/kl		

EXEMPT PROPERTIES

WATER SERVICE CHARGES *
\$13.18 for 20mm & \$20.56 for 25mm services, then as per non-residential water service charge

SEWER SERVICE CHARGE
a charge of \$108.93 x meter size ratio *

USAGE CHARGES
see usage charges listed above

ENVIRONMENTAL IMPROVEMENT CHARGE

Environmental Improvement Charge of \$50.17 levied on properties liable for sewerage or properties to be provided with sewerage in the Hunter Sewerage Project, exc. eligible pensioners

SERVICE CHARGES *

Base charges for a 20mm meter are listed above. Customers with larger pipes should use the table below:

PIPE SIZE	WATER	*SEWER
20 mm	\$32.22	\$535.10
25 mm	\$50.27	\$834.75
32 mm	\$82.49	\$1,369.86
40 mm	\$128.88	\$2,140.40
50 mm	\$201.38	\$3,344.37
80 mm	\$515.52	\$8,561.60
100 mm	\$805.50	\$13,377.50
150 mm	\$1,812.38	\$30,099.38
200 mm	\$3,222.00	\$53,510.00
250 mm	\$5,034.38	\$83,609.37
300 mm	\$7,249.50	\$120,397.50
350 mm	\$9,867.38	\$163,874.37
400 mm	\$12,888.00	\$214,040.00
500 mm	\$20,137.50	\$334,437.50

Subject to discharge factor: the assessed percentage of water disposed of VIA the sewer (50% for residential customers)

TARIFF STRUCTURE 2004-05

	WATER	SEWER	DRAINAGE
RESIDENTIAL			
SERVICE CHARGE			
Stand alone dwelling 20mm	\$25.37	\$239.35	\$42.31
Flats and Units (minimum)	-	\$120.00	-
<i>For other meter sizes see table below</i>			
USAGE CHARGE			
0-1000 Kilolitres	101c/kl	42c/kl	
1000 - 50 000 Kilolitres	93c/kl	42c/kl	
NON-RESIDENTIAL			
Valuation Based Charge (AAV):			1.25c/\$
SERVICE CHARGE			
Base 20mm Meter	\$25.37	\$478.69	\$42.31
<i>For other meter sizes see table below</i>			
USAGE CHARGE			
0 - 1000 kilolitres	101c/kl	#42.0c/kl	
1001 - 50 000 kilolitres	93c/kl	#42.0c/kl	
Over 50 000 kilolitres			
• Dungog Council	54.8c/kl		
• Kooragang/Stockton	80.2c/kl		
• South Wallsend	80.7c/kl		
• Tomago	83.9c/kl		
• Warners Bay/Valentine	83.9c/kl		
• Seaham/Hexham	87.2c/kl		
• Newcastle/Highfields	88.2c/kl		
• Raymond Terrace	89.6c/kl		
• Port Stephens	89.9c/kl		
• Kurri/Cessnock	90.2c/kl		
• Lookout	90.1c/kl		
• Edgeworth/West Wallsend	92.5c/kl		
• Other Areas	93.0c/kl		

EXEMPT PROPERTIES

WATER SERVICE CHARGES
\$10.38 for 20mm & \$16.09 for 25mm services, then as per non-residential water service charge

SEWER SERVICE CHARGE
a charge of \$97.45 x meter size ratio #

USAGE CHARGES
see usage charges listed above

ENVIRONMENTAL IMPROVEMENT CHARGE

Environmental Improvement Charge of \$48.95 levied on properties liable for sewerage or properties to be provided with sewerage in the Hunter Sewerage Project, exc. eligible pensioners

SERVICE CHARGES

Base charges for a 20mm meter are listed above. Customers with larger pipes should use the table below:

PIPE SIZE	WATER	*SEWER
20 mm	\$25.37	\$478.69
25 mm	\$39.32	\$741.98
32 mm	\$64.69	\$1,220.67
40 mm	\$101.47	\$1,914.77
50 mm	\$158.55	\$2,991.84
80 mm	\$405.90	\$7,659.11
100 mm	\$634.21	\$11,967.35
150 mm	\$1,426.97	\$26,926.54
200 mm	\$2,536.84	\$47,869.39
250 mm	\$3,963.81	\$74,795.93
300 mm	\$5,707.88	\$107,706.13
350 mm	\$7,769.06	\$146,600.02
400 mm	\$10,147.35	\$191,477.58
500 mm	\$15,855.23	\$299,183.71

Subject to discharge factor: the assessed percentage of water disposed of VIA the sewer (50% for residential customers)

	30-6-05 \$M	30-6-04 \$M
1 RECEIVABLES		
<i>Receivables are shown as a current asset on the Statement of Financial Position and total \$33.8M.</i>		
Tariff Income - billed	9.686	10.313
Tariff Income - unbilled	10.402	11.748
Sundry Debtors	8.659	2.211
Net GST Receivable from ATO	1.480	1.820
Community Service Obligations	0.400	0.591
Treasury Funding (RLMC)	3.214	0.817
Miscellaneous Debtors	0.010	0.073
	33.851	27.573
Less Provision for Doubtful Debts	0.030	0.135
	33.821	27.438
 <i>A MORE DETAILED ANALYSIS OF THE MAJOR CATEGORIES FOLLOWS</i>		
A TARIFF INCOME		
<i>Billed: at 30 June 2005 the breakdown of outstanding rates and charges into customer categories and comparison with the 2003-04 result is as follows:</i>		
Residential	6.784	6.940
Vacant Land - Residential	0.097	0.103
Flats and Home Units	0.836	0.831
Commercial	1.510	1.833
Industrial	0.236	0.322
Vacant Land - Non Residential	0.016	0.019
Farms	0.081	0.107
Commercial Strata	0.056	0.057
Exempts	0.037	0.060
Other	0.033	0.041
	9.686	10.313
 LESS:		
Pensioners	2.721	2.806
Accounts not due*	3.774	3.855
Property Lists**	1.607	1.867
COLLECTABLE CHARGES	1.584	1.785

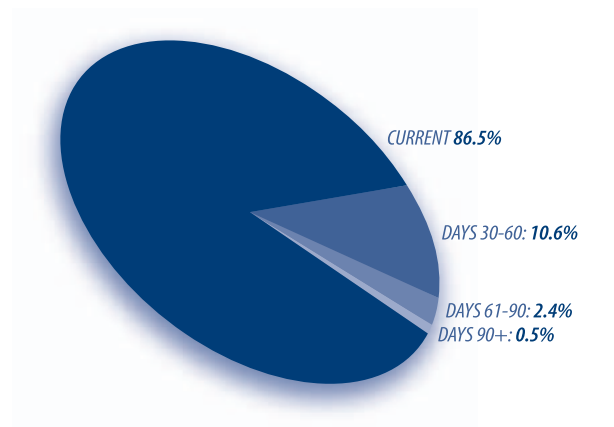
* Accounts not due refers to accounts rendered for which the 21 day payment period has not yet expired.

** Property Lists refers to customers for whom one account is calculated (but not yet forwarded) regarding multiple properties eg councils

Unbilled: this represents an estimate of water consumption not billed at 30 June 2005, \$10.4M has been accrued as income in the Statement of Financial Performance and raised as a receivable on the Statement of Financial Position.

B SUNDRY DEBTORS

Total sundry debtors as at 30 June 2005 were \$8.659M (including accruals) compared to \$2.211M at 30 June 2004. The increase this year is due to a receivable being recognised in respect to the sale of the current head office site. The following graph provides an aged analysis of the outstandings (exclusive of accruals). \$0.044M of this balance is outstanding in excess of 90 days, and is expected to have been settled by the end of August. During the year \$0.013M worth of bad debts were written off (\$0.007M tariff and \$0.006M sundry).



C PROVISION FOR DOUBTFUL DEBTS

The Economic Entity's total outstanding debtors (excluding unread water meters accrued) at 30 June 2005 totalled \$18.345M. Of this amount \$9.686M or 53% relates to tariff income debtors and \$8.659M or 47% to sundry customers.

The Tariff Income - billed outstandings are charges which are raised on the actual properties and are ultimately recoverable upon sale of the property. These outstandings are generally recovered and there are very few write offs. For the year ended 30 June 2005 total tariff income write offs were \$0.007M. The outstandings in respect of external trading customers potentially have the highest risk of non recovery.

Business Unit Managers review all their outstandings on a quarterly basis and have taken action to recover or recommend write off for those accounts considered irrecoverable. In respect of the year ended 30 June 2005 write-offs totalled \$0.006M for external trading customers and the amount of outstandings over 90 days totalled \$0.044M. During the year a full review of the provision for doubtful debts was undertaken and based on current doubtful debtors the provision for doubtful debts was decreased from \$0.135M in 03-04 to \$0.011M. This decrease relates to two amounts provided for in 2003-04 being recovered during the 2004-05 year.

D COMMUNITY SERVICE OBLIGATIONS

The Corporation seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant portfolio Minister for endorsement and inclusion in the State Budget. Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with Treasury. The Corporation's CSO claims for 2004-05 were for tariff rebates given to pensioners and exempt properties, for example, churches. The 2004-05 claim and cash received were as follows:

	Amount Claimed \$M	Cash Received \$M	Outstanding (Prepayment) \$M
Pensioner Rebate	8.534	8.256	0.278
Exempt Properties	1.134	1.012	0.122
TOTAL	9.668	9.268	0.400

The net under recoupment of \$0.400M is due to variations in actual rebates claimed compared to rebates budgeted for 2004-05. This under recoupment will be added to the 2005-06 claim. For 2005-06 the forecast CSO's included in State Budget estimates provided to NSW Treasury back in November 2004 are Pensioner Rebates \$8.255M and Exempt Properties \$0.911M.

	Reimbursable Due \$M
RLMC Reimbursable from Treasury	3.214

This amount will be claimed by Regional Land Management Corporation Pty Ltd from Treasury on completion of the annual financial statements. Arrangements have now been made for reimbursements to be claimed quarterly in arrears.

E GOODS AND SERVICES TAX (GST)

The Corporation is liable to pay GST on all taxable acquisitions. However, GST is only collected on a few taxable revenue items (eg. 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 Corporation are GST-free, but its purchases predominantly include GST, the Corporation receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable at 30 June 2005 (inclusive of accruals) and included in Receivables was \$1.480M (this includes a net GST receivable of \$0.193M from the Controlled Entity, Regional Land Management Corporation Pty Ltd).

For the Controlled Entity Hunter Water Australia Pty Ltd, a net liability for GST of \$0.288M was recorded as at 30 June 2005.

2 INVESTMENTS

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

	30-6-05 \$M	30-6-04 \$M
Cash at Bank	3.920	3.615
TCorp Deposits	2.496	19.761
Inscribed Stock - Government Issues (at market value)	10.626	10.616
	17.042	33.992
Interest Earned	1.132	2.001
Average Interest (on average monthly balance)	7.27%	6.03%
Investments are split on the Statement of Financial Position into:		
Current	6.416	23.376
Non Current	10.626	10.616
	17.042	33.992

In accordance with AASB1041 Revaluation of Non-Current Assets, the Inscribed Stock held has been revalued to market value.

3 FIXED ASSETS - PROPERTY PLANT AND EQUIPMENT

	30-6-05 \$M	30-6-04 \$M
Opening WDBV	2,125.448	2,017.514
Less - Depreciation Charge	(35.935)	(33.375)
Less - Retirements	(1.846)	(3.137)
Less - Sales	(7.826)	(1.282)
Add - Additions from WIP	45.084	61.694
Add - Assets Externally Funded	18.679	2.604
Add - Assets from HSP (only HWC's share)	0.115	13.561
Adjustment for Developer Funded Assets - Abstract 17	0	(13.371)
Revaluation - Increment / Decrement	44.504	81.240
Closing WDBV	2,188.223	2,125.448
Opening WIP	48.739	75.448
Expenditure	75.999	50.629
Less - Assets Commissioned	(41.666)	(77.338)
Closing WIP	83.072	48.739
TOTAL ASSETS PLUS WIP	2,271.295	2,174.187

The total assets of \$2,271M represents an increase of \$97.11M on the balance as at 30 June 2004.

4 BORROWINGS

The Corporation has engaged NSW TCorp to provide a Liability Advisory Role to assist in the management and structuring of the Financial Asset & Liability Portfolios. Management of the Portfolio is in accordance with the approved parameters. These parameters are to maintain a Portfolio structure which comprises debt that has an average life to maturity of between 3 years and 5 years.

	Lower Limit	30-6-05 Position	Benchmark Position	Upper Limit
	3	4	4	5

At 30 June 2005 the Corporation's Portfolio has a duration of 3.7 years. During 2004-05 the Corporation drew down new loans with face values totalling \$39.5M. The average interest yield cost of debt held at 30 June 2005 was 6.25%. A profile of the Corporation's Financial Liability Portfolio is as follows:

	30-6-05 \$M	30-6-04 \$M
NUMBER OF LOANS	19	14
Face Value	164.356	124.906
Market Value	173.437	131.387
Come and Go Facility	1.560	NIL
Interest bearing liabilities included in the Statement of Financial Position are:	165.916	124.906
	165.916	124.906
DEBT MATURITY PROFILE		
Come and Go Facility	1.560	NIL
Within 1 year	36.331	NIL
Between 1-5 years	43.936	72.875
Over 5 years	84.089	52.031
	165.916	124.906

5 NET DISCOUNT / PREMIUM ON LOANS

The Corporation's Treasury Corporation Debt portfolio includes loans taken up at premiums and discounts. These arise because loans are issued at a premium or discount to their face value to reflect the current market value. As an example a loan with a face value of \$1.0M with an interest cost of 12% is expensive in the current market. For a buyer (eg. Hunter Water Corporation) to purchase that loan of \$1.0M with a fixed cost of 12% in a market where the cost of borrowings are 8%, the seller (eg. NSW TCorp) will provide an amount of cash in excess of the face value to compensate for the higher interest cost. The buyer (eg. Hunter Water Corporation) receives a loan with a face value of \$1.0M plus the additional cash premium. The buyer's commitment to repay is still only the face value of the debt. The premium is amortised as income in the Statement of Financial Performance to offset the high interest cost of the debt. The opposite applies to discounts. Movement in respect of discounts (premiums) for the year to 30 June 2005 is as follows:

	\$M Discounts	\$M Premiums	\$M Net
Opening Balance 1.7.04	1.301	(3.807)	(2.506)
Amortisation 1.7.04 to 30.6.05	(0.321)	1.106	0.785
Debt Traded	0.230	(0.625)	(0.395)
BALANCE 30-6-05	1.210	(3.326)	(2.116)

6 EMPLOYEE PROVISIONS

Overview: at 30 June 2005 the liability for Employee Provisions totalled \$29.8M representing a decrease of \$3.61M during the year and comprised:

	Liability 30-6-05 \$M	Liability 30-6-04 \$M
Long Service Leave	14.135	13.176
Defined-Benefit Superannuation	10.199	15.194
Accrued Sick / Annual Leave	5.513	5.086
	29.847	33.456

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

	6.178	5.816
Current	6.178	5.816
Non Current	23.669	27.640
	29.847	33.456

At 30 June 2005 the Economic Entity's superannuation portfolio was under-funded in total by \$10.2M. At 30 June 2004 the portfolio was net under-funded by \$15.2M (see below for further details). Note the Long Service Leave (LSL) entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB 1028 Employee Benefits.

SUPERANNUATION

The fund manager, Pillar Administration has forwarded an assessment of the Economic Entity's liabilities as at 30 June 2005.

The movement in the liabilities over the year has been:

	30-6-05 \$M	30-6-04 \$M	Movement \$M
Gross Liability	85.3	75.1	10.2
Balance Funded with Pillar	75.1	59.9	5.2
Liability Unfunded / (Overfunded)	10.2	15.2	(5.0)
Percentage funded	88.1%	79.8%	

A superannuation adjustment of \$5.0M was required based on the decreased level of estimated Superannuation liabilities as advised by Pillar Administration as at 30 June 2005. This movement is as a result of the good investment returns experienced by the funds during the year. While it is not expected that the full extent of the estimated shortfall in the level of funding will be required to be paid, actual contributions will be required to be made towards this unfunded liability during the year.

7 BREAKDOWN OF LANDHOLDINGS 30 JUNE 2005

Code	Description	Properties	Value
		No	\$M
1	Land fully utilised as an integral part of the Corporation's system	357	23.440
2	Land partly used with the unused residue required for future integral needs	2	0.035
3	Land not currently used but fully required for future integral needs	23	5.005
4	Land being partly used, the residue having potential for alternative use	22	0.656
5	Land with significant potential for alternative use	31	21.611
	TOTAL	435	50.747

Landholdings are re-valued and assessed in accordance with Australian Accounting Standard AASB1041 and the NSW Treasury Accounting Policy – Valuation of Physical Non-Current Assets at Fair Value. The last full land revaluation was undertaken at 30 June 2003. Land holdings in Codes 1 to 4 have been re-valued to Fair Value based on existing use, whilst land holdings in Code 5 have been re-valued to Fair Value based on highest and best use.

8 PROPERTY DISPOSALS

There were six parcels of land disposed of during the financial year. Total proceeds of \$8.821M will be received at settlement. The properties were no longer required for operational purposes by the Corporation. The proceeds from the sale of these properties have been reinvested in the Economic Entity's operations and access to documents relating to the disposal of the land can be obtained under the Freedom of Information Act.

9 MATERIAL CAPITAL EXPENDITURE CONTRACTS AS AT 30 JUNE 2005 (GST-EXCLUSIVE)

(contracted for at balance date but not provided for)

Contract Number	Contract Description	Committed Amount \$M
CG169112	Construction of Cessnock WWTW & Cessnock No.1 WWPS Upgrade	19.987
CG153221	Construction of Major Sewer Rising Main by Trenchless Technology	8.500
CP189900	New HO	8.187
CG160214	Warners Bay - Valentine Package 3	7.581
CG169111	Cessnock WWTW - Tertiary Treatment Plant	2.750
CG008117	Grahamstown Dam New Spillway & Embankment	2.620
CG301403	Term Contract - Water Jet Cleaning & CCTV Inspection of Sewermains & Branches	1.750
CG323206	Rehabilitation of Sewermains by Lining in HWC's Area of Operations for a 1 Year (& Optional 2 Year) Period	1.581
CP214000	Backlog Sewer Area	0.779
CG160213	Warners Bay - Valentine Package 2	0.709
CG246717	Construction of Talleen Road Water Pump Station	0.691
CG169117	Construction of Cessnock WWTW Contract Management Services	0.577
	Mincom Upgrade	0.550
CG324336	Design & Construction of Watermain Replacements in Newcastle & Port Stephens Council Areas	0.541
	CIS Project	0.538
CP227900	Boulder Bay Upgrade Concept-Detail Design	0.482
CP232100	Dora Creek Wastewater Treatment Works Capacity Review	0.442
	HWA - Condition Assess - Assets Information	0.440
CG324379	Design & Construction of Replacement Watermains at Various Locations	0.402
CP208800	Morpeth Sewerage System Upgrade	0.362
	Serck Controls - Assets Information	0.362
CP230200	Edgeworth WWTW Capacity Assessment and Upgrade Strategy	0.293
CG323204	Term Contract - Smoke Testing, Dye Testing & Visual Inspections of Sanitary Drainage Systems	0.291
CP165300	North Lambton Reservoir - Remediation Works	0.246
CP234200	Burwood Beach WWTW Capacity Review, Optimisation & Upgrade Strategy	0.245
CP229400	Redhead and Branxton No.2 WWPS Upgrade	0.230
CG329701	Upgrade of Newcastle No.10 WWPS - Jesmond	0.203
CG298036	Watermain Replacements at Various Locations	0.196
CP229200	Newcastle Wastewater Transportation System - Servicing Strategy	0.175
	PI Consulting - Assets Information	0.172
1598	Replacement of CTGM between Tarro and Shortland	0.163
CP165402	Newcastle Sewerage System Upgrade - Stage 1 Works	0.159
CP186600	Belmont WWTW & Outfall Augmentation	0.153
CG006110	Construction of South Arm Crossing Watermain	0.139
CG181002	Construction of Farley WWTW Inlet Works Upgrade	0.138
CG3245104	Sewer Rehabilitation Myra Street, East Maitland	0.128
3090	Pre Construction Assistance provided by Dept of Commerce (under contract management services approved by Board in Sep 2003)	0.124
CP167000	Cessnock WWTW - Design and Construction	0.121
CG299602	Replacement of No.3 Pump & Switchboard at Cardiff South WPS	0.117
2719	Pre Construction Assistance by Dept of Commerce (Various Items)	0.102
CG325403	Concrete Stormwater Channel Rehabilitation - Throsby Creek, Adamstown Branch	0.101
CP228108	Software Development 2004-05	0.094
CP091909	South Wallsend Water Supply System Servicing Strategy	0.093
	Intergraph - Assets Information	0.090
CP208200	Windale Gateshead Upgrade Management Plan	0.090
CP136400	Belmont WWTW Servicing Strategy	0.088
CP228900	Flow Gauging 2004 Toronto and Dora Creek Wastewater Transportation System	0.085
CP230300	East LM WSS 2004	0.082
CG272002	Design & Construction of PAC Handling & Dosing Facility at George Schroder Pumping Station	0.073
CP185100	CMS for Construction of Talleen Road Water Pump Station	0.073
3016	Belmont WWPS Upgrade	0.068
CP208100	Rehabilitation of Toronto No 1 R/Main	0.067
CG153220	Design Development of Major Sewer Rising Main by Trenchless Technology	0.065
CP207200	Cockle Creek 500mm Aerial Trunkmain Rehabilitation	0.065
1212	Tomaree Water Supply System Servicing Strategy	0.060
CP230600	Maryland-Minmi Water Servicing Strategy 2004	0.055
OTHER		1.069
		65.545

HUNTER WATER CORPORATION

STATISTICAL AND STATUTORY INFORMATION 2004-05



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• BOARD OF DIRECTORS

Hunter Water Corporation's Board of Directors is comprised of eight members (including the Managing Director) appointed by the voting shareholders (the NSW Treasurer and the NSW Special Minister of State). 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.

• COMMITTEES AND MEMBERSHIPS

COMMITTEE & MEMBERSHIP	CORPORATE SUPPORT & CONTACT	MEETING FREQUENCY	MAJOR AREAS OF COVERAGE
REMUNERATION R Robson (Chairman) R Knights	K Young	Twice yearly and as required	To provide overall guidance and endorsement of methods of appointment of senior managers, including their remuneration.
ENVIRONMENT & COMMUNITY P Barrack (Chairman) W Elliott K Young B Crossley A Chappel	H Vorlicek	Twice yearly	To ensure the Corporation continues to maintain a pro-active and strategic approach in relation to relevant environmental initiatives / issues.
AUDIT & COMPLIANCE D Boyd (Chairman) R Robson R Knights W Elliott	A Fullick	Four meetings per year	To assist the Board in ensuring Hunter Water Corporation meets its financial, compliance and regulatory requirements across (but not limited to) the areas of financial, safety, environmental and engineering.
CAPITAL WORKS R Knights (Chairman) D Boyd P Barrack K Young A Chappel	R Pascoe	Three meetings per year	To provide a strategic overview of the longer term Capital Program of the Corporation, up to 20 years out. To review progress of all major capital works projects and oversee post completion reviews.
CORPORATE GOVERNANCE R Robson (Chairman) R Knights K Young	S Smith	Twice yearly	To overview Board strategic direction and business performance
MAJOR CUSTOMERS K Young (Chairman) R Robson B Crossley D Boyd	J O'Hearn	As required	To provide strategic oversight for the management of projects in respect of both new and existing major customers and its implications for other similar proposals.

• ATTENDANCE OF DIRECTORS AT HUNTER WATER CORPORATION COMMITTEE MEETINGS

	REMUNERATION		ENVIRONMENTAL		CAPITAL WORKS		MAJOR CUSTOMERS	
	A	B	A	B	A	B	A	B
R ROBSON	2	2	*	*	*	*	4	4
R KNIGHTS	2	2	*	*	3	3	2	2
P BARRACK	*	*	2	2	3	3	*	*
W ELLIOTT	*	*	2	2	2	2	*	*
K YOUNG	*	*	2	2	3	3	4	4
B CROSSLEY	*	*	2	2	2	2	2	2
A CHAPPEL	*	*	2	2	3	3	*	*
D BOYD	*	*	*	*	3	3	4	4

A: No of meetings attended. B: No of meetings held during the time the director held office or was a member of the committee during the year. *: Not a member of the relevant committee. For information on attendance at Board Meetings and the Audit & Compliance and Corporate Governance Committee Meetings refer to the Directors' Report in the financial statements

• **EXECUTIVE POSITIONS AT 30 JUNE 2005** (PAID AT EQUIVALENT OF SES LEVEL 1 OR ABOVE)

POSITION	2003-04	2004-05
Managing Director	1	1
Senior executives	8	8
Number of roles filled by women	2	2

All executive staff are employed under personal contract.

They are not members of the NSW Executive Service (SES) nor are their conditions of employment aligned with the SES.

• **PERFORMANCE STATEMENT**

PERFORMANCE STATEMENT

NAME: KEVIN YOUNG
 POSITION: MANAGING DIRECTOR
 APPOINTED: 19 JULY 2004
 REMUNERATION PACKAGE: \$286,625
 PERFORMANCE PAY: \$37,947 (2003-04)

Continued the strong overall performance of the Corporation. Achieved Operating Licence requirements and physical system performance criteria during 2004-05. Strong business performance & Statement of Corporate Intent outcomes. Achieved strategic initiatives including the development of profitable external sales and the effective management of an expanded capital program.

• **THE CORPORATION'S CUSTOMER BASE**

CUSTOMER	NUMBER OF PROPERTIES	INCOME RAISED 2004-05 \$M ACTUAL
Residential	164,208	85.60
Multi-Residential	*31,813	9.19
Commercial	9,829	21.89
Industrial	827	7.57
Other	**4,535	3.20
TOTAL	211,212	126.45

Note: Customer classifications have been revised slightly from last year

* includes total number of individual flats

** includes some Hunter Water properties from which no revenue is raised

• **RAINFALL RECEIVED (MILLIMETRES) - 12 MONTHS ENDING 19 APRIL 2005**

YEAR	NEWCASTLE	GRAHAMSTOWN	CHICHESTER
1998-99	1,843	1,732	1,772
1999-00	1,604	1,390	1,341
2000-01	704	820	1,298
2001-02	1,351	1,201	1,171
2002-03	788	837	1,032
2003-04	999	819	1,244
2004-05	910	1,242	1,299
Long Term Average	1,123	1,021	1,268
YEARS OF RECORD	140	38	79

• **WATER SUPPLIED (MEGALITRES) - 12 MONTHS ENDING 19 APRIL 2005**

SOURCE	2002	2003	2004
Chichester	27,532	*28,070	*27,957
Tomago	14,845	16,098	5,176
Grahamstown	31,142	26,338	35,360
Total Major Sources	73,519	70,506	68,493
Anna Bay	3,224	1,586	2,212
Lemon Tree Passage	884	790	911
TOTAL	*77,627	*72,882	*71,616

Note: above figures for Anna Bay include water supplied from Glovers Hill & the Anna Bay Water Treatment Plants
 * To comply with DIPNR requirements, an extra 5,110 ML was released from Chichester Dam to meet environmental obligations

• **WATER CONSUMPTION (MEGALITRES) - 12 MONTHS ENDING APRIL 19 2005**

	2002-03	2002-03	2003-04	2003-04	2004-05	2004-05
	ML	%	ML	(%)	ML	(%)
Domestic	41,953	54.0	40,068	55.0	38,558	53.8
Non-Domestic	23,239	30.0	21,239	29.1	21,901	30.6
Other	775	1.0	651	0.9	484	0.9
TOTAL CONSUMPTION	65,967	85.0	61,958	85.0	60,943	85.1
Gross Non-Revenue Generating	11,660	15.0	10,924	15.0	10,673	14.9
Estimated Losses	5,092	6.5	5,669	7.8	3,432	4.8
Unidentified Real Loss	6,568	8.5	5,255	7.2	7,241	10.1
TOTAL SUPPLY	77,627	100.0	72,882	100.0	71,616	100.0

• **WATER SYSTEM INCIDENTS**

INCIDENT / SOLUTION	2001-02	2002-03	2003-04	2004-05
Poor pressure	340	403	132	115
Pump problem	1	1	2	1
Seepage	156	136	132	230
Main flush	1,582	2,314	1,333	1,245
Main repair	1,818	2,057	2,034	1,891
Hydrant defect	1,044	1,165	960	1,038
Valve defect	437	437	366	382
Repair pathcock / maincock	4,192	3,528	3,177	2,852
Meter defect	228	389	228	193
Service defect repaired by Hunter Water's Operations staff	1,634	1,576	1,653	1,585
Service defect repaired by Private Plumber	516	489	466	520
Complaint unconfirmed	364	405	332	339
Other	2,005	2,345	2,163	1,925
Tap rewashers	160	150	133	87
Trunkmain repairs	3,386	4,017	3,912	3,808
TOTAL	17,863	19,412	17,023	16,211

• **WATER TRANSPORT SYSTEM RELIABILITY**

	2001-02	2002-03	2003-04	2004-05
Main breaks per 100kms main - trunkmains included in length of mains	41.83	46.60	*45.90	*42.20
Discoloured water complaints per 1000 properties connected (tenancy)	6.70	9.79	5.80	5.1

* Note: Water Breaks for 2003-04 & 2004-05 include all breaks, bursts and leaks in all diameter mains in the reporting period. It excludes those in the service connection to internal plumbing. It does not completely exclude those minor repairs to above ground mains that can be fixed without shutting down the main (as in WSAA and IPART definitions) as these repairs could not be identified in the current system, depending on job call off.

• WATER SUPPLY CONTINUITY 2004-2005: PROPERTIES AFFECTED BY WATER SUPPLY INTERRUPTION

	Planned	Unplanned	* Combined	** Total %
Total Interruption				
0-5 Hours (<300)	10,046	49,354	52,324	24.77
5-20 Hours (300<>1200)	3,380	9,132	13,466	6.38
>20 Hours (>1200)	12	171	257	0.12

No Interruption **145,165** **68.73**

* Note: combined is cumulative totals of all interruptions - thus the total will not agree to the sum of planned & unplanned.

** Note: combined % of total properties - the total number of water connections (tenancy) is 211,212

• WASTEWATER SYSTEM INCIDENTS

INCIDENT / SOLUTION	2001-02	2002-03	2003-04	2004-05
Chokage cleared - main	2,265	2,787	2,731	2,927
Chokage cleared - branch	1,768	2,233	2,368	2,744
Private plumbers job *	549	606	470	503
House drains cleared	10	8	1	3
Storm surcharge	516	63	145	313
Gravity sewer break	53	42	32	46
Rising main break	-	27	27	37
Pump Station malfunction	6	5	-	2
Vacuum Sewer Jobs	176	192	136	162
Pump Effluent Line	4	4	1	3
No work required	152	123	125	193
Complaint unconfirmed	186	232	198	192
Charge job **	2	-	-	2
Other	1,136	1,188	1,143	1,055
TOTAL	6,823	7,510	7,377	8,182

* Note: problem in customer's private drains or fittings.

** Note: completed by Corporation & customer billed.

• WASTEWATER TRANSPORT SYSTEM RELIABILITY

	NUMBER OF MAIN SURCHARGES	LENGTH OF SEWERMAIN KILOMETRES	* RATIO OF MAIN SURCHARGES PER 100KM OF MAIN
Northern	718	1,110	64.7
Central	1,133	1,610	70.4
Southern	1,436	1,693	84.8
TOTAL	3,287	4,413	74.5

* Note: regions were re-classified in 2004/05 which resulted in a change in lengths between these regions.

	NUMBER OF BRANCH/SHAFT SURCHARGES	NO OF WASTEWATER PROPERTIES	* RATIO OF DISCHARGES PER 1000 PROPERTIES
Northern	595	61,720	9.6
Central	1,285	65,954	19.5
Southern	1,118	71,540	15.6
TOTAL	2,998	199,214	15.0

* Note: this indicator has been revised in line with reporting requirements for WSAA and IPART. Sewer Surcharges are now classified into main and branch/shaft jobs. Main surcharges are those associated with the wastewater network. Branch/shaft surcharges are those that occur in the property connection. Length of sewermain includes reticulation, pressure and trunk mains but excludes property connection sewers and effluent mains to be consistent with WSAA and IPART definitions.

• GENERAL STATISTICS

		2002-03	2003-04	2004-05
WATER				
Population in area ¹	<small>1 Population figures have been adjusted using data from the 2001 Census.</small>	502,436	507,460	512,432
Population supplied with water ¹	<small>2 Property numbers have been revised: includes Hunter Water properties.</small>	489,272	496,346	501,089
Properties where water is available ²	<small>3 Full Supply Level of Grahamstown increased from RL10.4m to RL10.6m.</small>	212,193	215,076	218,144
Properties connected to water (metered) ²	<small>4 Supply & consumption figures based on Water Year, ie 12 months ending 19 April.</small>	204,926	208,542	211,212
	<small>5 Target is to not exceed 215KL/annum, based on 5 year rolling average.</small>			
Capacity of major sources - ML ³	<small>6 The length of watermains and sewer mains in service has been revised.</small>	179,800	228,000	*248,000
Total supply from sources - ML ⁴	<small>7 Includes 5 main local Government areas only</small>	77,627	72,882	71,616
Average day net supply - ML	<small>8 For 2002-03, sewer length reported was based on: Effluent main, gravity pressure branches, gravity pressure mains, relief main, rising main, vacuum main, vent line & estimated length of property branch/shaft. However to be consistent with IPART and WSA definitions, length of sewer main</small>	212.7	199.7	196.2
Maximum day net supply - ML	<small>now only includes trunk, pressure and reticulation mains, but excludes property connection sewers and effluent mains. Figures for 2002-03 have been revised to reflect this change in definition.</small>	329.1	292.7	294.9
Maximum week net supply ML/day		293.1	262.9	258.4
Minimum day net supply ML		145.6	149.8	151.4
Average consumption per residential tenement - kl/annum ⁵		222.0	207.6	210.0
Watermains laid during year - km		112.9	79.0	56.1
Watermains abandoned during year - km		15.3	19.0	13.3
Watermain length revisions during the year - km		26.7	(45.0)	(5.2)
Total watermains in service - km ⁶		4,414.0	4,429.0	4,479.0
Length of watermain per connected property - m		21.5	21.3	21.2
Water supplied free of charge: charitable, public & miscellaneous purposes - kl		348,539	383,903	404,452
Water supplied free of charge: dollar value		\$400,820	\$456,845	\$489,387
WASTEWATER				
Population supplied with water & sewer ¹		468,974	477,154	481,882
Properties where sewer is available ²		201,442	205,028	208,001
Properties connected to sewer ²		192,225	196,306	199,214
Sewer mains laid during the year - km		110.9	106.7	51.7
Sewer mains abandoned during the year - km		4.6	6.4	5.5
Sewer main length revisions during the year - km		(24.2)	0.2	0.0
Total sewer mains in service - km ^{6/8}		4,266.5	4,367.0	4,413.0
Length of sewer main per liable property - m ⁸		22.2	22.2	22.2
DRAINAGE				
Properties liable ²		57,666	58,192	58,635
DISSECTION OF POPULATION - JUNE 2005 ¹				
REGION		POPULATION IN AREA	SERVED WATER	SERVED SEWER
Newcastle		147,621	147,621	146,945
Lake Macquarie		192,797	189,250	184,210
Maitland		60,222	58,500	57,002
Cessnock		48,089	42,000	38,431
Port Stephens		63,703	60,000	55,190
SUB TOTAL		512,432	497,371	481,778
Dungog (Bulk and from CTGM)		-	3,465	-
Singleton (Part Branxton)		-	168	94
Great Lakes (East Karuah/Alicetown)		-	85	-
TOTAL		512,432	501,089	481,872
Ratio of properties connected to water & sewer, and water only ⁷		96.6%	96.8%	96.8%
FINANCIAL				
Total Core Revenue - \$ millions		133.896	137.768	139.406
Capital Indebtedness (external) - \$ millions		129.97	124.91	164.36
STAFFING				
Salaried		254	253	271
Wages		124	121	116
Engineers		46	54	50
TOTAL		424	428	437

• EMPLOYEE SAFETY PERFORMANCE

	2002-03	2003-04	2004-05	CHANGE %
Lost time frequency rates	13.99	23.55	6.84	70.96 -
Total hours lost	3,421	2,973	2,402	19.21 -
Lost time injuries	10	17	5	70.59 -
Minor injuries	139	91	93	2.20 +
Property damage	29	50	27	46.00 -
Prosecutions	Nil	Nil	1	N/A

• WORKFORCE PROFILE

	2003	2004	2005
Males	296	295	303
Females	128	133	134
TOTAL	424	428	437
Permanent	374	381	358
Temporary	11	8	26
Part-time	39	39	53
TOTAL	424	428	437
Redundancies	12	7	3
Recruitment	37	31	34
Unplanned absences (%)	2.71	3.39	2.93

• TRENDS IN THE REPRESENTATION OF EEO GROUPS¹

	BENCHMARK OR TARGET	2002	2003	2004	2005
Women	50%	32%	32%	34%	33%
Aboriginal people and Torres Strait Islanders	2%	1.1%	1.1%	1.1%	1.1%
People whose first language was not English	20%	5%	5%	5%	5%
People with a disability	12%	7%	7%	7%	6%
People with a disability requiring work- related adjustment	7%	1.1%	1.1%	1.1%	0.8%

² % OF TOTAL STAFF

• TRENDS IN THE DISTRIBUTION OF EEO GROUPS¹

	BENCHMARK OR TARGET	2002	2003	2004	2005
Women	100	87	84	85	86
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A
People with a disability	100	100	99	100	102
People with a disability requiring work - related adjustment	100	N/A	N/A	N/A	N/A

³ DISTRIBUTION INDEX

1 Staff numbers are as at 30 June

2 Excludes casual staff

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

Note: data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis

• FREEDOM OF INFORMATION REQUESTS

Five applications were received during this financial year - few FOI applications have ever been received by the Corporation.

FOI REQUESTS		PERSONAL	OTHER	TOTAL
New		-	4	4
Brought forward (incomplete)		-	1	1
TOTAL TO PROCESS		-	5	5
Complete		-	5	5
TOTAL PROCESSED		-	5	5
Unfinished (Carried Forward)		-	-	-
RESULT OF FOI REQUEST		PERSONAL	OTHER	TOTAL
Granted in Full		-	2	2
Granted in Part		-	2	2
Refused		-	1	1
Deferred		-	-	-
Withdrawn		-	1	1
COMPLETED		-	5	5
NUMBER OF REQUESTS REQUIRING FORMAL CONSULTATIONS			ISSUED	TOTAL
TOTAL			-	-
GROUNDS ON WHICH INTERNAL REVIEW REQUESTED	UPHELD	PERSONAL VARIED	OTHER UPHELD	VARIED
TOTAL	-	-	-	-
BASIS FOR DISALLOWING OR RESTRICTING ACCESS			PERSONAL	OTHER
S.19 application incomplete, wrongly directed			-	-
S.22 deposit not paid			-	2
S.25 (1)(a1) unreasonable diversion of resources			-	-
S.25 (1)(a) exempt			-	1
S.25 (1)(b)(b1)(c)(d) otherwise available			-	-
S.28 (1)(b) documents not held			-	-
S.24 (2) deemed refused over 21 days			-	-
S.31 (4) releases to medical practitioner			-	-
TOTAL			-	3
COSTS & FEES OF REQUESTS PROCESSED - INCLUDING ALL PROCESSED AND WITHDRAWN FOI REQUESTS			ASSESSED COSTS	FOI FEES RECEIVED
All requests			\$200	\$200
TOTAL			\$200	\$200
TYPE OF DISCOUNT ALLOWED ON FEES CHARGED			PERSONAL	OTHER
Public interest			-	-
Financial hardship – Pensioner/Child			-	-
Financial hardship – Non-profit Organisation			-	-
TOTAL			-	-
DAYS TO PROCESS - ELAPSED TIME			PERSONAL	OTHER
0-21 days			-	4
22-35 days			-	1
Over 35 days			-	-
TOTAL			-	5
PROCESSING HOURS			PERSONAL	OTHER
0-10 hours			-	5
11-20 hours			-	-
21-40 hours			-	-
Over 40 hours			-	-
TOTAL			-	5

• SOCIAL RESPONSIBILITY STATEMENT

SOCIAL RESPONSIBILITY STATEMENT - IN ACCORDANCE WITH S.26 (5) OF THE STATE OWNED CORPORATIONS ACT 1989

"(5) The material referred to in subsection (1) (i) must be accompanied by a statement describing how the State owned corporation has, during the financial year concerned, exhibited a sense of social responsibility, including:

(a) a summary of any community interests considered under section 8 (c) or 20E (1) (c) the accommodation of which was thought to be incompatible with its principal objectives, and

(b) an assessment of the costs that would have been incurred in accommodating any such interests."

Community interests are considered through a number of mechanisms including the Consultative Forum which was expanded in 1995 to include representatives from the five local council areas in Hunter Water's area of operations, representatives of major customer and community groups, representatives from environmental groups, migrant & senior citizen representatives. Community issues are also reviewed and considered as part of proposals to upgrade or establish new water or wastewater assets. The Corporation's 5 year Operating Licence which is in place from 1 July 2002, also covers a number of additional processes for community involvement/comment.

At no time were these operations incompatible with the stated objectives. No significant costs were incurred.

• STATEMENT OF CORPORATE INTENT

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water Corporation and its voting shareholders. These targets are in turn driven down through Hunter Water Corporation in business unit budgets.

The SCI performance targets for the 2004/05 financial year and the actual results are as follows:

	2004-05 SCI TARGET	2004-05 ACTUAL
Operating Profit before Income tax and Contributions for Capital Works	23.7	27.3
Income Tax Expense	23.5	20.7
Income Tax Payable	21.2	19.6
Net Debt	149.7	151.0

Tax payable and tax expense were both proportionately lower than target primarily due to the lower level of assessable income generated as a result of lower tariff income, higher operational costs and a decrease in developer contributions (which are assessable under the National Tax Equivalent Regime regardless of whether they have been written down for accounting purposes).

• RESEARCH & DEVELOPMENT 2004-05

During 2004-05 the Corporation continued research & development on two projects covering water & corrosion subjects. This research was conducted both internally and in collaboration with other organisations such as the University of Newcastle & CSIRO.

1 Ongoing research with CSIRO & the University of Newcastle into pitting corrosion of copper tubes.	\$6,281
2 HWC Research funding for University Projects into optional source control in urban water cycle management	\$12,000

• CONSULTANTS: 1 JULY 2004 TO 30 JUNE 2005
CONSULTANTS OVER \$30,000

CONSULTANT - ENGINEERING	PROJECT	COST
Aqua Environmental	Leak Detection Survey in Raymond Terrace, Karuah & Lemon Tree Passage	\$38,110
CH2M Hill Australia Pty Ltd	Belmont WWTW Stage 3 Detail Design	\$663,988
CH2M Hill Australia Pty Ltd	Burwood Beach WWTW Capacity Review/Upgrade Strategy	\$92,300
CH2M Hill Australia Pty Ltd	Dora Creek Optimisation Study	\$56,924
Connell Wagner Pty Ltd	Lochinvar Sewerage Scheme	\$362,389
Connell Wagner Pty Ltd	Newcastle Wet Weather Pump Station	\$229,504
Connell Wagner Pty Ltd	Morpeth Stage 1 Sewerage Upgrade Design	\$133,505
Connell Wagner Pty Ltd	Edgeworth/Belmont WWPS Upgrade – Concept/Detail Design	\$131,126
Connell Wagner Pty Ltd	Horizontal Directional Drill Geotech & Environmental Study	\$124,790
Connell Wagner Pty Ltd	Branxton No 2 & Redhead WWPS Upgrade – Concept/Detail Design	\$84,961
CSIRO Corporate Finance	Implementation of Parns Planning Asset Management System	\$38,450
Earth Engineering	Intelligent Piggings of Five 150mm Cast Iron Gravity Sewer mains	\$44,706
GHD Pty Ltd	Wallsend Water Pump Station Upgrade	\$123,692
GHD Pty Ltd	Rutherford, Karuah Water mains & Park St Charlestown Sewer Upgrade	\$86,023
GHD Pty Ltd	Grahamstown Dam New Spillway Technical Input	\$75,296
GHD Pty Ltd	Farley & Branxton WWTW Servicing Strategy	\$68,092
GHD Pty Ltd	Replacement of Pumps at Newcastle No 10 WWPS – Design & Tech Specs	\$40,086
GHD Pty Ltd	Whitebridge WPS Design	\$38,654
GHD Pty Ltd	Stockton WWTW Site Contamination Assessments	\$38,004
Greenspan Technology Pty Ltd	Sewer Flow Gauging Study at Dora Creek & Toronto WWTW Catchments	\$56,633
Hunter Water Australia	Cessnock WWTW/No 1 WWPS Design	\$604,854
Hunter Water Australia	Sewerage System for Fern Bay Concept Design	\$334,173
Hunter Water Australia	Belmont HLS/Morisset Peninsula Augmentations	\$210,591
Hunter Water Australia	Kitchener Wastewater System Concept/Detailed Design	\$196,343
Hunter Water Australia	George Schroder Pump Station Modification Concept/Detailed Design	\$181,177
Hunter Water Australia	Boulder Bay WWTW – Stage 2 Upgrade Design	\$83,039
Hunter Water Australia	Burwood Beach Aeration System Upgrade Strategy & Specification	\$74,593
Hunter Water Australia	Toronto WWTW Sewerage Servicing Strategy	\$74,067
Hunter Water Australia	BUD Enquiries & Technical Advisory Work	\$73,545
Hunter Water Australia	Condition Assessment of Watermain – Morisset to Vales Point	\$64,000
Hunter Water Australia	Cameron Park No. 2 Regional WPS	\$61,532
Hunter Water Australia	ISD Manuals for the Corporation's Wastewater Treatment Plants	\$56,944
Hunter Water Australia	Trunkmain Condition Assessments	\$54,150
Hunter Water Australia	Boulder Bay WWTW Projected Loadings, Capacity Review and Upgrade Study	\$47,000
Hunter Water Australia	Edgeworth WWTW Capacity Review & Upgrade Strategy	\$34,548
Hunter Water Australia	South Wallsend Water Supply Servicing Strategy	\$33,437
Hunter Water Australia	Kurri WWTW Catchment Servicing Strategy	\$32,711
Hunter Water Australia	Fire Flow Standard Analysis	\$30,340
MWH Australia Pty Ltd	Lookout Water Supply System Servicing Plan	\$32,492
MWH Australia Pty Ltd	Boulder Bay WWTW Transportation Servicing Plan	\$31,983
MWH Australia Pty Ltd	East Lake Macquarie Water Servicing Strategy	\$31,780
Optimatics Pty Ltd	Hydraulic Model Conversion Edgeworth & West Wallsend	\$36,077
Parsons Brickerhoff	Windale/Gateshead Wastewater Upgrade Management Plan	\$70,621
Parsons Brickerhoff	Dora Creek WWTW Upgrade – Concept, EIA & Detail Design	\$41,030
Patterson Britton & Partners	Wyong Stage 3 Concept & Tender Documentation	\$342,397
Patterson Britton & Partners	Warners Bay-Valentine Wastewater Transportation System	\$201,221
Patterson Britton & Partners	Upgrade Mgt Plan for the WW Systems Dudley/Charlestown Catchment	\$95,094
Patterson Britton & Partners	Raymond Terrace No 4 WWPS Rising Main Replacement, Review, Concept & Design	\$38,720
Patterson Britton & Partners	Waratah/Mayfield Carrier Main Upgrade	\$31,144
Sinclair Knight Merz	North Stockton – Groundwater Model & Estimation of Sale Extract Yield	\$324,118
Sinclair Knight Merz	Kurri Wastewater Treatment Strategy Study	\$50,481
Sinclair Knight Merz	Catchment & Bulk Water Quality Reporting	\$47,400
Sinclair Knight Merz	Stormwater Assets Revaluation	\$42,292
Smec Australia Pty Ltd	Balickera Pump Station Upgrade – Investigation & Upgrade Strategy	\$165,650
SUB TOTAL		\$6,356,777

CONSULTANTS LESS THAN \$30,000

CATEGORY	NO	COST
Engineering	74	\$1,384,958
Environmental	2	\$5,733
Finance and Accounting/Tax	5	\$73,700
Information Technology	4	\$72,325
Organisational Review	3	\$32,026
Training	2	\$37,837
TOTAL CONSULTANTS LESS THAN \$30,000	90	\$1,606,579

• MAJOR ACQUISITIONS OVER \$0.5 MILLION

HUNTER WATER IS REQUIRED BY ITS OPERATING LICENCE TO REPORT ON MAJOR ACQUISITIONS OVER \$0.5M:

Replacement of Assets (various watermains, sewer mains etc)	\$11.4M
Grahamstown Dam – Stage 2	\$9.4M
Head Office – Land Purchase & Construction	\$8.7M
IT Projects (Software/Hardware, CIS, EDMS, MIMS, SCADA, Telephony)	\$7.7M
Warners Bay – Valentine Transfer System Package 1 & 2	\$5.5M
Belmont Outfall & WWTW Upgrade	\$4.0M
Morisset Peninsula Water Transportation Upgrade	\$2.3M
Hunter River South Arm Trunkmain - Construction	\$2.2M
Fleet	\$1.9M
Wallalong Water Supply Augmentation	\$1.7M
Cessnock WWTW – Design & Construction	\$1.4M
Wallsend 900mm Trunkmain Upgrade	\$1.1M
Priority Sewer Program	\$0.9M
TOTAL COST	\$58.2M

• DONATIONS & SPONSORSHIPS

TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

ORGANISATION	DESCRIPTION	AMOUNT \$
Bonnells Bay Primary School	Sponsorship for Rainwater Tank	2,000
Callaghan College - Jesmond	Trees for Tawny Frogmouths	500
Callaghan College - Jesmond	Sponsorship for Rainwater Tank	1,075
Dungog Information & N/Hood Service	Sponsorship Dungog Gardens	2,273
Dungog Pedalfest Organising Committee	Sponsorship 2004 Pedalfest	1,500
EAR – The Wilderness Society	Green Day Community Event	1,000
East Maitland Public School	Sponsorship Water Feature Tech Quest	1,364
Ecohome	Sponsorship for Rainwater Tank	4,999
Engineers Australia	Sponsorship 2005 Risk Management Awards	400
Garden Suburb Public School	Sponsorship for Rainwater Tank	1,000
Girl Guides Association	Junior Waterwatch Kit & Water Quality Kits	1,965
Heaton Public School	Environmental Project Sponsorship	1,000
Housing Industry Association	HIA Housing Awards 2004 Sponsorship	1,500
Hunter Organic Growers Society	Attendance & Water Conservation Exhibit	350
Hunter Region Botanic Gardens	Sponsorship of Hunter Region Botanic Gardens	3,254
Hunter Region Landcare Network	Hunter Region Landcare Forum 2005	1,500
Hunter Surf Lifesaving Inc.	Hunter Surf Life Saving Sponsor 2004-05	30,000
Hunter Valley Research Foundation	2004-05 Sponsorship for Regional Research Program	7,500
Intrados Gallery Incorporated	Water Related Art Exhibition Sponsorship	2,000
Kurri Kurri Landcare Group Branch	Tree Planting & Purchase of Mobile Liming Unit	7,000
Linuwel School LTD	Sponsorship of Rainwater Tank	1,221
Maitland Region Landcare	Contribution "Planting Memories for the Future"	1,500
Mount View High School	Irrigation System for Grape Growing	1,000
National Trust of Australia	Restoration of Water Tank at Heritage Property	1,580
Nelson Bay Town Management	Nelson Bay Festival Of The Whales 2005	2,500

NSW Coastal Conference 2004	Community Sponsorship for 2004 Conference	1,000
Permaculture Hunter Region (INC)	Eco-Display at Newcastle Home Show	600
Shortland to Wallsend Landcare	Rehabilitation of Coby St Creek	930
St Columban's Primary School	Rainwater Tank for School Garden	2,727
St Joseph's Primary School	Sponsorship of Garden Mulcher	500
Surfest Pro	Surfest 2004 Naming Rights + Encouragement Awards	10,000
The Wetlands Centre	Major Sponsorship July 04 to June 05	16,000
The Wetlands Centre	Sustainable School Project	3,500
The Wetlands Centre	Rainforest and Ironbark Creek Project	1,165
The Wetlands Centre	OH&S Guide Clothing	1,279
Total Field Days Inc	Sponsorship of Best Land Management Exhibit Award	1,000
Trees In Newcastle	Annual Sponsorship of Tree Planting	6,000
Tsunami Appeal	Donation to Tsunami Appeal	10,000
Waratah Technology Campus	Sponsorship of 'Groundforce' Activity	1,000
Waratah West Public School	Restoration & Regeneration of School Grounds	1,500
Warada Landcare Group	Warada Aboriginal Landcare Sponsorship	1,212
WaterAid Australia	Hunter Water Donation for Vietnam Project	1,480
WaterAid Australia	Sponsorship of WaterAid	5,000
Williams River CARE Association Inc	Funding for Computer and Accessories	1,169
		146,043

TO GOVERNMENT ORGANISATIONS

ORGANISATION	DESCRIPTION	AMOUNT \$
Dept Energy, Utilities & Sustainability	2004 Energy & Water Greening	5,000
Dungog Shire Council	Visitors Information Centre Sponsorship	1,000
Hunter Central Rivers CMA	Sponsorship for Environmental Education	16,250
Hunter Central Rivers CMA	Stormwater Education – Lambton, Throsby, Ironbark	19,000
Hunter Central Rivers CMA	Hunter Waterwatch Program	4,560
Hunter Central Rivers CMA	Sponsorship – Water Watch Program	1,300
Hunter Central Rivers CMA	Contribution to School of Performing Arts	386
Hunter Central Rivers CMA	Sponsorship – Junior Waterwatch Kit	1,650
Lake Macquarie City Council	Water Quality Monitoring	14,000
Lake Macquarie City Council	Stormwater Education and Support	6,000
Lake Macquarie City Council	Clean Up Lake Macquarie 2005 Sponsorship	3,000
Lake Macquarie City Council	Sponsorship – Stormwater Education	2,000
Lake Macquarie City Council	Schools Environment Award 2004-05	955
Lake Macquarie City Council	Sponsorship of Senior School Waterwatch Kit	627
Lake Macquarie Landcare Inc	Allambee Gardens Reserve Landcare	1,500
Maitland City Council	Annual Spring Garden Competition 2004-05	273
Newcastle City Council	Stormwater Quality Monitoring Project	20,000
Newcastle City Council	Stormwater Community Education	10,000
Newcastle City Council	Dixon Park-Bar Beach Clean Beach Project	10,800
Newcastle City Council	Sustainable Living Workshop	2,000
Newcastle City Council	Sponsorship of Environmental Achievement Awards	7,500
Newcastle City Council	Clean Up Australia Sponsorship	3,000
Port Stephens Council	Port Stephens School Environmental Program	500
Port Stephens Council	Koala Survey Sponsorship	1,000
Port Stephens Council	2004-05 Green Access Poster Sponsorship	500
University of Newcastle	2005 Sponsorship to UniSS Engineering	18,811
University of Newcastle	Optimal Source Control Urban Water Cycle	24,000
University of Newcastle	Scholarship for Students with Disabilities	2,000
University of Newcastle	2004 Achievement Award for Enviro Engineering	500
University of Newcastle	2004 Environmental Engineering Prize	500
University of Newcastle	2004 HWC Prize Environmental Law	500
University of Newcastle	2004 HWC Chemical Engineering Prize	500
University of Newcastle	2005 Environment Program Sponsorship	100,838
University of Newcastle	Sponsorship – Smart Water Game	4,500
		284,950

• **OVERSEAS TRIPS - COMMENCED DURING 2004-05**

HUNTER WATER CORPORATION

PERSON	WHERE	DAYS	REASON
P Buckland	USA	12	Consultancy
S Hope	USA	16	Consultancy
D Taylor	Vietnam	7	Consultancy
A Thornton	USA	10	Consultancy
A Thornton	USA	9	Consultancy
C Turnbull	UK	5	Consultancy
K Young	USA	10	Consultancy
K Young	USA	15	Consultancy
S Zander	USA	12	Conference/Consultancy
S Zander	USA	13	Consultancy
S Zander	USA	8	Consultancy

HUNTER WATER AUSTRALIA

PERSON	WHERE	DAYS	REASON
M Dawson	Singapore	4	Consultancy
P Dennis	Singapore	4	Consultancy
J Gleeson	USA	6	Consultancy
C Jakubowski	New Zealand	4	Consultancy
C Jakubowski	New Zealand	11	Consultancy
J Keary	Canada	3	Consultancy
J Keary	New Zealand	2	Consultancy
J Keary	USA	14	Consultancy
J Keary	USA	16	Consultancy
J Keary	USA	9	Consultancy
J Keary	USA	8	Consultancy
J Keary	USA	12	Consultancy
J Keary	USA	14	Consultancy
A Majerowski	New Zealand	4	Consultancy
A Majerowski	New Zealand	12	Consultancy
A Majerowski	New Zealand	3	Consultancy
A Majerowski	New Zealand	4	Consultancy
A Majerowski	New Zealand	4	Consultancy
D Nicolas	USA	6	Consultancy

• **CONSULTATIVE FORUM**

Cr Wendy Harrison	Lake Macquarie City Council
Cr Jeffrey Maybury	Cessnock City Council
Cr Josh Hodges	Port Stephens Council
Mr John Steele	Employers' Federation of NSW
Mr Harold Sternbeck	Small Business & Consumer Affairs
Mr Robert Monteath	Newcastle & Hunter Business Chamber
Ms Carolyn Gillard	Environmental Education
Mr Kevin McDonald	Eco Edge Network Inc. (Env. Education)

Mr Glenn Evans	Hunter-Rivers Catchment Management Authority
Mr Col Mondy	Waterwatch
Mr Alex Burns	Migrant Resource Centre
Mr Bob Hopkins	Newcastle Combined Pensioners Area Council
Cr Arch Humphery	Maitland City Council
Cr Paul Scobie	Newcastle City Council
Mr James Hopson	Williams River Total Catchment Management Committee

• **ACCOUNT PAYMENT PERFORMANCE**

Accounts paid on time:	93.4%
Total amount of accounts paid on time	\$191,073,591
Total amount of accounts paid	\$201,348,088

ACCOUNTS PAID ON TIME WITHIN EACH QUARTER:	ON TIME * TARGET %	ON TIME ACTUAL %	ON TIME \$'000	TOTAL PAID \$'000
September Quarter	95	89.5	42,889	45,996
December Quarter	95	93.8	50,985	51,777
March Quarter	95	93.3	45,056	46,627
June Quarter	95	96.3	52,143	56,947

* Note: Percentages based on number of invoices. The number of invoices which were not paid promptly were those which were under dispute or waiting until full finalisation or satisfaction of the related work. There was no interest paid by the Corporation with respect to late paid invoices during the financial year.

• **CREDIT CARD CERTIFICATION**

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

• **COST OF PRODUCING ANNUAL REPORT**

Printing 1000 copies	\$20,000
Photographic services	\$9,900
TOTAL COST	\$29,900