

State
water



2009-10 Annual Report Overview



Keepit Dam Asset Field Officer, Steven Bruce at Chaffey Dam.



2009-10 ACHIEVEMENTS

- State Water recorded a profit, before income tax and asset impairment, of \$5.4 million, compared to a loss (before income tax and asset impairment) of \$1.4 million in 2008-09.
- Regulated operating costs decreased to \$35.8 million in 2009-10,
- \$1.8 million less than the previous year and below the efficient level identified by IPART in the 2006 pricing determination.
- Capital expenditure in 2009-10 was \$78.1 million, the largest in State Water's history, compared to 2008-09 of \$25.5 million.
- Income to State Water from hydro-electric power generation, and site rentals, in 2009-10 totalled \$719,648.
- State Water successfully delivered 100% of water allocations, including 1,680GL in 2009-10.
- There were 2,932 complying intra-valley transfers in 2009-10 and 91% were processed within four working days.
- Customers embraced online water ordering through iWAS 17% of customers placing their orders via iWAS in 2009-10.
- During 2009-10 the information centre received 12,674 calls via the 1300 and 1800 billing numbers.
- More than 75 media releases and customer notices were issued on a
- wide-range of matters affecting customers and stakeholders.
- State Water's emissions intensities, at 98g CO₂-e per dollar, are considerably lower than that of the Australian-wide water supply, sewerage and drainage sector at 503g CO₂-e per dollar.
- State Water has reduced its energy consumption by 27% in comparison to 2008-09, along with increasing green energy use by 15%.
- The 64.2GWh of hydro power generated from State Water dams represents a saving in the production of 62,400 tonnes of greenhouse gases.
- State Water opened 1,220 kilometres of waterways for unimpeded passage by native fish.
- State Water successfully delivered 70,000ML of water held by State and Commonwealth licences to parched wetlands in the Lowbidgee area at the end of the Murrumbidgee.
- The Corporation implemented a single enterprise agreement, which replaced five separate awards and agreements at State Water.
- Less than 1% of work place injuries at State Water resulted in time off which is significantly below the 2010 Working Together target of 3.5%, and exceeding the June 2012 target of 3%.

A YEAR IN REVIEW



Burrinjuck Dam employees Shane Dyson, Rod Leggott, Brian Smith, Alan Bigg, Tom Phillips and Ken Nally.

Drought conditions peaked during 2009-10, intensifying the financial challenge faced by State Water and increasing the burden on our customers and their communities.

State Water played a lead role in working with communities across the State to secure critical supplies, while ensuring deliveries in less-affected regions were efficient and timely. Thankfully by mid-2010, seasonal winter rains began to ease drought conditions.

Although revenue and profitability continue to be greatly reduced, State Water's overall financial position remains solid and a modest dividend was returned to Treasury.

A highlight for year was the Back to Burrinjuck commemorative celebrations in October 2009 to mark 100 years since construction started on one of our most iconic dams. Thousands of visitors joined the celebration over four days of events.

Water Delivery and Customer Service

Water delivery in 2009-10 was dominated by the continuing drought. Rainfall in the first three months was well below average across most of the state, and this followed

three very dry years. The continuing drought was the worst on record. Inflows into catchment rivers and streams were impacted severely with record low inflows in many key storages.

Total water deliveries of approximately 1,680GL in 2009-10 were about 37% of 20-year average sales at 4,627GL. This followed low deliveries of 1,446GL in 2008-09. State Water traded an additional net 275GL of water to South Australia and Victoria from the Murray, Lower Darling and Murrumbidgee.

The aggregate State Water storage level in July 2009 was 23% of capacity, 2% lower than July 2008. This rose to 35% in the last few weeks of June 2010.

The focus of State Water's drought crisis management was in the Lachlan valley, which experienced the very worst of the drought conditions.

The Government voted to conserve critical water supplies by restricting river flows to Condobolin. State Water worked closely with affected communities to ensure that essential water supplies were made available over summer.

A YEAR IN REVIEW

Technology was further harnessed to provide convenient account management services to our customers through the launch of an internet Water accounting system (iWAS) in October 2009. This has proved to be an important and popular addition to the water administration possibilities.

By year's-end the design phase for the supervisory control and data access (SCADA) system was complete, and the stage set for progressive implementation at dams and regulators in 2010-11.

Financial Results

For the 2009-10 financial year State Water recorded a profit, before income tax and asset impairment, of \$5.4 million, compared to a loss (before income tax and asset impairment) of \$1.362 million the previous year.

The reversal of impairment of system assets to recoverable amount resulted in an additional after tax non-cash profit of \$38.6 million, and an overall operating profit after tax of \$45.0 million for 2009-10. This compares to an (impairment affected) operating loss after tax of \$39.9 million for the previous year.

Impairment testing, undertaken annually, requires an assessment of the value in use, being the future cash flows that will be generated from system assets, discounted by the Weighted Average Cost of Capital (WACC), based on the most reliable future cash forecasts at the time of testing. The value in use is compared to the carrying value of assets.

In 2008-09, an impairment loss was recognised due to a lower value in use calculation when compared to carrying value of the assets. The 2009-10 impairment gain has arisen due to changes in several assumptions used to determine value in use, arising from the 2010 bulk water pricing Determination. The revised assumptions have resulted in a favourable impairment adjustment, which is essentially a reversal of the 2008-09 impairment driven loss.

Our overall income amounted to \$81.3 million, up by \$8.8 million on the previous year. Despite better water sales than in 2008-09 State Water's regulated water

delivery revenue was down \$0.5 million to \$34.1 million, primarily due to the greater proportion of sales occurring in the south of the State where usage charges for delivered water are lowest.

Revenue from services for the NSW Government amounted to \$21.9 million, an increase of \$0.8 million on 2008-09. Other revenues, amounting to \$25.3 million, rose by \$8.5 million, driven by the growing level of contract work done for the Murray Darling Basin Authority (MDBA) and other clients.

Total operating expenses, excluding impairment adjustments, increased by \$1.8 million to \$72.2 million, with the increase in contract work for the MDBA and other clients driving most of this increase.

State Water has been issued with an unmodified financial result for 2009-10 with all items identified during the course of the audit addressed by management.

IPART Determination

The well established CSC network and our solid working relationship with its membership enabled State Water to effectively consult with customers on future water pricing.

State Water's submission to IPART for the bulk water pricing determination sought to incorporate customer preferences while maintaining financial viability. The final determination by IPART recognised the corporation's increased operating costs, especially those driven by environmental legislation.

Although the price increases recommended by the independent arbiter were significant, the comprehensive consultation process resulted in broad awareness and acceptance of the contributing factors.

The Environment

The creation of the MDBA and the growing status of the environment as a major bulk water customer have drawn greater government investment into the water industry. During 2009-10, State Water firmly established itself as the preferred body to deliver a range of federally-funded water saving and environmental projects.

A YEAR IN REVIEW

State Water developed and submitted to the Federal Government the business case for the \$90 million NSW Regulated River Water Metering Scheme, one of the NSW Priority Projects for the Australian Water for the Future program. Approximately \$20 million was granted for the immediate implementation of the Murray Metering pilot, a joint venture between the NSW Office of Water and State Water.

Investigation, consultation and planning also advanced for a series of *Water for Rivers* efficiency projects, valued at \$80 million, beginning with a series of initiatives in the Murrumbidgee Valley.

A noteworthy environmental achievement was State Water's successful delivery of a total of 70,000ML of water held by State and Commonwealth licences to parched wetlands in the Lowbidgee area at the end of the Murrumbidgee. This is the biggest single planned delivery of environmental water since the State and Commonwealth water buyback initiatives commenced.

Dam Safety Upgrade Program

Our suite of dam safety upgrades continued to gain momentum, and progressed to schedule, with a number of significant milestones celebrated throughout the year.

With a total investment of more than \$350 million, the upgrades will generate in

the vicinity of 190 jobs and have already resulted in a very real economic boost in the communities surrounding the projects through direct employment, the purchase of supplies and the hire of key civil subcontractors from local areas.

State Water was delighted to welcome NSW Premier the Hon Kristina Keneally MP and NSW Minister for Water, the Hon Phillip Costa MP to the Burrendong Dam construction commencement ceremony in April. Ceremonies were also held at Keepit, Chaffey and Hume dams to mark the start of the construction phases.

The Blowering Dam spillway walls have been raised and crest raising works are well progressed to ensure the dam meets contemporary best practice and complies with extreme flooding requirements. Works are also underway at Wyangala Dam.

Increasing Efficiency

Reforms to financial systems to better track expenditure and provide greater budgeting, managing and forecasting accuracy, continued in 2009-10.

We are pleased to report that our IPART-regulated operating costs decreased to \$35.8 million in 2009-10, \$1.8 million less than the previous year and below the efficient level identified by IPART in the 2006 determination.



Blowering Dam safety upgrade works.

STATE WATER PEOPLE



State Water Board of Directors: Michael Bennett, Kathleen Bowmer, Catherine Bolger, Tony Wright, Col Gellatly, Anne Thompson, George Warne, and Don Marples.

State Water Board

The *State Water Corporation Act 2004* provides that the Board consists of not fewer than three and not more than eight Directors appointed by the voting shareholders, in consultation with the portfolio Minister.

The independent non-Executive Directors of the Board have been appointed for fixed-period, renewable terms. The CEO is an Executive Director of the Board.

The Board is accountable to the voting shareholders in the manner set out in Part Four of the *State Owned Corporations Act 1989* and in the State Water Constitution.

- **A G (Tony) Wright** Dip Tech, MBA
Chairman since 1 July 2004
- **George Warne** BBuild,
Chief Executive Officer and Director
since 6 December 2007
- **Michael Bennett** BAgEcos (UNE)
Director since 1 July 2004
- **Catherine Bolger** BEc, MLLR
Director since 1 August 2007
- **Kathleen Bowmer** BSc(Hons),
PhD(Nott), FAICD
Director since 1 October 2004

- **Col Gellatly** AO BAgEcos(Hons),
MComm(Hons), PhD
Director since 16 July 2007
- **Don Marples** BCom, MCom, FFin,
GAICD
Director since 24 April 2006
- **Anne Thompson** BBus, LLB, GradDip
Leg Prac
Director since 15 February 2008

State Water Executive Team

The Executive Team was established to focus on strategic decision making and includes:

George Warne BBuild
Chief Executive Officer

Jane Redden JP BBus (Accounting) ASA
AIMM

General Manager Finance

Marysia Derewlany BA(Hons) MTCP
MComm

**Company Secretary and Manager
Strategy and Governance**

Geoff Borneman BEng(Civil)
Chief Operating Officer

The team members meet monthly to discuss issues of a strategic focus.

STRATEGIC DIRECTION

Vision

To be recognised by our customers, shareholders and other stakeholders as the best value for money water utility in Australia.

Purpose

To efficiently deliver water and services for people, agriculture, industry and the environment, to be an integral service industry supporting sustainable growth in regional NSW.

State Water Values

We operate on the basis of our corporate values:

Accountability

We are responsible for our actions, behaviours and outcomes

Customer Service

We meet our customers' needs and strive to exceed their expectations

Environment

We respect and enhance the environment

Expertise

We apply our skills, competency and experience to deliver effective and innovative solutions

Integrity and Respect

We are honest, truthful and respectful in all that we do

People

We support, develop and motivate each other, professionally and personally

Safety

We put safety above time, cost, productivity and employment

Shareholder Value

We deliver consistent returns and long-term growth.

Contact Details

For more information contact State Water's Customer Information Centre on 1300 662 077.

Head Office

Blueridge Business Park,
Mitchell Highway
7 Commercial Avenue
PO Box 1018
Dubbo NSW 2830
www.statewater.com.au

Account Enquiries

For bill enquiries phone 1300 662 077 or billing@statewater.com.au

Business Hours

Hours of operation at all offices are 8.30am to 4.30pm, Monday to Friday.

Front Cover:

Chaffey Dam Storage Custodian Nick Burr
and Keepit Dam Asset Team Leader Troy Sands.

State
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2009-10 Annual Report

CONTENTS

INTRODUCTION

About State Water	4
State Water Achievements	7
Corporate Values	8
Corporate Plan	9
Message from the Chairman and CEO	10
State Water Board of Directors	16
Executive and Operations Team	18
Organisation Structure	19

BUSINESS UNIT OVERVIEW

Operations Overview	23
Water Delivery	25
Customer Operations	37
Strategic Assets	41
Major Projects	47
Maintenance and Services	51
Business Improvements	53
Information Services	55
Human Resources	57
Financial Services	63
Strategy and Governance	65
Corporate Communication	67

CORPORATE GOVERNANCE

2009-10 Business Plan	73
Operating Licence Performance	85
Customer Service Charter	89
Corporate Governance	95

FINANCIAL STATEMENTS

Financial Statements Contents	105
Statement by Members of the Board	106
Independent Auditor's Report	107
Income Statement	109
Statement of Comprehensive Income	110
Statement of Financial Position	111
Statement of Changes in Equity	112
Statement of Cash Flows	113
Notes to the Financial Statements	114

25 October 2010

The Hon Eric Roozendaal
NSW Treasurer
The Hon Michael Daley
Minister for Finance
Parliament House
Macquarie Street
Sydney NSW 2000

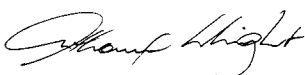
Dear Ministers

We present State Water Corporation's 2009-10 Annual Report, which outlines the performance of the Corporation during the past financial year.

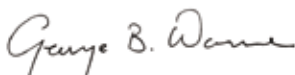
This report has been prepared for presentation to the New South Wales Parliament, in accordance with the *Annual Reports (Statutory Bodies) Act 1984* and the *State Owned Corporations Act 1989*. It includes financial statements prepared in accordance with the *Public Finance and Audit Act 1983* and a report on State Water's compliance with the *Freedom of Information Act 1989*.

The Independent Audit Report for the 2009-10 accounts was signed by the Auditor-General's Office on 15 October 2010, allowing this Annual Report to be published.

Yours sincerely



AG (Tony) Wright
Chairman

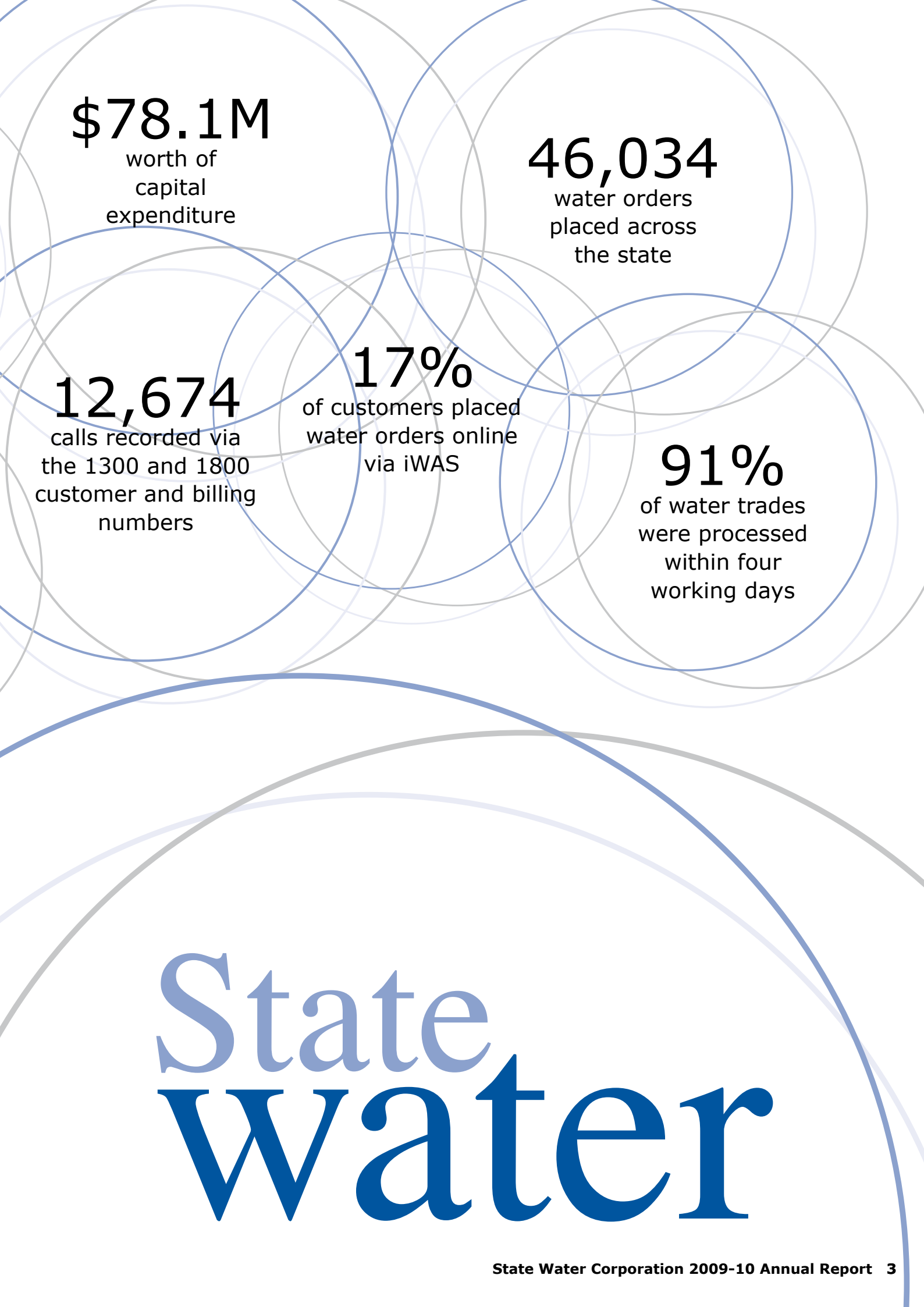


George Warner
Chief Executive Officer

100%
of water
allocation
delivered

27%
reduction in energy
consumption from
2008-09

**Front cover: Chaffey Dam Storage
Custodian Nick Burr and Keepit Dam Asset
Team Leader Troy Sands.**



\$78.1M

worth of
capital
expenditure

46,034

water orders
placed across
the state

12,674

calls recorded via
the 1300 and 1800
customer and billing
numbers

17%

of customers placed
water orders online
via iWAS

91%

of water trades
were processed
within four
working days

State
water

ABOUT STATE WATER

Who We Are

State Water is NSW's rural bulk water delivery business that maintains, manages and operates major infrastructure to deliver bulk water to licensed water users on the state's regulated rivers, along with associated environmental flows.

State Water's core water delivery business provides services to about 6,300 customers in 14 regulated river systems, along some 7,000 kilometres of river.

In the past 20 years, water deliveries have averaged 4,600GL annually, but in the recent extreme drought conditions, diversions have fallen to as low as 1,110GL

We manage and operate 20 dams and more than 280 weirs and regulators to deliver water for town water supplies, industry, irrigation, stock and domestic use, riparian and environmental flows.

On a local level, our Customer Field Officers work directly with customers to manage water accounts and improve water delivery efficiency. Our teams operate from regional centres throughout NSW and work closely with water users and Customer Service Committees (CSC) to set asset management priorities and distribute water efficiently in regulated river valleys.

We also monitor water usage, manage customer accounts, bill and collect bulk water charges.

State Water manages an asset portfolio of \$3.2 billion and is in the process of upgrading seven dams across the state, injecting billions of dollars into regional community infrastructure in the next five years.

What We Do

On regulated river systems in NSW we:

- Deliver allocated water
- Deliver environmental flows
- Coordinate water ordering
- Manage water accounts
- Measure water usage
- Process water allocation assignments (temporary transfers)
- Manage delivery restrictions and demand management
- Issue bills and accounts to regulated water users
- Ensure compliance with metering standards
- Ensure water ordering compliance
- Take compliance action for overuse of allocation
- Suspend water licences for non-payment.

Water Resource Management

In NSW, the regulator and policy maker for water resource management is the NSW Office of Water (NOW). It develops natural resource policy frameworks, strategies and plans related to water management, water quality, salinity, soils, vegetation and environmental sustainability.

NOW is accountable for Water Sharing Plans (WSP), which define the rules for sharing the water resources of each regulated river valley, between consumptive users and the environment.

WSPs have been gazetted in eight regulated river valleys: Gwydir, Namoi, Paterson, Hunter, Lachlan, Macquarie-Cudgegong, Murrumbidgee, and Murray-Lower Darling, but have been suspended in the last four of these valleys. Drought contingency measures have been implemented in these valleys.

Bulk Water Pricing

Water prices are set by the Independent Pricing and Regulatory Tribunal (IPART) and cover State Water's costs of delivering water and maintaining and operating infrastructure. Bulk water prices are based on the recovery of costs incurred in delivering water, not on the value of water.

Ministerial Responsibility

State Water has two voting shareholders, the Treasurer and Minister for Finance, with whom State Water enters into a Statement of Corporate Intent (SCI). The Operating Licence is issued by our Portfolio Minister, the Minister for Water.

ABOUT STATE WATER

Where We Are





Keepit Dam Asset Field Officer, Steven Bruce at Chaffey Dam.



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VISION

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PURPOSE

To efficiently deliver water and services for people, agriculture, industry and the environment, to be an integral service industry supporting sustainable growth in regional NSW.

VALUES

State Water operates on the basis of our corporate values:

- Accountability - we are responsible for our actions, behaviours and outcomes
- Customer service - we meet our customers' needs and strive to exceed their expectations
- Environment - we respect and enhance the environment
- Expertise - we apply our skills, competency and experience to deliver effective and innovative solutions
- Integrity and respect - we are honest, truthful and respectful in all that we do
- People - we support, develop and motivate each other, professionally and personally
- Safety - we put safety above time, cost, productivity and employment
- Shareholder value - we deliver consistent returns and long-term growth.



Copeton Dam

CORPORATE PLAN

State Water's 2008-12 Corporate Plan outlines the organisation's corporate strategies over a four year period. It is not intended to include everything we do, but to represent our key areas of focus for 2008-12.

Protect, operate and maintain our water assets with increasing efficiency

Secure the integrity of our assets, to meet the standards required through efficient works and maintenance programs, reducing annual real costs.

Promote environmental responsibility in all our operations and seek recognition of this element of State Water's growing skill set.

Realise the full value of our existing assets through proactive assessment and development and rationalisation of under-performing assets.

Maximise the delivered water available from each megalitre flowing into the regulated river system

Confirm adequate funding from the Commonwealth Water for the Future framework and deliver technologies to improve methods of measurement, metering and remote sensing.

Continue to improve the efficiency of water delivery into and from our storages and rivers, recognising the impact of climate change.

Provide water-related services that respond to the growing variety of customer needs - specifically recognising the value of water, the environment, and customer service

Provide premium services, where profitable, above those funded by IPART-approved maximum charging.

Recognise the environment as a key water user and develop value adding services to assist emerging environmental water managers.

Modernise interaction with our customers through the introduction of existing, proven, service-industry technologies.

Improve customer understanding of river operations.

Improve business outcomes

Secure benefits available to State Water under the *Water for the Future* framework.

Build on our extensive rural footprint to secure profitable business growth opportunities outside the IPART-regulated business.

Develop business systems that allow us to maintain productivity during times of change.

Meet the commercial and operational expectations of shareholders and regulators.

Achieve our strategic objectives through a capable, committed, safe and skilled workforce

Meet the NSW Working Together Targets for OH&S by putting safety first.

Provide employees with the tools to effectively and efficiently deliver services.

Develop a culture that allows us to build a team of skilled and dedicated people, consistent with a modern utility business.

A MESSAGE FROM THE CHAIRMAN AND CEO



State Water Chief Executive Officer, George Warne and State Water Board Chairman, Tony Wright.

Drought conditions peaked during 2009-10, intensifying the financial challenge faced by State Water and increasing the burden on our customers and their communities.

We are proud to say that State Water played a lead role in working with communities across the State to secure critical supplies, while ensuring deliveries in less-affected regions were efficient and timely. Thankfully by mid-2010, seasonal winter rains began to ease drought conditions.

Although revenue and profitability continue to be greatly reduced, State Water's overall financial position remains solid and a modest dividend was returned to Treasury.

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The Government voted to conserve critical water supplies by restricting river flow to Condobolin. State Water worked closely with affected communities to ensure that essential water supplies were made available over summer. The crisis was averted thanks to the dedication of many State Water employees.

A MESSAGE FROM THE CHAIRMAN AND CEO

Our valley-based Customer Service Committees (CSCs) play an important role in informing State Water about the issues and priorities of water users. They also keep a wide client base informed by working with State Water to relay information and advice regarding operational matters. Their valuable feedback assisted in improving services under difficult drought conditions.

Technology was further harnessed to provide convenient account management services to our customers through the launch of an internet Water accounting system (iWAS) in October 2009. This has proved to be an important and popular addition to the water administration possibilities.

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Significant progress was achieved on planning for the commencement in spring 2010 of construction on the \$60 million Koondrook-Perricoota forest flood enhancement project in the south of the State, funded under The Living Murray Initiative.

Investigation, consultation and planning also advanced for a series of Water for Rivers efficiency

A MESSAGE FROM THE CHAIRMAN AND CEO

projects, valued at \$80 million, beginning with a series of initiatives in the Murrumbidgee Valley. The proposed works include sophisticated river management modelling to enable improved operations in our largest area of operations, improved metering with remote sensing, and a variety of other water-savings measures.

A noteworthy environmental achievement was State Water's successful delivery of a total of 70,000ML of water held by State and Commonwealth licences to parched wetlands in the Lowbidgee area at the end of the Murrumbidgee. This is the biggest single planned delivery of environmental water since the State and Commonwealth water buyback initiatives commenced.

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During 2009-10 we completed implementation of a single enterprise agreement replacing five separate awards and agreements at State Water. The agreement includes changes to employment conditions to better align them with contemporary workplace standards and customer expectations, while recognising the need for managing work-life balance.

We are pleased to report that our IPART-regulated operating costs decreased to \$35.8 million in 2009-10, \$1.8 million less than the previous year and below the efficient level identified by IPART in the 2006 determination.

Strategic Direction

We recognise that the *Water for the Future* program will continue to be a key driver of State Water's activities in the coming years. In addition to managing the construction of the Priority Projects, State Water will play a major role in the delivery of environmental water which will be a focus of the forthcoming Basin Plan.

The Board is working to broaden the corporation's financial base and enhance State Water's viability by reducing reliance on water availability, while improving the efficiency of its core business. The Board and management participated in a joint planning exercise, with a key outcome being the creation of the commercial business division in readiness for 2011.

The Board has been active in driving the development of a plan to address the recommendations of Strategic Performance Review of State Water, undertaken by NSW Treasury as part of the Better Value and Services Taskforce. Implementation of the plan will contribute to achievement of further efficiencies. The Board and management also participated in the review of the performance of the boards of all NSW state owned corporations undertaken for the taskforce.

Our People

As always, we commend our State Water employees across the State who have maintained their high standards, enthusiasm, and dedication in circumstances which were often aggravated by the drought crisis.

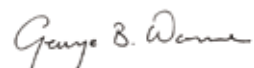
State Water's safety record in terms of time off due to injuries continues to be outstanding. At 30 June 2010, well under 1% of injuries resulted in time off, significantly below the 2010 Working Together target of 3.5%, and exceeding the June 2012 target of 3%.

The reform and development of the business continued apace throughout 2009-10 and State Water employees displayed professionalism and goodwill in adapting to change and wanting high service levels.

We would also like to express our gratitude to the fellow members of the State Water Board for their advice, enthusiasm, guidance and support. Once again the Board has enthusiastically worked alongside management to navigate a year challenged by the ravages of continued drought throughout the State. At the time of writing it is clear that better times lie ahead for State Water and its customers.



A G (Tony) Wright
Chairman



George Warne
Chief Executive Officer



State Water CEO George Warne, Senior Asset Field Officer, Roger Ryan, NSW Premier Kristina Keneally and NSW Water Minister Phil Costa at the start of construction works at Burrendong Dam.

UPGRADE WORKS START AT BURRENDONG DAM

NSW Premier Kristina Keneally officially kicked off construction on a \$28 million upgrade of Burrendong Dam – to secure a water supply for the region's 300,000 people and to protect them from floods.

The NSW Premier went on site at Burrendong Dam with NSW Water Minister, the Hon Phil Costa MP, to officially inspect the works.

The dam is a vital part of the water security for the region from Wellington to Warren and the more than 1,500 water licence holders in the region. Located on the Macquarie River, 30 kilometres south-east of Wellington, the dam has a storage capacity of 1,188GL of water – or three times the capacity of Sydney Harbour.

The wall is 76 metres high and the dam is currently 11.8% full. It has a surface area of 7,200 hectares or nearly 10,000 football fields.

Construction work on the dam commenced in 1946, but was not completed until 1967. The main purpose of the dam is to supply irrigation, stock and household needs in the Macquarie valley and to provide environmental flows to the Macquarie Marshes.

The upgrade project is expected to create at least 20 local jobs, including from the purchase of supplies and hiring of subcontractors.

Improvements to the dam include:

- Raising the height of the main dam wall from 76 metres to 77.8 metres.
- Modifications to the existing spillway, which diverts water, as a safety measure, in cases of extreme flood.
- Construction of a 100 metre auxiliary spillway and fuse plug to protect against the risk of extreme flooding.

The \$28 million upgrade will provide:

- Improved dam safety - in the event of extreme flooding this work will make the dam able to withstand the most extreme flood event likely in the area;
- Improved environmental outcomes - including a new fish passage downstream of the dam to give native fish access to larger stretches of the river to migrate and spawn; and
- Improved flood management – raising the height of the dam wall enables the dam to hold back a greater amount of water in the event of an extreme flood.



State Water Board of Directors: Michael Bennett, Kathleen Bowmer, Catherine Bolger, Tony Wright, Col Gellatly, Anne Thompson, George Warne, and Don Marples.

STATE WATER BOARD



A G (Tony) Wright
Dip Tech (NSWIT) MBA (UNSW)

Chairman since 1 July 2004

External Directorships

- Joint Managing Director, Wright Corporate Strategy Pty Ltd
- Deputy Chairman, NSW EPA Board

Tony is Managing Director of a corporate strategy and public policy advisory firm, specialising in resource and infrastructure management. His career focus has been running utilities and developing infrastructure covering the water, solid waste, and transport industries.

Among many previous executive roles, Tony has been Managing Director of Australian Water Technologies and Deputy Managing Director of Sydney Water. He

has played a significant role in developing the Australian environment management industry as a Director and Chairman of Environment Business Australia.

Much of Tony's recent advisory work has been in guiding national reform of solid waste management. He has chaired three public inquiries and helped shape the strategy and legislation for sustainable waste management in various states and at national level.



George Warne BBuild

Chief Executive Officer
Director since 6 December 2007

George Warne was appointed CEO of State Water Corporation in 2007. Prior to his appointment, George spent 15 years as General Manager and CEO of Murray Irrigation Limited.

As head of Australia's largest irrigation corporation (and State Water's largest customer) he developed a strong reputation in the industry and faced many of the same issues State Water has addressed since corporatisation in 2004.

During a year beset with drought, George oversaw the implementation of a single workplace agreement and an organisational restructure, the implementation of new business systems, and the beginning of a capital works program worth many millions of dollars.

STATE WATER BOARD OF DIRECTORS

Michael Bennett BAgEcos (UNE)

Director since 1 July 2004

External Directorships

- Director, Bennett Nominees Pty Ltd
- Director, Bennett Biz Pty Ltd
- Director, Killowen, Pty Ltd
- Director, Collyburl Pty Ltd
- Director, NSW Irrigators' Council
- Director, Dataspan Pty Ltd
- Chair, Macquarie-Cudgegong State Water CSC

Michael operates a 2,700ha property that produces cereals, sheep, cattle and cotton at Narromine, NSW. He has been actively involved in consultation with water users and governments over natural resource management issues at regional, state and Murray-Darling Basin Commission (MDBC) level.

In addition, Michael has been involved with numerous advisory committees and boards, developing NSW water policy since the mid-1980s.



Catherine Bolger BEc MLLR

Director since 1 August 2007

External Directorships

- Director, Powercoal Employees Entitlements Company Pty Ltd
- Coal Mining Industry (Long Service Leave Funding) Corporation

Catherine is a Director of the Association of Professional Engineers, Scientists, and Managers.

In her senior role in the union, Catherine has helped to shape a strong vibrant voice for the interests of professional employees. Her primary areas of expertise are Industrial Relations and Occupational Health and Safety matters, as well as management.

Catherine also has a special interest in corporate and regulatory compliance, developed during her recent time as a Director of a large industry superannuation fund.

Kathleen Bowmer BSc(Hons) PhD (Nott) FAICD

Director since 1 October 2004

Kath has worked in irrigation research, water quality and aquatic ecology with CSIRO for most of her career. More recently, her interests have focussed on water planning and governance. Her honours include the Eureka Prize for Environmental Science.

She was previously Deputy Chief of CSIRO Water Resources, Business Director of CSIRO Land and Water, Deputy Vice-Chancellor of Charles Sturt University, board member of several Co-operative Research Centres and Chair of the Murrumbidgee River Management Committee.

She currently holds the position of Professor of Water Policy at Charles Sturt University, adjunct Professor with Griffith University Law School and Honorary Research Fellow with CSIRO Land and Water.



STATE WATER BOARD OF DIRECTORS

Col Gellatly B Ag Eco(Hons) M Comm(Hons) PhD

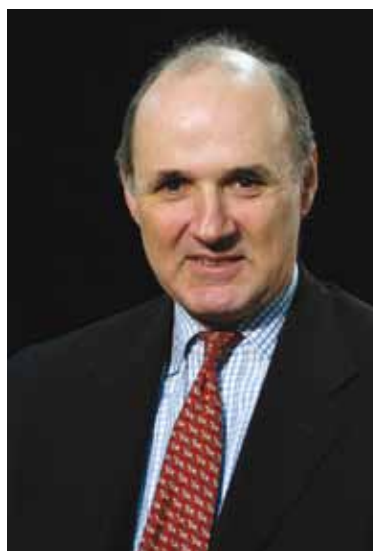
Director since 16 July 2007

External Directorships

- Chair, Redfern Waterloo Authority
- Chair, Pillar Corporation
- NSW Rugby League
- Director, Col Gellatly and Associates Pty Ltd

Col finished a long and distinguished career in the NSW Public Sector in 2007 as Director-General of the Department of Premier and Cabinet. Col had been a CEO for 18 years, including time as Director-General of the Premier's Department, Department of Land and Water Conservation, and Department of Industrial Relations, Employment, Training and Further Education.

Col is involved in a variety of roles in the public and private sectors as a consultant, advisor and board member. He is Chair of the Redfern Waterloo Authority and Pillar Corporation (super administration), while also a member of the Council of the University of New England (UNE) and a member of the UNE Foundation. He recently chaired the NSW Government's Ethanol Taskforce and Rural and Regional Taskforce.



Don Marples BCom MCom FFinsia GAICD

Director since 24 April 2006

External Directorships

- Director, Blackwattle International Pty Ltd
- Director, MPC Funding Ltd
- Director and Deputy Chairman, Wide Bay Water Corporation

Don is a senior management professional with 22 years experience in strategic leadership in banking, funds management and major corporations, with particular emphasis on property and infrastructure. He has led, grown and repositioned value-added financial and investment businesses in a high performance environment.

Don is the Executive Director of Blackwattle International, a specialist institutional property and infrastructure group.

Previously, Don was Joint Managing Director of Fortius Funds Management, an institutional value-add real estate funds manager, General Manager and Global Head of Project and Infrastructure with the Commonwealth Bank. He has held senior positions with Lend Lease Corporation Ltd and ANZ Banking group.

Anne Thompson BBus LLB, GradDip Leg Prac

Director since 15 February 2008

Anne is a solicitor with Boyd and Longhurst Solicitors in Orange.

Previously, she was a union official with the Australian Workers' Union as Central West Regional Organiser and also National Vice-President.

Anne has completed a Bachelor of Business degree, a Bachelor of Laws degree and a Graduate Diploma of Legal Practice.

She has been admitted as a solicitor in both the Supreme Court of NSW and the High Court of Australia.



EXECUTIVE AND OPERATIONS TEAM



George Warne
Chief Executive Officer



Jane Redden
General Manager Finance



Marysia Derewlany
Company Secretary / Manager
Strategy & Governance



Geoff Borneman
Chief Operating Officer



David Andersen
Manager Customer
Operations



Glenn Baker
Manager Maintenance
and Services



Scott Barber
Manager Business
Improvement



Dan Berry
General Manager Water
Delivery



Amit Chanan
General Manager
Strategic Assets



Sandra Coleman
Chief Information Officer



Michael Jeffery
Manager Major Projects



Rod Smith
Human Resources
Manager



Tony Webber
Corporate Communication
Co-ordinator

Executive Team

The State Water Executive Team was established to focus on strategic decision making. The team members meet monthly to discuss issues of a strategic nature, including:

- Developing strategic direction
- Policy development
- Operating Licence compliance
- Corporate risk management
- Corporate planning targets
- Initiation and review of Board papers
- Corporate culture and values.

The State Water Executive includes:

George Warne BBuild Chief Executive Officer

Responsible for leadership and strategic management of employees and customer and stakeholder relationships. As an Executive Director on the Board, the CEO is responsible for corporate governance, direction and review.

Jane Redden JP BBus (Accounting) ASA AIMM General Manager Finance

Responsible for the provision of strategic financial leadership to direct, control and administer the financial activities of the organisation. This includes offering strategic direction in the development and implementation of financial management strategies, policies, systems and processes.

Marysia Derewlany BA(Hons) MTCP MComm Company Secretary and Manager Strategy and Governance

Responsible for managing the Board processes, strategic policy and regulatory compliance, legal services, business risk management and internal audit.

Geoff Borneman BEng(Civil) Chief Operating Officer

Responsible for the provision of strategic and operational leadership to State Water and the oversight of all operations for State Water, including Strategic Asset Management, Water Delivery, Customer Operations, Maintenance and Services, Major Projects and Operations Systems.

EXECUTIVE AND OPERATIONS TEAM

Operations Team

The operations team manages various business functions and includes:

David Andersen AFAIM

Manager Customer Operations

Responsibilities: Frontline customer service, call centre (enquiries, water orders, usage and trading), and field services (meters, compliance, customer liaison).

Glenn Baker DipPM DipOHSMgt

Manager Maintenance and Services

Responsibilities: Maintenance at dams, river structures and associated services, including the operation and upkeep of the organisation's assets.

Scott Barber BEng MAppSc PGradCertMangt CPEng MAICD

Manager Business Improvement

Responsibilities: Developing and resourcing operations information systems for water delivery and planning, customer service and asset planning and management.

Dan Berry BEng(Civil)

General Manager Water Delivery

Responsibilities: Core business activity, operations planning, water delivery, river and flood operations and managing CSCs.

Amit Chanan MEng MEM MSc

General Manager Strategic Assets

Responsibilities: Ensuring the safety, serviceability and efficiency of dams and other assets, providing leadership in total asset management and measuring performance against strategic objectives.

Sandra Coleman MBA (IT)

Chief Information Officer

Responsibilities: Strategic planning and management of the Information Systems team, projects and performance as well as the information technology network and records. *Sandra Coleman resigned from the organisation in the reporting period.*

Michael Jeffery BE(Civil)Hons MIEAust CPEng NPER

Manager Major Projects

Responsibilities: Overseeing the corporate capital program, ensuring cost-effective, timely and quality delivery and support of major projects.

Rod Smith MBA

Human Resources Manager

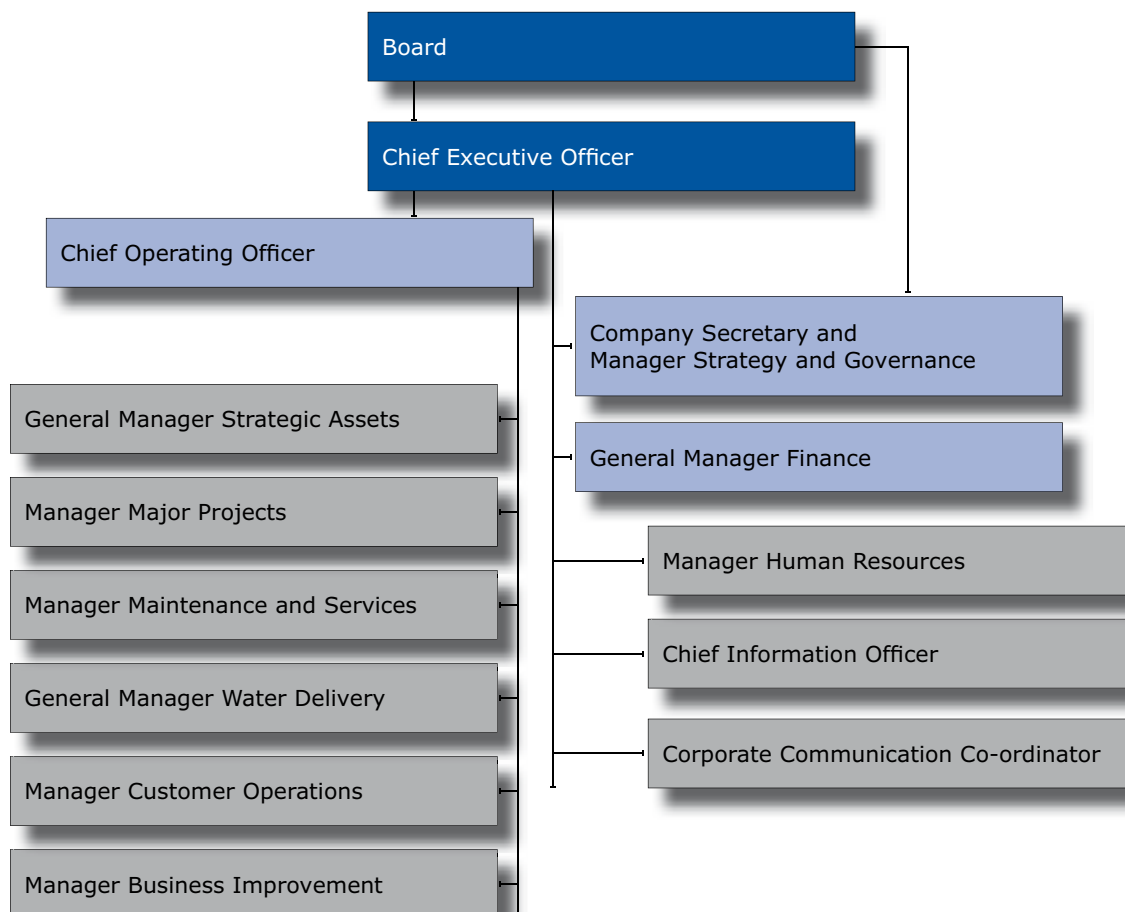
Responsibilities: Management of State Water employee conditions, agreements, recruitment, employee assistance, training, OH&S, workforce planning, policy and industrial relations.

Tony Webber

Corporate Communication Co-ordinator

Responsibilities: Management of internal and external relations, including communication with stakeholders, the media and the Minister's Office.

ORGANISATION STRUCTURE





Glennies Creek Dam.



BUSINESS UNIT OVERVIEW

OPERATIONS GROUP



Back: Macmahon Contractors, Chris Jones, Blowering Dam Storage Custodian, Barry Brunsdon, DECCW, Shabnam Gill. **Front:** NSW Treasury, Angeline Bilas, General Manager Major Projects Michael Jeffery, Executive Officer to the Board Natalie Stait, Strategic and Regulatory Manager, Lisa Welsh, NSW Treasury, Dominic Schuster and Blowering Dam safety upgrade Project Manager, Jay Sinha.

The 2009-10 Operations Group, led by the Chief Operating Officer - consists of six business units:

- Water Delivery
- Customer Operations
- Major Projects
- Business Improvement
- Strategic Assets
- Maintenance and Services.

2009-10 Achievements

- The Total Asset Management Plan (TAMP) 2009-14 was completed. While a key document for State Water's IPART submission, it is also the core document for asset planning.
- Capital Investment Strategy completed and implemented.
- Thirty four water infrastructure asset plans developed. These will enable a clearer understanding and planning of life cycle of the assets.
- Workshops held to develop a long-term strategy for Fish River Water Supply (FRWS) and Lowbidgee Irrigation Schemes.
- Risk assessments were updated for Glenbawn, Burrendong, Keepit, Split Rock, Oberon and Rydal dams and extended to include Burrinjuck cableway.
- Completed successful submissions to the Dams Safety Committee (DSC) to modify State Water's dam safety surveillance program.
- Completed State Water's first carbon footprint assessment.
- Launched an internet water accounting system (iWAS) to enable customers to order water, enter customer meter readings and print water statements.
- Implemented a system, partially funded by the Bureau of Meteorology, which centralises operational data and enables remote entry of manually collected data via the internet - saving time and reducing business risk.
- Initiated the first stage of the Integrated Surveillance Monitoring, Automation and Remote Telemetry (iSMART) program, a \$3 million project to integrate and combine the whole SCADA network, with anywhere access and a central server system.

OPERATIONS GROUP

- Successful management of limited water resource in worst drought on record across the state.
- Water supplies in the Lachlan River at the end of spring were insufficient to maintain flows along the full length of the river. Drought contingency measures were planned and successfully implemented, in consultation with the CSC and the local community.
- Block releases were implemented in the Brogo, Namoi and Gwydir systems to efficiently deliver the dwindling supplies in those valleys.
- Water levels in FRWS fell to record levels below 10%. Water restrictions were managed in consultation with the Fish River Customer Council and the Duckmaloi Weir supply was re-commissioned. Pumps were installed to ensure all water in Oberon Dam could be accessed for customers.
- A review in March 2010 identified that Oberon Dam could no longer supply gravity fed water below 7% of storage levels. These findings prompted the immediate creation of a project designed to guarantee State Water's ability to supply water at 0% storage level as part of a strategy to ensure continuity of supply.
- Capital expenditure in 2009-10 was \$78.1 million, the largest in State Water's history, compared to \$25.5 million in 2008-09.
- Construction work began at six of the seven dams in the Dam Safety Compliance Program.
- Capital expenditure on dam safety compliance was \$57.7 million.
- There has been a further reduction in both Lost Time Injury Frequency Rates and Severity Rates over the previous year, again surpassing the NSW Government Working Together OH&S Targets.
- A comprehensive clean-up of sites to remove years of accumulated equipment and scrap steel, resulted in a reduction of maintainable items and disposal proceeds in excess of \$300,000.
- The introduction of maintenance planning sheets greatly improved compliance with the Facilities Maintenance Management System (FMMS), which led to improved coordination of day-to-day activities and improved the utilisation of resources. This also entails the capturing of years of experience in the form of documented work procedures.

Priorities for 2010-11

Predicted higher than average rain in 2010-11 will present a number of challenges that have not occurred since State Water downsized and restructured on functional lines.

A key focus for water delivery will be the development of statewide Standard Operating Procedures for resource assessment, daily water delivery and supplementary flows. In addition, flood management will be computerised to provide operators with better tools to manage floods.

Development will continue on the replacement of State Water's current river operations tool, CAIRO with a computer-operated river system. When fully developed this will provide 24 hour, seven-day-a-week operations of river systems which will improve State Water's efficiency and reduce operational losses.

Within Customer Operations, a key focus will be further developing the Water Accounting System (WAS) and, in particular, iWAS.

Maintenance and Services will focus further on the development of State Water's maintenance management system to ensure better planning and execution of maintenance works.

WATER DELIVERY



Menindee Lakes Asset Team Leader, Barry Philp.

The Water Delivery unit schedules water releases from State Water dams and weirs to ensure the right amount of water gets to the right place at the right time. These releases supply water in response to orders from customers, including environmental licence holders. These flows must also be made in compliance with the Water Supply Work Approvals issued by NOW to ensure operations are in accordance with the WSPs.

The unit also provides information and analysis to NOW to allow customers access to water via Available Water Determinations and Supplementary Water announcements.

The Water Delivery unit is also responsible for flood operations of those dams with gated spillways. There were no flood events in 2009-10, but flood operations training was undertaken to ensure flood preparedness.

2009-10 Achievements

The Water Delivery unit successfully operated the state's river systems under extreme drought conditions. The lack of rain and water meant that unprecedented actions were planned and implemented in 2009-10.

In the Lachlan valley there was insufficient water to maintain flows along the whole length of the river, so flows downstream of Condobolin ceased in November 2009. Fortunately, heavy local storms in summer months reinstated flows in the mid-Lachlan and by February there was a flow downstream of Willandra Weir. Flows were then maintained for the rest of the year from the increased water levels in Wyangala Dam.

The storage level in Oberon Dam that supplies the FRWS fell to less than 10%, the lowest level in the history of the scheme. Restrictions reached level six, but supplies were augmented by recommissioning the Duckmaloi pipeline, which provided more than 50% of the scheme's water for the year.

Other significant achievements included:

- Water delivery to the Macquarie Marshes in December from supplementary access licences bought under the Commonwealth's water buyback.
- Successful negotiation and implementation of block releases to provide some drought relief to the Bega valley.

WATER DELIVERY

- Agreement of key water operational management arrangements with a coastal customer, including: storing, capturing, releasing and delivering Barnard Reserve account water; an agreed formula for calculation of evaporation losses in Glenbawn Dam for the Reserve; and trials to assess downstream water losses.
- Provided a seven-day service for operating the Hunter River Salinity Trading Scheme and met all regulatory requirements.

Water Delivery Overview

Water delivery in 2009-10 was dominated by the continuing drought. Rainfall in the first three months was well below average across most of the state, and this followed three very dry years. For some of these areas the rainfalls were the lowest three-year totals ever recorded.

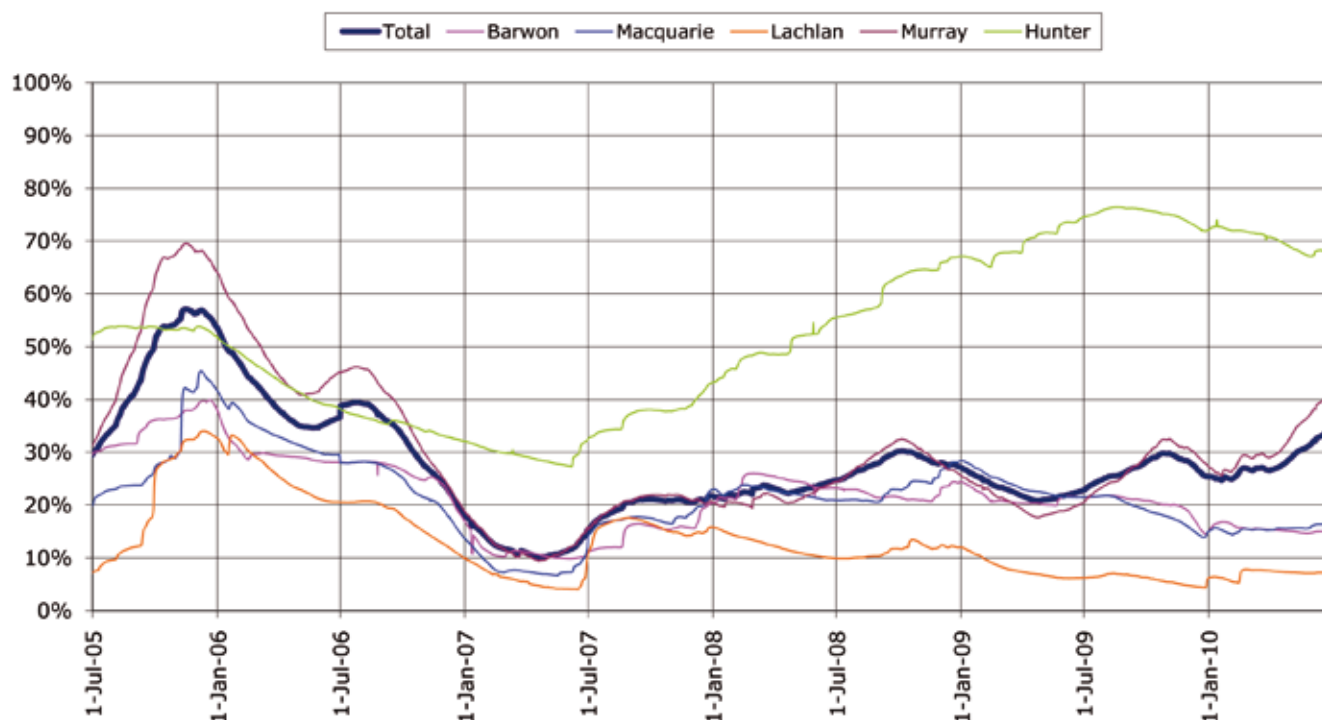
The total State Water storage level in July 2009 was 23.4% of capacity (2% lower than July 2008). This rose to 31% in October 2009, fell to 26% by January 2010 and rose to 35% in the last few weeks of June 2010.

The usual summer drawdown of storages was offset by summer storms across western NSW and southern Queensland that ultimately took the Menindee Lakes scheme from 8% to 89% of capacity.

WSPs remained suspended in the Murray-Lower Darling, Murrumbidgee, Lachlan, and Macquarie-Cudgegong. This allowed for drought management measures that were beyond the capacity of WSPs.

State Water delivered all water ordered by general security customers. Working with other agencies and communities, State Water delivered all water required under the environmental rules of WSPs, as well as the specific instructions issued when plans were suspended.

Total Storage 2009-10



WATER DELIVERY

Valley overviews

Bega and Brogo Regulated Rivers

Brogo Dam, which supplies the Bega regulated river, was at about 29.5% of capacity at the start of the water year. Natural inflows to the dam until early February 2010 were amongst the lowest ever recorded or modelled. In February, major local flooding occurred, with the dam filling almost overnight and continuing to spill up to the end of July 2010.

On 1 July, general security allocations were reduced to 0%, with all other licence categories at 100%. Following local rain in early September, State Water, local irrigators and NOW agreed to guidelines for a block release to meet immediate irrigator needs. General security allocations were increased to 5% and water was released over 10 days to provide some relief for irrigators. Smaller block releases for riparian, stock and domestic supplies continued from September to early February.

By February the dam was down to 10.4% of its capacity before heavy rains and flooding, with dam inflows the highest since 1994.

About 2,006ML of water was provided to licence holders, including 1,117ML during off-allocation periods that occurred after February when the dam was spilling. Total regulated releases from the dam of 2,505ML were required to meet licensed extractions and riparian water users.

About 102,859ML also flowed over the spillway since February, which is more than 11 times the dam's capacity. In February the dam was spilling a volume greater than its total capacity for two consecutive days.

The natural inflows into the dam for the year were 111,663ML, more than 12 times the dam's capacity. As a result, the dam was at 100% at the end of the water year.

Border Rivers

Levels in the Pindari and Glenlyon dams at 30 June 2010 were 25% and 22% respectively, compared to 43% and 24% in June 2009.

Allocations in the Border Rivers started the year at the equivalent of 33% for general security licence holders and finished the year at 11%. Available water determinations totalled 10% during the water year. Supplementary access of between 25% and 100% was available in the Border Rivers.

The Border Rivers WSP commenced operationally on 1 July 2009 and all rules stipulated were met.

Fish River Water Supply

FRWS continued to be operated under a drought management strategy throughout the reporting period. Oberon Dam started the year at 11.9% and rose to a peak level of 13.2% in October 2009, before dropping below 10% in May 2010.

In response to the drop in storage, restriction levels for major customers was increased from 60% to 65% and 68% as per the drought management strategy approved by the Fish River Customer Council. The scheme was able to supply only 3,999ML to four major customers.

Active extraction of water from Duckmaloi River contributed to nearly half the water used in the scheme and conserved about 5% of storage in Oberon Dam. A scheme similar to supplementary water access was introduced for the Duckmaloi River with the endorsement of the Customer Council.

The Minister for Water announced a review of the FRWS Scheme in April 2010, which is being undertaken by the NOW.

Gwydir Valley

Copeton Dam began the year at 11% of capacity and ended at 6%. No general security available water determination was made in the Gwydir Valley during the 2009-10 water year, though customers started the season with 6% in their account balances.

Water was saved through block releases and by reducing the number of days the river was run. Due to low available water, sections of the Gwydir valley were allowed to dry down to help conserve water for future essential supplies.

Due to the extreme weather conditions, limited supplementary water was available, though access ranged from 0% to 10%, depending on the location of customers.

WATER DELIVERY

Hunter Regulated River Water Source

At the start of 2009-10, the combined storage volume held in Glenbawn Dam and Glennies Creek Dam represented about 74.5% of their conservation storage capacity. This allowed all licence holders to access 100% of their entitlements. Many licence holders also had a 10% carryover from the previous water year.

About 113,137ML of water was provided to licence holders. Total regulated releases from the dams of 130,520ML were required to meet licensed extractions, as well as environmental flows and basic rights.

The combined natural flows into both dams for the year was 76,262ML which is in the low range of inflows and about 100,000ML below average. As a result, the combined storage volume held in the dams was about 68% of capacity at the end of the water year.

All environmental flow rules were complied with throughout the water year.

Ironpot and Eden Creeks Regulated Rivers

Toonumbar Dam, which supplies the Richmond Regulated River, was at 100% capacity and spilling. The dam spilt for 145 days throughout the year. Due to continued local rains, only 943ML of water was provided to licence holders.

The total usage was among the lowest on record. Total regulated releases from the dam of 1,647ML were required to meet these licensed extractions, as well as riparian water use.

About 17,287ML spilt over the spillway during the year.

The natural inflows into the dam for the year were 18,918ML which is below average, although higher than those experienced in the first part of this decade. The dam was still spilling at the end of the year.



Asset Field Officer, Phillip Cocks at Lock 15 Euston Weir.

WATER DELIVERY

Lachlan Valley

The Lachlan valley continued to be operated under drought contingency measures and the WSP remained suspended for the sixth consecutive year. The year started with Wyangala Dam at 6.1% of active capacity.

A dry winter and spring resulted in inadequate storage reserves to maintain a continuous flow for the full length of the regulated system. A temporary water restrictions order, under section 324 of the *Water Management Act* was implemented in the Lachlan River below Condobolin and in the mid-Lachlan creeks in November to conserve water and maintain critical human needs including town water supplies.

This action effectively stopped flows in the river below Condobolin and in the mid-Lachlan creeks until mid-February when runoff from local storms around Condobolin restored the flows. As part of drought contingency measures, Lake Cargelligo remained off-line from the Lachlan River until the February rain and local runoff.

The valley started with initial allocations of 50% for towns, 15% for stock and domestic, 10% for high security and all remaining allocation in general security licences being suspended.

Of the total allocations of about 13,000ML, only 9,000ML was used. Under critical water planning, water orders below Condobolin were managed case by case in order to ensure equitable sharing of weir and river pools.

Allocation in the Belubula River started with 50% for high security and 0% for general security licences. General security licences were able to access unregulated flows from tributaries below Carcoar Dam, which was up to 20% of entitlement.

Macquarie–Cudgegong Valley

WSPs remained suspended during the year, however allocations and delivery operations, including delivery of environmental water, were conducted according to provisions of the WSP.

Initial allocations in the Macquarie and Cudgegong Rivers included 100% for towns, 100% for stock and domestic and 0% for general security.

Water users had access to full carryover allocations which were equivalent to 10% of allocations in the Macquarie River and 55% of general security entitlement in the Cudgegong River. General security allocations did not increase during the year due to dry conditions.

A total of 16,000ML of environmental water was carried over into 2009-10 and was released actively during winter and spring months, targeting the southern Macquarie Marshes. State Water was commended by the Environmental Flow Reference Group for the cooperation and efficient delivery of environmental flows.

Rainfall in December 2009 and February 2010 provided much-needed inflows into the dam and the catchment. Tributary flows below Burrendong Dam and flows in the Bogan and Castlereagh rivers helped to deliver stock and domestic replenishments to the lower Macquarie River, lower Bogan River and Marra Creek and provided access to two supplementary events in summer.

Total extraction in the Macquarie - Cudgegong rivers was about 73,310ML.



A water release at Menindee Lakes.

WATER DELIVERY

Murray Valley

The year was again dominated by the continuing drought. Water allocations by the end of the year resulted in stock and domestic and high security at 95% and general security at 27%. This was notably better than the general security allocation of 9% reached last year.

Storages in the Murray and Lower Darling at the start of the year were: Dartmouth Dam 20%; Hume Dam 11%; and Menindee at 14% of capacity.

By the end of 2009-10 storages were: Dartmouth 33%, Hume 27% and combined Menindee Lakes at 62% of capacity. Usage for the year was 412GL, up from the previous year's 292GL.

Murrumbidgee Valley

A drought contingency plan remained in place for 2009-10, having been initiated in November 2006. Burrinjuck and Blowering dams at the start of the year held 33% and 37% of their capacity respectively; by the end of the year they held 46% and 41%.

Allocations as at 1 July 2009 were: stock and domestic 50%; high security 50% and general security 0%. By the end of the year these had risen to: stock and domestic 95%; high security 95% and general security 27%.

Water trading was again significant with a net 110.8GL being traded out of the valley by the year's end. Total extractions for the Murrumbidgee were 793GL compared with 568GL for the previous year.

The Lowbidgee received 35GL of environmental water in late autumn, followed by an additional 6GL of stock and domestic water. About 45GL was delivered as supplementary event flows to Lowbidgee in autumn.



Namoi-Peel Valley

Keepit Dam began the season with 35.5% of capacity and ended with 27%. General security allocation accounts started the year with 24% and were credited with 0.58% throughout the year. The year ended with approximately 14% in accounts.

As dry conditions continued, State Water was advised by NOW that end-of-system flows would not be required until storage levels and/or climatic conditions improved.

Water was saved through block releases and reducing the number of days the river was run. Supplementary access was granted with access up to 100% at some locations.

Split Rock Dam started the year at 4.6% and ended at 2.6%. Upper Namoi customers had a 50% allocation throughout the year. The Manilla River was run under extreme conditions to conserve as much water in Split Rock Dam as possible for the start of the 2010-11 water year.

Peel valley general security customers started with a 60% allocation which increased to 100% during the year.

Chaffey Dam started the year with 96.5% of capacity and ended the year with 89%. General security customers will start next season with about 60% allocation.

Off-allocation was announced throughout the year for general security users.

Paterson Regulated River Water Source

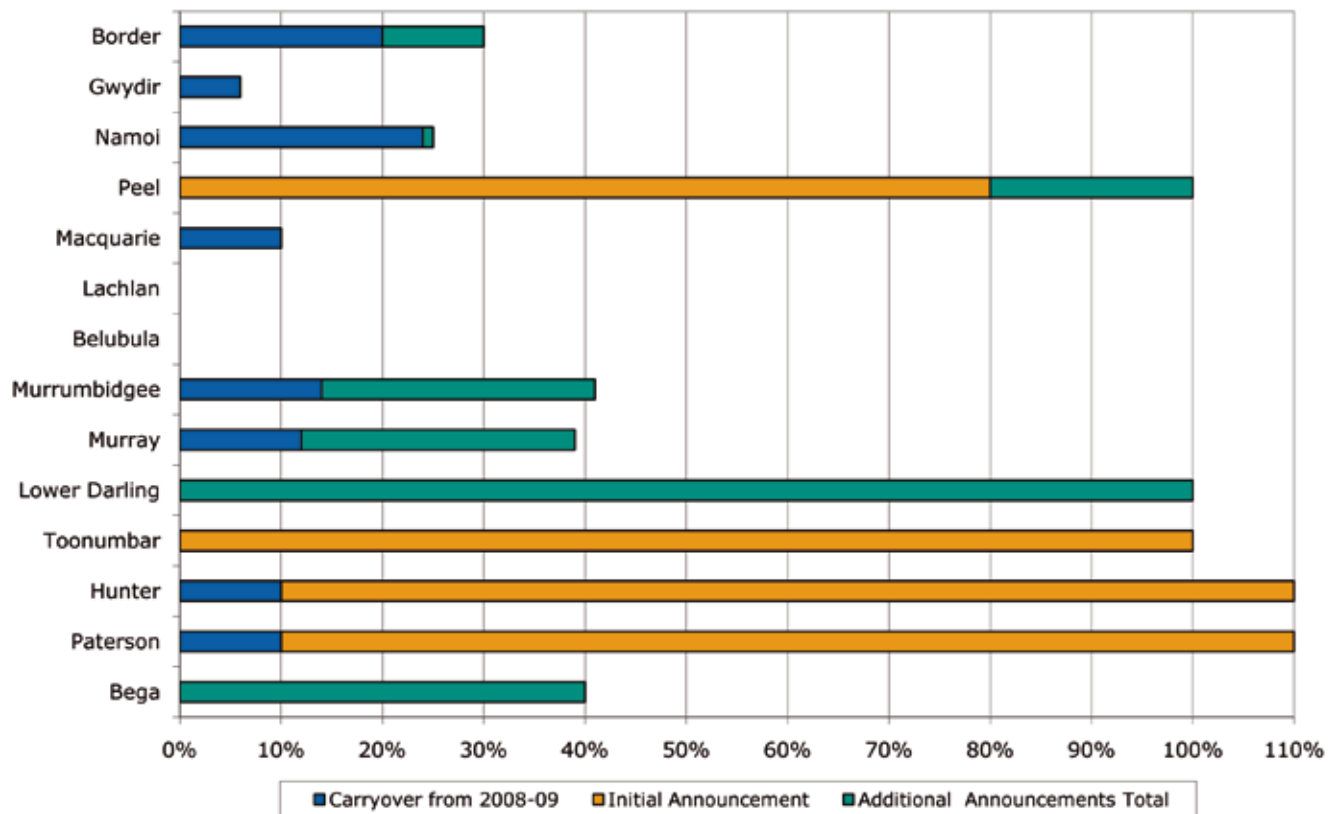
At the start of the 2009-10 water year, Lostock Dam was at 100%, enabling all licence holders to access 100% of their entitlement. Many licence holders also had a 10% carry over from the previous year.

About 2,674ML of water was provided to licence holders. Total regulated releases from the dam of 4,377ML were required to meet these licensed extractions, as well as environmental flows and basic rights. About 70,757ML, or more than three and a half times the dam's capacity, flowed over the spillway for 293 days during the water year.

Dam inflows for the year were 97,142ML, which is more than four times the dam's capacity. There were announcements of periods of access for supplementary water access licences throughout the year, with 207ML of the total water used being extracted during these periods.

The environmental flow accounting rules were fully complied with throughout the water year.

General Security Water Availability 2009-10



Water releasing from Hume Dam.

WATER DELIVERY

Customer Service Committees

Since their introduction in 1999, CSCs have been an effective forum for developing operational improvements, setting asset management priorities, communicating customer service changes and driving business efficiencies in each valley. CSCs provide a forum for communication and consultation between State Water and its customers. When developing projects, policies and priorities for State Water, committee representatives consider the interests of all water users.

Border Rivers CSC

Four meetings held

- Developed key service levels for Border Rivers that were used to frame the State Water submission to IPART.
- Developed performance indicators to be presented at each meeting.
- Developed annual agenda items.
- Provided comment and suggestions on major OPEX work relating to infrastructure.
- Oversaw block releases from Glenlyon and Pindari dams.
- Reviewed supplementary access.
- Agreed upon reporting format for regular reports.
- Wrote letters to NOW regarding issuing of WALs.

Coastal CSC

Four meetings held

- Advised State Water on key service levels that were used to frame the State Water submission to IPART.
- Developed recommendations on metering standards and advised State Water and NOW.
- Agreed to a standard for valley reports to be presented at each meeting and made available to customers, including resource overview and assessments, extraction and environmental compliance, expenditure and historical information.
- Agreed on a range of performance indicators to be presented at each meeting.
- Made comment on and encouraged participation in the development of WSPs for two valleys and the review of one current plan.
- Increased awareness of issues in each valley through electronic tours of one valley at each meeting.
- Developed and agreed to a business plan to guide the activities of and monitor the performance of the committee.
- Continued monitoring of unregulated river issues and initiatives.

Fish River Customer Council

Seven meetings held

- Held additional meetings to discuss and advise on drought management strategies.
- Endorsed the concept of supplementary water access from Duckmaloi River and the protocol for maximising access.
- Developed a project scope for investigating options for improved water sharing arrangements for the scheme.
- Endorsed inclusion of \$6 million for works and contingencies in the next IPART pricing determination period towards works to restore secure yield of the scheme.
- The embargo which was placed in August 2000 on no new minor consumer connections or re-connections was reconfirmed by the Customer Council.
- Commissioned a study regarding the effects of pine forests on the Oberon Dam catchment.
- Discussed the expanded operating protocol for supplementary water access including access to Sydney Catchment Authority and Delta and Rydal Dam operations to optimise the use of Duckmaloi water.
- Endorsed a deep water recovery project to access the last 5% of storage in Oberon Dam.
- Commissioned a report on the assessment of iron and manganese issues in the FRWS.

Gwydir CSC

Three meetings held

- Developed key service levels for Gwydir valley that were used to frame State Water's submission to IPART.
- Developed performance indicators to be presented at each meeting.
- Provided comment and suggestions on major OPEX work relating to infrastructure.
- Oversaw block releases from Copeton Dam.
- Provided input into the development of drought contingency operation throughout 2009-10 and the 2010-11 drought contingency plan.
- Participated in the Copeton Dam safety upgrade workshops.
- Reviewed supplementary access.
- Agreed upon reporting format for regular reports.

WATER DELIVERY

Lachlan CSC

Four meetings held

- Regularly discussed resource assessment and water delivery performance indicators and targets and advised on the planning and management of the continuing drought in the Lachlan.
- Organised information sessions for water users along the Lachlan River on drought contingency measures and to help promote understanding and compliance with a Ministerial Order.
- Worked with State Water on discretionary level of service required for the next period of IPART pricing.
- Committee members attended meeting on Murray Darling Basin Plan in Canberra.
- Actively participated and advised the Lachlan Critical Water Advisory Panel on management of the Lachlan drought.
- Actively participated in the Lake Brewster Water Efficiency Project steering committee and steered the final stages of the project.
- Raised with NOW issues including: ability to trade stock and domestic allocations during drought; review of Lake Cargelligo trading barrier; and embargo of issuing of stock and domestic licences.
- Contributed to the review of the *State Water Corporation Act 2004*.
- Wrote to MDBA to register Lachlan CSC as a key stakeholder in the development of MDB Plan.

Macquarie-Cudgegong CSC

Four meetings held

- Regularly discussed resource assessment, drought contingency planning, delivery of environmental flows and water delivery performance indicators and targets.
- Sub-committee formed to develop operational performance indicators and targets.
- Development of draft protocols for the implementation of water order debiting.
- Reviewed operations of supplementary events and improved communication planning.
- Worked with State Water to progress the development of Crooked Creek piping project.
- Formed a sub-committee to develop discretionary level of service required for the next IPART pricing period.
- Wrote to Minister for Water on the purchase of water for the environment, expressing concern over socio-economic impacts on rural and regional communities from large scale water purchases to the environment.
- Reviewed State Water's Customer Service Charter.

Murray-Lower Darling CSC

Four meetings held

- Reviewed both the Customer Service Charter and the *State Water Corporation Act 2004*.
- The MDBA Plan was the driver for significant concern, resulting in attendance of MDBA personnel at one CSC meeting.
- Staff from NOW attended meetings to address member's interests and concerns associated with water allocation, compliance and water trading matters.
- River Murray Water staff addressed the committee on matters associated with the Murray River operations in general and specifically around the Barmah choke and extraction share trading.

Murrumbidgee CSC

Four meetings held

- Reviewed both the Customer Service Charter and the *State Water Corporation Act 2004*.
- Sought clarification of the accounting for environmental water releases and the 'pay-back' arrangements for borrowed water.
- Discussed complaints about and suggestions for improving iWAS, with undertakings to investigate implementing suggested improvement made by State Water.
- Generated input and feedback about the Murrumbidgee Efficiency Plan (MEP) development. Concern was aired regarding the importance of the plan generating 'real' water savings which would be converted into a licence.
- The MDBA Plan was the driver for significant concern and discussion.
- Discussed and supported the suspension of licenses for non-payment of accounts.
- Regarded the management of water trading by means of a ballot system as unfair and requested alternative methods be investigated.

WATER DELIVERY

Namoi-Peel CSC

Four meetings held

- Developed key service levels for the Namoi and Peel valleys that were used to frame the State Water submission to IPART.
- Developed performance indicators to be presented at each meeting.
- Provided comment and suggestions on major OPEX work relating to infrastructure.
- Oversaw block releases from Keepit Dam.
- Participated in the Keepit and Split Rock dams safety upgrade workshops.
- Reviewed supplementary access.
- Agreed on reporting format for regular reports.
- Provided comment and updates regarding the Peel WSP.
- Held discussions with NSW Industry and Investment regarding fishway offsets and ecological value of certain sections of Gunidgera Creek.
- Provided input into the development of operating rules for the 2009-10 water year.



Members of the Keepit Dam safety upgrade Community Consultation Liaison Group.

WATER DELIVERY

Number of Regulated River (*Water Management Act 2000*) Licences

Water source	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Gwydir	439	444	461	461	467	472
Lower Namoi	548	556	573	554	567	574
Upper Namoi	102	106	108	106	108	108
Border River#				121	142	416
Peel River*				72	195	213
Macquarie-Cudgegong	1,449	1,481	1,475	1,499	1,509	1,534
Lachlan	1,409	1,453	1,454	1,519	1,549	1,552
Belubula River			75	76	77	76
Hunter	1,342	1,361	1,379	1,399	1,406	1,413
Paterson			142	144	145	146
Brogo *				90	88	92
Iron Pot/Eden Creek *				52	64	63
NSW Murray	2,631	2,728	2,707	2,911	3,008	3,097
Lower Darling	259	261	266	273	278	277
Murrumbidgee	1,482	1,520	1,585	1,599	1,646	1,689
Total	9,661	9,910	10,225	10,876	11,249	11,722

* *Water Act 1912*.

Converted to *Water Management Act 2000* on 1 July 09.

Number of Works Approvals

Water source	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Gwydir	136	142	211	212	215	214
Lower Namoi	228	230	240	240	240	240
Upper Namoi	67	78	97	97	96	97
Border River				121	142	142
Peel River				72	195	194
Macquarie-Cudgegong	601	627	674	678	679	683
Lachlan	755	864	968	972	973	973
Belubula River			75	76	76	76
Hunter	826	828	853	864	867	874
Paterson			100	102	105	107
Brogo/Bega Valleys				90	90	90
Iron Pot/Eden Creek				52	52	52
NSW Murray	983	1,125	1,523	1,544	1,561	1,593
Lower Darling	128	132	195	195	195	193
Murrumbidgee	665	685	853	863	869	865
Total	4,389	4,711	5,789	6,178	6,355	6,393

Water Act 1912 reports on Work Approvals only. Each Work Approval has attached licences which are not included in the Licence Number table above.

WATER DELIVERY

Customers Billed 2009-10

Water source	Licences billed	Customers billed
Belubula*	76	13
Border Rivers	421	198
Brogo*	91	30
Gwydir	473	145
Hunter	1,423	649
Lachlan	1,561	150
Lower Darling	281	39
Lower Namoi	583	218
Macquarie-Cudgegong	1,541	381
Murray	3,127	1,264
Murrumbidgee	1,707	685
Paterson	146	52
Peel*	199	98
Toonumbar*	63	9
Upper Namoi	108	46

* Licences issued under the *Water Management Act 1912*.

NSW Trade Applications

Year	Gwydir valley	Hunter valley	Lachlan valley	Macquarie valley	Namoi valley	Murray, Murrumbidgee, Lower Darling valleys	Total
2004-05	29	54	129	164	37	1,559	1,972
2005-06	98	157	328	271	114	1,752	2,720
2006-07	112	252	329	324	107	2,928	4,052
2007-08	81	58	228	112	70	5,404	5,953
2008-09	94	19	198	149	83	7,453	8,090
2009-10	203	48	97	202	77	3,286	3,913

2009-10 Regulated River Prices

No.4 2006 - State Water 2009-10				No.5 2006 - NOW 2009-10		
Region	High security (\$/ML)	General security (\$/ML)	Usage (\$/ML)	High /general security (\$/ML)	Usage (\$/ML)	Or minimum charge (\$)
Border*	4.37	3.41	6.54	1.40	1.63	60.00
Gwydir	6.08	3.37	8.95	0.78	0.92	60.00
Namoi	9.31	7.44	12.55	1.21	1.46	60.00
Peel	11.49	1.71	25.71	1.17	2.12	60.00
Lachlan	7.02	2.86	10.83	0.97	1.12	60.00
Macquarie	5.77	3.07	8.47	0.97	1.31	60.00
Murray	2.75	2.20	4.00	1.38	0.38	60.00
Murrumbidgee#	2.46	1.51	3.54	1.04	0.26	60.00
North Coast	5.60	4.48	27.83	2.99	2.01	60.00
Hunter	20.21	6.73	12.28	1.23	1.21	60.00
South Coast	10.61	6.24	24.95	2.97	1.99	60.00

* Pindari Levy is an additional charge on Border Rivers usage. The 2009-10 rate is \$17.72 This is not an IPART determined price but is indexed 5% each year.

Yanco Columbo System Levy - An additional \$0.90 per ML/Unit Share of entitlement for Yanco Columbo System licences. A minimum annual charge of \$60 applies to NOW regulated charges.

CUSTOMER OPERATIONS



State Water employees completing the Jemalong Weir condition study.

Customer Operations is the frontline business unit for State Water, ensuring the consistent delivery of cost-effective customer service across NSW.

During 2009-10 Customer Operations consisted of five main functions:

- Field Services, including meter reading, compliance and landholder liaison
- Customer information including water trading, and call centre
- Customer Support Services, compliance liaison, education and system management
- Billing
- Murray Darling Basin (MDB) metering project.

Customer Operations introduced new technology for employees to assist with and improve the turnaround associated with data collection such as water extraction, pump site audits and call management and monitoring.

2009-10 Achievements

- After months of development and testing, iWAS was released to State Water customers through a staged rollout process. Uptake has been progressively improving with 17% of customers placing their orders via iWAS in 2009-10. As a result, 12% of all water delivered during the year was based on iWAS orders.
- An improvement in call management systems was implemented in December 2009 through the introduction of an internet based contact centre. The system, which is delivered by Telstra, enables the call centre to record, transfer and respond to enquiries regardless of where the Customer Information Officer is located. This system is an effective tool that enables improved efficiency reporting.
- Pump site audits have been recorded in a database, allowing field services staff to collate an up-to-date inventory to determine requirements for the MDB metering project.

CUSTOMER OPERATIONS

- Due to the creation of Customer Support Services, the number of alleged breach notifications submitted to NOW increased to 114 during 2009-10. This is a result of more effective reporting, clearly defined roles and a commitment from both State Water and NOW.
- State Water introduced quarterly billing to all State Water customers in 2009-10. The introduction of quarterly billing enables customers to improve their budgeting and assists State Water in better managing its cash flow.

Customer Field Services

Customer Field Services has worked consistently during 2009-10 to identify meter sites for customers who enter meter readings through iWAS.

Working with customers to ensure pump sites remain safe and clear of hazards has been a highlight of an increased awareness of safety in the field.

As a result of metering site audits undertaken, the business case for the MDB metering project was successfully delivered to the Commonwealth in June 2010.

Approximately \$20 million was granted for the implementation of the MDB metering pilot, which is a joint venture between NOW and State Water. Staff of State Water are also working with WfR to roll out meters in the Murrumbidgee.

Water Trading

Although there was limited available water for trading, State Water transaction officers processed 4,916 water trades in total.

Customer Information Centre

The implementation of State Water's Customer Information Centre has changed the way State Water interacts with its customers. As the first port of call for customers, information officers provide information, manage and resolve, or direct customers' enquiries to the right place.

Information officers have played a major role in assisting customers with iWAS registrations and enquiries. During 2009-10 the information centre received 12,674 calls via the 1300 and 1800 billing numbers.

The customer request management system which was implemented in 2008-09, has provided State Water with an improved reporting tool. All customer complaints are recorded within this system. Due to the improved reporting system and the call centre being the central point for customers, 184 complaints were registered in the 2009-10 water year.

Water performance - June 2010	
Allocation trade processing times	Year to Date
Interstate trade to/from Victoria - % of trades processed within 10 business days	87.2%
Number of Interstate trades to/from Victoria	1,510
Interstate trade to/from South Australia - % of trades processed within 20 business days	91%
Number of Interstate trades to/from South Australia	490
Intrastate trade - % of trades processed within five business days	92.8%
Number of Intrastate trades	2,916

CUSTOMER OPERATIONS

Customer Support Services

2009-10 saw Customer Support Services develop and maintain a customer service section of the State Water website to educate customers and provide information.

The roll-out of iWAS was a major project for the unit, which incorporated customer testing of the application across the state, as well as attendance at user group meetings to discuss the advantages of the new system.

Complaint handling was reviewed during 2009-10 with the introduction of surveying the satisfaction of customers who have made complaints, which will be an ongoing focus.

Category	No. Complaints
Asset Management	34
State Water Billing	40
Customer Service Charter	1
NOW Billing*	66
Employee Performance	3
Environmental Management	1
General	12
Trade	4
Water Account Balances	5
Water Delivery	16
Water Ordering	2
Total	184

* State Water provides billing services for NOW and manages enquiries on its behalf.

A total of 184 complaints were managed during 2009-10. Three complaints were carried over from 2008-09 and were resolved within the first month of 2009-10.

Of the 184 complaints received during 2009-10, 66 related to NOW billing matters.

Requests that remained open for more than five days related to change of ownership, clarification of invoices or invoice disputes. During a licence sale, there are two external government departments involved in the registration of changes in ownership, which can cause delays.

Of the 184 complaints, 60% were resolved within one day. Of the 36 ministerial requests received, 25 related to asset management. State Water is conducting major dam safety upgrades throughout the state and much of the feedback has focused on the upgrade program.

Compliance

With the implementation of a Compliance Officer position and a number of processes and procedures being implemented, 114 alleged breach notification forms were submitted to NOW in 2009-10. As a result, penalty notices, stop work orders, formal warnings and recommendations for legal action have been made.

The alleged breaches were for exceeding allocation, meters not connected or operating correctly and failing to order water. State Water and NOW have developed a compliance protocol to outline each party's responsibilities in responding to compliance issues.

State Water is committed to adhering to compliance procedures and all reports are submitted to the relevant stakeholders. The Corporation works closely with customers to ensure accounts are paid and any necessary payment plans are established.

The relationship between NOW and State Water will be strengthened throughout 2010-11 through an increased focus on educating customers in relation to managing accounts and water usage.

Water Accounting System

The introduction of iWAS in 2009 has increased awareness of the Water Accounting System as a public access domain. During 2010-11 State Water will be working on delivering an improved system that meets the ever-changing requirements of businesses.

More than 830 customers are currently using iWAS to order water, enter meter readings and access water account statements. With improving dam inflows and allocations across the state, State Water will be working on increasing customer interactions through iWAS.

In June 2010 a customer satisfaction survey was undertaken. This is the first time State Water has surveyed customers since 2006. The results of the survey will be collated and a strategy developed to address areas of attention.

CUSTOMER OPERATIONS

Billing

Quarterly billing was implemented throughout the state for all customers. A total of 38,761 regulated river invoices were issued, along with 334 FRWS and 67 Lowbidgee invoices.

On behalf of NOW, State Water issued 11,983 unregulated river invoices and 9,352 groundwater invoices. State Water's billing team also prepared 1,106 solicitor enquiries or financial statements for those customers selling water licences and 1,585 sundry debtor invoices.

State Water published two billing newsletters for all customers across the state and worked with NOW to add value to the information being distributed to customers. These billing inserts notified customers of the close of water trading, the need to keep metering sites safe and clear, and the release of the 2010 customer survey.



State Water Customer Field Officers undertaking meter installation and validation training at the Macquarie River.

STRATEGIC ASSETS



Deniliquin Planner/Operator, Kudabanda Nawaratne at the Yallakool Creek Regulator on the Edward River.

The Strategic Assets unit performs the role of corporate asset owner and internal client for organisation-wide asset management activities. The unit is accountable for total asset management and for measuring and reporting performance against the strategic objectives.

The Asset Management Framework assigns Strategic Assets the role of internal client throughout the life cycle of State Water assets, namely:

- Asset creation and disposal
- Operations, including site implementation
- Maintenance
- Enabling technologies.

The Strategic Assets branch comprises:

- Asset Strategy and Research (including strategic asset planning, hydrology, survey and drafting)
- Asset Planning
- Projects and Contracts Risk Management
- Dam Safety

- Emergency and security planning, and
- Natural Assets and Sustainability.

2009-10 Achievements

- The asset strategy group finalised the TAMP which outlines the current status of State Water assets, asset management processes, policies and procedures.
- A Capital Investment Strategy (CIS) was finalised which outlines the Corporation's investment in capital projects for the next four years.
- The TAMP and CIS were used to support State Water's pricing determination to IPART.
- A gap analysis of State Water's TAMP was undertaken outlining a range of projects to be completed over the coming years to enable State Water to achieve best practice in asset management.

STRATEGIC ASSETS

- The Portfolio Risk Assessment (PRA) was updated, with risk assessments undertaken at four dam sites and risk assessments completed for the first time at Oberon and Rydal dams. A Finite Element Analysis of Carcoar Dam was completed to determine its stability following an earthquake.
- Land use studies and draft foreshore management plans were completed for all dam sites.
- Initial investigations and site inspections were undertaken for the removal of 12 unregulated weirs.
- Light detection and ranging surveys (LiDAR) were completed at Glenbawn, Glennies Creek, Lostock and Pindari dams for the preparation of dam break modelling. Bathymetric surveys of Lake Cargelligo and Oberon and Wyangala dams were completed to confirm storage volumes.
- Workshops were held to explore future strategies for the operations and maintenance of the FRWS Scheme and Lowbidgee Flood Control and Irrigation District. Outcomes from these workshops are being implemented and will enhance State Water's working relationship with these customers.
- A Dam Safety Surveillance Seminar was run by State Water and the NSW Dams Safety Committee (DSC) at Hume Dam in February 2010, to ensure all personnel involved in the operation and maintenance of dams and river structures are trained in dam safety surveillance.
- Two 110 kilowatt hydro-electric turbines and associated components were installed at Lostock Dam.
- All of State Water personnel were issued State Water identification cards, which are centrally controlled and enable staff to access various sites as part of the overall security system.
- Fifty employees from Strategic Assets, Maintenance and Services and Major Projects met at Homebush in June 2010 to present achievements from last year and directions for Asset Management for the coming years. These forums enable staff to understand the implications of their work on the whole organisation.
- The prestigious JF Bate Medal was awarded to the Glenbawn cluster for the best maintained storage and the Joe Taylor Award was given to Jason Porter for his presentation on Hume Dam surveillance and remedial works.

Asset Strategy and Research

The Asset Strategy and Research group maintains and advances processes, policies and systems for managing State Water's assets. These systems, procedures and policies provide the link between asset activities and State Water's business drivers, including its legal, compliance and government-directed responsibilities.

Dam Break Modelling

Dam break modelling is required to develop flood inundation maps for various flood failure scenarios. These are used to estimate the Population At Risk (PAR) which determines the DSC compliance requirements and is used for the Portfolio Risk Assessment and emergency planning. The development of the dam break modelling was supported through the completion of the LiDAR surveys.

Business Expenditure Review Panel

A Business Expenditure Review Panel (BERP) has been established to review the operational and capital expenditure program, including the prioritisation of new projects. The BERP also reviews the progress of implementation and reports to the Board on the progress of expenditure every quarter. The BERP has also worked on improving State Water's budgeting process, moving to the development of a budget module that is integrated with the finance system. The budget has been linked to the TAMP works programs and final IPART determination budgets.

Asset Planning

The Asset Planning group produced detailed life cycle asset plans for 34 major assets and asset groups such as the valleys. An asset plan identifies business drivers, needs for asset works and life cycle options to meet requirements. It includes budgets, forecasts and plan approvals, with performance management and allocation of asset management responsibilities to internal units. Life cycle management plans are being developed as historical maintenance costs are progressively obtained from the FMMS. Asset planners have also reviewed project charters that form the basis of decision making for new projects, based on risk and economic requirements.

Customer Relationships

Asset Planning is responsible for informing CSCs of upcoming work programs, status of existing projects and informing customers on the new directions in the management of the state's water infrastructure assets.

STRATEGIC ASSETS

Projects and Contracts Risk Management

The Projects and Contracts Risk Management group manages the provision and oversight of policies and procedures for contract procurement, contract management and project management. This ensures legislative and policy compliance, effective risk management, best practice and that business unit objectives are met.

Dam Safety

State Water develops maintenance and surveillance programs and undertakes inspections, audits and five-yearly safety reviews to ensure compliance with established procedures, including the requirements of the *Dams Safety Act 1978* and NSW Treasury Government Asset Management Committee Guidelines.

The Strategic Assets business unit is responsible for dam safety management, maintenance audits, emergency planning and critical infrastructure management.

The Dam Safety Group assesses conformity with DSC requirements and Australian National Committee on Large Dams (ANCOLD) guidelines by undertaking audits to assess compliance with technical and safety standards and inspection and reporting frequencies.

The Dam Safety Group carries out surveillance inspections and monitors dam instrumentation and behaviour. Dam and river structure deformation surveys are undertaken by the Survey Services Unit. All but one programmed deformation survey was completed, with extra work for Hume Dam remediation being prioritised.

Surveillance

State Water undertakes annual inspections and more comprehensive five-yearly inspections for each dam in accordance with DSC requirements.

Five-yearly inspections were carried out in 2009-10 at Brogo, Chaffey, Split Rock and Wyangala dams. Surveillance inspections and reports are part of State Water's commitment to a high level of safety and security.

Maintenance Audits

Maintenance audits of State Water's dams and river structures are undertaken by the Dam Safety Group on a biennial cycle.

Audits have continued to demonstrate a high level of commitment from Maintenance and Services' field employees towards maintenance of our assets for best practice and value for money.

Hydro Power Summary

There are hydro-electric power stations on 10 of State Water's 19 large dam sites. These stations have a potential generation capacity of 249MW of power.

The drought continued to have a large impact on hydro generation output, however there was a 30% improvement on 2008-09 output. Only two sites managed to achieve production for more than six months of the year, with one (Wyangala) unable to make any contribution owing to low dam water levels. The total hydro power generated was 64.2 GWh. This represents a saving in production of 62,400T of greenhouse gases (CO₂-e).

Installation work has begun on a mini-hydro facility at Lostock Dam. A 110kW generator is being installed on each of the two outlet penstocks, with output fed into the local grid.

Income to State Water from hydro-electric power generation, and site rentals, in 2009-10 totalled \$719,648.

The extraction of hydro power not only has the environmental benefit of renewable power production, but it also saves the erosion and scouring caused by high energy water discharges from the dams.

Water is not released from storages expressly for the purpose of hydro power generation. Power is generated when releases are made for water users and other statutory requirements, including environmental flows, and diverted through the tributaries.

Power Station Locations and Capacity

Dam	Installed	Capacity MW
Blowering	1968	80
Burrendong	1996	19
Burrinjuck	1938, upgraded 2002	28
Copeton	1995	21
Glenbawn	1994	6
Hume	1957	60
Keepit	1960	6
Lostock	In progress	0.22
Pindari	2001	6
Toonumbar	2000	0.1
Wyangala	1991, upgraded 2004	22.5
	Total	248.82

STRATEGIC ASSETS

Emergency and Security Planning

The Emergency and Security Planning group began the implementation and roll-out of a security systems upgrade, along with the Hume Dam security project, which will make Hume Dam the first of many storages to meet Australian and international security critical infrastructure standards. All State Water employees were issued new identification cards, which can be used at various sites as part of the overall security system.

The Dam Safety Emergency Plans (DSEPs) continued to be upgraded to a new model document, which will make future plans more user friendly and compliant with the NSW DSC and ANCOLD guidelines. The new model was launched at the annual Asset Forum in June 2010.

Emergency and Security Planning continued to have a presence at the DSC Emergency Planning Sub-Committee which meets twice a year to discuss issues pertaining to DSEPs and other planning arrangements around dams. State Water was also represented at the Water Industry Assurance Group and the Energy and Utilities Functional Sub-Committee of the NSW State Emergency Management Committee.

Natural Assets and Sustainability

During 2009-10 the Environmental Planning Team underwent significant change in organisation and staff composition. The group has increased in size and capacity.

Environment Management Plan

State Water's revised Environment Management Plan (EMP) 2006-11 came into effect on 1 July 2007, following a review required by State Water's Operating Licence.

As required under the 2008-13 Operating Licence, State Water has scheduled a review of the EMP, in order to develop the succeeding plan to follow on from 2011. A number of EMP targets have been completed this financial year, including:

- Flow, timing and channel capacity targets were met in existing WSPs and State Water operated in accordance with identified drought contingency plans.
- Monitoring of storages for water quality continued.

- A strategic review of State Water's water quality monitoring activities was completed as part of continuously improving the program in response to regulatory and customer needs. The Strategic Water Quality Monitoring Program (SWQMP) provides a structured, transparent approach to collecting, analysing and reporting on water quality issues associated with State Water operations. The document provides State Water with guidance on implementation of the monitoring program which will commence 2010.
- A 10-year valley specific fish passage program, linked with State Water's TAMP activities continued to be implemented in 2009-10.
- State Water continued recording energy consumption and emissions into the NSW Government OSCAR (Online System for Comprehensive Activity Reporting), with a significant reduction in energy consumption in 2009-10 of 27%.
- Environmental assessment procedures have been finalised and training modules rolled out as required.
- In 2009-10, State Water's Land Management Options Study recommendations initiated the development of State Water's Foreshore Management Thematic Plan and site specific action plans for all major storage areas.

Environmental Research, Initiatives and Investigative Projects

Cold Water Pollution

In 2009-10, State Water continued as a key representative on the Cold Water Pollution Inter-Agency Group (CWPIAG) which oversees the strategic implementation of the NSW Cold Water Pollution Strategy. The CWPIAG met to discuss general progress with the strategy, of which State Water was a key contributor.

State Water contributed to the CWPIAG's drafting of the Cold Water Pollution Strategy Stage One Report which outlines the key outcomes from the first five years of the strategy.

A trial at Glennies Creek Dam was completed during the 2009-10 season of the Multi-Level Offtake (MLO) Protocols, as part of the State Water's improvements in operating storages with variable offtake facilities.

STRATEGIC ASSETS

Water Quality Monitoring

State Water continued to monitor water quality in its major storages. Development of a SWQMP was undertaken in 2009-10.

The SWQMP provides a structured, transparent approach to collecting, analysing and reporting on water quality issues associated with State Water operations. The document provides State Water with guidance on implementation of the SWQMP, which will commence 2010.

This program includes the specific monitoring needs of the FRWS, algal monitoring for the NSW Regional Algal Contingency Plans, cold water pollution monitoring for the water supply works approvals issued under the *Water Management Act 2000* and dam seepage monitoring for reporting under the *Dams Safety Act 1978*.

Heritage Management

State Water developed a Heritage Management Framework in 2008-09 to capture heritage compliance deliverables, their interrelationships and implementation directions.

This framework outlines policy and strategies for the management of both indigenous and European heritage management across the business. The framework also includes State Water's Heritage Asset Management Strategy which is a requirement of the Heritage Branch of the Department of Planning.

The finalisation of the register is underway with the aim of submitting it to the NSW Heritage Council for endorsement in 2011.

Fishway Management

Under the July 2002 Memorandum of Understanding (MoU) between Industry and Investment NSW (I&I) and State Water, I&I provides an annual report to State Water advising statistics on Key Performance Indicators (KPIs) aimed at determining the extent of positive environmental impacts associated with State Water's works.

The annual report includes a report on the KPIs indicated in the following tables, in accordance with the State Water's Fishway Monitoring Plan 2009-2014.

Ten-year Fish Passage and Fishway Monitoring Program

In 2009-10, State Water, in conjunction with I&I, implemented the 10-year Fish Passage Program. This program outlines State Water's upcoming fish passage activities as well as identifying high priority ecological sites.

The Weir 32 fishway was completed in July 2009 and was constructed with funding from the Lower Murray Darling Catchment Management Authority. This cooperative project has seen 322 kilometres of fish habitat connectivity achieved at a State Water asset.

The construction of new fishways at Tarabah Weir, Lake Cargelligo Weir, Marebone Weir, Gulpa Creek Regulator and Stevens Weir commenced in 2009-10 and tenders were awarded for the construction of Yallakool Creek Regulator and Edward Creek Offtake Regulator fishways. Fishway concepts and designs were undertaken and progressed for 13 other State Water sites, which represents an unprecedented rate of fishway development in NSW.

NSW Rivers Environmental Restoration Program

The reporting year saw the completion of the third 12-month cycle of a three and a half year NSW Rivers Environmental Restoration Program (RERP). RERP is jointly funded by the Australian Government's Water Smart Australia program and the NSW Government.

RERP aims to address the urgent need to improve the health of some of the most significant and threatened wetlands in the Murray Darling Basin via:

- Acquiring and managing environmental water
- Enabling better use of environmental water
- Better delivery of environmental water
- Developing partnerships for the management of environmental water on private land.

The Department of Environment, Climate Change and Water (DECCW) manages the RERP, with State Water contracted to complete the Better Delivery of Environmental Water sub-program. State Water works closely with DECCW to roll out the activities under RERP, in accordance with the funding agreement and is involved in the program's Project Control Group. Activities commenced in the year 2009-10 have been:

- Bulgeraga Creek, where two fishway crossings have been identified for improvement. Designs for these crossings have been completed and construction work will begin in 2010-11.
- The design of the Lake Brewster Fishway has commenced, with the works being coordinated by I&I. The final designs are expected to be complete in 2010-11.

STRATEGIC ASSETS

Total number of kilometres (upstream and downstream) opened to the free passage of native fish

Project/Activity/Site	Km
Warren Weir fishway, Guningbar fishway, Duck and Crooked Creek fishways	403
Bumbuggan Weir fishway	107
Island Creek fishway	231
Colligen Creek fishway	157
Weir 32	322
TOTAL	1,220

Area of aquatic habitat managed for protection during State Water works in accordance with the Fisheries Management Act 1994

Project and activity/site	Hectares
Lock 15 erosion works	1
Berembed Weir deck replacement	1
Lake Brewster weir pool operations	10
Wyangala Dam safety upgrade	2
Wallaroi Creek dredging works	10
Gulpa fishway construction	1
Marebone fishway RERP	1
RERP Yanco Creek	4
Tarabah Weir	1
Brewster Weir Fishway Review of Environmental Factors	1
Glenbawn Dam downstream desilting	1
Wakool River offtake dredging	5
Yallakool Regulator upgrade works	1
Copeton Dam safety upgrade	2
Stevens Weir fishway works	1
Edward River offtake regulator fishway works	1
TOTAL	43

Continued Relationships with Regulators

Industry and Investment NSW

State Water continued building on its effective relationship with I&I under the MoU in 2009-10. State Water employees have regular contact with an I&I Liaison Officer concerning strategic planning issues, fish habitat protection and fishway management.

In 2009-10, I&I and State Water assessed and consulted on a number of projects to meet State Water's requirements under the *Fisheries Management Act 1994*.

NSW Office of Water

State Water continued to monitor the incidence of blue-green algae outbreaks and communicate these to NOW in accordance with the Regional Algal Contingency Plans which NOW coordinates.

MAJOR PROJECTS



Blowering Dam safety upgrade works.

The Major Projects unit is responsible for the successful, timely and cost-effective delivery of all major projects.

The purpose of the Major Projects unit is to:

- Identify capital and operational expenditure projects that fit within the major projects definition.
- Define and procure funding for major projects.
- Plan, manage and finalise the delivery of these projects to the specifications as agreed with the General Manager, Strategic Assets.
- Identify and liaise with project stakeholders (internal and external) throughout the course of the project.
- Provide regular updates to the Chief Operating Officer, Chief Executive Officer and Board as to the progress of projects.
- Provide information to the Shareholding Ministers and the Portfolio Minister regarding the progress of projects.

Senior Project Managers are responsible for organising the activities described above and to assist with the overall operation of the Major Projects business unit.

2009-10 Achievements

Blowering Dam Upgrade

The construction contract for the parapet wall and raising the spillway walls was let to Macmahon Contractors in early 2009, with completion originally programmed for June 2011.

The contractor has made significant progress in the advance of the contract schedule and has submitted an updated program with completion by December 2010.

Burrendong Dam Upgrade

The construction contract for raising the embankment was let in January 2010 to MacMahon Contractors, with completion programmed for January 2011. Progress has been slightly impacted by rain, however substantial delays are not anticipated.

MAJOR PROJECTS

Chaffey Dam Upgrade

The construction contract for the auxiliary spillway was let in April 2010 to John Holland, with completion programmed for February 2011. Progress has been impacted by rain, but John Holland has brought additional plant on site to accelerate works. Site possession was granted in early June and haul roads have been established. Blasting for the spillway commenced in early September.

Copeton Dam Upgrade

A relocation contract for Copeton Waters State Park facilities was let to Thomas and Coffey in February 2010, with completion expected in December 2010. Detailed design, technical specifications and design reports for an auxiliary spillway by URS is programmed to be completed in October 2010 following a final review.

A Gateway Review was undertaken in July 2010 and the Gateway Report, Business Case and Economic Appraisal were submitted to the State Water Board in August. Tenders for construction of the auxiliary spillway will be called in November 2010.

Hume Dam Upgrade

A contract for junction filter installation works was awarded to Australian Foundation solutions in February 2010. Trial drilling and filter installation for 300 diameter holes has progressed well and trial drilling for 1200 diameter holes has commenced. Completion of the filter installation is due early 2011.

Keepit Dam Upgrade

Construction of access roads and saddle dams began in early February 2010 and is now complete. Construction contracts for the right abutment spillway and subsidiary wall spillway were let to John Holland in December 2009, with completion programmed for September 2011. Progress has been impacted by rain, but not to a significant degree.

Excavation and blasting for the right hand abutment spillway is progressing well, with about 65% of material removed. Excavation and concrete work for the subsidiary wall spillway abutments and dividers are progressing. A detailed design contract for raising the embankment was let to SMEC in April 2010, with completion programmed for May 2011.

Split Rock Dam Upgrade

The detailed design, technical specification and design report is complete. Tenders for construction of the parapet wall will be called in December 2010 following a final review of the risk-based estimate.

Wyangala Dam Upgrade

A construction contract for the raising of the spillway chute walls was awarded to Reed Constructors in February 2010. The work was completed on time and under budget in July 2010.

State Water has agreed with local community representatives and local councils to build a new access bridge to Wyangala, downstream of the dam wall and to permanently close access to the dam wall road. The new bridge is to be complete before the dam wall road is closed for construction works.

The contract for completion of the dam wall raising is due to be let in 2013.



Blowering Dam safety upgrade works.

MAJOR PROJECTS

NSW telemetered water meter roll-out

In May 2010 State Water secured funding for a metering pilot project in the Murrumbidgee area. The project is in its initial stages, with a managing contractor to be appointed before the end of 2010.

Koondrook-Perricoota Forest Watering

Detailed design work was completed in July 2010. Environmental planning approval was received in July 2010. A construction contract was awarded to Fulton Hogan Contractors in August 2010 following a detailed early contractor involvement process. Construction of the works is due to be completed in July 2011.

Lake Brewster Water Saving

Construction was completed in June 2010. The \$13 million project included works to:

- Revitalise 1,100 hectares of wetlands to improve water quality.
- Construct a 5.5 kilometres dividing embankment across the lake to reduce evaporation.
- Improve outlet works to enhance water flows.

Marebone Weir Fishway

A construction contract was awarded to Australian Prestressing Services in December 2009. Substantial work has been undertaken to date, although significantly high river flows during winter rendered the site inaccessible for a four-month period. Construction is due to be completed in 2010-11.

Gulpa and Edward Weir Fishways

A construction contract was awarded to the Rix Group in April 2010. Progress has been impacted by rain, with high flows and access roads cut, although completion of the contract is expected in 2010.

Yalakool and Stevens Weir Fishways

A construction contract was awarded to Civilteam in March 2010. Progress has been impacted by rain. Although delayed, the fishway is still expected to be complete in financial year 2010-11.

Capital Works Progress Report

State Water's capital investment program totalled \$75.1 million (excluding capital grants of \$4.7 million) for 2009-10, including \$63.193 million for major capital works projects as outlined below.

Project	Expenditure \$'000	Project status
Blowering Dam Upgrade	25,479	• Construction continued to schedule. Completion is expected in December 2010.
Burrendong Dam Upgrade	4,327	• Construction contract awarded in January 2010. Completion is scheduled for early 2011.
Chaffey Dam Upgrade	2,554	• Construction commenced in April 2010. Completion scheduled for early 2011.
Copeton Dam Upgrade	5,430	• Contract for relocation of Copeton Waters State Park let in February 2010. Relocation scheduled for completion in December 2010.
Keepit Dam Upgrade	20,686	• Construction commenced early in 2010. Completion is expected by 2013.
Split Rock Dam Upgrade	447	• Detailed design complete.
Wyangala Dam Upgrade	2,339	• Construction commenced early in 2010. Completion is scheduled for 2013.
Lake Brewster Water Efficiency Project (1)	1,931	• Project complete.
Total	63,193	

(1) This amount includes expenditure for which State Water received funding of \$1.443 million.



Scott Wright from John Holland Pty Ltd, State Water CEO George Warne and Keepit upgrade site co-ordinator Russell Sainsbury with Member for Tamworth Peter Draper and Gunnedah Mayor Adam Marshall.

KEEPIT DAM UPGRADE BEGINS WITH CEREMONY

The first sod was turned in March 2010 to mark the start of construction works for the \$146.4 million Keepit Dam upgrade.

The project will potentially employ up to 200 full-time staff and generate \$115 million in gross regional product and \$54 million in household income.

State Water CEO George Warne said the sod-turning ceremony was an opportunity to celebrate the important milestone in the largest of State Water's dam safety upgrade program.

"From an economic perspective, Keepit Dam is the largest of the eight dams undergoing works in State Water's dam safety upgrade program," Mr Warne said.

The project involves raising the main and subsidiary dam walls, constructing three saddle dams and two spillways to enable the dam to withstand extreme floods and earthquakes.

Local dignitaries, representatives from the main contractor, John Holland Group as well as sub-contractor Soil Conservation Services and upgrade stakeholders joined representatives from State Water to attend the ceremony.

Mr Warne said the upgrade would bring the dam into line with contemporary dam safety standards and improve downstream river quality.

A multi-level offtake structure and three fishways will be constructed as part of the upgrade to reduce the impacts of cold water on the river and fish downstream of the dam.

Construction is expected to take three years.

MAINTENANCE AND SERVICES



Burrinjuck Dam Asset Field Officer, Brian Smith.

State Water's Maintenance and Services branch oversees the operation and upkeep of the organisation's assets.

The financial year saw a further rationalisation of positions within Maintenance and Services to allow the business unit to focus on core activities.

Some tasks previously carried out in-house such as cleaning, mowing and lands maintenance, have already been out sourced to allow greater attention to the management and maintenance of assets.

2009-10 Achievements

- Reduced Lost Time Injury Frequency Rates and Severity Rates over the previous year, resulting in again surpassing the NSW Government Working Together OH&S Targets.
- Introduced high visibility clothing for field staff in-line with the "Be Seen, Be Safe" work wear mantra.
- Undertook a comprehensive clean-up of sites to remove accumulated equipment and scrap steel, which resulted in a reduction of maintainable items and disposal proceeds of some \$300,000.
- The JF Bate Medal was awarded to Maintenance and Services Glenbawn team for the best overall performance by field-based staff.
- Introduced maintenance planning sheets, which improved compliance with FMMS to improve coordination of day-to-day activities, and the utilisation of resources.
- The incorporation of a training register into FMMS to ensure personnel are trained and have current accreditation.
- Introduced SCADA fault reports to allow tracking of errors or breakdowns of equipment.
- Introduced an Employee Performance and Review (EPR) system for all field staff.
- Conducted flood management throughout the Menindee Lakes district after heavy rainfall in the north of the state.

MAINTENANCE AND SERVICES

- Implemented a program to remove underground petroleum storage tanks from State Water sites.
- Improved communications at sites through the replacement of a satellite phone system for use during times of flood or emergency.
- Began replacing and updating site signage, in line with State Water's brand and new call centre numbers.
- Received letters of commendation from local landholders and other governmental agencies for the management of heavy rainfalls in the Yanga National Park area, in conjunction with environmental water releases.
- Increased efficiency and reliability at Duckmaloi Water Treatment Plant through a collaborative partnership with Hunter Water Australia.
- Improved water delivery at Duckmaloi Water Treatment Plant through adjustments in pipeline flows which resulted in a decrease in pipeline fractures and the severity of breaks.
- As part of the Oberon Dam Deep Water Recovery project, employees installed pumping systems, control systems and supporting equipment to supply water from Oberon Dam at 0% storage level.
- Upgraded security at Hume Dam, including the installation of a security monitoring system, closed circuit television at strategic locations and perimeter fencing surrounding the site.



Winners of the JF Bates Medal – Glenbawn cluster members Martin O'Brien, Geoff Ellerton, Trevor Bird, Andrew Harrison, Fred Turner, Greg McKinlay and Don McDougall (Absent: Gordon Elliott).

BUSINESS IMPROVEMENT



Water release at Lake Brewster.

The Business Improvement unit is responsible for investigating, developing, improving, resourcing and implementing improvements in processes and systems for water delivery and planning, customer services and asset planning and management.

The unit ensures cost effective, timely and quality delivery and appropriate support of technology that supports and aligns with the whole business.

The purpose of the unit is to:

- Scope the need for information systems and technology, in consultation with internal and external customers.
- Maintain up-to-date knowledge of the latest water industry developments in information systems and relationship management.
- Resource and coordinate the delivery of improved information systems, including those for customer account transactions and information exchange, remote control and monitoring of assets, corporate reporting, water delivery, water accounting, project and maintenance management and customer management systems.

- Manage commissioning, hand-over and warranty period activities.
- Organise appropriate business support and training in the use of information systems.

Five main project areas have been identified:

- SCADA operations.
- Water delivery, modelling and reporting systems.
- Customer water, accounting and information systems.
- Asset management and other systems including Project Management System and FMMS.
- MDB metering project.

After new systems and technology upgrades become fully operational for clients in three to four years, the role of this unit will be reviewed.

BUSINESS IMPROVEMENT

The unit is committed to achieving the following:

- Ensuring business continuity of core systems during changes to business organisational arrangements.
- Ensuring agreed critical operations systems are developed and implemented for internal and external clients cost effectively and quickly for the modernisation of State Water's services.
- Undertaking improvements, using a project management and team approach, to the effectiveness of delivering operations systems.
- Providing strategic advice on all aspects of the operations systems to the Corporate Information Systems Steering Committee.
- Ensuring user satisfaction with the information and operations systems.

- Commissioned a study and report investigating the efficiency and effectiveness of business processes for dam surveillance, identifying large time savings for the business by decreasing data-handling.

2009-10 saw significant progress on, or completion of, the following projects and initiatives:

- Documented the "as-is" water order processes for customers and State Water with recommendations for efficiency gains.
- Launched our internet water accounting system (iWAS) to enable customers to order water, enter customer meter readings and print their own water statements.
- Implemented Webtool Koncentrator, a system funded by the Bureau of Meteorology which centralises operational data and enables remote data entry via the internet.
- Commissioned a study and report to detail the capability of automating existing hydraulically operated storage outlet valves in preparation for remote operation upgrade works.

2009-10 Achievements

- Completed SCADA system and site data collection through a series of audits and investigations.
- Developed a telemetry communications strategy, options and business case for upgrade to design and construct a telemetry communication solution which connects and integrates State Water's 75 remote assets under one centralised operational model.
- Project managed the Water for Rivers Computer Operated River Project (COR) investigation phases. COR, in concert with iSMART, will revolutionise the way regulated rivers are operated.
- Project managed the Water for Rivers SCADA upgrade Research and Development project phases.
- Completed a statewide SCADA strategy for the iSMART program. Initiated the first stage of the program, a \$3 million project to integrate and combine the whole SCADA network, with anywhere access and a central server system.
- Commenced installation of fibre optic at all dam sites for SCADA.
- Throughout 2009-10 the unit has focused on business improvements supporting the new organisational arrangements. This has involved progressing critical priority projects for business continuity, determining technology improvement requirements and implementing solutions.
- Commissioned a study and report to detail the most appropriate surveillance instrumentation to meet the business and the DSC needs.

INFORMATION SERVICES



Dam Safety Manager, John de Cataldo and Projects and Contracts Risk Manager, Les Larrad in Parramatta.

Information Services provides the following functions:

Network Infrastructure and Communications

Providing a stable, scalable and efficient network for data information storage, exchange and services between all geographical sites.

Application, Systems Maintenance and Support

Providing continuous support, maintenance and efficiency enhancements of all business applications and systems.

Records Management

Registering and retaining all records in an approved records management system.

Information Technology Support Services

Informing, supporting and communicating with all internal and external customers regarding IT issues.

Web Services

Implementing, administering and enhancing State Water's website and intranet to a leading industry technology standard.

Telecommunications Services

Providing and supporting fixed, mobile and remote voice services to all sites and personnel of State Water in the most efficient and cost-effective way.

2009-10 Achievements

- The consolidation of a number of disparate instances of the Computer Aided Improvements to River Operations (CAIRO) system into one centralised, and therefore more easily supported system, was completed.
- The Water Accounting System (WAS) was moved from the NOW environment and is now hosted in the State Water environment, enhancing our operational capability.
- A new Webtool was developed and implemented providing a significantly more efficient method for field staff to enter critical data into the State Water database.
- Implementation of the Oracle Business Intelligence tools and reporting was completed and training undertaken.
- State Water's intranet was redeveloped, providing a more efficient and user-friendly environment for internal users.
- The server room environment was successfully relocated from the Parramatta office to the Dubbo head office.

INFORMATION SERVICES

A document management system and associated policies and procedures were implemented. A comprehensive training program was undertaken to ensure take up and acceptance by staff.

- The production and development environment were set up in the AC3 environment, resulting in more systems security and support.
- Technical support was provided to ensure the successful relocation of the Tamworth and Leeton offices to new premises.

Priorities for 2010-11

During the year the groundwork was also laid for the following developments and projects to be continued in 2010-11:

- Planning for the transition from Optus to Telstra as our telecommunications provider was completed.
- Feasibility studies and planning were undertaken to continue the migration of application systems from the NOW environment into the State Water environment. Systems slated for migration include CAIRO and Hydstra data management.
- Work has commenced on business continuity planning and testing for completion in 2010-11.
- Analysis of WAS and iWAS to facilitate the redevelopment and/or replacement of these systems.

LAUNCH OF iWAS - ONLINE WATER ACCOUNTING

NSW irrigators can now manage their accounts online via State Water's new internet water accounting system (iWAS) which was formally launched in Dubbo on Thursday, 8 October 2009

The iWAS launch follows a raft of measures to enhance services to customers.

More than 6,000 State Water customers can now access their account details and information online, thereby eliminating the cost and inconvenience previously associated with mailed water statements.

State Water CEO George Warne said the online accessibility was a feature in which irrigators have shown huge interest.

"The ability to manage account information from home or the office has been very well received by our customers, especially those in more remote locations without a State Water office nearby," Mr Warne said.

"It is infinitely more convenient, and eliminates the cost and time involved in contacting State Water to access information on how much water is in one's account, water orders and usage, temporary trades and so forth.

"iWAS comes hot on the heels of our new designated customer call centre, and new website and makes good on our pledge that our recent statewide structural reform would include a greater emphasis on serving our customers."



State Water CEO, George Warne presenting to customers at the launch of iWAS.



State Water Board member, Mike Bennett, Business Improvements Manager, Scott Barber and Colin Thompson at the iWAS launch.

HUMAN RESOURCES



An OH&S inspection of works taking place at Wyangala Dam safety upgrade.

The Human Resources unit provides support and services to State Water in order to improve the capability and performance of individuals, teams, and the Corporation.

Improved performance is achieved through the planned and systematic development of the workforce to enable the achievement of the organisation's vision, as outlined in the Corporate Plan.

2009-10 Achievements

The unit focussed on three key initiatives during the year, finalising and implementing a new single enterprise agreement, re configuring the payroll system to align with the new employment agreement and implementing a new performance management system to cover every employee.

Single enterprise agreement

In September 2009 State Water registered a new single employment agreement covering all employees.

Registration of the agreement marked the completion of negotiations with the four workplace unions:

- The Australian Workers Union
- The Association of Professional Engineers, Scientists and Managers Australia
- Public Service Association and Professional Officers Association Amalgamated Union of NSW
- Electrical Trades Union of Australia NSW Branch.

The enterprise agreement is a stand-alone single industrial instrument that transforms the industrial framework for the corporation replacing the five previous awards and agreements at State Water. The single agreement provides a fair, equitable and contemporary employment arrangement for all employees.

The enterprise agreement rationalises conditions of employment at State Water so a single set of conditions applies to all employees.

The new conditions are consistent with commercial practice and are now separate from and different to the public sector conditions of employment.

HUMAN RESOURCES

Key changes include:

- Standard working arrangements providing flexibility to suit business and employee carer needs.
- Single classification structure with seven grades reducing the number of pay points from over 300 to 35.
- Performance-based progression within each grade.
- Streamlining of allowances from 25 to five.
- More efficient overtime arrangements.
- Option for employees to purchase an additional week of annual leave.
- Provision of emergency services leave to support employees engaged in community service.
- Improved leave management provisions to support the reduction of excess leave.

The enterprise agreement provides more efficient operating arrangements in relation to conducting surveillance and operations work. The conditions allow State Water to flex and optimise staffing levels and associated costs with environmental changes, water levels and business needs in a timely and cost-effective manner. This allows for significantly reduced staffing levels during times of low water levels in storages, in line with agreed dam safety requirements and schedules.

Reconfiguration of payroll systems

The payroll and time costing systems were reconfigured to align with the new employment conditions and working arrangements. The changes arising from the new employment agreement were substantial and the transitional arrangements in particular were complex. As such, a comprehensive consultation and change management process was undertaken to ensure effectiveness of the new configuration.

Performance management system

A new performance management system, Employee Planning and Review (EPR) was implemented to support the performance-based pay progression in the agreement and to improve employee development and performance. All managers and employees were trained in how to use and get the most out of EPR to ensure improved performance, equitable outcomes, innovation and employee development.

Implementation of EPR was a significant step for the Corporation and employees because performance management as a formal process has not previously been undertaken on such a broad scale within State Water. Training needs identified in the EPR process will be used to create individual and corporate training plans for implementation in 2010 and 2011.

Benchmarking

State Water completed an Employee Engagement Survey to establish the level of engagement of employees and to identify areas for improvement. Improvements in employee engagement are empirically linked to improvements in a range of employee and organisational performance indicators. State Water achieved a healthy level of engagement scoring 68%, being 3% below the national average.

Improving employee engagement is a strategic imperative for State Water and lifting engagement to the national third quartile level across the business has been set as a target. Strategies to improve career growth and employee recognition will be developed and implemented in the 2011 year. Employees throughout the business will also be involved in a series of workshops to identify and implement actions to improve engagement at the local level.

Leadership development

A leadership development program is planned for 2011. The program is designed to improve decision making, behaviour and performance, leading to improved employee engagement, business performance and customer loyalty.

The Executive Team will kick off the program with two workshops focussing on employee engagement, emotional intelligence and individual work styles.

Vision and values alignment

In the year ahead a renewal of State Water's cultural change program is planned. The renewal includes engagement of the Board, Executive and employees in a vision and values alignment process. In late 2009, State Water initiated an organisational "vision alignment" and transformation process to re-align the corporation following a major re-structure.

Assessment of the current state at that time identified that the State Water vision would have a more positive impact on the business if it was clarified and given more relevance and meaning for employees.

The vision and values alignment process will commence with the Executive in October 2010 and from there will engage the Board and employees in a series of workshops to review and test the relevance, effectiveness and understanding of State Water's vision and values.

HUMAN RESOURCES

Providing a Safe and Healthy Work Environment

State Water places safety above time, cost productivity and employment. This is essential when 70% of employees work in the field and the Corporation operates from 38 different sites across the state. State Water's safety performance continued to improve during 2009-10.

The focus for 2009-10 has included:

- Safety Training.
- Improving hazard management and risk assessment techniques.
- Consultation and in particular daily tool box meetings for field-based activities.
- Supporting and empowering the three Safety Committees.
- Developing safety performance Positive Performance Indicators.
- Targeting Material Safety Data Sheet compliance.
- Providing the CEO and Executive Team with regular workplace health and safety and injury management performance updates.
- Ensuring OH&S is the first agenda item of the State Water Board, Executive and all formal meetings.
- Achieving our strategic objectives through capable, committed and safe employees.



During 2009-10 State Water moved towards high visibility protective equipment for all outdoor staff.

HUMAN RESOURCES

Lost Time Injuries and Severity Rate

State Water's overall safety performance continues to improve with lost time injury frequency rate (LTIFR) reaching an all time low of 17. The graph indicates continuous improvements to the number of lost time injuries recorded.

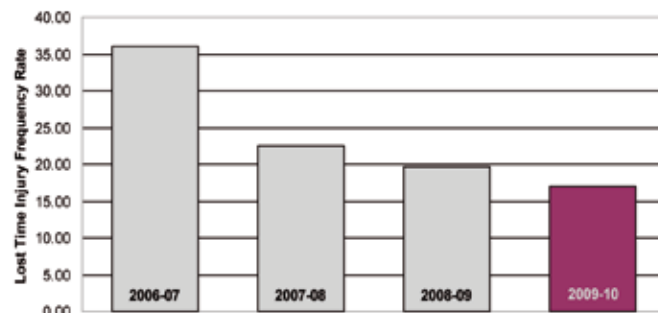
Significant improvements have occurred in the severity rate which measures the number of days lost due to injury relative to the number of hours worked.

National OH&S Working Together Strategy Targets

State Water has achieved the 2009-10 National OH&S Working Together Strategy Targets, well ahead of the June 2012 deadline. The graph below demonstrates State Water's progress for a 40% reduction in lost time injury from 2002-2012.

Less than 1% of workplace injuries resulted in time off, which is significantly below the 2010 Working Together Target of 3.5%, and exceeding the June 2012 target of 3%.

Lost Time Injuries



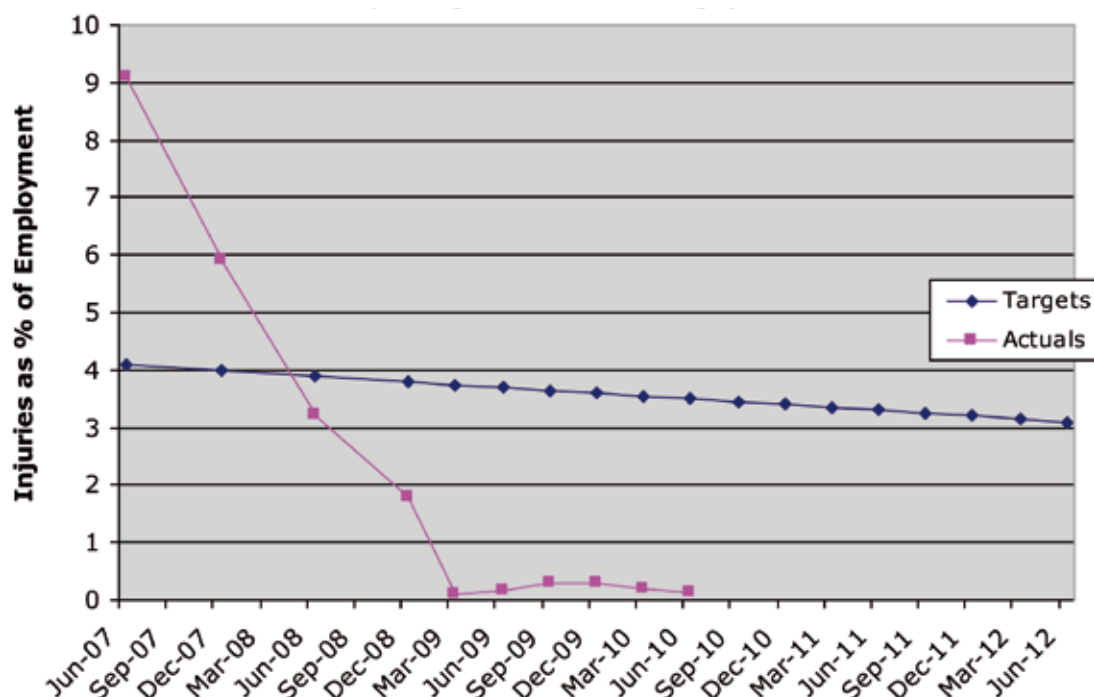
$$\text{Lost Time Injury Frequency Rate} = \frac{\text{Number of lost time injuries (in a period)}}{\text{Number of hours worked (in the period)}} \times 1,000,000$$

Injury Severity Rates



$$\text{Injury Severity Rate} = \frac{\text{Number of working days lost (in a period)}}{\text{Number of hours worked (in the period)}} \times 1,000,000$$

NSW Working Together Strategy targets



HUMAN RESOURCES

Investing in Safety Skills

Safety training is identified, developed and provided or coordinated on an ongoing basis. A 2010 safety training calendar was developed to assist managers and Asset team leaders with planning and to ensure quality and timely safety training.

State Water has developed a dedicated training program that aims to build safety skills within its own ranks, including:

- First Aid Training offered to all employees, with a significant percentage taking advantage of the offer.
- WorkCover Construction Induction Training offered to all employees irrespective of legislative requirement, to enhance safety knowledge.
- All new employees provided with a site specific safety induction on the day of commencement.
- Awareness of a hazardous substance hazard management and spill containment policy along with compliance training, rolled out to storage-based employees.
- Internal audits of Material Safety Data Sheets conducted at all storages and locks, recording 100% compliance or non-conformances controlled. A third party audit confirmed compliance at randomly selected sites.
- The continuation of regular State Water orientation days for all new employees, which includes a health and safety presentation.
- More than 90% of managers and asset team leaders trained in safety and injury management.

OH&S Benchmarking

State Water benchmarks its health and safety performance against six similar sized and/or activity based companies.

The Corporation began using the NSW Government Occupational Health and Safety, Self Assessment Tool (OHSSAT) for external audits. This is a three-year project which will allow State Water to benchmark health, safety and injury management performance against other State Owned Corporations.

Safety Committees

State Water has three safety committees that meet quarterly and provide valuable and constructive feedback on a range of safety issues. A consultative approach provides a user-friendly and efficient link between State Water management and employees which in turn enhances State Water's safety culture.

WorkCover Consultative Committee Training was provided to safety committee members on an ongoing basis. The three safety committee chairpersons/secretaries were also provided with chairperson training.

Notices and Breaches

No OH&S legislative breaches, improvement notices or prohibition notices were issued to State Water during the 2009-10 reporting period.

Accountabilities and Responsibilities

A comprehensive description of the health and safety accountabilities and responsibilities was developed for all State Water positions and published on the intranet, including:

- State Water Board
- Board Committees
- CEO
- COO
- Managers
- Asset team leaders
- Employees
- Safety committees
- OH&S Coordinator.

Injury Management and Workers Compensation

State Water's focus has been on facilitating early and appropriate return to work by reinforcing the process to be followed by injured employees and their team leaders when a workplace injury occurs.

In 2009-10 State Water promoted injury management and workers compensation through staff information sessions to provide an understanding of how workers compensation supports employees following an injury.



Burrinjuck Dam wall.

HUMAN RESOURCES

Employee Statistics

Employee Turnover Rate %

Year	Turnover rate %
2009-10	14.3
2008-09	23.2
2007-08	8.1
2006-07	5.3
2005-06	12.1
2004-05	11.4
2003-04	6.9
Australian average 2010	14.2

Number of Employees by Branch

Branch	Numbers
Maintenance and Services	115
Major Projects	22
Water Delivery	22
Customer Operations	42
Strategic Asset Services	42
Operations Systems	9
Communications	2
Human Resources	8
Finance	15
Information Technology	8
CEO/COO	5
Strategy and Governance	8
Displaced	3
Total 2009-10	301
Total 2008-09	286
Total 2007-08	303
Total 2006-07	349
Total 2005-06	359
Total 2004-05	320



FINANCIAL SERVICES



Burrinjuck Dam employees Shane Dyson, Rod Leggott, Brian Smith, Alan Bigg, Tom Phillips and Kevin Mulvally.

The Finance branch provides strategic financial leadership and directs, controls and administers the financial activities of the organisation through the development and implementation of financial management strategies, policies, systems and processes.

The branch prepares State Water's annual financial reports for internal and external customers including IPART, shareholders and State Water's Board of Directors. It also is responsible for the procurement and fleet management functions within State Water.

Reform of financial practices and improved business systems continued during 2009-10.

2009-10 Achievements

- Successfully delivered statutory and regulatory requirements within timeframes.
- Further enhanced the Integrated Financial Management System (IFMS) through the development of the Enterprise Budgeting Suite and Online Requisitioning.
- A comprehensive suite of customised financial reports were further developed and refined within the IFMS providing varying degrees of information relevant to the specialised needs of business unit managers.
- Recognised by NSW Treasury as a leader in SCI development.
- Conducted quarterly meetings with the Audit Office.
- Attended monthly meetings with Treasury to discuss shareholder issues.
- Identified areas that could be streamlined to improve efficiencies e.g. Implementation of a new online travel booking system.
- Established a team of finance professionals to meet the efficient target base identified as part of the corporate restructure, in addition to embracing new responsibilities.
- Reduced the reliance on contractors and consultants within the Finance branch in driving a value-for-money approach.

FINANCIAL SERVICES

- Contributed to the achievement of outcomes that enabled IPART efficient operating expenditure (OPEX) targets to be met for 2009-10.
- Significantly reduced the level of outstanding debts during a period of low water availability.
- Developed accounting policies for State Water consistent with Treasury and legislative requirements.
- Implemented a cost structure reform process within the Finance branch.
- Provided clear leadership direction within Financial Services and as part of State Water's Executive team.
- Drove the investigation into the integration of State Water's key core business systems.
- Contributed to a higher level of understanding of financial processes by delivering training across State Water.
- Fulfilled all the requirements necessary for the submission of the 2010 IPART Submission resulting in extremely positive feedback from OPEX and capital expenditure (CAPEX) reviewers.
- Addressed issues raised through external and internal audit processes.
- Provided direction to allow for the continuous improvement of State Water's budgeting and forecasting processes through the further development of BERP.
- Provided transparent and accurate Board and management reporting in a timely manner.
- Improved accruals of monthly expenditure through online purchasing and receipting.
- Improved vehicle costing processes from access database to more manageable excel base.
- Improved MDBA budgeting and claims processes.

Statement of Corporate Intent

State Water entered into an SCI for 2009-10 with its shareholding Ministers as required under the *State Owned Corporations Act 1989*.

The SCI outlines performance targets and reporting requirements to the voting shareholders and Treasury.

State Water submitted the following reports in relation to the 2009-10 SCI:

- Half-yearly report in accordance with the *State Owned Corporations Act 1989*
- September, December, March and June quarterly reports
- Forecast financial statements to Treasury via Treasury Online Electronic System
- Forecast of financial distributions and tax equivalents (budget round forecasts).

The 2009-10 SCI was submitted to the shareholders within the required statutory timeframes. In addition, State Water met all submission deadlines for the quarterly reports and the half yearly report.

Non-financial performance

The non-financial performance indicators in the 2009-10 SCI were adopted from State Water's 2010 Operating Licence.

In October 2010, IPART will audit State Water's 2009-10 performance against the requirements of the Operating Licence.

State Water's performance against each of the Corporate Plan targets is provided in detail from page 72.

	SCI Target	Actual
Earnings/loss before interest and tax (\$ million)	7.1	63.3
Interest revenue, interest expense and borrowing costs (\$ million)	(7.1)	(2.8)
Operating profit/loss before tax (\$ million)	0.0	60.5
Dividend (\$ million)	0.0	3.1
Return on assets (%)	1.5	12.1
Return on equity (%)	0	13.0

STRATEGY AND GOVERNANCE



Sunrise at Lake Cargelligo.

State Water's Strategy and Governance business unit provides the secretariat for the Board of the Corporation and manages State Water's relationship with our shareholders and regulators.

In addition, the branch provides advice on strategic matters, as well as overseeing corporate planning and policy development. The branch also provides risk management, compliance, internal audit and legal services.

2009-10 Achievements

Governance

- Revised the Authorisations Manual to reflect the restructure of corporate services functions, the new enterprise agreement and the introduction of an on line purchasing system.
- Assisted the HR Manager in developing a process for the CEO's performance review and contract renewal.
- Implemented organisation-wide compliance with the requirements of the new *Government Information (Public Access) Act 2009*.

IPART Pricing Determination

- Developed State Water's submission to IPART for the 2010 Pricing Determination.

The project included intensive consultation with the CSCs to obtain broad customer support for State Water's proposals, while ensuring the business receives an appropriate rate of return. IPART's determination acknowledged a number of the key issues raised by State Water in its submission, resulting in higher revenue requirements and prices. The submission demonstrated the extent of State Water's progress since corporatisation and its vision for the future.

Strategic Performance Review of State Water

- Participated in the Strategic Performance Review of State Water undertaken by NSW Treasury as part of the NSW Government's Better Value and Services Taskforce. State Water provided input on options for increasing efficiency, enhancing revenue and achieving cost-effective structural changes, and provided data on its operations for analysis by the consultants for the review.

STRATEGY AND GOVERNANCE

Relationships with Shareholders and Regulators

- Prepared State Water's response to the Australian Competition and Consumer Commission (ACCC) paper on Water Rules Monitoring and its position paper on Water Trading Rules.
- Co-ordinated State Water's 2008-09 Report to IPART under the Operating Licence, as well as the subsequent IPART audit which was the first audit under the 2008-13 Operating Licence. Also provided a report to the Portfolio Minister on State Water's response to the recommendations of the audit.
- Provided strategic input to, and quality review of, reports to shareholding Ministers (SCI, Quarterly and Half Yearly reports) and the Treasurer (Annual Report).
- Supported the COO in initiating and progressing the issues raised in the Senior Liaison Group established under State Water's MoU with NOW.
- Provided legal support on negotiation of Works Approval conditions developed by NOW.

Review of State Water Corporation Act

- Assisted NSW Minister for Water, Phil Costa, to undertake a review of the *State Water Corporation Act 2004*, as required under Section 40 of the Act.

The Minister tabled a report of the review in the NSW Parliament on 24 June 2010. Community consultation about the review included press advertisements and letters to customer bodies, community groups and government agencies, inviting submissions. In addition, workshops were held with key stakeholders.

Corporate Planning

- Developed a Corporate Planning Policy to ensure alignment between the key planning, financial and performance management functions.
- Developed a program for the Board and management strategic planning workshop.

The workshop provided a collaborative vehicle for the Board to articulate its strategic priorities, providing a framework for management to develop tactical actions and targets for delivery in 2010-11.

Strategic Advice

- Continued to promote State Water's ability to secure funding under the Federal Government's Water for the Future and WfR programs.

Advice to the relevant agencies culminated in development of a Commonwealth-State Priority Project funding agreement for the pilot metering project, and development of a

Schedule to the Bilateral Agreement setting out the terms and conditions of performance for the pilot metering project.

- Provided advice on protection of revenue when NSW water allocations are traded to interstate purchasers.
- Developed contract documentation to ensure OH&S requirements are fulfilled at State Water's sites when a third party is engaged as a principal contractor.
- Advised on the development of a contract for the iSmart project.
- Secured contractual relationships for State Water's dam safety upgrades. This included advising on the legislative program to secure environmental offsets, reviewing contract insurances, advising on tender processes and ensuring compliance with construction contracts.

Risk Management, Compliance and Internal Audit

- Developed a Fraud and Corruption Prevention Strategy based on industry better practice and the Independent Commission against Corruption (ICAC) guidelines. A strong focus on fraud and corruption awareness training has been maintained, with training provided to new starters at induction.
- Continued to monitor, and report to the Board and the Risk Management Committee, the top 20 strategic risks faced by the organisation.
- Developed State Water's annual internal audit plan using a risk-based approach to determine the areas of the business to be reviewed.

Nine reviews were conducted using IAB Services, with one review conducted using internal resources. Progress on management's action plans to implement recommendations arising from reviews were reported to each meeting of the Board's Audit and Compliance Committee.

- Undertook a select tender for the provision of internal audit services, resulting in the engagement of IAB Services under a three-year contract commencing July 2010.
- Continued monitoring of compliance with State Water's obligations under its 2008-13 IPART Operating Licence, the *State Owned Corporations Act 1989*, the *Water Management Act 2000* and the *State Water Corporation Act 2004*.

A compliance report was considered at each meeting of the Board's Audit and Compliance Committee.

- Commenced development of a business continuity policy, templates and training package to assist managers in the development and implementation of individual business continuity plans for each business unit.

CORPORATE COMMUNICATION



State Water CEO, George Warle at ceremony to mark the beginning of construction of dam safety upgrades at Chaffey Dam.

The Communication team is a two-member outfit that specialises in managing the manner in which State Water communicates with customers and other stakeholders.

The unit oversees internal and external communication, liaises with media and takes the lead role in formulating the organisation's response to issues arising in the public domain.

2009-10 Achievements

- Planned and managed all aspects of the Back to Burrinjuck centenary celebrations, which featured numerous major events over four days including a reunion dinner, memorial service, dam site tours attended by approximately 2,500 people, and a documentary production and launch.
- Continued community consultation and media campaigns associated with the upsurge in State Water's capital works projects across the state, most notably the dam safety upgrades.
- Provided communication and branding support for the creation and launch of a new look State Water website www.statewater.com.au and similar advice for the upgrade of the intranet.
- Organised and managed sod-turning ceremonies to mark the beginning of construction on dam safety upgrades at Keepit, Burrendong and Chaffey dams.
- Orchestrated the statewide launch of iWAS for customers on 8 October 2009.
- Gave greater priority to internal communication with an Executive newsletter developed as a forum to recognise achievement and inform employees of details pertinent to State Water operations.

CORPORATE COMMUNICATION

Priorities for 2010-11

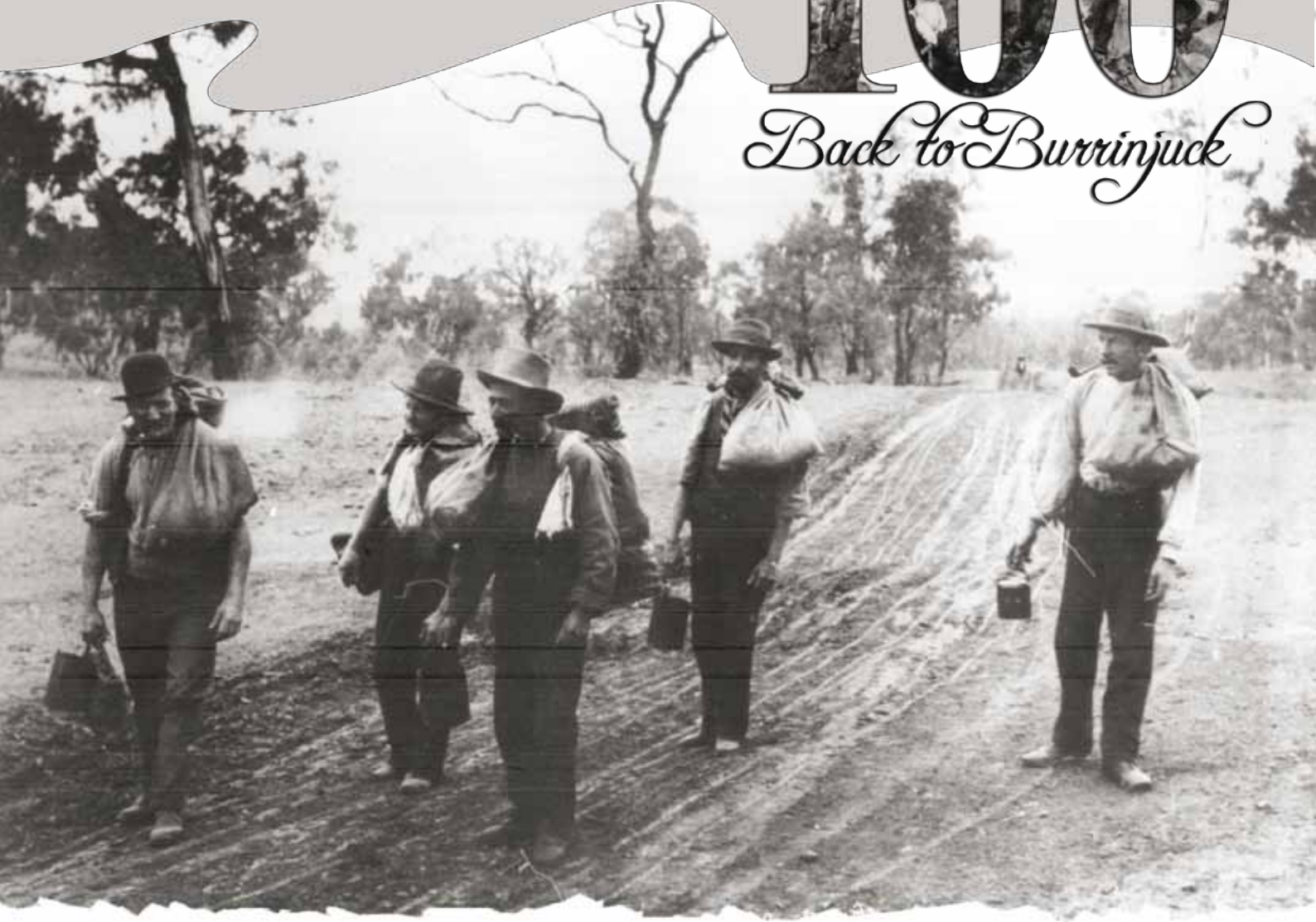
- Publicise the \$350 million dam safety upgrade, and additional capital works program, to further raise the profile of State Water in regional communities.
- Oversee the communication and community liaison components of the multi-million dollar suite of capital works projects included under the Water for Rivers Murrumbidgee water efficiency initiative, and the next phase of the NSW metering replacement project.
- Develop the State Water brand and manage a campaign to implement it internally and as a marketing platform externally.
- To implement the customer service communication strategy, drawn from survey information, to better engage with our customer base, and make available high quality information and improved support services.



The opening of the Back to Burrinjuck centenary celebrations

100

Back to Burrinjuck



Burrinjuck Centenary 19-25 October 2009

Thousands of former workers, their relatives, local residents and visitors enjoyed State Water's Back to Burrinjuck celebrations over the weekend 23 to 25 October 2009.

Burrinjuck Dam is an important part of the history of water in NSW as it was the first major irrigation dam in the State.

Its construction marked the beginning of the Murrumbidgee and Coleambally Irrigation Areas.

State Water CEO George Warne said Back to Burrinjuck celebrations were important and recognised not only the construction of the dam, but those people who worked on it and its affects on the region.

"Burrinjuck Dam staff escorted about 2,000 people on tours of the dam wall, which was opened for three days for the first time in two decades," he said.

"It has really been a pleasure for State Water to put on this event and see so many people with a connection to Burrinjuck able to get back there and experience it again."

About 60 people attended an Ecumenical Service to remember those who tragically lost their lives working at Burrinjuck Dam over the years.

A plaque unveiling by Minister for Water, Phil Costa was well attended and almost 100 people attended a Reunion Dinner and Dance on the Saturday evening.

"The dinner and dance was a great opportunity for people to share their Burrinjuck stories and see the Burrinjuck DVD for the first time on the big screen," Mr Warne said.

"Thank you to those who got in touch with us and shared their stories of Burrinjuck – it was wonderful to meet so many people who are so fond of this dam."

About Burrinjuck Dam

Burrinjuck Dam, situated high in the mountains of the Great Dividing Range, is near the headwaters of the Murrumbidgee River, 60km from Yass.

The name Burrinjuck comes from the Aboriginal words "Booren Yiack", meaning precipitous mountain. The dam is appropriately named as it lies between the Barren Jack and Black Andrew Mountains.

Burrinjuck Dam was the first major dam built for irrigation in NSW to supply water to the Murrumbidgee Irrigation Area. Building commenced in 1906 and the first water was used in 1912. When the original dam was completed in 1927 it was ranked as one of the world's greatest.

Early Days

In 1891, the drought-ravaged Murrumbidgee valley was nominated as an ideal location for irrigation development. After devastating droughts in 1901 and 1902, State Parliament approved the establishment of the Murrumbidgee Irrigation Scheme. Burrinjuck Dam was constructed to provide water for the scheme.

Construction started in 1907, but due to delays caused by the shortage of labour and materials during World War I, the original design was not completed until 20 years later, although it was able to provide water for irrigation in 1912. With the dam largely completed, a massive flood in the Murrumbidgee Valley in 1925 sent water more than a metre deep, pouring over the crest of the main wall. Although Burrinjuck was barely damaged by the torrent, the size of the spillways was increased and the height of the main wall raised to prevent future devastation.

Work on these alterations and other improvements began in the 1930s. Again, construction was delayed by a world war but finally, Burrinjuck Dam was completed in 1956. It was the first major dam built for irrigation in NSW and when construction began in 1907, it was the fourth largest dam in the world.

The Structure

Burrinjuck is a mass gravity dam. This type of dam holds back stored water by using its own weight to withstand the pressure from the water. The basic structure of the dam wall is similar to a gigantic brick wall. It is made of massive concrete blocks, which were cast in situ and contain huge granite boulders.

Following an analysis of the largest possible flood that could occur, the spillway capacity of Burrinjuck Dam was re-evaluated and the spillways were upgraded and enlarged. One hundred and fifty steel cables were inserted into the structure at bedrock level (at maximum length of 130 metres) and each cable was post tensioned to 1,100T each.

Work has since been carried out, in 1994, to raise the wall a further 13.4 metres and bolt the wall down into its foundations, by two rows of post-tensioned steel cables. In 2001, further work took place, to equip the dam to handle the largest possible flood - one that would be expected to occur, on average, only once in 100,000 years.

The area of stored water is 5,600ha. The catchment area is 12,900km² and the shoreline is 645km. Burrinjuck is one of the first dams in NSW to have environmental flow releases based on inflows.





State Water Board members Don Marples, Chairman, Tony Wright, CEO, George Warne, Anne Thompson, Mike Bennett, Col Gellatly and Kathleen Bowmer visiting the Integrated Horticulture Supply pump at Tharbogang.



CORPORATE GOVERNANCE

2009-10 BUSINESS PLAN



State Water vehicle near the Lachlan River

About the Business Plan

The 2008-2012 Corporate Plan, outlined on page nine, provides strategic direction for the development of State Water's annual Business Plans.

The 2009-10 Business Plan, as follows, shows the tactical actions for the financial year for each of the strategies in the Corporate Plan.

Each tactical action includes six-monthly targets for individual State Water business units, which form the basis of the annual plan for that business unit. These business unit plans are, in turn, cascaded to individual employee performance plans for each financial year.

Progress on achievement of business plan targets is reported on a six monthly basis to the Board of State Water Corporation.

2009-10 BUSINESS PLAN

Strategic Theme 1: Protect, operate and maintain our water assets with increasing efficiency.

Strategy: Secure the integrity of our assets to meet the standards required through efficient works and maintenance programs, reducing annual real costs.

Tactical Action	Who	30 June 2010 Status
Plan and implement major projects in accordance with 2009-10 asset plan, to achieve agreed time, cost and quality outcomes.	Manager Major Projects	Targets for both dam safety upgrades and all major projects were for actual expenditure to be +/- 10% of budget. Dam safety upgrade expenditure of \$57.6 million was 4% greater than budget. Total expenditure of \$77 million was significantly below the budget of \$113.1 million, due to delayed MDBA projects, particularly the Hume Dam project and Koondrook-Perricoota Forest Watering project.
	Manager Maintenance and Services	Maintenance and Services project expenditure was 1.6% greater than budget, in line with the target for 2009-10 expenditure to be +/- 10% of budget.
Review and update DSEP for all prescribed dams.	General Manager Strategic Assets	DSEP Consultation Plans have been developed and presented to Operations team. DSEP reviews were initiated for Split Rock Keepit, Lostock, Chaffey and Glennies Creek dams and Menindee Lakes. The Hume Dam DSEP addendum for upgrade works was finalised.
Link the Project Management System (PMS) and FMMS to key corporate systems.	Manager Business Improvement	A FMMS user policy and procedure has been developed and approved. All relevant employees have been trained and refreshers completed. Planning trials were successful and FMMS is now implemented and utilised by the 11 work clusters.
	Chief Information Officer	The StateWaterWise systems integration project is examining critical business processes and will identify linkages between corporate systems. A decision on the project management system has been deferred until the integration strategy complete.
	Manager Maintenance and Services	
Update the TAMP.	General Manager Strategic Assets	Completed and obtained Board approval for TAMP 2009-14 and CIS. Asset Plans (v1) included in the TAMP formed the basis of CAPEX/OPEX program in State Water's submission to IPART.
Secure DSC approval of surveillance regime changes to achieve operational efficiency.	General Manager Strategic Assets	Submissions to the DSC on the review of surveillance regimes at storages, where supporting data existed, have been completed. State Water is awaiting the roll out of the iSMART project for the next round of submissions. The Finite Element Modelling of Carcoar and Burrinjuck dams, required to support surveillance review at these structures, was completed. New Zealand Damwatch undertook an instrumentation assessment, with recommendations to progress. Fibre optic is being installed at priority 1 sites.

2009-10 BUSINESS PLAN

Strategy: Secure the integrity of our assets to meet the standards required through efficient works and maintenance programs, reducing annual real costs.

Tactical Action	Who	30 June 2010 Status
Implement Service Level Agreements (SLAs) between all Business Units.	General Manager Strategic Assets and all Business Unit Managers	The SLA template has been finalised. Maintenance and Services unit has a SLA with the Business Improvement business unit for iSMART work. Major Projects has draft agreements with Strategic Assets and Maintenance and Services business units.
Develop KPIs for all Business Units.	All Business Unit Managers	KPIs have been identified for Water Delivery, Customer Operations, Maintenance and Services, Business Improvement and Major Projects business units.

Strategy: Promote environmental responsibility in all our operations and seek recognition of this element of State Water's growing skill set.

Tactical Action	Who	30 June 2010 Status
EMP Objective 1 - Improve uptake and reporting of EMP.	General Manager Strategic Assets	This action has not been progressed due to current drought conditions. It has been identified as priority task for 2010-11.
EMP Objective 2 and 3 - Develop and implement a Strategic Water Quality Monitoring Program.	General Manager Strategic Assets	The Water Quality Monitoring Program is being developed and due to be finalised by end July 2010. A revised program and implementation strategy for comment is scheduled for completion by September 2010.
EMP Objective 3 - Strategic input into the implementation of the NSW Cold Water Pollution Strategy.	General Manager Strategic Assets	Key input was provided to the Cold Water Pollution Inter Agency Group's five-yearly report. State Water is currently discussing Works Approval conditions with NOW Corporate Licensing unit. A trial at Glennies Creek Dam of multi-level off-take protocols has been completed.
EMP Objective 4 - Strategic implementation of fish passage activities.	General Manager Strategic Assets	A draft Fish Passage Program has been developed in conjunction with I&I. Further consultation will be carried out prior to the document being finalised in by September 2010. The Fish Passage Strategy won the bronze award at the Australian Water Association State Awards.
EMP Objective 5 - Provide responsible asset management.	General Manager Strategic Assets	Environmental and heritage assessment procedures training has been rolled out to relevant Maintenance and Services and Major Projects staff.
EMP Objective 6 and 7 - Improve uptake and delivery of waste and energy targets and strategies.	General Manager Finance	The reporting deadline for the Waste Reduction and Purchasing Policy (WRAPP) has been achieved. Resourcing of tasks is being finalised.
For EMP Objective 8 - Complete and implement land management plans and foreshore management plans for dam sites.	General Manager Strategic Assets	The Land Use Options Study, Foreshore Management Thematic Plan and Site Specific Actions Plans (for major sites) have been completed.
For EMP Objective 9 - Develop Heritage Conservation Management Plans (CMP) for state significant assets.	General Manager Strategic Assets	There has been no progress on this action given resourcing constraints. It has been identified as priority task for 2010-11.

2009-10 BUSINESS PLAN

Strategy: Promote environmental responsibility in all our operations and seek recognition of this element of State Water's growing skill set.

Tactical Action	Who	30 June 2010 Status
For EMP Objective 9 - Provide an integrated framework for the range of heritage compliance drivers.	General Manager Strategic Assets	A draft heritage management framework has been developed containing State Water heritage policy and Heritage Asset Management Strategy. Resourcing constraints have limited further progress. It has been identified as priority task in 2010-11.
EMP Objective 10 - Continuously improve annual performance reporting for EMP.	General Manager Strategic Assets	The Monitoring Evaluation Audit and Reporting Framework has been finalised and reported to IPART to meet Operating Licence requirements in March 2010.

Strategy: Realise the full value of our existing assets through a proactive assessment and development, or rationalisation of under performing assets

Tactical Action	Who	30 June 2010 Status
Identify the opportunities presented by all major assets, including environmental services assets.	General Manager Strategic Assets	There has been no progress on this action given resourcing constraints. It has been identified as a priority for 2010-11.
Identify and dispose of any surplus or grossly underperforming assets.	Manager Maintenance and Services	State Water received approximately \$300,000 via auction of obsolete equipment. Another round of disposals is planned for late 2010. Housing has been removed from Chaffey and Keepit dams, and the old schoolhouse removed at the latter.



Carcoar Dam.

2009-10 BUSINESS PLAN

Strategic Theme 2: Maximise the delivered water available from each megalitre flowing into the regulated river system

Strategy: Confirm adequate funding from the Commonwealth Water for the Future Fund and deliver technologies to improve methods of measurement, metering and remote sensing

Tactical Action	Who	30 June 2010 Status
Upgrade customer metering sites.	Manager Customer Operations	The Murray Metering Pilot was approved and the funding deed executed. Project planning has been undertaken for meter rollout over next 12 months. Funding for the Murrumbidgee metering project has been agreed by WfR, with the program being managed in conjunction with the by Murray Pilot to ensure better procurement and project alignment. The whole of state metering business case was submitted in June 2010 as per Commonwealth timings.
Reduce theft of water by implementing appropriate compliance procedures.	Manager Customer Operations	The number of alleged breached notices issued has increased from 16 in 2008-09 to 116 in 2009-10. A Compliance Protocol has been put in place with NOW. Compliance actions under S60G of the <i>Water Management Act 2000</i> will be taken when final usage figures are completed.
Convert savings from water efficiency measures into adaptive environmental water licences.	General Manager Water Delivery	A substantial amount of work has been done with NOW to finalise RERP report, formalise water savings and obtain a legal position on metering savings. The business case for the metering project submitted to the Commonwealth in June 2010 included quantification of metering savings. WfR projects have moved to the implementation phase based on quantification of savings from the projects and NOW's commitment to model the savings.

Strategy: Continue to improve the efficiency of water delivery into and from our storages and rivers, recognising the impact of climate change

Tactical Action	Who	30 June 2010 Status
Implement water efficiency projects to reduce transmission losses and optimise delivery accuracy.	General Manager Water Delivery	Investigation projects have commenced for; water balance, Tombullen, Bundidgerie Creek, Basic Landholder Rights, metering, SCADA and the Computer Operated River. Investigation projects are under way on reducing unaccounted water losses at, Tombullen, Bundidgerie, Old Man Creek and Yanco Creek. The Computer Operated River procurement has moved to the proof of concept stage. The Coonancoocabill regulator is under construction. The Crooked Creek project has progressed to formal stakeholder consultation.
Identify alternative water supplies for inefficient systems, particularly in drought sequences.	General Manager Water Delivery	Viable alternate supplies for Crooked Creek include ground water, Gunningbar Creek and the Macquarie River. A draft report on the Bundidgerie investigations has been completed and tenders called for Old Man Creek concept designs. WfR Murrumbidgee Projects continue, with funding approved for meters, iSMART, the Computer Operated River, and the Coonancoocabill Lagoon regulator. Groundwater recharge was investigated with Tombullen Storage Study and found to be unviable at that site. Groundwater recharge investigations continued at Menindee Lakes.

2009-10 BUSINESS PLAN

Strategic Theme 3: Provide water-related services that respond to the growing variety of customer needs, specifically recognising the value of water, the environment, and customer service.

Strategy: Provide premium services, where profitable, above those funded by IPART-approved maximum charging.

Tactical Action	Who	30 June 2010 Status
Identify demand for different levels of customer service and establish options for delivery.	General Manager Water Delivery	Discretionary service levels have been negotiated in each CSC. Specific performance indicators and targets for these services are being developed with the CSCs. The FRWS projects to re-establish yield were supported by the Customer Council and will be funded under the 2010 IPART Determination. Projects will commence in 2010-11.
Deliver new customer service options and monitor uptake.	Manager Customer Operations	iWAS deployed with more than 17% of water being ordered through iWAS. Improved Customer Service reporting is in place.
Raise awareness among employees of water for the environment as a customer base.	General Manager Water Delivery	DECCW representatives have been appointed to all CSCs. Operations staff and CFOs see the DECCW presentations at CSC meetings. Water Delivery managers have been appointed to each of DECCW's Environmental Water Advisory Groups. Water Delivery staff also deal directly with DECCW staff on water orders, transfers and water delivery. Interactions with environmental customers have been promoted through the Executive Newsletter and Waterfront publication. The awareness course has been deferred until 2010-11.

Strategy: Recognise the environment as a key water user and develop value-adding services to assist emerging environmental water managers.

Tactical Action	Who	30 June 2010 Status
Recognise the environment as a separate group in customer satisfaction surveys.	Manager Customer Operations	Quarterly Strategic Liaison Group meetings have been held with DECCW. Good communications has occurred with Riverbank.
Facilitate participation on Customer Service Committees by DECCW as a representative for environmental water.	General Manager Water Delivery	DECCW are represented on all CSCs. DECCW has confirmed it is the representative of the Commonwealth Environmental Water Holder and numerous deliveries took place in 2009-10 under the directions of relevant DECCW staff.
Develop a customer relationship database system to improve relationships with customers.	Manager Customer Operations	All Complaints, water orders and emails are being processed through the help desk system. The rewrite of the WAS is underway.
Deliver the majority of customer interactions through the call centre or by internet, while improving customer satisfaction.	Manager Customer Operations	The customer satisfaction survey has been designed and is in the field. iWAS has been deployed to all valleys under the <i>Water Management Act 2000</i> . 30% of extracted water is being ordered through iWAS.
Develop a strategy to communicate the benefits of using internet information services.	Manager Customer Operations	An active education program on iWAS was implemented including presentations at key stakeholder forums. 1300 number was used in all customer communication and the number of calls to it is growing.

2009-10 BUSINESS PLAN

Strategy: Improve customer understanding of river operations

Tactical Action	Who	30 June 2010 Status
Educate CSCs on water delivery planning.	General Manager Water Delivery	Water delivery planning procedures have been developed for the Murrumbidgee, Lachlan, Macquarie, Namoi, Gwydir, Hunter and Paterson valleys, and these are progressively being presented to CSCs. Automation deferred until 2010-11.
Migrate to increasing use of call centres to provide information on water allocations, pricing, transfers and delivery.	Manager Customer Operations	The call centre web tool has been deployed with significant improvements to the customer portal on the internet.



The Australian National Committee on Large Dams visit the safety upgrade at Blowering Dam.

2009-10 BUSINESS PLAN

Strategic Theme 4: Improve business outcomes

Strategy: Secure benefits available to State Water under the Water for the Future program

Tactical Action	Who	30 June 2010 Status
Participate in federal, state and regional planning and review in all areas that represent risk or opportunity.	Manager Strategy and Governance (in consultation with Chief Operating Officer)	The seller of water allocations to interstate purchasers has been charged since July 2009 and revenue protected. The Portfolio Minister has been advised on charging regime and departmental officers provided with a draft interstate agreement. The CEO participates in NSW Senior Liaison Group and attends Basin Officials Committee meetings on MDBA matters. A good working relationship has been developed with other jurisdictions on the National Water Market System project. Interoperability has been developed and agreed with funding received. Trade interoperability will be delivered by September 2010.
Secure funding for water efficiency projects.	Chief Operating Officer (in conjunction with Manager Strategy and Governance)	Investigation funding (\$5 million) was secured for the Murrumbidgee WfR project. WfR Murrumbidgee project has moved to the implementation stage, with Murrumbidgee regulated metering to be delivered in conjunction with the metering pilot project. Funds have been secured for the metering pilot. The business case for the statewide metering project was submitted in June 2010. Further Bureau of Meteorology submissions are being prepared.
Provide services such as project management and maintenance to assist others implement Water for the Future projects.	Manager Major Projects	Funding was secured for the Perricoota project, with construction to begin in 2010-11.

Strategy: Build on our extensive rural footprint to secure profitable business growth opportunities outside the IPART-regulated business

Tactical Action	Who	30 June 2010 Status
Investigate possible mergers, acquisitions and joint venture opportunities.	Chief Executive Officer	See update on upgrade of customer metering sites, on page 76.
Identify business opportunities including carbon sequestration and wind-farms on lands adjacent to dams.	General Manager Strategic Assets	The Land Use Options Study and Foreshore Management Plans have been completed.
Rationalise, sell or develop State Water's non-core assets.	Manage Maintenance and Services Manager Major Projects	The head office at Dubbo was relocated. A business case was established for the rationalisation of the Sydney metropolitan offices.

2009-10 BUSINESS PLAN

Strategy: Develop business systems that allow us to maintain productivity during times of change

Tactical Action	Who	30 June 2010 Status
Improve the financial system for all users through enhancement of finance and budgeting modules.	General Manager Finance	A customised suite of reports has been developed in conjunction with the new budget expenditure review reporting structure. The 2010-11 budget was completed within the finance system. Implementation of online requisitioning and invoice scanning was completed. The Purchase Card Module was deferred pending finalisation of the systems integration project.
Improve billing solution.	Manager Customer Operations	The billing process review was completed and business requirements developed. Deployment of the upgraded billing solution has been deferred pending finalisation of the systems integration project.
Improve the financial system for all users through enhancement of people modules.	Manager Human Resources	EPR process implemented in paper form which best meets current requirements.
Develop new procedures for multi-level and whole organisation communication.	Manager Customer Operations in consultation with Communications branch)	Headline KPIs were drafted for pilot use in the first quarter.
Implement compliance, risk management and internal audit software that is well understood and maintained.	Manager Strategy and Governance	The Risk Management and Safety System (RMSS) has been configured and ready to migrate to production. Users have been identified and user privileges assigned. Power users have trained. Roll out to all users scheduled to occur in 2010-11.
Develop and implement a corporate information system strategy that is relevant to the business.	Manager Business Improvement Chief Information Officer	iWAS was implemented. CAIRO was centralised and standardised. A SCADA strategy was developed. Significant progress has been made on FMMS data entry. Progress has been made on GIS business requirements. Business improvement policies and procedures have been developed and implemented. Business Improvement Committee had greater senior management ownership, and improved communication and reporting. Corporate Information Systems Strategy is to be developed in 2010-11.
Develop fraud prevention and control strategy.	Manager Strategy and Governance	Fraud and Corruption Prevention Control Strategy developed. Staff induction includes training in fraud awareness and prevention.

2009-10 BUSINESS PLAN

Strategy: Meet the commercial and operational expectations of shareholders and regulators

Tactical Action	Who	30 June 2010 Status
Provide our shareholders with a plan to maximise profitability and retained earnings for value adding investments.	Manager Strategy and Governance (in collaboration with General Manager Finance)	The draft final 2009-10 SCI was submitted in line with requirements and signed by shareholders. The draft 2010-11 SCI was submitted in May 2010, as agreed with Treasury, to align with draft IPART determination.
Develop a constructive relationship with new regulators under the Water for the Future arrangements.	Manager Strategy and Governance	Submissions to the ACCC on the Trading Rules Position Paper and the draft Trading Rules were provided as per ACCC deadline.
Negotiate pricing determination with appropriate rate of return and asset base.	Manager Strategy and Governance	All targets were met.
Review and map regulatory accountabilities for operations managers / implement account management strategy.	Manager Customer Operations (in conjunction with Manager Strategy and Governance)	Deferred to 2010-11.



Edward Dutton, Glenn Harris, Glenn Riley, Brett Anderson and Anthony Cleat at the Lake Brewster Water Efficiency Project.

2009-10 BUSINESS PLAN

Strategic Theme 5: Achieve our strategic objectives through a capable, committed, safe and skilled workforce.

Strategy: Meet the NSW *Working Together* Targets for OH&S by putting safety first

Tactical Action	Who	30 June 2010 Status
Ensure employees carry out all activities with prior full evaluation of hazards and risk, consistent with, or better than, our OH&S legislative requirements, and in alignment with our corporate values.	Manager Human Resources	A Hazard Management and Risk Assessment procedure was developed and training rolled out to 90% of employees. Risk assessment training was delivered to 90% of employees. External audits and corrective actions were completed by due dates.
Remove work practices, materials and equipment that are unsafe and do not meet current standards.	Manager Human Resources	All non-compliant chemicals and unsafe work practices, materials and equipment have been removed as at November 2009 and ongoing monitoring and management is in place.
Promote an active culture of risk reduction via full reporting of near misses and incidents, with complementary safety training.	Manager Human Resources	Increased awareness of requirements and responsibilities has been achieved via toolbox meetings and safety flyers. Performance indicators have been reported to each Board meeting.
All State Water Policies and Procedures are current and adequately OH&S issues.	Manager Human Resources	Policies and procedures are compliant with current requirements. Outdated policies have been identified with review and update to be completed in 2010-11.
OH&S is adequately covered in State Water Contract and Project Management documentation and procedures.	General Manager Strategic Assets	State Water's contract management OH&S procedures have been completed. Introductory training in construction OH&S management has been delivered for all Major Projects staff. New starter training has been put in place.

Strategy: Provide employees with the tools to effectively and efficiently deliver services

Tactical Action	Who	30 June 2010 Status
Complete a gap-analysis to identify training requirements, ensuring both legislative compliance, and our workforce have the skills to safely and competently carry out their duties.	Manager Human Resources	Gaps in safety training have been identified and included in the 2010-11 Safety Training Calendar.
Ensure a formal internal training program is developed for all new corporate information systems.	Manager Business Improvement	Training was included in all new systems project plans. Documentation of new and developing systems has been undertaken. Training and accreditation has been completed for Customer Field Officer audits and installation in line with the National Metering Standards. iWAS training was provided. Koncentrator training was provided using a DVD and videoconference equipment.
Ensure formal internal training programs are developed for: - Environmental assessment - Safety and Emergency Response - Contract Management.	General Manager Strategic Assets	Training programs in Environment and Heritage Procedures, and Contract Management (GC21 Contracting and e-Tendering) have been rolled out as planned. Revised DSEP format and consultation procedures were presented to employees at the 2010 Asset Forum.

2009-10 BUSINESS PLAN

Strategy: Develop a culture that allows us to build a team of skilled and dedicated people, consistent with a modern utility business.

Tactical Action	Who	30 June 2010 Status
Consider further organisational improvements.	Chief Executive Officer	The IPART pricing submission includes the basis for a management realignment during the next regulatory period, and additional savings related to technological improvements. Resulting savings plus additional requirements are included in the final Determination.
Implement new single State Water agreement.	Manager Human Resources	A New Agreement was registered in September 2009. The payroll and Kronos timesheet systems were reconfigured in November 2009 and EPR implemented during 2009-10.
Connect people better through communication technologies and a Sydney office that is closer to the airport.	Chief Information Officer Chief Executive Officer	The Parramatta server room was relocated to the new Dubbo head office in March 2010 in line with the relocation of the office. The relocation of records was completed in June 2010. A business case for the relocation of Parramatta office has been completed and a suitable site identified.
Continue to improve the productivity of our workforce and share the benefits with our employees.	Manager Human Resources	Team planning and building has been incorporated within the business planning and EPR cycle. A structured team communication process was included in the 2010-12 Workforce Plan, for roll out in 2010-11.
Align organisation to corporate vision.	Manager Human Resources	Senior Team engaged via Board Management Workshop. Change program tasks have been implemented in accordance with the Vision Alignment plan. A staff engagement survey was issued in June 2010, with an action plan to be developed pending results. Establishment of customer perception against desired corporate vision has been deferred to 2010-11.

OPERATING LICENCE PERFORMANCE



Willandra Weir on the lower Lachlan River.

State Water has an Operating Licence, granted under the *State Water Corporation Act 2004*.

The Operating Licence stipulates the terms and conditions of State Water's operation, codifies service standards, and establishes performance standards.

IPART renewed State Water's Operating Licence in June 2008. The new licence is largely based on State Water's previous licence, updated to reflect changes on the regulatory framework, such as Works Approvals and the *Water Act 2007* and other issues raised by State Water and/or stakeholders.

In addition, the new licence articulates State Water's responsibilities with respect to metering and the management of allocated water.

State Water reports on its performance relative to the Operating Licence each year. The report is available at www.statewater.com.au.

In September 2009 IPART audited State Water's compliance with the requirements of the Operating Licence for 2008-09.

The percentage of requirements assessed as achieving full or high compliance was 89% in the 2008-09 audit, with 81% assessed as achieving full compliance.

The following table summarises State Water's performance against the Operating Licence.

OPERATING LICENCE PERFORMANCE

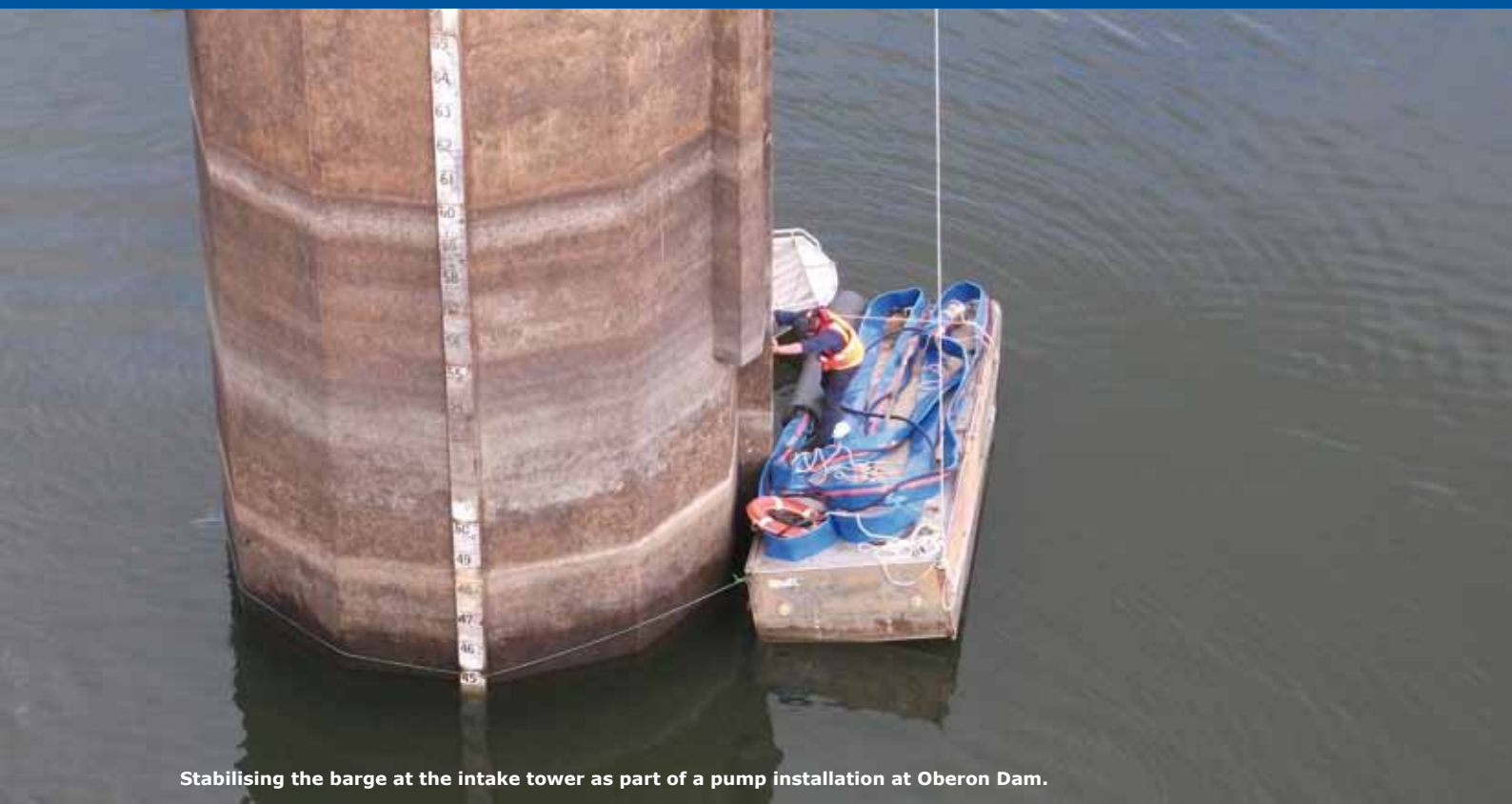
Performance against State Water Operating Licence

Issue	Requirement	Achievement
Memoranda of Understanding (MoU)	Use best endeavours to establish MoU with the DECCW, NOW, I&I. Make MoU available to the public.	State Water continues to have in place MoU with DECCW, NOW and I&I. The MoU with NOW was revised in 2009 to ensure a continuing basis for co-operative relationships between the parties, to document the roles of NOW in regulating water access, use and management and State Water in releasing water and managing assets and to improve the co-ordination of powers, authorities and duties between NOW and State Water. MoU are available on State Water's website.
State Water's Functions	Exercise functions under the Licence consistently with the <i>Water Act 1912</i> , <i>Water Management Act 2000</i> , State Water Operating Licence and relevant water management plans.	State Water carried out its functions in accordance with legislative requirements, with no reported instances of non-compliance.
Community Consultative Committee (CCC)	Establish and regularly consult with the CCC.	The CCC revised its meeting schedule from one per year to two per year, with meetings held on 29 October 2009 and 28 April 2010. The CCC Terms of Reference were revised at the meeting held on 28 May 2009.
Customer Service Charter	Review the Customer Service Charter in consultation with CSCs following each IPART Audit and make the Charter available to the public.	The charter was reviewed and revised in consultation with the CSCs during 2009-10. The Charter is available on State Water's website.
Fish River Customer Council	Establish and regularly consult with Customer Council.	Seven meetings of the Fish River Customer Council occurred in 2009-10.
Code of Practice and Procedure for Debt Management	Develop a Code of Practice and a procedure for debt management.	State Water continues to have in place a Code of Practice and procedures for debt management. A revised code was approved by the Board in March 2009. The Code is available on State Water's website.
EMP and State Water Management Outcomes Plan (SWMOP)	Report to IPART by 1 September each year on environmental performance against the EMP, Water Management Plans and SWMOP, environmental provisions of MoU and any environmental regulatory requirements applicable to State Water.	State Water reported on its environmental performance in the 1 September 2009 report to IPART. State Water achieved a 'Full' compliance rating on the EMP in the annual IPART Operating Licence audit in 2009. The SWMOP has not been renewed by the NSW Government and therefore no further reporting is required in 2009-10.
Code of Conduct	Behave responsibly in accordance with the Code of Conduct.	The Code of Conduct was revised in May 2008 to cover prevention of bribery and corruption. Two breaches of the Code of Conduct were reported in 2009-10 and disciplinary action taken.
Water Ordering and Delivery	Timely water delivery within the limits of system response times. Proactive management for optimal water availability.	Customer notifications indicated that no complying orders were delivered outside of one day of the scheduled day of delivery. State Water maintained the activities required to manage allocated water. This included operation of WAS that details each customer's account, manages water allocation assignments (temporary transfers) and water orders.

OPERATING LICENCE PERFORMANCE

Performance against State Water Operating Licence

Issue	Requirement	Achievement
Information and communication	Establish and regularly consult with CSCs. Consult with communities on major projects. Provide a toll-free customer billing service.	Regular meetings of the CSCs took place in all valleys. During 2009-10, State Water consulted with the community on the following projects: • Wyangala Dam upgrade • MDB Metering project • Menindee Lakes Upgrade • Gwydir Works Approval • Gunidgera Regulator and Pian Channel • Burrendong Dam Upgrade • Lake Brewster Project • Murrumbidgee Works Program • Wakool Replenishment Flow • Glennies Creek Cold Water Pollution Control Trial • State Water has a customer account enquiries hotline (1800 353 091). In addition, on 1 July 2008, State Water introduced a new 1300 call centre number for customer contacts.
Internal Complaints Handling Procedure	Establish a procedure in consultation with IPART to determine complaint categories. Make procedure available to the public.	The complaints handling and resolution policy and procedures have been established in consultation with IPART and the pamphlet 'Customer Concerns' is available on State Water's website. In 2009-10, State Water recorded 184 complaints. This represents a significant increase on the previous year due to the introduction of effective systems for the capture and recording of complaints.
External Dispute Resolution Scheme	Establish an external dispute resolution scheme which is consistent with requirements specified in the Operating Licence. Make a pamphlet regarding the scheme available to the public.	State Water has been a member of Energy and Water Ombudsman NSW (EWON) since 1 January 2006. State Water has included information about EWON in a pamphlet on complaints handling and dispute resolution on State Water's website. In the 2008-09 reporting year 13 complaints were referred to EWON for resolution.
Pricing	Apply charges in accordance with IPART pricing determinations.	State Water applied charges in accordance with the 2006 IPART determination.



Stabilising the barge at the intake tower as part of a pump installation at Oberon Dam.

PUMP INSTALLATION IMPROVES WATER SUPPLY

Oberon’s water security was strengthened through the installation of pumps as part of a drought management strategy.

NSW Minister for Water, the Hon Phillip Costa MP, and Member for Bathurst Gerard Martin welcomed the news that State Water worked with the Fish River Customer Council to complete the \$400K pump installation process on budget and on schedule.

“This project will ensure the maximum amount of water is available for the people who rely on Oberon Dam,” Mr Martin said.

With Oberon Dam currently at 14.2% of capacity, the pump installation project will ensure water could still be supplied should the dam storage fall below 5% of capacity.

“As part of its regular reviews, State Water commissioned a study into the operation of the Fish River Water Supply Scheme,” Minister Costa said.

“The report showed it would be difficult to transfer water to pipelines directly below Oberon Dam once the level hit 5% of capacity.

“State Water immediately started work to install the pumps which involved upgrading the power supply to the dam wall; installing submersible pumps to pump water from the dam to the intake tower; and re configuring the valves in the intake tower.”

“State Water has a system in place to constantly review water stocks and capability of operational systems to ensure water supplies are secure.”

The Fish River Customer Council (FRCC), which meets every six weeks and represents Fish River water customers and includes local government and State Water, endorsed the pump installation process decision at their April meeting.

“We are confident that this work will further ensure a secure water supply from Oberon Dam.”

CUSTOMER SERVICE CHARTER



State Water orientation day field trip.

State Water established a Customer Service Charter in consultation with the CSCs on 28 January 2005.

The Charter sets out the mutual responsibilities or obligations of State Water and its customers (excluding Fish River customers). The Charter is available on State Water's website.

The focus of the Charter is on the key areas of water ordering and delivery, customer contact, and information and communication.

For each of these areas, the Charter outlines key commitments, as well indicating what customers need to do to help State Water provide the level of service outlined in the Charter.

Many of State Water's obligations under the Charter are centralised corporate activities which apply uniformly to all valleys. This allows State Water to deliver consistent and cost effective services such as billing, debt management, information management systems, asset management policies, metering standards and communications across the State.

The following table outlines State Water's overall performance against its commitments under the Charter.

CUSTOMER SERVICE CHARTER

Commitment	Achievements
Water Ordering and Delivery	
An accessible water ordering system through either the customer information centre or the iWAS	Customers now have access to a streamlined water ordering system across the state that allows customers to submit water orders using a range of methods including fax, email, phone and in a few instances in person at local State Water offices. State Water has implemented a customer Call Centre with a 1300 number (1300 662 077) for customers to contact during normal business hours, 8.30am to 4.30pm Monday to Friday. Customers are able to order water, enquire about bills and other general information. A 1300 number (1300 871 447) has also been provided for customers for faxed water orders. A customer relationship management system has been implemented which will enable State Water to record and report on the number of calls, emails and faxes received on a daily basis as well as customer complaints and feedback. With State Water's exit from the Department of Commerce IT network and establishment of its own network, State Water has rolled out iWAS, which is tailored to State Water's and customers' immediate needs. iWAS provides an internet interface that allows customers to order water, enter customer meter readings and access to their water account information including balances.
Proactive management for optimal water availability	The efficient delivery of water has been State Water's primary area of focus during the drought. In 2009-10, State Water initiated a number of measures to increase operational efficiency in response to the ongoing drought: • State Water further developed and implemented an end-of-system averaging and reporting protocol in the Hunter valley that NOW approved to meet environmental flow targets and save water. • In consultation with the Gwydir CSC, State Water utilised a block release strategy for summer deliveries within the Gwydir valley to maximise available water. • At Glennies Creek Dam cold water operating protocols were developed and implemented for optimising release water quality and algae management to mitigate downstream water quality issues. • In all valleys with supplementary licences, State Water maintained a customer contact database to improve customer access to opportunity flows – for email, fax and SMS customer notices. • State Water maintained a partnership agreement with a major electricity generator in the Hunter valley to optimise access to opportunity flows using a self regulation process. • State Water sought cooperation with DECCW to "piggyback" the delivery of government owned water with delivery Environmental Water Allocations water and supplementary event water to the Lowbidgee. • State Water negotiated and successfully implemented a cooperative ordering and extraction program with a major electricity generator that reduced water losses, whilst maintaining environmental flow requirements. • State Water negotiated an agreement to store and release water for a major third party thereby increasing its revenue in the Hunter valley.
Timely water delivery within the limits of system response times	Less than 1% of customer notifications from 46,034 orders placed across the state indicated that complying orders were delivered outside of one day of the scheduled day of delivery for 2009-10.

CUSTOMER SERVICE CHARTER

Commitment	Achievements
We will inform you of any water delivery issues.	State Water routinely contacts customers regarding water delivery issues. In 2009-10, State Water issued media releases on a wide range of issues affecting customers, including off-allocation or supplementary flows in the Border Rivers, Namoi River, Pian Creek, Gwydir River, Mehi River, Brogo River, Bega River, Peel River, Paterson, Hunter River, Ironpot Creek, Murrumbidgee and Yanco Creek. A newsletter was sent to Border Rivers, Namoi/Peel and Gwydir valleys. Surveys were sent to customers in the Border Rivers, Namoi/Peel and Gwydir valleys to coordinate summer and winter releases. Information on water delivery issues are provided regularly to Lachlan Valley Water and Macquarie River Food and Fibre for their newsletters and info sheets.
Assets that are maintained and fit for service	There were no instances where inoperable assets compromised water delivery.
Customer Contact	
Be courteous, helpful and communicate clearly	Interaction with the public and other stakeholders in 2009-10 did not generate any complaints in relation to courtesy, helpfulness or clarity of communication.
Behave responsibly in accordance with our Code of Conduct	State Water's Code of Conduct has been in place since 2006. The Code is principles based and aligned with State Water's values. State Water has a two-day induction program for new employees and the Code is one of the topics covered in the induction program and included in the New Starters Kit provided to each new employee. In addition, the Code is also available on the State Water intranet. In December 2008 the Code was revised to include specific references to bribery and corruption, making explicit the need for every employee to always decline offers of gifts or benefits from tenderers and suppliers and to seek permission from supervisors before accepting token gifts or benefits. The Code also makes explicit that gifts of cash are never acceptable. Further additions to the Code include definitions of ethics and conflicts of interest as well as some simple questions to help employees think through a process of ethical decision making. Further clarification on the private use by employees of State Water equipment has also been included. A duty to notify conflicts of interest has also been included to ensure transparency. In 2009-10 there were 25 conflicts of interest registered by State Water staff. One complaint was received during 2009-10 alleging breaches of the Code of Conduct on the part of a State Water employee. That complaint is still subject to an ongoing investigation and due to the nature of the complaint the ICAC was also notified. In the 2009-10 year no instances of a gift in excess of the token gift limit were recorded as having been offered.
Listen and respond to your requests, including access to your property, in an appropriate way	Four complaints were received in 2009-10 in relation to alleged inappropriate interaction by State Water staff with customers. All were resolved to the satisfaction of the customers. Two of these complaints were misdirected to State Water as staff involved were staff of NOW and customers had incorrectly identified them as State Water staff.

CUSTOMER SERVICE CHARTER

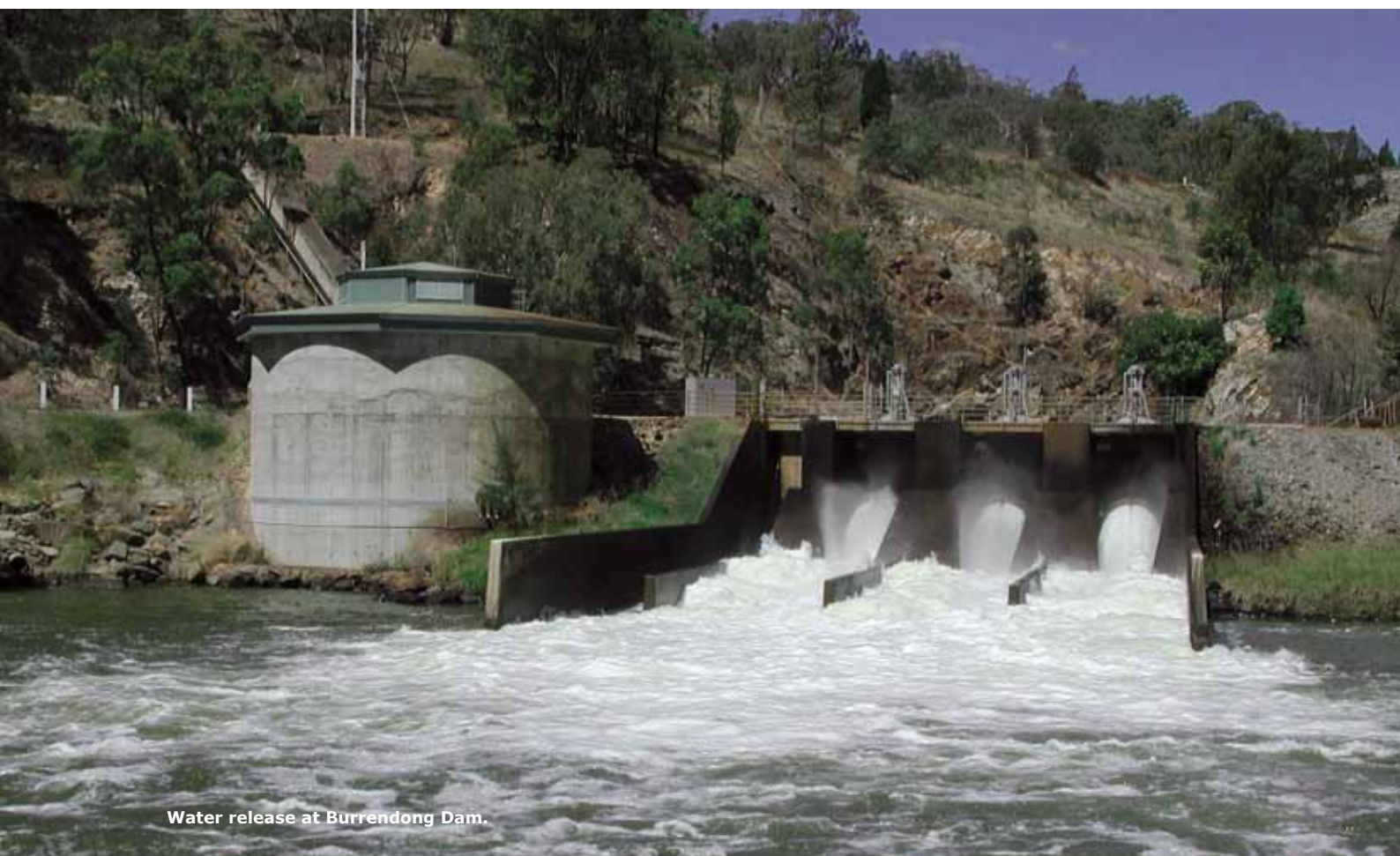
Commitment	Achievements
Make office hours and contact details accessible	State Water's statewide office hours are 8.30am to 4.30pm, Monday to Friday. State Water introduced a 1300 number which is redirected to the Manager Customer Operations after hours. One complaint was received in relation to office hours and accessibility of State Water staff during 2009-10. The matter concerned correspondence sent to the Muswellbrook office and resulted from administrative staffing changes brought about by the restructure. The correspondent was contacted and advised that future correspondence should be directed to Head Office.
Information and Communication	
Regularly meet with CSCs in every valley	State Water met regularly with all CSCs. The CSCs convened on the following dates during 2009-10: • Border: 12 August 2009, 19 November 2009, 18 February 2010, 27 May 2010. • Gwydir: 13 August 2009, 27 November 2009, 31 March 2010. • Namoi-Peel: 11 August 2009, 18 November 2009, 10 February 2010, 12 May 2010. • Macquarie-Cudgegong: 9 September 2009, 9 December 2009, 10 March 2010, 9 June 2010. • Lachlan: 3 August 2009, 9 November 2009, 8 March 2010, 3 May 2010. • Murrumbidgee: 5 August 2009, 22 October 2009, 14 April 2010, 30 June 2010. • Murray-Lower Darling: 7 August 2009, 12 November 2009, 5 February 2010, 21 May 2010. • Coastal Valleys: 4 August 2009, 8 December 2009, 9 March 2010, 22 June 2010.
Provide a one stop customer information service	State Water's call centre handles all customer calls and enquiries through either a 1300 or 1800 number. A total of 12,674 calls were recorded by the call centre for 2009-10. The call centre provides customers with access to a wide variety of information including iWAS, lodging water orders, available water determinations, account balances, licence and billing enquiries, complaints and feedback and general enquiries.
Provide easily accessed information through our internet site and iWAS message board	State Water's new look website was launched in August 2009. A customer service link provides customers with easy access to a range of products and services, including information on billing and accounts, customer service committee's, water ordering, trading, iWAS and how to lodge feedback and complaints. Information was also provided to customers on the iWAS message board during the year including available water determination announcements and supplementary water announcements in the Murrumbidgee and northern valley's.

CUSTOMER SERVICE CHARTER

Commitment	Achievements
Consult with affected communities on major projects	Community Consultation on major projects during the year included: <i>Keepit Dam upgrade</i> - Community Construction Liaison Group – commenced from start of construction of spillways, and notes put onto Keepit website. - Compensation Liaison Group – requirement of the Planning Approval. - Regular media releases through State Water’s Communication Officer. - Consultation with caravan owners at saddle dam – where vans being relocated and when construction of different work will occur. <i>Chaffey Dam upgrade</i> - Chaffey Dam Community Reference Panel – given updates of the project. - Consultation with Tamworth Regional Council. - Updates to CSC . <i>Copeton Dam upgrade</i> - Ongoing meetings and updates to Copeton Waters State Park Trust – regarding relocation of park facilities. - Ongoing updates to Inverell and Gwydir Councils – regarding relocation of Park facilities and road diversion. <i>Wyangala Dam upgrade</i> - Consultation with Boorowa and Cowra Councils regarding progress, road closure and bypass road. - Consultation with Wyangala Waters State Park Trust. - Media releases, media interviews, and interviews with local residents and land owners. <i>Booligal Weir and Fishway</i> - CSC – quarterly updates. <i>Lake Cargelligo Fishway</i> - CSC – quarterly updates. <i>Lake Brewster Water Efficiency</i> - CSCe – quarterly updates. <i>Marebone Fishway</i> - Media releases.
Survey customers regularly to measure their satisfaction with our services	A customer satisfaction survey was conducted in June 2010. This is the first survey since 2006. The survey was sent to 2,000 customers by email and will gauge customers’ opinions and satisfaction on a range of State Water products, information and systems such as the provision of information on the internet, water ordering and delivery, iWAS, the call centre and the processing of trades through one area. The survey will be finalised in late August and the results collated. State Water has engaged the services of People Pulse to provide expert assistance with development, collation and reporting of the survey and they will be used for other mini surveys during the next year.

CUSTOMER SERVICE CHARTER

Commitment	Achievements
Provide a complaints handling system that can be easily accessed	State Water's website provides information to encourage and assist in lodging complaints, including a readily downloadable concerns form along with fax details for submitting the form. In addition, a 1300 toll free telephone number (1300 662 077) is actively promoted to customers via the website and printed material. Customer Field Officers are also situated at regional offices to enable issues to be addressed in person at a local level. Arising from a recommendation in the 2008-09 Operating Licence Audit, Customer Support Services has revised procedures and reporting processes for the 2009-10 water year to align processes with the <i>AS ISO10002-2006 Customer Satisfaction – Guidelines for complaints handling in organisations</i> and has updated the internet accordingly. Customers not satisfied with the outcome of State Water's internal processes to address complaints are encouraged to raise the matter with EWON. EWON contact information is available on the State Water website. Ten matters were raised with EWON in 2009-10, six were retail complaints and four related to distribution. Five were enquiries only, while the remaining five were referred to a higher level. Two matters remained open at the end of the year, being level one investigations. One relates to a customer with an excess bill in the FRWS and the other a property access issue in the Border Rivers.



Water release at Burrendong Dam.

CORPORATE GOVERNANCE



State Water Board members visit the Murrumbidgee Irrigation Area.

The information in this section of the report meets State Water's statutory reporting obligations, under the *Annual Reports (Statutory Bodies) Act 1984* and the *Annual Reports (Statutory Bodies) Regulation 2005*. It is provided in accordance with the annual reporting requirements published by NSW Treasury.

Charter

State Water Corporation is a statutory State Owned Corporation under the *State Owned Corporations Act 1989*, established by the *State Water Corporation Act 2004*. Under this Act, the objectives and functions of State Water are:

1. To capture, store and release water in an efficient, safe and financially responsible manner.
2. The other objectives of the organisation are as follows:
 - a) to be a successful business and, to that end:
 - i) to operate at least as efficiently as any comparable business,
 - ii) to maximise the net worth of the State's investment in the Corporation,
 - b) to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates,
 - c) where its activities affect the government, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*,
 - d) to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.
3. The other objectives of the Corporation are of equal importance, but are not as important as the principal objectives of the Corporation.

Shareholders

In accordance with the provisions of the *State Water Corporation Act 2004*, State Water has two shareholding ministers each holding one equal share. At 30 June 2010, those Ministers were The Hon Eric Roozendaal MLC, NSW Treasurer and the Hon Michael Daley MP, NSW Minister for Finance.

CORPORATE GOVERNANCE



State Water Board member, Anne Thompson and Chairman, Tony Wright.



State Water Board members, Catherine Bolger and Col Gellatly.

Functions

The principal functions of the Corporation are:

- a) to capture and store water and to release water:
 - i) to persons entitled to take water, including release to regional towns,
 - ii) or the purposes of flood management,
 - iii) for any other lawful purpose, including the release of environmental water,
- b) to construct, maintain and operate water management works,
- c) any other functions conferred or imposed on it by the operating licence or by or under this or any other Act or law.

State Water Board

The *State Water Corporation Act 2004* provides that the Board consists of no less than three and no more than eight Directors appointed by the voting shareholders, in consultation with the portfolio Minister. The independent non-executive Directors of the Board have been appointed for fixed-period, renewable terms. The CEO is an Executive Director of the Board.

The Board is accountable to the voting shareholders in the manner set out in Part Four of the *State Owned Corporations Act 1989* and in the State Water Constitution.

Directors' Interests

Directors are required to disclose any material contract or relationship with State Water and to disclose all companies or other organisations with which they are professionally involved. Details of Directors' interests are maintained by the Company Secretary in a register which is available at every Board meeting. The Constitution provides for procedures to be followed in the event of a conflict or a perceived conflict arising between a Director's interest and a matter before the Board.

Directors' Remuneration

Directors' remuneration is determined by the NSW Government and is currently in the form of a cash stipend without at risk elements, but including 9% superannuation contributions. State Water makes payments to the Directors in accordance with these directions under the framework of the organisation's normal payroll system. Out-of-pocket expenses related to attendance at meetings are reimbursed.

Non-Executive Directors Meetings

The Board continued regular brief meetings of non-executive members before every Board meeting this year. These meetings are held without management present and provide a forum that allows for open discussion on Board and management performance.

Directors	Board meetings		Committee meetings	
	Eligible	Attended	Eligible	Attended
AG (Tony) Wright (Chairman)	11	11	7	7
Dr Kathleen Bowmer	11	11	5	5
Mike Bennett	11	11	8	8
Don Marples	11	9	8	8
Dr Colin Gellatly AO	11	11	5	5
Catherine Bolger	11	10	4	4
Anne Thompson	11	10	9	9
George Warne	11	11	12	12

CORPORATE GOVERNANCE



State Water CEO, George Warne with Board member, Don Marples.



State Water Board members, Kathleen Bowmer and Mike Bennett.

Board Committees

The Board has three governance committees to consider matters in more detail and to help with decision making, oversight and control and resulting in recommendations to the Board. The committees have delegated authority as specified in their respective Terms of Reference.

Audit and Compliance Committee

Members: Don Marples, Mike Bennett, Kath Bowmer, Anne Thompson

The purpose of the Audit and Compliance Committee is to:

- Ensure the maintenance of the highest ethical standards through the Code of Conduct
- Ensure that an effective internal control framework exists
- Approve and review the annual audit program
- Review audit report(s)
- Review the performance of the internal auditors
- Review and monitor the effectiveness of management systems designed to ensure compliance with all statutory requirements
- Review compliance with applicable accounting standards
- Review compliance with the OH&S Act and Regulations
- Monitor statutory compliance with the requirements of various regulators of the Corporation, including DSC, NOW (water supply Works Approvals), IPART (Operating Licence and bulk water pricing determination)
- Review the effectiveness of the compliance function in general.

Risk Management Committee

Members: Mike Bennett, Tony Wright, Col Gellatly, Don Marples, George Warne.

The purpose of the Risk Management Committee is to:

- Ensure that an effective risk management framework exists to manage and mitigate risk in an innovative manner which accords with the Australian Standard AS/NZS4360 and internationally recognised best practice
- Review risk management strategies
- Ensure adequate policies and procedures are designed and implemented to manage all identified risks
- Review audit reports and monitor investigations of alleged breaches of policy to identify the need to change risk management policies
- Review internal control systems and the operational effectiveness of policies and procedures relating to risk
- Monitor the 10 most significant risks and regularly review actions taken to manage these risks.

Remuneration and Organisation Development Committee

Members: Tony Wright, Catherine Bolger, Anne Thompson, Col Gellatly, George Warne.

The purpose of the Committee is to:

- Assist the Board to determine and oversee the Board's people and remuneration strategy and policy
- Assist the Board to determine parameters for and oversee the CEO and contract staff remuneration, recruitment and development policy and practice
- Oversee State Water's organisation development policy and practice to ensure seamless implementation of corporate strategy throughout the organisation
- Assist the Board in meeting regulatory reporting and stakeholder reporting requirements
- Review and monitor the effectiveness of management systems designed to ensure compliance with policy requirements.

CORPORATE GOVERNANCE



State Water CEO, George Warne with Chairman, Tony Wright.

CEO performance statement

The CEO, George Warne, performed well against agreed targets for the 2009-10 period.

Mr Warne headed an Executive team that succeeded in continuing organisational reforms and development despite the unfavourable financial conditions due to severe drought.

Under his management State Water exceeded its revenue targets as outlined in the statement of corporate intent, principally through controlling expenditure in all operational areas.

Mr Warne continues to work to enhance State Water's relationship with its customer base, and this effort was particularly successful in the case of the organisation's largest customers and peak industry groups.

State Water's ongoing improvement as custodian of a multi-billion dollar asset portfolio was further consolidated with the establishment of a dynamic full asset management framework.

A highlight for the period was the organisation's management of the corporation's pricing submission to IPART, which involved intensive community consultation. The outcome was a determination that ensured the business receives an appropriate rate of return. The submission also demonstrated the extent of State Water's progress since corporatisation and its vision for the future.

The CEO encouraged further harnessing of technological advances to improve customer services, via universal online account access for customers and the first stage implementation of universal telemetry.

Mr Warne also successfully established in short time State Water's standing as an effective operational entity for large-scale government projects beyond the cornerstone dam safety program. Large scale projects currently in development include the \$80 million WfR water efficiency projects in the Murrumbidgee valley, and the \$90 million NSW Regulatory River Water Metering Scheme.

The acceleration of the dam safety upgrade program into the construction phase was successfully coordinated across eight sites, including the MDBA facility at Hume Dam.

These milestones were accomplished amid another year of the most challenging business circumstances, including near-crisis water supply conditions in the Lachlan valley.

The Board retains its strong confidence in Mr Warne's ability to work with the Board to meet State Water strategic objectives.



A G (Tony) Wright
Chairman

CORPORATE GOVERNANCE

Accounts Payable Performance Review

Aged analysis at the end of each quarter					
Quarter	0-30 days \$	30-60 days \$	60-90 days \$	> 90 days\$*	Total \$
September	1,215,124.31	471,279.97	25,172.38	106,242.39	1,817,819.05
December	406,429.76	215,270.02	186,380.34	126,520.05	934,600.17
March	289,855.24	263,346.83	1,950.90	94,136.89	649,289.86
June	7,414,618.14	531,549.90	80,157.37	118,740.70	8,145,066.11

*Retention amounts are included in the >90 days. Retention monies are held for the major projects/upgrades/maintenance works completed. In the case of failure by the contractor to rectify any defect, State Water may apply the retention monies or any other monies held for the purpose of rectifying such defects. The retention may be held for a number of years. Once the retention (or defects liability) period has expired the monies are released to the creditor.

Accounts paid on time within each quarter				
Quarter	Target %	Actual %	On time \$	Total \$
September	85%	60%	8,298,071.12	20,452,092.92
December	85%	73%	18,255,739.25	21,304,947.89
March	85%	68%	29,894,194.19	39,380,223.50
June	85%	68%	37,581,813.50	54,407,519.02

Consultants

Consultant	Project	\$ Cost
More than \$50,000		
Secora	Restructure projects	189,530
Elizabeth Tomc	Billing business process analysis	126,808
Hyder Consulting Pty Ltd	Review of <i>State Water Corporation Act 2004</i>	70,118

Controlled Entities

State Water does not control any entities.

Credit Card Certification

State Water operates Mastercard credit card facilities with Westpac. All expenditure on credit cards is certified by card holders and independently verified by the cardholder's supervisor.

There is also continuous review of usage characteristics and authorisations to promote correct usage. Card usage is closely monitored by State Water and Westpac. Credit card expenditure during the financial year complied with best practice guidelines.

Delegations to Management

State Water Corporation has an Authorisations Manual for use by State Water employees. The manual contains authorisation limits for the CEO and all other employees.

The manual covers an extensive range of functions and defines the limits on the exercise of functions and powers for relevant employees.

Employee Assistance Program

State Water provides an Employee Assistance Program, which is a free counselling service available to all employees and their immediate family members.

CORPORATE GOVERNANCE

Equal Employment Opportunity

State Water adopted a new EEO Management Plan for 2010-2012 which is linked to the Corporate Plan and Workforce Plan to ensure EEO strategies are incorporated into the Corporation's planning and priorities. The plan focuses on ensuring a consistent understanding and application of EEO principles by all employees.

A new enterprise agreement incorporating the EPR process was implemented in September 2009. EEO principles were applied during the development of the employment agreement which lead to a standardisation of conditions of employment across the corporation and ensured no employee was disadvantaged as a result of the implementation of the agreement. The EPR process has been designed and implemented with a focus on consistency, employee coaching and development to ensure all employees are provided with a fair opportunity for development and career progression.

The 2010 Employee Engagement survey showed a higher level of engagement for female employees at 72% over male employees 67% indicating the equitable treatment of women in the workforce.

Seven engagement factors were assessed and female employees ranked higher on every factor although the following table highlights factors that particularly relate to EEO and the provision of a female friendly workplace.

Engagement Survey Results

Engagement Factor	Female Rating	Male Rating
Reward	62%	52%
Performance management	72%	64%
Work/life balance	70%	64%
Career growth	61%	56%

The representation of minority groups continued to increase with the exception of employees with a disability which declined.

Trends in the representation of EEO Groups - % in EEO Groups							
EEO group	Target	04-05	05-06	06-07	07-08	08-09	09-10
Women	50	17	18	19	20	23	23
Aboriginal and Torres Strait Islanders	2	1.7	1.7	1.6	1.7	1.4	2
People whose first language was not English	19	8	7	6	6	7	15.5
People with a disability	12	9	*	*	*	2	1
People with a disability requiring work-related adjustment	7	2	*	*	*	1.4	1.3

Trends in the distribution of EEO Groups - Distribution Index							
EEO group	Target	04-05	05-06	06-07	07-08	08-09	09-10
Women	100	92	91	81	87	95	79
Aboriginal and Torres Strait Islanders	100	*	*	*	*	*	*
People whose first language was not English	100	136	127	*	*	114	105
People with a disability	100	98	*	*	*	*	*
People with a disability requiring work-related adjustment	100	*	*	*	*	*	*

Notes

- Employee numbers are as at 30 June 2009: 301.
 - Employees numbers excluding casual staff as at 30 June 2009: 301 (*No casual employees were engaged as at 30 June 2010.*)
 - 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 determined by DPC, based on workforce profile data supplied by State Water.
- * The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

CORPORATE GOVERNANCE

Exceptional Movements in Wages, Salaries or Allowances

There were no exceptional movements in wages, salaries or allowances in the 2009-10 year.

Executive Remuneration

State Water has a four-member executive team.

At the end of 2009-10, State Water had 12 managers with remuneration equal to or exceeding the equivalent of the NSW Senior Executive Services (SES) Level One including three female managers. One male manager was employed at the equivalent of SES Level Five.

The Chief Executive Officer has a remuneration equivalent to SES Level Five:

- George Warne, Chief Executive Officer, \$300,517.

In comparison, at the end of 2007-08 there were 12 managers, including three females, employed at or above the SES Level One equivalent, with one male manager being employed at the SES Level Five equivalent.

Freedom of Information

State Water received two Freedom of Information (FOI) requests during 2009-10. Both applications were responded to within 21 days. No applications were refused. One application was received in the preceding reporting year and no applications were brought forward from the previous reporting year.

There were no applications for an internal review. No application was made for personal records or the notation of personal records. State Water received \$60 in fees for FOI requests.

Documents held

State Water holds a variety of documents, including business files, legal documents, maps, photographs, plans and publications. State Water's policy documents and annual reports, setting out its functions and responsibilities, may be inspected and are available free of charge at State Water's Dubbo and Parramatta Offices.

Many of State Water's key documents and a current list of State Water publications are available at www.statewater.com.au.

State Water publishes a Summary of Affairs under the *Freedom of Information Act 1989* in the Government Gazette every six months, listing all policy documents.

Access arrangements and procedures

Under the *Freedom of Information Act 1989* State Water is required to make information available whenever possible. However, access may be refused where it can be demonstrated that there is a legitimate need for confidentiality or where another person's privacy may be invaded.

Exempted information may include:

- NSW Government Cabinet and Executive Council documents
- Documents which are exempt under the FOI legislation of another jurisdiction
- Documents concerning law enforcement or public safety
- Documents subject to legal professional privilege
- Documents subject to secrecy provisions in other legislation
- Documents affecting the personal or business affairs of another person or business - this exemption maintains the confidentiality of information relating to the business affairs of companies made available to State Water
- Documents affecting the economy of the State.

Access

FOI legislation was superseded by the *Government Information Public Access (GIPA) Act 2009*.

Enquiries may be made to the GIPA Coordinator:
Telephone: (02) 9354 1043
Fax: (02) 9354 1106
Address: PO Box W16, Westfield
PARRAMATTA NSW 2150
Email: statewater@statewater.com.au

Past and present State Water employees have access to their own files at any time, free of charge.

Nature of application	Application fee *	Processing
Access to records by natural persons about their personal affairs	\$30	\$30 an hour, after first 20 hours
All other requests	\$30	\$30 per hour
Internal review (all circumstances)	\$40	Nil
Amendment of personal details	Nil	Nil

*A 50% reduction in fees and charges applies in some situations, eg for pensioners or non-profit organisations experiencing financial hardship.

CORPORATE GOVERNANCE

Funds Granted to Non-Government Organisations

State Water did not grant any funds to non-government organisations in 2009-10.

Insurance

State Water has policies under the Treasury Managed Fund, providing cover for the following insurable risks:

- Workers' compensation, as per NSW statute
- Comprehensive motor vehicle
- Property (full replacement, new for old, including consequential loss)
- Liability, including, but not limited to, public liability, products liability, professional indemnity and directors/officers liability
- Miscellaneous, notably personal accident and protection for overseas travellers.

The only exposures not included are: illegal operations; wear, tear and inherent vice; and pollution (other than sudden and accidental pollution).

The Fund is protected by a wide-ranging reinsurance program that reimburses losses above a predetermined retention figure. For general liability that amount is \$25 million and for workers' compensation and property it is \$20 million.

In 2009-10 a hindsight review of motor vehicle premiums against claims for the 2007-08 fund year was conducted and State Water received a refund of \$17,219 on its motor vehicle insurance premiums.

Late Payments

State Water incurred penalty interest on the following transactions during the year:

- General interest charge on amended Business Activity Statements to the Australian Taxation Office \$12,046. State Water has taken action to reduce the likelihood of such penalties being repeated.

Legal Change

On 26 February 2010 the *Water Management Act 2009* commenced. This Act included provisions making changes to the *State Water Corporation Act 2004*. These changes clarified and extended the provisions in the *State Water Corporation Act 2004* related to management of water flow meters, including making clear issues of ownership and rights to operate, repair, maintain and test meters.

Liability Management Performance

All State Water borrowings are made through the NSW Treasury Corporation (TCorp). For State Water the benchmark is the core portfolio managed by TCorp and as such actual performance and benchmark are the same.

Investment Performance

State Water Treasury Corporation (TCorp) Hour-Glass Facility - Cash		
	Facility Return*	Benchmark Return**
June	0.42%	0.40%
3 Months	1.17%	1.12%
6 Months	2.32%	2.15%
Financial year to date	4.46%	3.89%
1 Year	4.46%	3.89%
2 Years pa	4.90%	4.68%
3 Years pa	5.54%	5.56%
5 Years pa	5.74%	5.77%
7 Years pa	5.65%	5.69%

* Returns as shown net of fees and expenses.

** Benchmark returns are market index returns and as such have no adjustment for management fees and expenses.

CORPORATE GOVERNANCE

Multicultural Policies and Services Program

The terms and conditions in the new employment agreement registered in September 2009 were simplified and the document was written in plain terms removing legalese to enable better understanding for all employees including those from culturally diverse backgrounds. The agreement also provides for leave to attend to religious and cultural obligations. The consultation for the agreement included several rounds of face to face meetings across the state to enable all employees to gain an understanding of the agreement through face to face discussion.

State Water relocated the Dubbo and Leeton offices during the year improving access for customers and the community and facilities for the disabled.

All new employees participated in a two-day induction program which includes a component on building understanding and tolerance for diverse work preferences and enables employees from across the state to build working relationships with each other.

In the year ahead a renewal of State Water's cultural change program is planned. The renewal includes engagement of the executive and employees in reviewing and validating State Water's Corporate and Shared Personal Values. State Water's values develop the employee behaviours that support the principles of multiculturalism.

Community Consultative Committee

The CCC met on 29 October 2009 and 28 April 2010.

The Committee provides a forum for State Water to consult on relevant issues with peak groups such as NSW Irrigators' Council, Nature Conservation Council, NSW Farmers' Association, Catchment Management Authorities, Aboriginal Land Councils and the NSW Local Government and Shires Associations. Representatives from NOW and DECCW became members of the Committee in May 2009.

Issues for consultation include cultural heritage and environmental management, funding and community collaboration opportunities, the IPART bulk water Pricing Determination, community engagement with the MDBA, water efficiency projects, State Water's new organisational arrangements, State Water's Operating Licence performance and customer complaints handling.

Overseas Visits

Six State Water employees travelled overseas in the 2009-10 reporting period for the following:

- Two State Water employees attended an international study tour to examine water efficiency measures in California, in February 2010. The tour highlighted that Australia is leading the world in water reform.
- As a keynote speaker, one State Water employee attended the International Process Control and Automation Conference in Kuala Lumpur, Malaysia in October 2009, to discuss effective management of control system projects for minimal costs and time overruns. The address specifically related to the Grampians Wimmera Mallee Pipeline Project.
- One employee attended Advanced Control Systems Cyber Security Training in Idaho Falls, Idaho USA in June 2010. The training was sponsored by the Attorney General's Department and provided international advanced training relating to security and resilience of critical infrastructure of SCADA security issues.
- To review international dam practices in dam safety management, one employee visited the USA in August 2009 to attend the United States Bureau of Reclamation International Technical Seminar and Study Tour.
- To review international dam practices in dam safety management, one State Water employee visited Canada to attend the Canadian Dam Association Annual Conference in September/October 2009.

Payment of Accounts

State Water's target is to settle all accounts payable within 30 days, or in accordance with the terms agreed with individual vendors.

Privacy Policy

State Water has in place a Privacy Policy which conforms with the privacy principles in the *Privacy and Personal Information Protection Act 1998*. No privacy reviews were requested under the Privacy Policy this year.

CORPORATE GOVERNANCE

Research and Development

State Water continued its sponsorship program in 2009-10 with the University of NSW (UNSW) to grow a new generation of graduates with dam engineering skills. The program provides for a five-year position of a Senior Lecturer/Associate Professor of Dam Engineering at UNSW to help dam and civil engineering students.

State Water also continued its work experience program in 2009-10 with several engineering students completing university work experience with the Strategic Assets branch.

Three employees attended a UNSW short course on Geotechnical Engineering of Dams from 27 August – 2 September 2009.

State Water is committed to the professional development of its employees and has assisted several employees with formal training through TAFE and university.

Waste Reduction

State Water is implementing its WRAPP in an effort to meet EMP targets and to reduce waste and increase the use of recycled materials. State Water submitted a 2007-08 to 2008-09 WRAPP report to the DECCW in August 2009 and will collect relevant data for the 2009-11 WRAPP report, due on 31 August 2011.

State Water is committed to reducing waste and encouraging employee participation through practical strategies that avoid waste, increase resource recovery and increase the purchase of recycled products.

Processes to reduce waste include:

- An increased use of the State Water intranet to distribute internal communications and provide ready access to policies and procedures.
- The re-use of envelopes for all internal mail and the re-use of paper through fax machines and photocopiers.
- Recycling arrangements at State Water's major offices, with dedicated collection bins to encourage employees to recycle paper and paper products.
- Recycling used toner cartridges, which are returned to suppliers for re-manufacture.

State Water is committed to the NSW Government's WRAPP.

Budgets

	2009-10 \$ million Budget	2009-10 \$ million Actual	2010-11 \$ million Budget
Sales Revenue	50.5	50.2	71.4
Pass through revenue from customers	4.6	5.0	6.4
Government community service obligation	0.5	0.4	0.5
Other income	61.2	24.8	91.5
Total revenue	116.8	80.4	169.8
Regulated operating expenses	(36.1)	(35.7)	(39.7)
Pass through costs	(4.6)	(5.0)	(6.4)
Other expenses	(62.7)	(26.6)	(89.7)
Earnings before interest tax and depreciation	13.5	13.1	34.0
Depreciation and amortisation	(6.4)	49.5	(4.9)
Earnings before interest tax	7.1	62.6	29.1
Net interest	(7.1)	(2.7)	(8.9)
Superannuation valuation movement	0.0	0.6	
Net profit before tax	0.0	60.5	20.2
Income tax expense	0.0	(15.5)	0.0
Net profit after tax	0.0	45.0	20.2
Dividend payable	0.0	(3.1)	(14.1)
Contributions to retained earnings	0.0	41.9	6.1



FINANCIAL STATEMENTS

CONTENTS

Statement by Members of the Board	106
Independent Audit Report	107
Income Statement	109
Statement of Comprehensive Income	110
Statement of Financial Position	111
Statement of Changes in Equity	112
Statement of Cash Flows	113
Notes to the Financial Statements	114

State Water Corporation

Statement by Members of the Board

30 June 2010

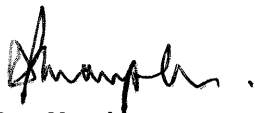
Pursuant to Section 41C of the *Public Finance and Audit Act 1983* we state that the accompanying financial statements are general purpose financial statements which:

1. give a true and fair view of the financial position of State Water Corporation as at 30 June 2010 and its performance as represented by the results of its operations and its cash flows for the year ended on that date.
2. have been prepared in accordance with:
 - applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
 - the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*; and
 - the *State Owned Corporations Act 1989*; and
3. also comply with International Financial Reporting Standards.

We are not aware of any circumstances at the date of this statement that would render any particulars included in the financial statements to be misleading or inaccurate.

At the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

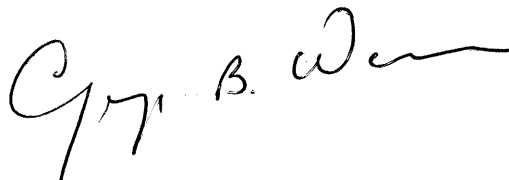
Signed in accordance with a resolution of the Board of Directors: 15 October 2010



Don Marples

Director

15 October 2010



George Warne

Chief Executive Officer

15 October 2010



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

State Water Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of State Water Corporation (the Corporation), which comprises the statement of financial position as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

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

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

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

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

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



M T Spriggins
Director, Financial Audit Services

15 October 2010
SYDNEY

State Water Corporation

Income Statement

For the Year Ended 30 June 2010

		2010 \$'000	2009 \$'000
	Note		
Revenue	2(a)	81,299	72,456
Expenses, excluding finance costs	2(b)	(72,163)	(70,410)
Finance costs	2(d)	(3,724)	(3,408)
Impairments - buildings and infrastructure	6	55,094	(55,817)
Profit/(loss) before income tax		60,506	(57,179)
Income tax (expense)/benefit	3(a)	(15,461)	17,282
Profit/(loss) for the year		45,045	(39,897)

The accompanying notes form part of these financial statements

State Water Corporation

Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Profit/(loss) for the year		45,045	(39,897)
Other comprehensive income:			
Net superannuation actuarial gains / (losses)	3e	(2,663)	(13,300)
Net revaluation increment/(decrement) of property, plant and equipment	3e	-	1,473,904
Net impairment reversal/(loss) relating to revalued assets	3e	9,911	(1,433,498)
Other comprehensive income for the year, net of tax		7,248	27,106
Total comprehensive income for the year		52,293	(12,791)
Attributable to: Equity holders of State Water		52,293	(12,791)

The accompanying notes form part of these financial statements

State Water Corporation

Statement of Financial Position

As at 30 June 2010

	Note	2010 \$'000	2009 \$'000	Restated as at 1 July 2008* \$'000
ASSETS				
Current assets				
Cash and cash equivalents	4	11,100	4,610	11,371
Trade and other receivables	5	22,928	17,148	28,131
Other	8	157	172	43
Total current assets		34,185	21,930	39,545
Non-current assets				
Property, plant and equipment	6	555,577	418,008	400,945
Intangible assets	7	3,154	2,405	1,622
Other assets	8	-	-	1,418
Total non-current assets		558,731	420,413	403,985
TOTAL ASSETS		592,916	442,343	443,530
LIABILITIES				
Current liabilities				
Trade and other payables	9	31,132	19,728	30,005
Current tax liabilities	3(c)	-	(505)	(505)
Dividend payable	14(b)	3,070	-	4,497
Borrowings	10	1,265	159	-
Provisions	11(a)	13,215	11,494	16,133
Other liabilities	12	5,934	1,381	702
Total current liabilities		54,616	32,257	50,832
Non-current liabilities				
Borrowings	10	106,646	54,067	39,055
Deferred tax	3(d)	28,019	9,451	15,116
Provisions	11(a)	21,763	18,691	2,660
Other liabilities	12	14,613	9,841	5,040
Total non-current liabilities		171,041	92,050	61,871
TOTAL LIABILITIES		225,657	124,307	112,703
NET ASSETS		367,259	318,036	330,827
EQUITY				
Contributed equity	13	300,510	300,510	300,510
Asset revaluation reserve		76,589	66,678	26,272
Retained earnings		(9,840)	(49,152)	4,045
TOTAL EQUITY		367,259	318,036	330,827

* Refer note 1(u) for details regarding the change in accounting policy

The accompanying notes form part of these financial statements

State Water Corporation

Statement of Changes in Equity

For the Year Ended 30 June 2010

2010

	Note	Fully paid ordinary shares \$'000	Contributed Equity \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2009		-	300,510	66,678	(49,152)	318,036
Profit/(loss) for the year		-	-	-	45,045	45,045
Other comprehensive income for the year		-	-	9,911	(2,663)	7,248
Total comprehensive income for the year		-	-	9,911	42,382	52,293
Transactions with owners in their capacity as owners						
Dividends paid or provided for	14(b)	-	-	-	(3,070)	(3,070)
Balance at 30 June 2010		-	300,510	76,589	(9,840)	367,259

2009

	Note	Fully paid ordinary shares \$'000	Contributed Equity \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008		-	300,510	28,000	4,061	332,571
Adjustment due to change in accounting policy	1(u)	-	-	(1,728)	(16)	(1,744)
Restated balance 1 July 2008		-	300,510	26,272	4,045	330,827
Profit/(loss) for the year		-	-	-	(39,897)	(39,897)
Other comprehensive income for the year		-	-	40,406	(13,300)	27,106
Total comprehensive income for the year		-	-	40,406	(53,197)	(12,791)
Balance at 30 June 2009		-	300,510	66,678	(49,152)	318,036

The accompanying notes form part of these financial statements

State Water Corporation

Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities:			
Receipts from customers		60,254	59,347
Payments to suppliers and employees		(60,858)	(76,687)
Interest received		793	746
Interest and other costs of finance paid		(6,715)	(3,651)
Receipt of grants and subsidies from NSW Government		27,350	18,825
Income taxes received		506	-
Net cash provided by (used in) operating activities	15(b)	21,330	(1,420)
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		1,839	1,017
Proceeds from government grants in respect of property, plant and equipment		4,731	7,754
Acquisition of property, plant and equipment		(75,095)	(25,030)
Net cash provided by (used in) investing activities		(68,525)	(16,259)
Cash flows from financing activities:			
Proceeds from borrowings		52,775	15,636
Repayments of borrowings		(210)	(221)
Dividends paid to equity holders of the corporation		-	(4,497)
Net cash provided by (used in) financing activities		52,565	10,918
Net increase (decrease) in cash and cash equivalents		5,370	(6,761)
Cash and cash equivalents at beginning of financial year		4,610	11,371
Cash and cash equivalents at end of financial year	4(a)	9,980	4,610

The accompanying notes form part of these financial statements

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

Corporate Information

State Water Corporation (State Water) is a statutory State Owned Corporation under the provisions of the *State Owned Corporations Act 1989* and was corporatised under the *State Water Corporation Act 2004* on 1 July 2004.

State Water's principal function is to capture, store and release bulk water for the benefit of entitlement holders, for flood management, and to meet the needs of the environment in an efficient, effective, safe and financially responsible manner. Entitlement holders include regional communities, primary producers, irrigators, industrial users and local utilities in regional NSW. These functions require that State Water construct, maintain and operate water management works and any other functions conferred or imposed on it by virtue of the operating licence granted to it and under any applicable requirements under the *Water Management Act 2000* or the *Water Act 1912*.

In addition, State Water is a water supply authority under the provisions of Chapter 6 of the *Water Management Act 2000* for the purpose of administering the Fish River Water Supply scheme.

State Water also has a business relationship with the Murray-Darling Basin Authority (MDBA). The MDBA was established by the Commonwealth as an Authority and will work with the Department of Environment, Water, Heritage and the Arts (DEWHA) and with State Governments and their agencies to develop a plan for sustainable use of the rivers in the basin. It will also oversee the management of the Murray-Darling Basin water flow and usage. Under the terms of the agreement, each of the participating governments directly funds the operating and capital costs of the MDBA with prescribed contributions through until (at least) 2011.

The MDBA costs form part of the submission that is made to the New South Wales Independent Pricing and Regulatory Tribunal (IPART) for its determination of pricing of water charges to bulk water customers located within the area of operations of the MDBA. The portion that MDBA costs represent of the total costs covered by the IPART determinations is then applied to revenue from water charges to bulk water customers located within the area of operations of the MDBA, and this amount is passed on to NSW Treasury to help meet the NSW Government's direct funding obligations under the Murray-Darling Basin Agreement. State Water also rents accommodation properties from MDBA for use by its on-site employees.

The MDBA contracts State Water to undertake regular maintenance of the assets it controls, as well as repair work and construction of new or replacement assets. In addition, State Water rents equipment to the MDBA.

The financial statements were authorised for issue on 15 October 2010 by the Board of Directors.

1 Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (which include Australian Accounting Interpretations), mandates issued by NSW Treasury, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, and the *State Owned Corporations Act 1989*.

In preparing these financial statements, the accounting policies described below are based on the requirements applicable to for-profit entities under this financial reporting framework. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 *Statement of Significant Accounting Policies continued*

(b) Determination of for-profit or not-for-profit

State Water has applied its judgment in assessing whether it meets the definition of a for-profit or not-for-profit entity for the purposes of the accounting standards. State Water has concluded that the business is a for-profit entity, taking into account the objectives of corporatisation, the governance framework applied, the application of pricing principles to achieve full cost recovery on a commercially sustainable basis, and the registration of State Water Corporation under the National Tax Equivalent Regime.

(c) Statement of Compliance

The financial statements comply with Australian Accounting Standards, which include Australian Accounting Interpretations. The financial statements also comply with International Financial Reporting Standards.

(d) Revenue

Revenue is income that arises in the course of ordinary activities. Revenue is recognised to the extent that it is probable that the economic benefits will flow to State Water and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax. The following recognition criteria must be met before revenue is recognised:

Rendering of services

State Water delivers bulk water to its customers under the conditions of their licences. Revenue from rendering of these services comprises both fixed and variable charges. The fixed component is charged according to each licence entitlement, whereas the variable component is charged according to actual consumption and use by the licence holder. The variable usage charges are recognised when the services are provided. Prices for water delivery are subject to complete price regulation by the Independent Pricing and Regulatory Tribunal (IPART).

State Water also provides infrastructure operation, maintenance and construction services to the MDBA and other clients. Revenue for work done by State Water on the operations and assets of other entities and on the provision of contracted services, as covered by service agreements, is recognised when the services are provided. Revenue for construction services is recognised by reference to the stage of completion of the contract at the reporting date.

Ancillary services are those provided to customers for administering entitlement transfers, for providing the financial status of licences in preparation for licence sale or transfer, and for the use of water for hydro power generation. Revenue is recognised in respect of these services as the services are provided.

State Water also provides consultancy services to clients, primarily relating to surveying. Revenue from these services is recorded as sundry revenue and is recognised when the services are provided.

Government grants and subsidy revenue

Under the funding model agreed to in setting up State Water as a State Owned Corporation and negotiated with the Shareholding Ministers, State Water receives Government funding for agreed activities and for past and future capital investment so as to achieve an expected commercial rate of return from its operations.

Grants and subsidies that are receivable for expenses incurred or revenue foregone are recognised as revenue in the Income Statement on a systematic basis over the periods for which the grant or subsidy is to apply. Government grants are recognised as revenue at their fair value once all attaching conditions have been complied with. Income received in advance of the conditions being met is treated as a deferred government grant.

The share of the Government's contributions is determined by IPART through its Bulk Water Pricing Determinations. The amounts of the Government contribution to operations and of the Government operating subsidies are negotiated annually with the Shareholding Ministers through the Statement of Corporate Intent (SCI). There is no provision for adjustment to the quantum of the negotiated amounts. The revenue is accordingly recognised on a monthly basis.

Income for Government funded projects is recognised once all attached conditions of the funding agreement have been satisfied. Funds received in advance or in excess of funding agreements are held as a liability - refer Note 1(r) Deferred Government Grants.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(d) Revenue continued

For funding received relating to the construction of capital assets, the total grant amount received is treated as deferred revenue until the asset to which it relates is complete. Upon completion of the asset the deferred revenue is then recognised in profit or loss on a systematic basis over the useful life of the asset. Refer Note 1(u) disclosing a change in accounting policy in relation to such grants.

Interest revenue

Interest revenue is recognised using the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Other revenue

Other revenue comprises rental income, and gains arising from the disposal of recognised assets. Rental income (for foreshore land, cottages and hydro-electric plant) is recognised on a straight-line basis over the period of occupancy.

Disposal of property, plant and equipment, assets held for sale and intangible assets

The net gain or loss on disposal of these assets is calculated as the difference between the carrying amount of the assets at the time of disposal and the net proceeds received for disposal; and is recorded in the income statement in the period of disposal. Gains or losses arising from the sale of property holdings are recognised at the date that the risks and rewards of ownership have been transferred to the purchaser and State Water has no continuing involvement with the relevant property. This is normally considered to be when legal title passes to the purchaser at the date of settlement. Net losses on disposal are reclassified as expenses.

(e) Expenses

Expenses are recognised in the income statement when incurred. Expenses include items that are incurred in the course of ordinary activities as well as various losses that arise from either the disposal of recognised assets or the re-measurement of some items at the reporting date that are required to be taken to the income statement under the relevant Australian Accounting Standards.

Expenses are disclosed in the financial statements by nature. (Refer Note 2(b)).

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(e) Expenses continued

Depreciation and amortisation

Items of property, plant and equipment (including buildings but excluding freehold land) and intangible assets with finite lives, such as computer application software and development costs, are depreciated/amortised on a straight-line basis over their estimated useful lives, making allowance where appropriate for residual values. The lives are reviewed annually, taking into account assessments of asset condition, commercial and technical obsolescence and expected normal wear and tear. The normal life expectancies of major asset categories are as follows:

Depreciable asset categories	Number of years
<i>Property, plant and equipment</i>	
Buildings - cottages and dwellings/office buildings/accommodation	1 - 40
Dams - structure/concrete works	220
Dams - other civil components	100 - 200
Dams - mechanical/electrical components	5 - 115
Weirs and regulators - concrete components and fountain pilings	7 - 170
Weirs and regulators - steel structural components	170
Channels and structures	10 - 130
Furniture and fitout	3 - 30
Scientific instruments	4 - 18
Marine craft	4 - 25
Computer equipment	2 - 10
Plant and equipment	3 - 32
Motor vehicles	5 - 18
<i>Intangible assets</i>	
Computer application software	5 - 20

Work in progress is not depreciable until the assets are brought into service and are available for use. Land is not a depreciable asset.

Operating lease expenses

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(e) Expenses continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

(f) Taxation

Income Tax

State Water is subject to notional taxation in accordance with the *State Owned Corporations Act 1989*. An equivalent or notional income tax is payable to the NSW Government through the Office of State Revenue. Taxation liability is assessed according to the National Tax Equivalent Regime (NTER). The NTER closely mirrors the *Commonwealth Income Tax Assessment Act 1936* (as amended) and is administered by the Australian Taxation Office (ATO). State Water applies the Balance Sheet method of tax-effect accounting to determine income tax expense and current and deferred tax assets and liabilities.

The income tax expenses for the year comprises current income tax expense and deferred tax expense.

Current income tax expense shown in the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities, or assets, are therefore measured at the amounts expected to be paid to, or received from, the relevant taxation authority.

Deferred income tax expenses reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax benefits are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Current and deferred tax assets are offset with current and deferred tax liabilities respectively, where State Water intends to settle current tax assets and liabilities on a net basis.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax 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.

Cash flows are presented in the statement of cashflows on a gross basis. The GST components of investing and financing activities are disclosed as operating cash flows.

Commitments are disclosed inclusive of GST where applicable.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 *Statement of Significant Accounting Policies continued*

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash at hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of less than three months.

(h) Investments

Investments in marketable securities with a maturity period of three months or less are classified as cash and cash equivalents (see Note 1(g) above) and those with a maturity period longer than three months are classified as Investments. This includes State Water's investment in the NSW Treasury Corporation (T-Corp) Hourglass facility.

Those with a maturity period greater than 12 months are classified under non-current Assets. All others are classified under current assets. State Water currently has no investments other than those included in cash and cash equivalents.

(i) Receivables

Receivables, which generally have settlement terms of 30 days from the date of issue of the invoice, are recognised and carried at original invoice amount, less any impairment losses recognised by way of an allowance for impairment that represents specific amounts considered to be either doubtful or uncollectable. Recognition at original invoice amount is adopted as this is not materially different to amortised cost, given the short-term nature of these receivables.

The allowance for impairment is recognised when collection of the full amount invoiced is considered to be no longer probable after due consideration of factors such as past recoverability experience, prevailing economic conditions and other knowledge including seasonal conditions and current allocation levels. Known bad debts are written off against the allowance as and when identified.

(j) Property, Plant and Equipment

Acquisitions and Capitalisation

All items of property, plant and equipment acquired by State Water are recognised initially at the cost of acquisition. Subsequent to this initial recognition, each class of property, plant and equipment is valued in accordance with State Water's valuation policies (see Asset Valuations below).

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the asset, including costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Government grants related to assets are treated as deferred income and are recognised in profit or loss on a systematic basis over the useful life of the asset to which they relate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms' length transaction.

Expenditure of the following type that will provide future economic benefit and which exceed the thresholds set will be recognised as an asset and capitalised:

- acquisition costs of new assets or components of assets including water infrastructure, plant and equipment, land and buildings or other non-current assets
- acquisition costs of replacement assets
- acquisition costs of asset enhancements and upgrades
- expenditure on major renewals or refurbishments which extend the economic life or service potential of the existing asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 *Statement of Significant Accounting Policies continued*

(j) **Property, Plant and Equipment continued**

when it is probable that future economic benefits associated with the line item will flow to State Water and cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Each river valley and all its specialised infrastructure assets form a river system asset, and are treated as a primary asset with components. Specialised infrastructure assets are components of the relevant river system primary asset, and are referred to as system assets. State Water's use of the river system delivers the economic benefit.

In respect of system assets constructed by State Water for its own use, cost includes:

- materials used in construction
- direct labour and oncosts
- contractors' services
- major inspection costs
- an estimate, where relevant, of the costs of dismantling, decommissioning and removing the asset and restoring the site on which it is located, and
- an appropriate proportion of overheads, except those that are for administration or are general in nature.

In respect of major inspections undertaken for system assets, the cost of the inspection is capitalised as part of the cost of the asset if it is probable that future economic benefits will flow to State Water and the cost can be measured reliably.

Any inspection cost so capitalised is recognised as a component asset and depreciated over the period of time until the next inspection. When each major inspection cost is capitalised, any remaining cost or estimated cost of the previous inspection is de-recognised.

Labour and on costs directly attributable to the construction and upgrade of property, plant and equipment (including intangibles) are capitalised to the extent that future economic benefit will arise.

The cost of dismantling, decommissioning and removing an asset and restoring the site on which it is located is capitalised when a decision to decommission the asset has been made. This gives rise to the recognition of a corresponding liability as a provision. (Refer also Note 1(q)).

Assets are capitalised only when they are brought into use. While an asset is being constructed or is not yet available for use, the expenditure is treated as Work-in-Progress and recognised as such as part of property, plant and equipment in the statement of financial position. Depreciation is not raised until an asset is brought into use.

Thresholds are applied for the capitalisation of expenditure according to asset classes as follows:

- Computers and electrical \$2,000
- Other plant and equipment \$5,000
- Initial acquisition of infrastructure \$10,000
- Subsequent costs - Major enhancements or upgrades \$20,000

Asset valuations

Following initial recognition at cost, each class of property, plant and equipment is stated in the statement of financial

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(j) Property, Plant and Equipment continued

position at fair value less any subsequent accumulated depreciation and accumulated impairment losses. Adopting the fair value model for property, plant and equipment assets, rather than the cost model is a requirement of NSW Treasury's *Valuation of Physical Non-Current Assets at Fair Value Policy and Guidelines Paper (TPP 07-1)*. The policy adopts fair value in accordance with *AASB 116 Property, Plant and Equipment*. For some classes of assets, re-measurement to fair value is undertaken by way of an asset revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the reporting date. The valuation basis that is representative of fair value in respect of each class of assets is detailed below.

In respect of classes of assets for which there exists an active market, fair value is the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's length transaction, having regard to the highest and best use of the assets for which other parties would be willing to pay to obtain the most advantageous price or highest possible value.

In respect of classes for which there is no active market due to the specialised nature of the assets, fair value is determined as the estimated depreciated current replacement cost of the assets, which for this purpose has been determined on the basis of the depreciated replacement cost of a Modern Engineering Equivalent Replacement Asset (MEERA). The last revaluation for water infrastructure assets was completed during the financial year ended 30 June 2009 and this process was undertaken by two independent parties; one to determine the MEERA asset structure and another to then assess the replacement cost of these MEERA assets. When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

Specialised assets - Water Infrastructure and Buildings

Fair value for specialised assets (Water Infrastructure and Buildings) is determined as their estimated depreciated current replacement cost. A condition-based assessment matrix is applied to the replacement costs determined under the MEERA methodology in order to assess the asset's remaining useful life.

Subsequent to determining their fair value, specialised infrastructure assets are tested for impairment to ensure their carrying amount is not in excess of their recoverable amount. The recoverable amount is assessed on the basis of the expected cash flows that will be received from the assets, employment and subsequent disposal. The expected net cash flows have been discounted to their present values at the pre tax Weighted Average Cost of Capital (WACC) to determine recoverable amounts. After determining recoverable amount, the assets are then stated in the statement of financial position at the lower of their fair value and recoverable amount.

For further details regarding the key assumptions used in determining the recoverable amount, refer Note 6 : Property, Plant and Equipment.

Operational Land

Fair value for Operational Land is determined as market value of comparable land based on market evidence from the local area. Fair value is considered to be that of the highest and best use of feasible alternatives (i.e. the current use as a dam site is not necessarily the highest and best use of the land asset). The value recognised for land subject to inundation is then suitably impaired (in comparison to dry land) as part of the valuation process. These values are arrived at in accordance with *TPP 07-01 Valuation of Physical Non-Current Assets at Fair Value*.

Operational Plant and Equipment

Operational plant and equipment, including plant, vehicles, furniture and fittings, office equipment, computer hardware and leasehold improvements are recognised at the cost of acquisition. These assets are not revalued as it is considered that their depreciated net carrying amount closely approximates their fair market value less costs to sell.

Asset Revaluation Reserve

For each individual asset within property, plant and equipment subject to valuation, revaluation increments are credited to an asset revaluation reserve within equity in the statement of comprehensive income. To the extent the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 *Statement of Significant Accounting Policies continued*

(j) **Property, Plant and Equipment continued**

Where a revaluation decrement or an impairment loss reverses a revaluation increment in the balance of the asset revaluation reserve of an individual asset, the revaluation decrement or impairment loss is debited to that reserve. In other cases, the decrement or impairment loss of the individual asset is recognised as an expense in the income statement.

Any revaluation or impairment increments or decrements are calculated on an individual asset basis.

Upon disposal of assets any revaluation reserve balance relating to the particular asset being disposed is transferred to retained earnings.

The asset revaluation reserve relates to property, plant and equipment and comprises after tax revaluation increments and decrements arising from the revaluation of these assets and any applicable impairment write-downs to the recoverable amount of the assets.

(k) **Intangible Assets**

Intangible assets are identifiable non-monetary assets without substance. Intangible assets are capitalised initially at cost. These assets are not revalued as it is considered that their depreciated net carrying amount closely approximates fair market value less costs to sell.

Useful lives of intangible assets are assessed to be either finite or indefinite. Where they are determined to have finite lives, they are amortised on a straight-line basis and the expense is recognised as part of the depreciation, amortisation and impairment losses line item in the income statement. These assets are recognised in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses, where applicable. Computer software and development costs are typical assets that come under this category.

Where intangible assets are determined to have indefinite lives they are not amortised. These assets are recognised in the statement of financial position at cost less accumulated impairment, where applicable. Easements over property, and the Instrument of Delegation for foreshore lands are typical assets that come under this category.

All intangible assets are tested for impairment as part of the cash-generating unit test applied by State Water in conjunction with other assets. Any resulting impairment losses are recognised as an expense in the Income Statement. Any reversals of impairment losses are also recognised in the income statement.

Research and Development

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge or understanding, is recognised as an expense in the income statement when incurred.

Expenditure on development activities, whereby research findings are applied to the development of substantially new or improved products or processes is capitalised if the product or process is significant, is technically or commercially feasible, will provide future economic benefits and there are sufficient resources to complete development. The expenditure capitalised may comprise direct labour, materials, other costs directly attributable to the development activity and an appropriate proportion of overheads. Such expenditure is tested for impairment at each reporting date, whether or not the intangible asset arising from the expenditure is available for use or in progress. Other development expenditure is expensed in the income statement when incurred.

(l) **Leased assets**

Leases of property, plant and equipment where State Water assumes substantially all the risks and rewards of ownership of the asset, but not the legal ownership are classified as finance leases. Finance leases are capitalised by recording an asset and liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term. Payment made under an operating lease is recognised in accordance with the accounting policy in Note 1 (e).

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(m) Impairment of Assets

At each reporting date, the carrying values of assets (other than deferred tax assets) are reviewed to determine whether there is an indication that the value of the assets have been impaired. If any such indication exists, a formal estimate of their recoverable amount is made (Refer below - Calculation of recoverable amount). Where the carrying amount of an asset is greater than its recoverable amount, the asset is considered to be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in the income statement, unless an asset has previously been revalued through the asset revaluation reserve, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation through the statement of comprehensive income, with any excess recognised in the income statement. Impairment losses recognised in respect of a cash-generating unit are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis.

Calculation of recoverable amount

Financial assets

The recoverable amount of receivables stated at amortised cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate determined at initial recognition of these financial assets. Receivables with a short duration are not discounted. Impairment in respect of these receivables is determined in accordance with the accounting policy in Note 1(i).

Other assets

The recoverable amount of other assets, such as property plant and equipment, is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows from the continuing use and ultimate disposal of an asset are discounted to their present value using a real pre-tax Weighted Average Cost of Capital (WACC), which has been determined to be 7.4% for the current reporting period (2009: 7.9%).

For an asset that does not generate cash flows that are largely independent from other assets, the recoverable amount is determined for the cash generating unit (CGU) to which it belongs. For specific details of the assumptions behind the cash generating unit test for system assets, refer to Note 6.

Reversals of impairment

Financial assets

An impairment loss in respect of receivables stated at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment was recognised.

Other assets

Impairment losses in respect of other assets, such as system assets and development costs, are reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Trade and Other Payables

Trade and other payables are recognised in the statement of financial position at cost, which is considered to approximate amortised cost due to their short-term nature. They are not discounted as the effect of discounting would not be material for these liabilities.

Trade and other payables are recognised when goods or services have been received and an obligation to make future payment arises, and are usually settled within 30 days from the date of the invoice unless other terms are negotiated with the creditor.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(o) Borrowings

Interest-bearing financial liabilities or borrowings raised by the NSW Treasury Corporation on behalf of State Water are recognised initially at cost, being the fair value of the consideration received less any transaction costs associated with the borrowings. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any issue costs and any differences between cost and the final redemption value, such as discounts or premiums. These differences are amortised to the income statement as part of finance costs over the period of the borrowings on an effective interest basis.

Gains or losses are recognised in the income statement when liabilities are derecognised, such as through a debt restructuring, as well as through the amortisation process.

(p) Dividends payable

A liability for dividend payable is recognised in the reporting period in which the dividend is declared. This is considered to be the period in which the dividend has been proposed, targeted and agreed with State Water's voting shareholders through State Water's Statement of Corporate Intent (SCI).

The dividend is calculated according with TPP 02-3 *Financial Distribution Policy for Government Businesses*. The dividend payable has been calculated based on 70% of the net profit for the year adjusted for the tax effected impairment gains recognised through the income statement and the tax effected impact of removing capitalised borrowing costs from the income statement. There is no longer a need to adjust profit to exclude superannuation actuarial gains / losses as they are now recognised outside the income statement.

(q) Provisions

Provisions are liabilities of uncertain timing or amount. A provision is recognised when there is

- a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If the obligation is to be settled more than 12 months after the reporting date and the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. This is usually the risk-free rates on Government bonds that closely match the expected future payments, except where noted below. If the obligation is due to be settled less than 12 months after balance date, the provision is stated at the best estimate available and is not discounted.

When some or all of a provision is expected to be reimbursed from a third party, the reimbursement receivable is recognised as an asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 *Statement of Significant Accounting Policies continued*

(q) Provisions continued

Employee benefits

All liabilities for employee benefits are recognised in the statement of financial position. Employee benefits comprise short-term benefits, other long-term benefits, termination benefits and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which employees render the related service. They include wages, salaries and annual leave. The majority of short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis, except for annual leave that is not expected to be taken within 12 months after period end. Management policy dictates that all employees annual (recreation) leave balances should be below 40 days. If it is not, plans must be put in place to achieve this. The accounting policy adopted and subsequent discounting reflect the practical impacts of the management policy relating to recreation leave.

Expenses for wages and salaries are recognised as services are rendered by employees. Expenses for annual leave are recognised when employees render service that increases their entitlement to future payment of annual leave. Expenses for sick leave, which is non-vesting, are recognised when the absences occur.

Liabilities for wages and salaries (and the associated on-costs) are included within trade and other payables while liabilities for annual leave, where applicable, are included within provisions in the statement of financial position.

Long-term employee benefits

Long-term employee benefits are benefits (other than termination benefits and post-employment benefits) that are due to be settled within 12 months after the end of the period in which the employees rendered the related service. In State Water's case, this refers specifically to employee benefits for long service leave.

The liability for long service leave at the reporting date is the present value of the future benefit that employees have earned in return for their service in the current and prior reporting periods, less the fair value of any related assets at that date. The present value of the future benefit is calculated using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up to the final obligation. The discount rate used is the yield at balance date on Government bonds that have maturity dates approximating to the terms of the long service leave obligations.

The liability and expense are recognised when employees render service that increases their entitlement to future benefit for long service leave. The expense is recognised as one net amount that encompasses a number of components, such as current service cost and interest cost.

Termination benefits

Termination benefits are employee benefits payable as a result an employee's decision to accept voluntary redundancy in exchange for those benefits. The liability for redundancy benefits for specific employees is measured at the non discounted calculated entitlement that will be paid to those employees.

The liability for redundancy benefits for employees that are subject to a restructuring program is recognised when a detailed formal plan for the restructuring exists and when a valid expectation in those affected has been raised.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) that are payable after the completion of employment. In the case of State Water, this refers specifically to benefits provided to employees and former employees through superannuation schemes.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(q) Provisions continued

Defined contribution superannuation scheme

State Water contributes to defined contribution superannuation schemes in accordance with Superannuation Guarantee Contribution legislation and employment agreements, based on the employees's ordinary time earnings. Obligations for contributions to these schemes are recognised as an expense in the income statement as incurred. The liability recognised in the statement of financial position represents the contribution to be paid in the following month.

Defined benefit superannuation scheme

State Water contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

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

The discount rate is the yield at the reporting date on Government bonds that have maturity dates approximating to the terms of State Water's obligations. Calculations are performed by the Pooled Funds' actuary using the projected unit credit method.

Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the statement of financial position. Where the fair value of a scheme's assets exceeds the present value of the defined benefit obligation for that scheme, an asset is recognised in the statement of financial position.

Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they occur

Current and non current portions

AASB 119 does not specify whether an entity shall distinguish current and non-current portions of assets and liabilities arising from post employment benefits because at times the distinction may be arbitrary. Based on this, State Water has decided it will disclose all its liabilities for defined benefit superannuation plans as non-current as it best reflects when State Water expects to settle this liability.

Other provisions

Employee benefit on-costs

Costs that are a consequence of employing employees, but which are not employee benefits themselves, such as payroll tax, are recognised as liabilities and expenses when the employment to which they relate has occurred.

Payroll tax payable at year-end in relation to wages and salaries paid during the previous month is recognised as part of trade and other payables in the statement of financial position, consistent with the classification of any recognised liability for wages and salaries. Payroll tax payable in respect of annual leave or long service leave payments to be made in the future is recognised as part of provisions, consistent with the classification of liabilities for annual leave and long service leave.

Provisions for payroll tax on unpaid annual leave and long service leave benefits are measured at the reporting date based on payroll tax laws that have been enacted or substantially enacted at the reporting date and take into consideration factors such as expected resignations or terminations that would give rise to payroll tax obligations.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(q) Provisions continued

Restoration of leased premises

Restoration costs in respect of leased premises are those costs that State Water must incur under the terms of the lease to restore the relevant leased premises back to their original state at the end of the lease term.

Provisions for restoration of leased premises are calculated based on discounted future cash flows using the yield on Government bonds, which is a pre-tax rate that State Water considers to be representative of current market assessments of the time value of money and the risks specific to the liability.

Fringe benefits tax

This provision is used to recognise State Water's obligation in respect of fringe benefits tax for providing employees with fringe benefits that are covered by *The Fringe Benefits Tax Assessment Act 1986*.

(r) Deferred Government Grants

Grants that are received for operating expenditure, for which State Water has met all attaching conditions, are matched to the operating expenses which the grants are to apply. The proportion that cannot be matched in this way is recognised as deferred government grants in the financial statements. Grants received in relation to capital expenditure are recognised as deferred government grants and are systematically released to the income statement over the useful life of the asset to which they relate. That portion of deferred government grants received in relation to capital expenditure that relates to useful life in excess of 12 months is treated as a non current liability.

(s) General insurance

State Water maintains a mix of external insurance policies. These are managed through the NSW Treasury Managed Fund on behalf of State Water. The treatment of risks and associated liabilities are determined in conjunction with independent insurance advisors and loss adjusters.

(t) Key judgements

In compilation of these financial statements it has been necessary to make standard accounting judgement decisions on future events that impact upon the current reporting period. The following is a central reference point for the key judgements made, with information available in the referred note section.

Topic area	Section reference
Restructuring (voluntary redundancies)	Note 1(q) and Note 11.
Long service leave	Note 1(q)
Defined Superannuation Benefit Plans (Post employment benefits)	Note 1(q) and Note 23
Recoverable amount of cashflow generating assets	Note 1(m), Note 1(j) and Note 6

(u) Change in accounting policy

Change in accounting policy - Government grants in relation to assets

State Water Corporation has reviewed its accounting policy in relation to the recognition of government grants received in relation to assets. It has determined that a revised policy to accounting for such grants would provide greater clarity on methodology, allocation of assets and liabilities, key assumptions and sensitivities.

Previous Policy

Government grants in relation to assets were accounted for under paragraph 27 of AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance". This method deducted the value of the grant received against the carrying amount of the asset created.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(u) Change in accounting policy continued

Revised Policy

The revised policy accounts for such grants under paragraph 26 of AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance". This method recognises the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. Such grants are no longer netted against the capital expenditure to which they related. This revised policy also complies with the NSW Treasury mandate that government grants related to assets be presented as deferred income.

Change in accounting policy - Capitalisation of borrowing costs

A revision of AASB 123 "Borrowing Costs" requires capitalisation of borrowing costs in relation to qualifying assets. Certain capital works, such as dam safety upgrades, fall within the classification of qualifying assets and therefore require capitalisation of associated borrowing costs. Previously borrowing costs associated with qualifying assets were expensed as incurred in the profit or loss. State Water Corporation has applied this change in accounting policy from 1 July 2009, as allowed under the standard, and therefore has not made retrospective restatement for this change in accounting policy.

Application of changes in accounting policy

As State Water Corporation has retrospectively applied the change in accounting policy regarding government grants in relation to assets, and made retrospective restatement of items in the financial statements, an additional statement of financial position as at the beginning of the earliest comparative period, being 1 July 2008, has been disclosed within the financial statements. The aggregate effect of these changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is reflected in the result disclosed for the year ended 30 June 2010. The impact of these changes on prior financial periods is disclosed below:

	Previous Policy 30 June 2010 \$'000	Adjustment Deferred Grants \$'000	Adjustment Borrowing Costs \$'000	Revised Policy 30 June 2010 \$'000
Year Ended 30 June 2010				
Income Statement				
Revenue	84,479	(3,180)	-	81,299
Expenses, excluding finance costs	(75,378)	3,215	-	(72,163)
Finance costs	(6,715)	-	2,991	(3,724)
Impairments - buildings and infrastructure	46,197	8,897	-	55,094
Profit / (loss) before income tax	48,583	8,932	2,991	60,506
Income tax expense	(11,884)	(2,680)	(897)	(15,461)
Profit / (loss) for the year	36,699	6,252	2,094	45,045
Statement of Comprehensive Income				
Net Impairment gain/(loss) relating to revalued assets	21,772	(9,767)	(2,094)	9,911
Other comprehensive income for the year	19,109	(9,767)	(2,094)	7,248
Total comprehensive income for the year	55,808	(3,515)	-	52,293
Statement of Financial Position				
Other liabilities - current	6,271	(337)	-	5,934
Other liabilities - non current	82	14,531	-	14,613
Deferred tax	32,277	(4,258)	-	28,019
Net Assets	377,195	(9,936)	-	367,259
Asset Revaluation Reserve	88,450	(9,767)	(2,094)	76,589
Retained Earnings	(11,765)	(169)	2,094	(9,840)
Total Equity	377,195	(9,936)	-	367,259

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(u) Change in accounting policy continued

	Previously Stated 30 June 2009 \$'000	Adjustment Deferred Grants \$'000	Adjustment Borrowing Costs \$'000	Restated 30 June 2009 \$'000
Year Ended 30 June 2009				
Income Statement				
Revenue	72,629	(173)	-	72,456
Expense, excluding finance costs	(70,307)	(103)	-	(70,410)
Impairments - buildings and infrastructure	(46,942)	(8,875)	-	(55,817)
Profit / (loss) before income tax	(48,028)	(9,151)	-	(57,179)
Income tax expenses	14,536	2,746	-	17,282
Profit / (loss) for the year	(33,492)	(6,405)	-	(39,897)
Statement of Comprehensive Income				
Net impairment gains / (loss) relating to revalued assets	(1,435,225)	1,727	-	(1,433,498)
Other comprehensive income for the year	25,379	1,727	-	27,106
Total comprehensive income for the year	(8,113)	(4,678)	-	(12,791)
Statement of Financial Position				
Other liabilities - current	1,985	(604)	-	1,381
Other liabilities - non current	64	9,777	-	9,841
Deferred tax	12,203	(2,752)	-	9,451
Net Assets	324,457	(6,421)	-	318,036
Retained earnings	(42,731)	(6,421)	-	(49,152)
Total Equity	324,457	(6,421)	-	318,036

	Previously Stated 1 July 2008 \$'000	Adjustment Deferred Grants \$'000	Adjustment Borrowing Costs \$'000	Restated 1 July 2008 \$'000
1 July 2008				
Statement of Financial Position				
Other liabilities - current	3,124	(2,422)	-	702
Other liabilities - non current	127	4,913	-	5,040
Deferred tax	15,863	(747)	-	15,116
Net Assets	332,571	(1,744)	-	330,827
Asset Revaluation Reserve	28,000	(1,728)	-	26,272
Retained Earnings	4,061	(16)	-	4,045
Total Equity	332,571	(1,744)	-	330,827

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(v) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods and which State Water Corporation has not adopted early. A discussion of those future requirements and their impact on State Water Corporation is as follows:

AASB 2009 8: Amendments to Australian Accounting Standards - Group Cash Settled Share Based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010). This amendment clarifies the accounting for group cash settled share based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share based payment transaction. The amendment incorporates the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendment. This amendment is not expected to impact State Water Corporation.

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. State Water Corporation has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011) This standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a 'related party' to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect State Water Corporation.

AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010). These standards detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect State Water Corporation.

AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-Time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010). This Standard specifies requirements for entities using the full-cost method in place of retrospective application of Australian Accounting Standards for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4, when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact State Water Corporation.

AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010). This standard clarifies that rights, options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to impact State Water Corporation.

AASB 2009-12: Amendment to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(v) New Accounting Standards for Application in Future Periods continued

January 2011). This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact State Water Corporation.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010). This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow first-time adopter to apply the transitional provisions in Interpretation 19. This Standard is not expected to impact State Water Corporation.

AASB2009-14: Amendments to Australian Interpretation - Payments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011). This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010). This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably, in which case they shall be measured at the fair value of the liability extinguished. The Interpretation is not expected to impact State Water Corporation.

AASB 2010-1: Amendments to Australian Accounting Standards - Limited exemption from comparative AASB 7 disclosures for first time adopters [AASB 1 and AASB 7] (applicable to annual reporting periods beginning on or after 1 July 2010). This standard amends AASB 1 and AASB 7 to give effect to extending the transition provisions of AASB 2009-2 to first time adopters of Australian Accounting Standards. This standard is not expected to impact State Water Corporation.

AASB 1053: Application of Tiers of Australian Accounting Standards (applicable to reporting periods beginning on or after 1 July 2013). This standard establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. Tier 1 requirements must be complied with by for profit entities in the private sector that have public accountability (as defined in the standard), and Australian, State, Territory and Local Governments. Tier 2 requirements can apply as an optional choice to for profit sector entities that do not have public accountability, all not for profit private sector entities and public sector entities other than Australian, State, Territory and Local Governments. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1, and substantially reduced disclosures corresponding to those requirements. The impact on the Corporation will depend upon NSW public sector wide policy decisions of the NSW Treasury. The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only.

AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (applicable to annual reporting periods commencing on or after 1 July 2013). This standard makes amendments to introduce reduced disclosure requirements for entities that prepare general purpose financial statements under the differential reporting framework and the two tiers of financial reporting requirements established by AASB 1053 "Application of Tiers of Australian Accounting Standards". The initial application of this standard will have no impact on the financial results of the Corporation as it is concerned with disclosure only, and its applicability to the Corporation is dependent on NSW public sector wide policy decisions of the NSW Treasury in the future.

AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 3, 7, 121, 128, 131, 132 & 139] (applicable to annual reporting periods commencing on or after 1 July 2010). These standards detail numerous non urgent but necessary amendments to Accounting Standards arising from the IASB's annual improvement project. No changes are expected to materially affect State Water Corporation.

AASB 2010-4: Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1, 7, 101 & 134 and Interpretation 13] (applicable to annual reporting periods beginning on or after 1 January 2011). The amendments clarify existing requirements in the standards and cover transitional arrangement for first time adopters of Australian Accounting Standards, disclosures related to the statement of changes in equity and financial instruments, significant event disclosures for interim financial reporting and the fair value of award credits in customer loyalty programs. No changes are expected to materially affect State Water Corporation.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

1 Statement of Significant Accounting Policies continued

(v) New Accounting Standards for Application in Future Periods continued

State Water Corporation does not anticipate any early adoption of any of the above Australian Accounting Standards.

(w) Adoption of New and Revised Accounting Standards

During the current year, State Water Corporation has adopted all of the revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of State Water Corporation.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and impact on State Water Corporation's financial statements.

Disclosure impact

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements; a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

State Water Corporation's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(x) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 Revenue and Expenses

Profit before income tax expense has been arrived at after including the following revenue and expenses:

(a) Revenue

	2010 \$'000	2009 \$'000
Revenue from rendering of services		
Storage and delivery of water		
Regulated water sources	33,707	34,152
Unregulated water sources	403	406
	34,110	34,558
Infrastructure operation, maintenance and construction		
Murray-Darling Basin Authority	15,597	9,815
Other utilities	4,973	3,416
	20,570	13,231
Other services		
Ancillary services	776	819
	776	819
Revenue from government grants and subsidies		
NSW Government contributions to operations (i)	18,900	16,471
NSW Government transitional operating subsidy(ii)	2,600	4,429
NSW Government community service subsidy(iii)	424	271
Government contributions to environmental improvements	904	259
	22,828	21,430
Interest revenue		
NSW Treasury deposits	543	288
Bank operating accounts	131	286
Interest on taxation refund	83	-
Overdue accounts (Refer note 5)	119	172
	876	746
Other revenue		
Rental income	1,935	1,601
Gain on disposal of property, plant and equipment	204	71
	2,139	1,672
Total revenue	81,299	72,456

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 Revenue and Expenses continued

(a) Revenue continued

(i) The NSW Government contributions to operations are provided to:

- meet the costs of certain activities that satisfy community expectations, public benefit or government requirements, eg flood operations, environmental flows, stock and domestic supply.

- finance on a commercial basis the agreed share of past capital investment along with any further capital investment necessary to address pre-1997 dam safety non-compliance conditions and other mandated capital improvements, eg for environmental compliance or to provide fishways at regulatory structures.

(ii) The NSW Government transitional operating subsidy is provided to explicitly recognise the extent to which there is a shortfall between the agreed revenue requirements of State Water's operations and the revenues generated in an average water supply year from supplying customers and from the agreed government contribution to operations.

(iii) The NSW Government provided an additional subsidy for maintenance of unregulated weirs in rivers systems.

(b) Expenses, excluding finance costs

	2010 \$'000	2009 \$'000
Employee related expenses (iii)	27,528	28,846
Operational services expenses (iv)	21,500	14,323
Depreciation expense	6,642	7,685
Amortisation	745	616
Materials, plant and equipment expenses	1,381	1,895
Contribution to MDBA expenses (i)	5,026	6,297
Operating lease expenses (ii)	1,265	1,018
Electricity and other energy expenses	533	470
Travel expenses	2,288	2,800
Property expenses (excluding leases)	1,898	1,213
Data management expenses (excluding leases)	824	837
Other expenses from ordinary activities	2,822	2,432
Impairment - Receivables	(289)	1,978
Total expenses, excluding finance costs	72,163	70,410

(i) Contribution to MDBA expenses refers to a proportion of revenue from water charges to bulk water customers located within the area of operations of the MDBA, which is passed on to NSW Treasury to help meet the NSW Government's obligations under the Murray-Darling Basin Agreement to directly fund a proportion of the operating costs and states' share of capital costs of the MDBA

(ii) Operating lease expenses represent minimum lease payments only.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 Revenue and Expenses continued

(b) Expenses, excluding finance costs continued

(iii) Employee-related expenses

	2010 \$'000	2009 \$'000
Post-employment benefits (c)	2,078	1,474
Other employee-related expenses	28,328	27,874
	30,406	29,348
Less amount capitalised	(2,991)	(2,176)
Termination benefits	113	1,674
Total employee related expenses	27,528	28,846

(iv) Operational services expenses

Hydrometric services expenses	3,778	3,966
Professional, technical and trade services	34,159	10,886
Other	45,915	12,947
	83,852	27,799
Less amount capitalised	(62,352)	(13,476)
Total operational services expenses	21,500	14,323

(c) Post employment expenses

Defined benefit plans

Total expense advised by Pillar Administration (i)	617	91
Other movements	(48)	195
	569	286
Less amount capitalised	(90)	(145)
Defined benefit plan expenses	479	141

Defined contribution plans

Total expense	1,509	1,188
Less amount capitalised	(114)	(84)
Total	1,395	1,104

(i) For further detail refer to Note 23: Post employment benefits from superannuation plans

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

2 Revenue and Expenses continued

(d) Finance costs

	2010 \$'000	2009 \$'000
Government guarantee fee expense	1,936	399
Interest expense	4,736	3,009
Other borrowing costs	43	-
	6,715	3,408
Less amount capitalised	(2,991)	-
Total	3,724	3,408

The capitalisation rate applied to determine capitalised borrowing costs for the year ended 30 June 2010 was 7.98% (2009: Not applicable). This rate was determined via reference to coupon rates on outstanding treasury loans plus the applicable government guarantee fee.

3 Income taxes

(a) Income tax expense

The components of tax expense comprise:

Deferred tax - Current year	15,461	(17,282)
Total income tax expense	15,461	(17,282)

(b) Reconciliation between income tax (benefit) / expense and profit/(loss) before income tax

The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2009: 30%)

	18,152	(17,154)
Decrease in tax expenses due to:		
- Non-deductible expenses	2	2
- Investment allowance	(43)	(130)
- Subdivision 40F	(2,650)	-
Income tax attributable to State Water Corporation	15,461	(17,282)

The applicable weighted average effective tax rate is 30% (2009: 30%).

(c) Current tax liabilities

Current tax payable/(refund due)	-	(505)
Total	-	(505)

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

3 Income taxes continued (d) Deferred tax balances

	Opening balance \$'000	Charged to income \$'000	Charged directly to equity \$'000	Total \$'000
2010				
Temporary differences				
Property, plant and equipment	(16,276)	(15,264)	(4,247)	(35,787)
Investments	8	6	-	14
Other creditors	212	(501)	-	(289)
Employee benefits	3,498	413	-	3,911
Leased premises	94	60	-	154
Defined benefit super	5,478	(187)	1,142	6,433
Doubtful debts	704	(632)	-	72
Deferred government grants	-	602	-	602
Prior year SD40F	(6,359)	(97)	-	(6,456)
Oracle software licenses	72	(88)	-	(16)
	(12,569)	(15,688)	(3,105)	(31,362)
Unused tax losses and credits				
Tax losses	3,118	225	-	3,343
Total	(9,451)	(15,463)	(3,105)	(28,019)
2009				
Temporary differences				
Property, plant and equipment	(14,949)	15,990	(17,317)	(16,276)
Investments	-	8	-	8
Other creditors	106	106	-	212
Employee benefits	4,900	(1,402)	-	3,498
Leased premises	108	(14)	-	94
Defined benefit super	249	(471)	5,700	5,478
Doubtful debts	111	593	-	704
Oracle software licences	-	72	-	72
Prior year SD40F	(6,359)	-	-	(6,359)
	(15,834)	14,882	(11,617)	(12,569)
Unused tax losses and credits				
Tax losses	718	2,400	-	3,118
Total	(15,116)	17,282	(11,617)	(9,451)

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

3 Income taxes continued

Presented in the Statement of Financial Position as follows:

	2010 \$'000	2009 \$'000
Non-current liabilities		
Deferred tax	28,019	9,451
Total	28,019	9,451

The restated 1 July 2008 balance for deferred tax is \$15.116 million.

(e) Tax effects relating to other comprehensive income

	Before Tax Amount \$'000	Tax (Expense) / Benefit \$'000	Net of Tax Amount \$'000
Year ended 30 June 2010			
Superannuation actuarial gains / (losses)	(3,805)	1,142	(2,663)
Impairment gain relating to revalued assets	14,158	(4,247)	9,911
Total	10,353	(3,105)	7,248
Year ended 30 June 2009			
Superannuation actuarial gains / (losses)	(19,000)	5,700	(13,300)
Revaluation of property, plant and equipment	2,105,577	(631,673)	1,473,904
Impairment loss relating to revalued assets	(2,047,854)	614,356	(1,433,498)
Total	38,723	(11,617)	27,106

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

4 Cash and Cash Equivalents

	2010 \$'000	2009 \$'000
Cash on hand	16	16
Bank operating accounts	1,071	4,379
Short-term investments		
Interest-bearing deposits	10,013	215
Total	11,100	4,610

State Water holds units in the following NSW Treasury Corporation Hour-Glass investment facility:

Facility	Investment sectors	Investment horizon
Cash facility	Cash, money market instruments	Up to 1 1/2 years

The unit price of the above facility is equal to the total fair value of the net assets held by the facility, divided by the total number of units on issue for that facility. Unit prices are calculated and published daily. NSW Treasury Corporation (TCorp) as trustee for the hour glass investment facility is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

(a) Reconciliation of cash

	Note		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		11,100	4,610
Bank overdraft	10	(1,120)	-
Cash and cash equivalents in the statement of cash flows		9,980	4,610

(b) Administered Cash

Cash and cash equivalents have been adjusted for administered cash as follows:

Gross cash at bank		4,004	5,809
Less: Administered cash held in bank accounts	24	(4,053)	(1,430)
Cash at bank after adjustment for administered items		(49)	4,379
Reconciled to financial statements as follows:			
Bank operating accounts	4	1,071	4,379
Bank overdraft	10	(1,120)	-
Cash at bank after adjustment for administered items		(49)	4,379

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

5 Trade and Other Receivables

	2010 \$'000	2009 \$'000
CURRENT		
Trade receivables - water(i)		
Accrued water charges	6,456	9,234
Outstanding water charges billed	2,159	3,680
	8,615	12,914
Allowance for impairment	(236)	(2,343)
	8,379	10,571
Trade receivables - other(ii)		
Accrued other service charges	7,256	2,985
Outstanding other service charges billed	5,091	2,255
	12,347	5,240
Allowance for impairment	(3)	(4)
	12,344	5,236
Total trade receivables(iii)	20,723	15,807
Other receivables		
Goods and services tax refundable	2,205	1,341
	2,205	1,341
Total	22,928	17,148

(i) Trade receivables - water

State Water does not undertake any credit quality assessment or define any credit limits before accepting new water customers. Under the *Water Act 1912* (Water Act) and the *Water Management Act 2000* (WM Act) if the Department of Water and Energy issues a new licence or transfers an existing licence then that licensee automatically becomes a customer of State Water under the conditions of that licence.

Fees charged by State Water are a charge on the water access licence and as such the charges are attached to the licence, so that if a licence is sold or transferred the debt remains with the licence and the new holder is liable. The Water Act allows outstanding monies to be a charge on the land supplied with water, and if this charge is registered against the land title, the debt will pass with the land to any future owner. Given these facts, fees charged on a water access licence are largely perpetual and not standard commercial debt where only court action is available to collect a debt when a debt is considered doubtful, unless security is held against the debt. Generally prospective acquirers of a water access licence undertake searches on the licence they are seeking to acquire to determine whether there is any debt outstanding. If there is, the acquirer discounts the market value of the licence by the debt owing or arranges to settle the debt at the time of acquisition.

State Water has a number of tools available to encourage debt payment or to enhance its ability to recover debt over time. Interest is charged on outstanding water charges at the interest rate prescribed under the *Civil Procedure Act 2005*, and continues to apply until the outstanding water charges are fully paid.

State Water can take action to suspend a licence. The effect of suspension is that the licence cannot be operated or amended, i.e. it suspends the ordering of water, temporary trading etc. Under the WM Act the suspension must be lodged at Land and Property Information, but this not required under the Water Act.

Under the WM Act State Water can also place a caveat on the licence through the Land and Property Information Register. This action is not available under the Water Act. The caveat will not obstruct the active use of the licence but will protect the existence of the licence and its value. State Water can also take action under the WM Act to sell a licence to recover a debt. Finally, State Water can also take court action to recover a debt.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

5 Trade and Other Receivables continued

Which action is taken is decided by particular circumstances, e.g. the cost/benefit of an action, or the assessed risk to the value of a licence, or the adjudged risk to recovery that suspension may produce by depriving a customer of the possible avenue (i.e. water for a crop) that may generate revenue sufficient to make payment of the debt.

Charges generally have settlement terms of 30 days from the issue of the invoice. Interest is currently charged at 9% p.a. (2009: 9% p.a.) on all water charges that are past due. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past water charges, determined by reference to State Water's assessment of current conditions and past default experience. The total allowance for impairment of \$0.236 million (2009: \$2.343 million) represents 2.74% of total trade receivable and accrual balances for water charges (2009: 18.14% of trade receivable balances).

Accrued water charges represent entitlement and water delivery charges to State Water customers for the year ended 30 June that remained unbilled at that date, but have been billed subsequent to year-end. State Water bills customers quarterly in arrears.

(ii) Trade receivables - other

State Water does not undertake any credit quality assessment or define any credit limits before accepting new non-water customers. 95% (2009: 80%) of non-water charges are to Commonwealth of Australia or State Government departments, corporations or bodies, or to local government bodies and are considered low risk. A further 1% (2009: 16%) relate to hydro-electricity bodies and are considered low risk. The balance of charges to non-water customers is not significant.

Charges generally have settlement terms of 30 days from the issue of the invoice. Interest is not charged on outstanding non-water debtor balances. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past non-water charges, determined by reference to State Water's past default experience. The total allowance for impairment of \$0.003 million (2009: \$0.004 million) represents 0.02% (2009: 0.08%) of total trade receivable and accrual balances for non-water charges.

Accrued other charges represent income for services provided to State Water customers for the year ended 30 June that remained unbilled at that date, but have been billed subsequent to year-end. Invoices for accrued other charges will usually be raised within 30 days of year end.

(iii) Total trade receivables

Included in State Water's trade receivable balances are debtors with a carrying amount of \$1.171 million (2009: \$2.065 million) which are past due at the reporting date for which State Water has not provided as there has not been a significant change in their assessed conditions and the amounts are still considered recoverable. Payment plans are in place for balances outstanding totaling \$0.295 million (2009: \$0.488 million). Total interest received on impaired trade receivables was \$0.016 million (2009: \$0.033 million).

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

5 Trade and Other Receivables continued

(iv) Allowance for Impairment

Movement in allowance for impairment of trade receivables is as follows:

	Opening balance \$'000	Charge (reversal) for the year \$'000	Amounts written off \$'000	Closing balance \$'000
Year ended 30 June 2010				
Water charges	2,343	(288)	(1,819)	236
Other service charges	4	(1)	-	3
Total	2,347	(289)	(1,819)	239

Year ended 30 June 2009				
Water charges	328	2,015	-	2,343
Other services charges	43	(39)	-	4
Total	371	1,976	-	2,347

Aged analysis

The ageing analysis of total trade receivables after impairment is as follows:

	2010 \$'000	2009 \$'000
Current	5,840	1,578
30 days	10	113
60 days	16	72
90 days	1,145	1,879
Total	7,011	3,642

The ageing analysis of past due total trade receivables is as follows:

30 days (not impaired)	10	113
30 days (impaired)	1	4
60 days (not impaired)	16	72
60 days (impaired)	1	3
90 days (not impaired)	1,145	1,879
90 days (impaired)	215	442
	1,388	2,513

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Property Plant and Equipment

	2010 \$'000	2009 \$'000
Land		
Gross carrying amount	109,672	109,292
Total freehold land	109,672	109,292
Buildings		
Gross carrying amount	40,442	40,734
Less accumulated depreciation and impairment	(38,054)	(38,844)
Total buildings	2,388	1,890
Plant and equipment		
Gross carrying amount	6,769	6,736
Less accumulated depreciation	(3,212)	(2,568)
Total plant and equipment	3,557	4,168
Furniture, fixtures and fittings		
Gross carrying amount	3,624	3,066
Less accumulated depreciation	(1,816)	(1,348)
Total furniture, fixtures and fittings	1,808	1,718
Motor vehicles		
Gross carrying amount	7,307	7,181
Less accumulated depreciation	(1,652)	(1,677)
Total motor vehicles	5,655	5,504
Computers & systems		
Gross carrying amount	3,943	3,539
Less accumulated depreciation	(1,748)	(911)
Total computers & systems	2,195	2,628
Marine craft		
Gross carrying amount	270	263
Less accumulated depreciation	(124)	(105)
Total marine craft	146	158
Instruments		
Gross carrying amount	769	629
Less accumulated depreciation	(310)	(270)
Total instruments	459	359
Water infrastructure		
Gross carrying amount	3,460,494	3,458,824
Less accumulated depreciation and impairment	(3,135,378)	(3,200,643)
Total water infrastructure	325,116	258,181
Work in progress		
Gross carrying amount	104,581	34,110
Total work in progress	104,581	34,110
Total property, plant and equipment	555,577	418,008

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Property Plant and Equipment - Net Movement Schedule

	Land \$'000	Buildings \$'000	Water infrastructure \$'000	Plant & equipment \$'000	Computers & systems \$'000	Furniture & fitout \$'000	Instruments \$'000	Marine craft \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
30 June 2010											
Net carrying amount at start of year	109,292	1,890	258,181	4,168	2,628	1,718	359	158	5,504	34,110	418,008
Additions	380	-	-	-	-	-	-	-	2,737	74,969	78,086
Disposals	-	(12)	-	(14)	(2)	-	-	-	(1,605)	-	(1,633)
Transfers from WIP	-	142	1,670	57	410	558	160	7	-	(4,498)	(1,494)
Depreciation	-	(137)	(3,481)	(654)	(843)	(467)	(59)	(19)	(982)	-	(6,642)
Impairments through other comprehensive income	-	-	14,158	-	-	-	-	-	-	-	14,158
Impairment gain through profit or loss	-	505	54,589	-	-	-	-	-	-	-	55,094
Reclassifications	-	-	(1)	-	2	(1)	(1)	-	1	-	-
Net carrying amount at the end of year	109,672	2,388	325,116	3,557	2,195	1,808	459	146	5,655	104,581	555,577

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Property Plant and Equipment - Net Movement Schedule continued

	Land \$'000	Buildings \$'000	Water infrastructure \$'000	Plant & equipment \$'000	Computers & systems \$'000	Furniture & fitout \$'000	Instruments \$'000	Marine craft \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
30 June 2009											
Net carrying amount at start of year	14,038	3,263	349,556	4,095	2,283	1,550	419	85	6,540	19,117	400,946
Additions	-	18	-	341	656	-	-	8	2,057	22,108	25,188
Disposals	-	-	-	(170)	(51)	-	-	-	(1,271)	(224)	(1,716)
Revaluation recognised through other comprehensive income	95,254	15,265	1,995,058	-	-	-	-	-	-	-	2,105,577
Depreciation expense	-	(237)	(4,624)	(662)	(578)	(213)	(60)	(18)	(1,293)	-	(7,685)
Impairments through other comprehensive income	-	(15,265)	(2,032,589)	-	-	-	-	-	-	-	(2,047,854)
Impairment loss through profit or loss	-	(1,228)	(54,589)	-	-	-	-	-	-	-	(55,817)
Reclassifications	-	74	5,369	564	318	381	-	83	(529)	(6,891)	(631)
Net carrying amount at the end of year	109,292	1,890	258,181	4,168	2,628	1,718	359	158	5,504	34,110	418,008

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Property Plant and Equipment - Net Movement Schedule continued

(i) Subsequent additions have been at cost, less any subsequent accumulated depreciation, which closely approximates their fair market value less costs to sell.

In assessing impairment of these assets they were assessed against their recoverable value.

Due to the nature of bulk water industry assets, their recoverable amount is determined by the stream of income that can be derived from the use of the assets working together as a cash-generating integrated network, rather than the realisable values of the assets themselves. Accordingly, the cash-generating unit test referred to in the accounting policies calculates the recoverable amount using relevant estimated net cash flows discounted to their present value at the pre-tax Weighted Average Cost of Capital. In this regard, future cash flows for revenue and expenses are estimated over the average useful life of the assets, and are then discounted to their present value using a discount rate equivalent to State Water's weighted average cost of capital (WACC) calculated on a real pre-tax basis.

After considering revaluation of land, buildings and water infrastructure, additions, disposals and other movements for the year, and subsequent impairment to recoverable amount, there is an increase in the carrying value of State Water property, plant, equipment and intangibles from \$420.4 million to \$558.7 million (2009: \$402.5 million to \$420.4 million).

Key assumptions used for value-in-use calculation

The key assumptions on which State Water has based its cash flow projections to undertake impairment testing of non-current assets are:

- Discount rate - the real pre-tax WACC used to discount future cash flows was 7.4% pa (2009: 7.9% pa real pre-tax)
- Future cash flows - these have been estimated for the next 85 years based on SCI values, standardised delivery and inflation.
- Future cash flows have been estimated for State Water's specialised assets in their current condition and consequently new capital expenditure and enhancements have been excluded from cash outflows. The modelling also excludes future return on the regulatory asset base (RAB) that State Water would receive for additional capital expenditure. Cash outflows for operating expenditure that is regarded as necessary for the day-to-day servicing of the assets form part of the projections.
- Estimates of future revenues are based on prices determined in the final IPART pricing determination released in 2010, which are applicable up to 30 June 2014, and expected water usage consistent with the 2010-11 SCI (2009: 2009-10 SCI).
- Net cashflows - these are expected to be in line with State Water's SCI over the next four years and thereafter are based on average delivery of 4,627 giga litres and averaged costs.

Impairment Gain

The impairment gain in relation to buildings and water infrastructure of \$69.25 million arose due to an adjustment in the discount rate used to calculate value in use from 7.9% in 2009 to 7.4% in 2010, and a reassessment of future revenues as a result of the 2010 IPART pricing determination. The cash generating unit to which impairment applies is the business as a whole.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Property Plant and Equipment - Gross Movement Schedule

	Land \$'000	Buildings \$'000	Water infrastructure \$'000	Plant & equipment \$'000	Computers & systems \$'000	Furniture & fitout \$'000	Instruments \$'000	Marine craft \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
Gross carrying amount											
Balance at the beginning of year	109,292	40,733	3,458,826	6,337	3,653	3,063	630	257	8,666	34,110	3,665,567
Additions	380	-	-	-	-	-	-	-	2,737	74,969	78,086
Disposals	-	(434)	-	(23)	(7)	-	(19)	-	(2,611)	-	(3,094)
Transfers from WIP	-	142	1,670	57	410	558	160	7	-	(4,498)	(1,494)
Reclassification	-	1	(2)	398	(113)	3	(2)	6	(1,485)	-	(1,194)
Balance at June 30, 2010	109,672	40,442	3,460,494	6,769	3,943	3,624	769	270	7,307	104,581	3,737,871
Accumulated depreciation and impairment											
Balance at the beginning of year	-	(38,843)	(3,200,645)	(2,169)	(1,025)	(1,345)	(271)	(99)	(3,162)	-	(3,247,559)
Disposals	-	422	-	9	5	-	19	-	1,006	-	1,461
Impairment Gain through profit or loss	-	-	-	-	-	-	-	-	-	-	-
Impairments through other comprehensive income	-	505	54,589	-	-	-	-	-	-	-	55,094
Depreciation expense	-	-	14,158	-	-	-	-	-	-	-	14,158
Reclassification	-	(137)	(3,481)	(654)	(843)	(467)	(59)	(19)	(982)	-	(6,642)
Reclassification	-	(1)	1	(398)	115	(4)	1	(6)	1,486	-	1,194
Balance at June 30, 2010	-	(38,054)	(3,135,378)	(3,212)	(1,748)	(1,816)	(310)	(124)	(1,652)	-	(3,182,294)
Net carrying amount											
At June 30, 2010	109,672	2,388	325,116	3,557	2,195	1,808	459	146	5,655	104,581	555,577

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

6 Property Plant and Equipment - Gross Movement Schedule continued

	Land \$'000	Buildings \$'000	Water infrastructure \$'000	Plant & equipment \$'000	Computers & systems \$'000	Furniture & fitout \$'000	Instruments \$'000	Marine craft \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
Gross carrying amount											
Balance at the beginning of year	14,038	3,608	3,216,372	5,602	2,730	2,682	630	166	8,409	19,117	3,273,354
Additions	-	18	-	341	656	-	-	8	2,057	22,108	25,188
Disposals	-	-	-	(170)	(51)	-	-	-	(1,271)	(224)	(1,716)
Revaluations	95,254	37,033	237,085	-	-	-	-	-	-	-	369,372
Reclassification	-	74	5,369	564	318	381	-	83	(529)	(6,891)	(631)
Balance at June 30, 2009	109,292	40,733	3,458,826	6,337	3,653	3,063	630	257	8,666	34,110	3,665,567
Accumulated depreciation and impairment											
Balance at the beginning of year	-	(347)	(2,866,817)	(1,507)	(447)	(1,132)	(211)	(81)	(1,869)	-	(2,872,411)
Depreciation expense	-	(237)	(4,624)	(662)	(578)	(213)	(60)	(18)	(1,293)	-	(7,685)
Depreciation and impairment on revaluation	-	(38,259)	(329,204)	-	-	-	-	-	-	-	(367,463)
Balance at June 30, 2009	-	(38,843)	(3,200,645)	(2,169)	(1,025)	(1,345)	(271)	(99)	(3,162)	-	(3,247,559)
Net carrying amount											
At June 30, 2009	109,292	1,890	258,181	4,168	2,628	1,718	359	158	5,504	34,110	418,008

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

7 Intangible Assets

	2010 \$'000	2009 \$'000
Computer software		
Gross carrying amount		
Balance at start of year	4,366	2,967
Additions	-	768
Transfers from WIP	1,494	631
Balance at end of year	5,860	4,366
Accumulated amortisation		
Balance at start of year	(2,008)	(1,392)
Amortisation	(745)	(616)
Balance at end of year	(2,753)	(2,008)
Net carrying value	3,107	2,358
Easements over property		
Balance at start of period	47	47
Net carrying amount	47	47
Total Intangibles	3,154	2,405

	Computer software, other \$'000	Easements over property \$'000	Total \$'000
Year ended 30 June 2009			
Balance at start of year	\$ 1,575	\$ 47	\$ 1,622
Additions	768	-	768
Transfers from WIP	631	-	631
Amortisation	(616)	-	(616)
Balance at 30 June 2009	\$ 2,358	\$ 47	\$ 2,405
Year ended 30 June 2010			
Balance at start of year	\$ 2,358	\$ 47	\$ 2,405
Transfers from WIP	1,494	-	1,494
Amortisation	(745)	-	(745)
Balance at 30 June 2010	\$ 3,107	\$ 47	\$ 3,154

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

8 Other assets

	2010 \$'000	2009 \$'000
CURRENT		
Prepayments	157	155
Other	-	17
Total current other assets	157	172

9 Trade and other payables

CURRENT		
Trade payables	8,145	3,091
Non-trade payables and accrued expenses:		
NSW Treasury	5,408	6,297
Other parties	17,579	10,340
	22,987	16,637
Total trade and other payables	31,132	19,728

10 Borrowings

CURRENT		
Equipment finance	145	159
Bank overdraft	4(a) 1,120	-
Total current borrowings	1,265	159
NON-CURRENT		
NSW Treasury Corporation - at amortised cost	106,541	53,766
Equipment finance	105	301
Total non-current borrowings	106,646	54,067
Total borrowings	107,911	54,226

State Water has loans with NSW Treasury Corporation totaling \$2.384 million (2009: \$16.800 million) that fall due within 30 days of the reporting period. State Water will continue to roll over these loans at its discretion, under an existing loan facility. For this reason, together with State Water's intention not to settle these loans in the next 12 months, the loans are classified as non-current. These loans are actively managed by T-Corp in accordance with the Treasury Management Policy approved by the Board.

The balance of State Water's borrowings are long-term loans that are negotiated at a fixed rate of interest payable half-yearly in arrears, and with maturities no later than November 2035.

Financing facilities

State Water does not have a bank overdraft facility. State Water has an operating account with its corporate banker and regulates its balance through movements into and out of deposits placed with the NSW Treasury Hour-Glass Cash facility. Adjustments for administered cash for the year ended 30 June 2010 have resulted in a overdraft being disclosed above, however the actual cash facility with the bank is not in an overdraft position (Refer Note 4(b)). The reason for the large balances of administered cash at year end were due to billing undertaken in May 2010 for NOW, Pindari Levy and YCATAC with payments received into State Water's bank account from mid June 2010, which remained there at year end. Administered cash is forwarded on to NOW and YCATAC at least quarterly, and annually to NSW Treasury for the Pindari levy.

In respect of longer term borrowing facilities, State Water cannot borrow in its own name. Instead, both new loans

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

10 Borrowings continued

and the refinancing of maturing existing loans need to be arranged through the NSW Treasury Corporation, which raises borrowings on State Water's behalf.

State Water has principal and interest equipment finance (chattel mortgage) in place with SG Equipment Finance for the purchase of software. Payments are quarterly in advance and comprise both interest and principal. The total term of the agreement is 34 months, with a remaining term of 16 months at reporting date. Principal payments due within 12 months of reporting date are shown as a current liability.

State Water Corporation has an approval from the Governor of the State of NSW to obtain financial accommodation in accordance with the *Public Authorities (Financial Arrangements) Act 1987*. It also has the Treasurer's approval under Section 8 of that Act to hold borrowing facilities with a limit of \$196 million until 30 June 2011. The additional funding will be used primarily for capital projects (dam safety upgrades).

11 Provisions

(a) Carrying amounts

	2010 \$'000	2009 \$'000
Current		
Short-term provisions		
Employee benefits	3,316	2,932
Employee benefits on costs	661	643
Travel to work payout	-	143
Fringe benefits tax	87	83
Restoration of leased premises	409	-
Restructuring	492	510
	4,965	4,311
Current portion of long-term provisions		
Current portion of long term provisions - Employee benefits	7,294	6,382
Employee benefits on costs	956	801
	8,250	7,183
Total current provisions	13,215	11,494
Non-current		
Long-term provisions		
Employee benefits	276	218
Employee benefit on costs	36	27
Restoration of leased premises	7	185
Defined benefit superannuation scheme deficit	21,444	18,261
Total non-current provisions	21,763	18,691

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

11 Provisions continued

(b) Reconciliation of movements in carrying amounts

Employee benefits are excluded from the scope of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* which require a reconciliation of movements in the carrying amounts of the provisions.

	2010 \$'000	2009 \$'000
<i>Fringe benefits tax</i>		
Carrying amounts at start of period	83	(18)
Payments made from provision	(338)	(322)
Refunds received to provision	-	93
Provisions made during the period	342	330
Carrying amounts at end of period	87	83

This provision is used to recognise State Water's obligation in respect of fringe benefits tax for providing employees with fringe benefits that are covered by *The Fringe Benefits Tax Assessment Act 1986*. Estimates of fringe benefits are calculated based on the conditions of current legislation and the nature and frequency of fringe benefits provided to employees. Since the obligation is due to be settled less than 12 months after balance date, the provision is stated at the best estimate available and is not discounted.

Restoration of leased premises

Carrying amounts at start of period	185	233
Provisions extinguished	-	(108)
Provisions made during the period	231	60
Carrying amounts at end of period	416	185

This provision is used to recognise State Water's obligation in respect of restoration costs for leased premises, whereby State Water must restore the relevant premises back to their original state at the end of the lease term.

Restructuring and termination costs

Carrying amounts at start of period	510	3,018
Additional provisions	108	718
Payments made from provision	(126)	(3,226)
Carrying amounts at end of period	492	510

State Water is nearing completion of the functional restructure. The restructuring provision recognised relates to employee redundancy costs.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

12 Other Liabilities

	2010 \$'000	2009 \$'000
Current		
Income received in advance (i)	450	414
Lease inducement release (ii)	83	64
Deferred government grants (iii)	5,401	903
Total	5,934	1,381
Non-current		
Lease inducement release (ii)	82	64
Deferred government grants (iii)	14,531	9,777
Total	14,613	9,841

The restated 1 July 2008 balance for current other liabilities is \$0.702 million and the restated 1 July 2008 balance for non-current other liabilities is \$5.040 million.

(i) Income received in advance refers to amounts received for leases charged in advance by State Water, whose period partly covers beyond the reporting date.

(ii) The inducements received in respect of the operating leases for State Water's Parramatta and Dubbo offices are recognised initially as a liability and then released to reduce rental expense on a straight-line basis over the term of the lease.

(iii) Deferred Government Grants

The deferred government grants values in the financial statements relate to the proportion of grant monies received in respect of which the operating expenditure to which they have been granted has not yet been expended, or monies received in relation to grants relating to assets which are not yet completed.

Deferred government grants comprise:

Deferred Government Grants		
Lake Brewster Water Efficiency Project (a)	10,183	9,159
Rivers Environmental Restoration Program (b)	5,834	1,158
Murrumbidgee Water Efficiency Projects (c)	948	164
Booligal Weir Fishway (d)	150	150
Hydrologic Monitoring Systems (e)	821	49
NSW Metering Pilot Scheme (f)	1,996	-
Total	19,932	10,680

(a) State Water has signed a Funding Deed with the Commonwealth of Australia Government, as represented by and acting through the Department of Environment, Water, Heritage and the Arts (DEWHA); a Collaboration and Management Agreement with Lachlan Catchment Management Authority (LCMA); and a letter of understanding with Lachlan Valley Water, for State Water to undertake works known as Lake Brewster Water Efficiency Project. The parties, including State Water, have committed to make contributions both in kind and financially to the project costs. The parties have agreed to make financial contributions to the project at specified times in advance of designated milestones. The contribution in kind or by financial contribution by the other parties to the expected project cost of \$13 million is \$10.3 million. As at the reporting date \$10.183 million had been received from DEWHA and LCMA. The project is due to be completed by 31 August 2011.

(b) State Water has signed an agreement with the Department of the Environment, Climate Change and Water (DECCW) under the NSW Rivers Environmental Restoration Program and which is ultimately funded by the Commonwealth of Australia Government's Water Smart Australia program. Under the agreement, DECCW makes

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

12 Other Liabilities continued

(iii) Deferred Government Grants continued

financial contributions to State Water in advance of State Water undertaking the activities. The expected project cost of \$10 million is fully funded under this agreement. As at the reporting date \$6.993 million had been received from DECCW, of which \$1.159 million has been treated as operating revenue and allocated against incurred operational expenditure. The deferred component comprises \$3.022 million in relation to grants related to assets and \$2.812 million for grant funding received in advance for expenditure to be incurred in future periods. The project is due to be completed by 30 June 2011.

(c) State Water has signed an agreement with Water for Rivers to deliver Water Efficiency Projects for the Murrumbidgee Valley. \$364,000 relates to grant funding received in relation to construction of assets, while the remaining \$584,000 relates to grant income received in advance for expenditure to be incurred in future periods. The project is due to be completed by 30 June 2012.

(d) State Water has signed an agreement with Lachlan Catchment Management Authority (LCMA) to provide a fishway at Booligal Weir. This project is jointly funded, with the total cost of \$550,000 being funded by LCMA (\$150,000) and State Water (\$400,000). The project is scheduled to be completed by 31 December 2010.

(e) State Water has signed an agreement with the Bureau of Metrology for the Modernisation and Extension of Hydrologic Monitoring Systems Project. The remaining deferred amount comprises \$811,000 received in relation to creation of assets, which will be released systematically to profit and loss over the life of the assets created, plus \$10,000 for operating grant funding received in advance.

(f) State Water has received funding from the Federal Government, via the New South Wales Office of Water, for the NSW Metering Scheme Pilot Project. This project is expected to run until June 2012, with total funding to be received over the period to be \$22.395 million. At reporting date \$2.036 million has been received, of which \$1.996 million has been treated as deferred since the expenditure to which it relates has not yet been incurred.

13 Contributed equity

	2010 \$'000	2009 \$'000
- Net asset value transferred effective 1 July 2004, as agreed to by NSW Treasury after converting \$60 million into a loan	249,073	249,073
- Net asset value transferred effective 1 January 2005, as agreed to by NSW Treasury	51,437	51,437
Issued capital	-	-
Balance at end of period	300,510	300,510

Issued capital is two (2009: two) fully paid \$1.00 ordinary shares. Authorised capital is two \$1.00 ordinary shares. There were no movements in share capital during the period.

14 Dividends

(a) Current year dividend

A \$3.070 million dividend payable has been recognised for the year ended 30 June 2010 (2009: No dividend recognised). Under the National Tax Equivalent Regime, State Water is not required to maintain a dividend franking account.

(b) Dividend payable

Current obligations to pay a dividend

Dividend payable	3,070	-
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State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

15 Notes to the Cash Flow Statement

(a) Financing facilities

	2010 \$'000	2009 \$'000
Unsecured bank credit card facility payable at call		
- amount used	110	158
- amount unused	440	342
	550	500

The NSW Treasury approved credit card facility limit at 30 June 2010 was \$500,000 (2009: \$500,000). This approved limit was subsequently raised to \$550,000 in October 2010.

Unsecured loan facilities with various maturity dates through to 2035

- amount used	106,541	54,226
- amount unused	12,459	25,774
	119,000	80,000

Unsecured Come and Go facility payable at call

- amount unused	7,000	7,000
	7,000	7,000

(b) Reconciliation of cash flows from operating activities with profit/(loss) for the year

Profit/(loss) after income tax	45,045	(39,897)
Adjustments for:		
Income Statement items classified as investing or financing:		
Net (gain)/loss on disposal of property, plant and equipment	(204)	(71)
Prior period restatement of revenue and expenses	-	276
Depreciation, amortisation and impairment	(47,707)	64,118
Capitalised borrowing costs disclosed as operating cashflow	(2,991)	-
Movement in superannuation liability through equity	(3,805)	(19,000)
Government grants received for capital projects	(4,731)	(1,507)
Income tax expense relating to movements in equity	(3,105)	(11,617)
Premium on T-Corp bills	-	(243)
Trade and other receivables	(5,780)	10,983
Other assets	13	(129)
Trade and other payables	11,404	(10,276)
Provisions	4,793	12,810
Other liabilities	9,325	(1,202)
Income tax assets and liabilities	18,568	(5,665)
Current tax liabilities	505	-
Net cash flows from operating activities	21,330	(1,420)

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

16 Commitments for expenditure

(a) Capital expenditure commitments

	2010 \$'000	2009 \$'000
Capital expenditure commitments contracted for:		
Not longer than one year	54,586	29,954
Longer than one year and not longer than five years	4,882	-
Longer than five years	-	-
	59,468	29,954

Amounts disclosed for these commitments include total GST of \$5.404 million (2009: \$2.723 million) that is recoverable from the ATO.

(b) Other expenditure commitments

Other expenditure commitments contracted for:		
Not longer than one year	27,725	3,499
Longer than one year and not longer than five years	6,496	-
Longer than five years	-	-
	34,221	3,499

Amounts disclosed for these commitments include total GST of \$3.109 million (2009: \$0.318 million) that is recoverable from the ATO.

(c) Operating lease commitments

Payable as lessee

Future operating lease rentals not provided for in the financials statements and payable:

Not longer than one year	1,062	1,015
Longer than one year and not longer than five years	1,640	1,148
Longer than five years	755	-
	3,457	2,163
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	3,457	2,163
	3,457	2,163

State Water leases primarily property and information technology equipment under non-cancellable operating leases.

Leases for property generally have terms of three to six years. All lease agreements are subject to an annual review in which the rental amount can be increased (usually by approximately 3%). State Water entered into two new property leases during the reporting period. The first lease was for the new head office premises in Dubbo which has a 7 year term. The second lease was for a regional office premises for a 10 year term.

All leases allow for renewal at the end of the lease term.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

16 Commitments for expenditure continued

(c) Operating lease commitments continued

Amounts disclosed for these commitments include total GST of \$0.314 million (2009: \$0.197 million) that is recoverable from the ATO.

Receivable as lessor

	2010 \$'000	2009 \$'000
Future operating lease rentals not provided for in the Financial Statements and receivable:		
Not longer than one year	1,757	1,618
Longer than one year and not longer than five years	3,937	4,731
Longer than five years	35,332	30,292
	41,026	36,641
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	41,026	36,641
	41,026	36,641

State Water leases to other parties positions to locate hydro-electric equipment and structures under non-cancellable operating leases. These leases are for terms ranging from 20 years to 75 (2009: 20 years to 75 years) years with option periods following, ranging up to 75 years. The longest remaining term before option is 67 years. Lease rentals are generally reviewed annually. The lessee does not have an option to purchase the property at the expiry of the lease period.

State Water leases to other parties foreshore land at some of its water storage facilities under non-cancellable operating leases for periods of 5 years, with 2 further option periods of 5 years each. Lease rentals are generally reviewed annually. The lessee does not have an option to purchase the property at the expiry of the lease period.

This foreshore land does not form part of the Transfer Order for the creation of State Water. However, State Water leases this land under an Instrument of Delegation from the Water Administration Ministerial Corporation (WAMC) of NSW Office of Water (NOW). This instrument delegates to State Water the administration functions over the land, and the authority to negotiate leases on behalf of the WAMC. State Water is paid an administration fee by WAMC which is equal to the net lease fee collected. In practice, this is paid directly from the lessee to State Water.

Amounts disclosed for these commitments include total GST of \$3.730 million (2009: \$3.331 million) that is payable to the ATO.

17 Maintenance expenditure

	2010 \$'000	2009 \$'000
Employee-related maintenance expenses	5,666	5,972
Contracted labour and other (non-employee related) expenses	8,961	9,859
Total	14,627	15,831

This represents the costs of maintenance functions carried out on State Water's system assets.

18 Consultants

The total amount paid/payable to consultants engaged during the period was \$0.390 million (2009: \$0.176 million).

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

19 Directors

Names of persons holding the position of director in office at any time during the financial year are:

AG (Tony) Wright	Chairman and non-executive director
George Warne	Executive director, Chief Executive Officer
Kathleen Bowmer	Non-executive director
Michael Bennett	Non-executive director
Don Marples	Non-executive director
Catherine Bolger	Non executive director
Col Gellatly AO	Non executive director
Anne Thompson	Non executive director

Details of Directors remuneration are set out in Note 20(a).

20 Related party disclosures

State Water has related party relationships with Key Management Personnel (refer (a) below), their related entities (refer (b) below), other directorships (refer (c) below) and other related parties (refer (d)).

(a) Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing, and controlling the activities of State Water, directly or indirectly. This comprises:

Directors, excluding Chief Executive Officer
Chief Executive Officer
Chief Operating Officer
Company Secretary, Manager Strategy and Governance
General Manager Finance

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

20 Related party disclosures continued

(a) Key Management Personnel continued

Key Management Personnel compensation is as follows:

2010

Short-term benefits		Post employment benefits	Other long-term benefits	Total
Salary	Termination benefits	Superannuation		
\$'000	\$'000	\$'000	\$'000	\$'000
1,151	-	111	-	1,262

2009

Short-term benefits		Post employment benefits	Other long-term benefits	Total
Salary	Termination benefits	Superannuation		
\$'000	\$'000	\$'000	\$'000	\$'000
1,093	-	144	-	1,237

	2010 \$'000	2009 \$'000
This comprises compensation relating to:		
Directors, excluding Chief Executive Officer	342	339
Senior executives	920	898
	1,262	1,237

(b) Other transactions with key management personnel and related entities

KMP are free to engage in purchase of goods or services from State Water in accordance with State Water's Code of Conduct. These purchases are on the same terms and conditions as those entered into by other customers or clients.

Any transactions undertaken with entities related to KMP are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Given the specialised nature of goods and services provided by State Water, these purchases are non-existent for the most part.

During the current reporting period, the following related party transactions with entities related to key management personnel occurred:

A director of State Water, Mr Michael Bennett, was a holder of water licences during the reporting period. Mr Bennett was also a director of Bennett Biz Pty Limited which was a holder of water licences during the reporting period. State Water earned revenue totaling \$24,658 during the reporting period at rates determined by IPART for services rendered under the conditions of these water licences, which were issued by the Department of Water and Energy on an arm's length basis and on commercial terms and conditions in the ordinary course of business. As at 30 June 2010, Mr Bennett or Bennett Nominees Pty Limited had no debt with State Water.

Mr Bennett, representing riparian irrigators from regulated streams, is also a chairman of Macquarie-Cudgegong Customer Service Committee (CSC). This is one of a number of customer service committees established by State Water as a condition of its Operating Licence to exchange information with its customers and to develop a positive, constructive and efficient service provider/customer relationship. A CSC can make recommendations to State Water but is not a

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

20 Related party disclosures continued

(b) Other transactions with key management personnel and related entities continued
decision-making body.

(c) Other directorships

A director of State Water, Mr Michael Bennett, is also a director of The NSW Irrigators Council Ltd. The NSW Irrigators Council Ltd is a co-operative comprising of irrigators, that was formed with the intention of lobbying the relevant governments and government agencies on irrigators behalf. The NSW Irrigators Council Ltd generates income through contributions from irrigators (which is not compulsory). There have not been any transactions between State Water and The NSW Irrigators Council Ltd during the reporting period.

A director of State Water, Mr Anthony Wright, is also a board member (Deputy Chairman) of the NSW Environment Protection Authority (EPA). There have not been any transactions between State Water and NSW EPA during the reporting period.

A director of State Water, Mr Don Marples, is also a director of Wide Bay Water Corporation. There have not been any transactions between State Water and Wide Bay Water Corporation during the reporting period.

(d) Transactions with other related parties

There were no material transactions with other related parties in either the current or previous reporting period.

21 Financial Instruments Disclosures

(a) Capital risk management

State Water manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance.

State Water's overall strategy remains unchanged from 2009.

The capital structure of State Water consists of debt, which includes borrowings (refer Note: 10 Borrowings), cash and cash equivalents (refer Note: 4 Cash and cash equivalents) and equity comprising contributed equity, reserves and retained earnings (refer Note: 13 Contributed equity and statement of changes in equity).

Operating cash flows are used to maintain and expand State Water's assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. State Water's policy is to borrow to meet anticipated funding requirements.

State Water's management reviews the capital structure on an annual basis with the preparation of the Statement of Corporate Intent. State Water has a target gearing ratio that is determined as the proportion of debt to debt plus equity. State Water will balance its overall capital structure primarily through the payment of dividends and the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows

	2010 \$'000	2009 \$'000
Debt (i)	107,911	54,226
Equity (ii)	367,259	318,036
Debt + equity	475,170	372,262

Debt to debt+equity ratio for 2010 financial year is 22.71% (2009: 14.56%)

Target debt to debt+equity ratio for 2010 financial year is 25.98% (2009: 13.85%)

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Instruments Disclosures continued

(a) Capital risk management continued

(i) Debt is defined as long-term and short-term borrowings, as detailed in Note: 10.

(ii) Equity includes all capital and reserves.

(b) Categories of financial instruments

	2010 \$'000	2009 \$'000
Financial assets		
Cash and cash equivalents	11,100	4,610
Trade and other receivables(i)	20,063	15,311
Financial liabilities (at amortised cost)		
Trade and other payables(ii)	29,956	18,804
Borrowings	107,911	54,226

(i) Excludes statutory receivables and prepayments that are not within the scope of AASB 7 disclosures

(ii) Excludes statutory payables and unearned revenue that are not within the scope of AASB 7 disclosures.

(c) Financial risk management objectives

Key Management Personnel and the Board of Directors monitor and manage the financial risks relating to the operations of State Water through a range of internal reports that analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk.

State Water does not use derivative financial instruments for any purpose. State Water does not enter into or trade financial instruments for speculative purposes.

(d) Market risk

State Water's activities expose it to the financial risk of changes in interest rates. It is not exposed to the financial risks of changes in foreign currency exchange rates or other price risks. Any transactions in foreign currency are at a spot-rate and contracts are negotiated in fixed dollar amounts.

There has been no change to State Water's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(e) Interest rate risk management

State Water is exposed to changes in market interest rates. Although there is a small exposure arising from cash and investment portfolios, the main exposure arises from State Water's debt portfolio.

NSW Treasury Corporation (TCorp) manages interest rate risk exposures applicable to specific borrowings of State Water in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and long term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings managed by TCorp stood at \$106.541 million (2009: \$53.766 million).

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Instruments Disclosures continued

(e) Interest rate risk management continued

At reporting date the interest rate profile of State Water Corporation's interest bearing financial instruments was:

	2010 \$'000	2009 \$'000
Fixed Rate Instruments		
Financial liabilities	(94,488)	(37,426)
	(94,488)	(37,426)
Variable Rate Instruments		
Financial assets	11,084	4,594
Financial liabilities	(13,423)	(16,800)
	(2,339)	(12,206)

A sensitivity analysis on the exposure to interest rates for State Water's interest bearing financial instruments was undertaken based on interest rate movement provided by NSW Treasury Corporation. The sensitivity percentages were derived from historically based volatility information calculated over a 10 year period, quoted at 2 standard deviations (i.e. 95% probability).

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or Loss - 100 basis point increase \$'000	Profit or Loss - 100 basis point decrease \$'000	Equity - 100 basis point increase \$'000	Equity - 100 basis point decrease \$'000
2010				
Variable rate instruments	(23)	23	(23)	23
	(23)	23	(23)	23
2009				
Variable rate instruments	(122)	122	(122)	122
	(122)	122	(122)	122

(f) Credit risk management

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

In respect of trade and other receivables, State Water monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding.

In relation to receivables for water charges, the credit risk is mitigated by the conditions under which water licences are held by customers, the result of which is that before a sale or transfer of licence takes place the market, as represented by the buyer or transferee, ensures the settlement of all amounts owing. For further detail refer to note 5 : Trade and other receivables.

In respect of cash and cash equivalents and investments in marketable securities, State Water only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating against the risk of financial losses from defaults.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Instruments Disclosures continued

(f) Credit risk management continued

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, net of any allowances for losses, in the Statement of Financial Position.

At the reporting date there were no significant concentrations of credit risk in which State Water is significantly exposed to any single counterparty. There was no change to the level of credit exposure to State Water during the current reporting period.

(g) Liquidity risk management

Liquidity risk refers to the risk that State Water will be unable to meet expenditure commitments when they fall due. State Water has built an appropriate liquidity risk management framework for the management of State Water's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed through the availability of financing facilities including a long-term fixed borrowing facility with NSW Treasury Corporation, and through the maintenance of extensive short-term and long-term cash flow forecasting, which is regularly monitored by the Board. Disclosed in Note: 10 Borrowings are details of State Water's financing facilities, including undrawn facilities that State Water has at its disposal to further reduce liquidity risk.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Instruments Disclosures continued

Liquidity risk tables

The following table details State Water's expected maturity for its financial assets and its remaining contractual maturity for its financial liabilities. The table is based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets, and the undiscounted interest and principal cash flows of financial liabilities according to the earliest date on which State Water can be required to pay. The nominal amounts disclosed are the contractual undiscounted cashflows of each class of financial liabilities and therefore may not reconcile to the statement of financial position.

	Total Amount		Maturing within 1 Year		Maturing 1 to 5 Years		Maturing Over 5 Years	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:								
Cash and cash equivalents	11,100	4,610	11,100	4,610	-	-	-	-
Trade and other receivables	20,063	15,311	20,063	15,311	-	-	-	-
Total Financial Assets	31,163	19,921	31,163	19,921	-	-	-	-
Financial Liabilities:								
Trade and other payables	29,956	18,804	29,956	18,804	-	-	-	-
Bank overdraft	1,120	-	1,120	-	-	-	-	460
Borrowings - NSW Treasury	162,773	53,940	8,440	16,800	54,194	22,140	100,139	15,000
Equipment finance	250	-	145	159	105	301	-	-
Total Financial Liabilities	194,099	72,744	39,661	35,763	54,299	22,441	100,139	15,460

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

21 Financial Instruments Disclosures continued

(h) Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities are determined as follows:

- Cash and cash equivalents

The carrying amount is considered to be a reasonable approximation of the fair value.

- Trade and other receivables

The carrying amount is considered to be a reasonable approximation of the fair value.

- Trade and other payables

The carrying amount is considered to be a reasonable approximation of the fair value.

- Other financial liabilities

The carrying amount is considered to be a reasonable approximation of the fair value.

- Borrowings

As stated in Note 1(o) borrowings are stated at amortised cost. Comparison between amortised cost and fair value is shown below. (Excluding principal and interest equipment finance, and bank overdraft).

	2010	2009
	\$'000	\$'000
Carrying value at amortised cost	106,541	53,766
Fair value	111,332	53,939

Fair Value Hierarchy

AASB 7 requires disclosure of the fair value hierarchy for those financial assets and liabilities measured at fair value within the statement of financial position. Given the fair value methodologies noted above, there are no specific valuation techniques used or fair value measurement undertaken that would require disclosure under fair value hierarchy, other than short term investments held in the TCorp Hourglass investment facility as disclosed in Note 4. This facility is classified as level 2, since prices are observable, however no active market exists for this facility as it is only accessible to government agencies.

22 Auditors Remuneration

Remuneration to State Water's auditor for:

Auditing or reviewing the financial statements	228	187
	228	187

23 Post employment benefits from superannuation plans

State Water contributes on behalf of its employees to defined contribution superannuation plans and to defined benefit superannuation plans.

Defined contribution superannuation plans

Contributions are made in accordance with the Superannuation Guarantee Contribution legislation and employee agreements, and are based on the employee's ordinary time earnings. Contributions are expensed when they are incurred (included in employee benefits in the Income Statement). The liability recognised at balance date represents the contribution to be paid in the following month.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

Defined benefit superannuation plans

State Water contributes to three defined benefit superannuation plans in the NSW Public Sector Pooled Fund, which holds in trust the investments of these plans. The plans are:

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

Employer contributions are based on various multiples of employee contributions and percentages of employee superable salaries, in accordance with the advice of the plans' actuaries. Funding recommendations are made by the actuaries based on their forecast of future asset performance, interest rates, salary increases and other factors. The plans provide defined benefits to qualifying employees, derived in part from a multiple of member salary and years of membership.

All the schemes are closed to new members.

An assessment of the defined benefit plans is made each year by Pillar Administration, the funds' administrator. If a surplus exists in State Water's interest in a fund, State Water may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary. Where a deficiency exists, State Water may be responsible for any difference between its share of fund assets and the defined benefit obligation. Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

The assessment of the funds as at 30 June 2010 showed the total of all funds to be \$21.444 million net deficit (2009: \$18.261 million net deficit). This liability is disclosed in the Statement of Financial Position.

Payments made to Pillar Administration towards superannuation liabilities are held in Investment Reserve Accounts. All fund assets are invested by Superannuation Trustee Corporation at arm's length through independent fund managers.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

Fund assets

The percentages invested in each asset class at the reporting date are:

	30 June 2010	30 June 2009
Australian equities	31.0 %	32.1 %
Overseas equities	26.8 %	26.0 %
Australian fixed interest securities	6.1 %	6.2 %
Overseas fixed interest securities	4.3 %	4.7 %
Property	9.5 %	10.0 %
Cash	9.6 %	8.0 %
Other	12.7 %	13.0 %

Reconciliation of the present value of the defined benefit obligation

For the financial year to 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of partly funded defined benefit obligations at start of year	12,544	3,121	47,192	62,857
Current service cost	364	151	447	962
Interest cost	685	168	2,609	3,462
Contributions by fund participants	215	-	413	628
Actuarial (gains)/losses	1,210	131	2,608	3,949
Benefits paid	(1,032)	(163)	(1,849)	(3,044)
Past service cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of partly funded defined benefit obligations at end of year	13,986	3,408	51,420	68,814

For the financial year to 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of partly funded defined benefit obligations at start of year	15,336	3,638	35,964	54,938
Current service cost	448	186	309	943
Interest cost	978	225	2,332	3,535
Contributions by fund participants	277	-	576	853
Actuarial (gains)/losses	(712)	516	7,783	7,587
Benefits paid	(3,783)	(1,444)	228	(4,999)
Past service cost	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Business combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of partly funded defined benefit obligations at end of year	12,544	3,121	47,192	62,857

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

Reconciliation of the fair value of fund assets

For the financial year to 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at start of year	10,663	2,333	31,602	44,598
Expected return on fund assets	909	198	2,700	3,807
Actuarial (gains)/losses	(24)	9	160	145
Employer contributions	424	138	674	1,236
Contributions by fund participants	215	-	413	628
Benefits paid	(1,032)	(163)	(1,849)	(3,044)
Settlements	-	-	-	-
Business combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of year	11,155	2,515	33,700	47,370

For the financial year to 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of fund assets at start of year	16,406	3,986	33,716	54,108
Expected return on fund assets	1,322	316	2,749	4,387
Actuarial (gains)/losses	(4,079)	(729)	(6,605)	(11,413)
Employer contributions	520	203	938	1,661
Contributions by participants	277	-	576	853
Benefits paid	(3,783)	(1,443)	228	(4,998)
Settlements	-	-	-	-
Business combinations	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of fund assets at end of year	10,663	2,333	31,602	44,598

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

Reconciliation of the assets and liabilities recognised in the statement of financial position

At 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of partly funded benefit obligations at end of year	13,986	3,408	51,420	68,814
Fair value of fund assets at end of year	(11,155)	(2,515)	(33,700)	(47,370)
	2,831	893	17,720	21,444
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
Net liability/(asset) recognised in statement of financial position at end of year	2,831	893	17,720	21,444

At 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of partly funded defined benefit obligations at end of year	12,544	3,121	47,192	62,857
Fair value of fund assets at end of year	(10,663)	(2,331)	(31,602)	(44,596)
	1,881	790	15,590	18,261
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
Net liability/(asset) recognised in statement of financial position at end of year	1,881	790	15,590	18,261

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued Expenses recognised in income statement

For the financial year to 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	364	151	447	962
Interest cost	685	168	2,608	3,461
Expected return on fund assets (net of expenses)	(909)	(198)	(2,700)	(3,807)
Net actuarial losses/(gains) recognised in year	-	-	-	-
Past service costs	-	-	-	-
Movement in adjustment for limitation on net asset	-	-	-	-
Curtailement or settlement loss (gain)	-	-	-	-
Expense/(income) recognised	140	121	355	616

For the financial year to 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	448	186	309	943
Interest cost	979	225	2,332	3,536
Expected return on fund assets (net of expenses)	(1,322)	(316)	(2,749)	(4,387)
Net actuarial losses/(gains) recognised in year	-	-	-	-
Past service costs	-	-	-	-
Movement in adjustment for limitation on net asset	-	-	-	-
Curtailement or settlement loss (gain)	-	-	-	-
Expense/(income) recognised	105	95	(108)	92

Amounts recognised in other comprehensive income

For the financial year to 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains)/losses	1,234	122	2,448	3,804
Adjustment for limit on net asset	-	-	-	-
	1,234	122	2,448	3,804

For the financial year to 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actuarial (gains)/losses	3,366	1,246	14,388	19,000
Adjustment for limit on net asset	-	-	-	-
Total	3,366	1,246	14,388	19,000

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

Cumulative amount recognised in the statement of comprehensive income

The cumulative amount recognised in the statement of comprehensive income is a loss of \$21.974 million (2009: loss of \$18.170 million).

Actual return on fund assets

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
2010	988	207	2,881	4,076
2009	(1,676)	(414)	(3,173)	(5,263)

Expected rate of return on assets

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

Valuation method

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

Economic assumptions

	2010	2009
Discount rate	5.17% p.a.	5.59% p.a.
Expected rate of return on assets	8.60% p.a.	8.13% p.a.
Salary increase rate (excluding promotional increases)	3.5% p.a.	3.5% p.a.
Rate of CPI increase	2.5% p.a.	2.5% p.a.

Demographic assumptions

The demographic assumptions at 30 June 2010 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

Historical information

For the financial year to 30 June 2010

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	13,986	3,408	51,420	68,814
Fair value of fund assets	(11,155)	(2,515)	(33,700)	(47,370)
(Surplus)/Deficit in fund	2,831	893	17,720	21,444
Experience adjustments - Fund liabilities	1,210	131	2,608	3,949
Experience adjustments - Fund assets	24	(9)	(160)	(145)

For the financial year to 30 June 2009

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	12,544	3,121	47,192	62,857
Fair value of Fund assets	(10,663)	(2,331)	(31,602)	(44,596)
(Surplus)/Deficit in fund	1,881	790	15,590	18,261
Experience adjustments - Fund liabilities	(712)	516	7,782	7,586
Experience adjustments - Fund assets	4,079	729	6,605	11,413

For the financial year to 30 June 2008

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	15,336	3,638	35,964	54,938
Fair value of Fund assets	(16,406)	(3,986)	(33,716)	(54,108)
(Surplus)/Deficit in Fund	(1,070)	(348)	2,248	830
Experience adjustments - Fund liabilities	(794)	2	1,542	750
Experience adjustments - Fund assets	2,301	602	3,642	6,545

For the financial year to 30 June 2007

	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	15,105	3,296	33,295	51,696
Fair value of Fund assets	(17,228)	(4,118)	(35,155)	(56,501)
(Surplus)/Deficit in Fund	(2,123)	(822)	(1,860)	(4,805)
Experience adjustments - Fund liabilities	349	8	(1,662)	(1,305)
Experience adjustments - Fund assets	(900)	(253)	(2,548)	(3,701)

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

For the financial year to 30 June 2006

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Present value of defined benefit obligation	14,200	3,303	31,804	49,307
Fair value of Fund assets	(15,435)	(3,789)	(28,672)	(47,896)
(Surplus)/Deficit in Fund	(1,235)	(486)	3,132	1,411
Experience adjustments - Fund liabilities	669	44	(418)	295
Experience adjustments - Fund assets	(1,627)	(287)	(3,105)	(5,019)

Expected employer contributions

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
2010	408	167	661	1,236
2009	526	210	922	1,658

Funding arrangements for employer contributions

The following is a summary of the financial position of the Funds calculated in accordance with AAS 25 - *Financial Reporting by Superannuation Plans*.

(a) Surplus/deficit

	SASS \$'000	SANCS \$'000	SSS \$'000
At 30 June 2010			
Accrued benefits	12,647	3,107	34,767
Net market value of Fund assets	(11,156)	(2,515)	(33,700)
Net (surplus)/deficit	1,491	592	1,067
	SASS \$'000	SANCS \$'000	SSS \$'000
At 30 June 2009			
Accrued benefits	11,549	2,879	33,756
Net market value of Fund assets	(10,663)	(2,331)	(31,602)
Net (surplus)/deficit	886	548	2,154

(b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS A	SANCS B	SSS C
2010	1.90	2.50	1.60
2009	1.90	2.50	1.60

A - multiple of member contributions

B - percentage member salary

C - multiple of member contributions

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

23 Post employment benefits from superannuation plans continued

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

Weighted-Average Assumptions	2010	2009
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3%	7.3%
Expected salary increase rate	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

Nature of Asset/Liability

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

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

24 Administered Revenue and Assets

	2010 \$'000	2009 \$'000
Administered revenues		
NOW - Water Charges	22,995	23,170
NSW Treasury - Pindari Levy	1,807	2,108
YCATAAC - Yanco Columbo System Levy	131	164
	24,933	25,442
Administered Assets		
Administered cash	4,053	1,430
Debtors and accrued charges NOW	2,585	17,424
Debtors and accrued charges Pindari	134	418
Debtors and accrued charges YCATAAC	159	170
	6,931	19,442
Administered Liabilities		
Creditors and accruals NOW	4,980	17,164
Creditors and accruals Pindari	1,788	2,108
Creditors and accruals YCATAAC	163	170
	6,931	19,442

The amounts shown above have not been recognised in the income statement and the statement of financial position, as

State Water Corporation

Notes to the Financial Statements

For the Year Ended 30 June 2010

they arise from agency arrangements with the New South Wales Office of Water (NOW), NSW Treasury and Yanco Creek and Tributaries Advisory Council (YCATAC).

Under these arrangements State Water is responsible for billing water licence holders on behalf of:

- NOW for unregulated river and groundwater charges as well as regulated river charges which are shared between State Water and NOW.
- NSW Treasury for the Pindari Dam Levy.
- YCATAC for a levy on irrigators in the Yanco Columbo System.

These charges are payable by State Water to the respective agencies as and when collected.

Accrued charges are based on known entitlement charges and on usage, where applicable.

Billing of customers is completed after year end.

25 Events after balance sheet date

There are no known events that would impact on state of affairs of the economic entity or have a material effect on these financial statements.

* * End of the Audited Financial Statements * *

GLOSSARY

ACCC	Australian Competition and Consumer Commission	PMS	Project Management System
ANCOLD	Australian National Committee on Large Dams	PRA	Portfolio Risk Assessment
BERP	Business Expenditure Review Panel	RERP	NSW Rivers Environmental Restoration Program
CAIRO	Computer Aided Improvements to River Operations	RMSS	Risk Management and Safety System
CAPEX	Capital expenditure	SCADA	Supervisory Control and Data Acquisition System
CCC	Community Consultative Committee	SCI	Statement of Corporate Intent
CEO	Chief Executive Officer	SLA	Service Level Agreement
CIS	Capital Investment Strategy	SWMOP	State Water Management Outcomes Plan
CSC	Customer Service Committee	SWQMP	Strategic Water Quality Monitoring Program
DECCW	Department of Environment, Climate Change and Water	TAMP	Total Asset Management Plan
DESP	Dam Safety Emergency Plan	TCorp	NSW Treasury Corporation
DSC	NSW Dams Safety Committee	WAS	Water Accounting System
EMP	Environment Management Plan	WfR	Water for Rivers program
EPR	Employee Planning and Review	WSP	Water Sharing Plan
EWON	Energy and Water Ombudsman of NSW	WRAPP	Waste Reduction and Purchasing Policy
FMMS	Facilities Maintenance Management System		
FOI	Freedom of Information		
FRWS	Fish River Water Supply		
I&I	Industry and Investment NSW		
ICAC	Independent Commission against Corruption		
IFMS	Integrated Financial Management System		
IPART	Independent Pricing and Regulatory Tribunal		
iSMART	Integrated Surveillance Monitoring, Automation and Remote Telemetry		
iWAS	Internet Water Accounting System		
KPI	Key Performance Indicators		
LTIFR	Lost Time Injury Frequency Rate		
MDB	Murray Darling Basin		
MDBA	Murray Darling Basin Authority		
MLO	Multi-Level Oftake		
MoU	Memorandum of Understanding		
NOW	NSW Office of Water		
OH&S	Occupational Health and Safety		
OPEX	Operating expenditure		
PAR	Population At Risk		

INDEX

2009-10 Business Plan	73	Dam Break Modelling	41
About State Water	4,5	Dam safety upgrade program	12
About the Business Plan	72	Dam Safety	42
Access arrangements and procedures	100	Delegations to Management	98
Access	100	Directors' Interests	95
Accountabilities and Responsibilities	61	Directors' Remuneration	95
Accounts Payable Performance Review	98	Documents held	100
Asset Planning	41	EEO group	99
Asset Strategy and Research	41	Emergency and Security Planning	43
Audit and Compliance Committee	96	Employee Assistance Program	98
Back to Burrinjuck celebrations	68	Employee Turnover Rate	61
Bega and Brogo Regulated Rivers	26	Engagement Survey Results	99
Benchmarking	57	Environment Management Plan	43
Billing	39	Environmental Research, Initiatives and Investigative Projects	43
Blowering Dam Upgrade	46	Equal Employment Opportunity	99
Board Committees	96	Exceptional Movements in Wages, Salaries or Allowances	100
Board of Directors	16, 95	Executive and Operations Team	18
Board Chairman: A G (Tony) Wright	15	Executive Remuneration	100
Board Member: Anne Thompson	17	Executive Team	18
Board Member: Catherine Bolger	16	Financial results	11
Board Member: Col Gellatly	17	Financial Services Unit	63
Board Member: Don Marples	17	Financial Statements Contents	105
Board Member: George Warne	15	Fish River Customer Council	31
Board Member: Kathleen Bowmer	16	Fish River Water Supply	26
Board Member: Michael Bennett	16	Fishway Management	44
Border Rivers CSC	31	Freedom of Information	100
Border Rivers	26	Functions	95
Bulk Water Pricing	4	Funds Granted to Non-Government Organisations	101
Budgets	103	General security water availability 2009-10	30
Burrendong Dam Upgrade	46	Glossary	177
Business Expenditure Review Panel	41	Governance	64
Business Improvements Unit	53	Gulpa and Edward Weir Fishways	48
Capital Works Progress Report	48	Gwydir CSC	31
CEO performance statement	97	Gwydir Valley	26
Chaffey Dam Upgrade	47	Heritage Management	44
Charter	94	Human Resources Unit	57
Coastal CSC	31	Human Resources	87
Cold Water Pollution	43	Hume Dam Upgrade	47
Community Consultative Committee	102	Hunter Regulated River Water Source	27
Compliance	38	Hydro Power Summary	42
Consultant	98	Income Statement	109
Continued Relationships with Regulators	45	Increasing efficiency	12
Controlled Entities	98	Independent Audit Report	107
Copeton Dam Upgrade	47	Information Services Unit	55
Corporate communication	67	Injury Management & Workers' Compensation	61
Corporate Governance	95	Injury Severity Rates	59
Corporate Plan	9	Insurance	101
Corporate Planning	65	Investing in Safety Skills	60
Corporate values	8	Investment Performance	101
Credit Card Certification	98	IPART determination	63
Customer Field Services	37	Ironpot and Eden Creeks Regulated Rivers	27
Customer Information Centre	37	Keepit Dam Upgrade	47
Customer Operations Unit	37	Koondrook-Perricoota Forest Watering	48
Customer Relationships	41	Lachlan Valley	28
Customer Service Charter	89		
Customer Service Committees	31		
Customer Support Services	38		

INDEX

Lake Brewster Water Saving	48	Remuneration and Organisation Development Committee	96
Late Payments	101	Research and Development	103
Leadership development	57	Review of <i>State Water Corporation Act</i>	65
Legal Change	101	Risk Management Committee	96
Liability Management Performance	101	Risk Management, Compliance & Internal Audit	65
Lost Time Injuries and Severity Rate	59	Safety Committees	60
Macquarie-Cudgegong CSC	28, 32	Shareholders	94
Maintenance and Services Unit	51	Single enterprise agreement	56
Maintenance Audits	42	Split Rock Dam Upgrade	47
Major Projects Unit	47	Statement by Members of the Board	106
Marebone Weir Fishway	48	Statement of Cash Flows	113
Message from the Chairman and CEO	10	Statement of Changes in Equity	112
Ministerial Responsibility	4	Statement of Comprehensive Income	110
Multicultural Policies and Services Program	102	Statement of Corporate Intent	63
Murray Valley	29	Statement of Financial Position	111
Murray-Lower Darling CSC	32	Strategic Advice	65
Murrumbidgee CSC	32	Strategic Assets Unit	41
Murrumbidgee Valley	29	Strategic Performance Review of State Water	64
Namoi-Peel CSC	33	Strategy and Governance Unit	65
Namoi-Peel Valley	29	Surveillance	42
National OH&S Working Together		The environment	11
Strategy Targets	60	Total storage 2009-10	25
Natural Assets and Sustainability	43	Vision and values alignment	57
Non-Executive Directors Meetings	95	Vision	8
Notes to the Financial Statements	114	Waste Reduction	103
Notices and Breaches	61	Water Accounting System	38
NSW Rivers Environmental Restoration Program	44	Water delivery and customer service	10
NSW telemetered water meter roll-out	48	Water Delivery Overview	25
NSW Trade Applications	35	Water Delivery Unit	25
NSW Working Together Strategy targets	60	Water Quality Monitoring	44
Number of Employees by Branch	61	Water Resource Management	4
Number of Regulated River Licences	34	Water Trading	37
Number of Works Approvals	34	What We Do	4
Numbers	61	Where We Are	5
OH&S Benchmarking	60	Who We Are	4
Operating Licence Performance	85	Wyangala Dam Upgrade	47
Operations Group overview	23	Yalakool and Stevens Weir Fishways	48
Operations Team	19		
Organisation structure	19		
Our people	12		
Overseas Visits	102		
Paterson Regulated River Water Source	29		
Payment of Accounts	102		
Performance against State Water Operating Licence	85		
Performance management system	57		
Power Station Locations and Capacity	42		
Pricing Determination	64		
Privacy Policy	102		
Projects and Contracts Risk Management	42		
Providing a Safe and Healthy Work Environment	58		
Purpose	8		
Re configuration of payroll systems	57		
Regulated Customers Billed 2009-10	35		
Regulated River Prices	35		
Relationships with Shareholders and Regulators	65		

Contact Details

For more information contact State Water's Customer Information Centre on 1300 662 077.

HEAD OFFICE

Blueridge Business Park,
Mitchell Highway
7 Commercial Avenue
PO Box 1018
Dubbo NSW 2830

Website

www.statewater.com.au

Account Enquiries

For bill enquiries phone 1300 662 077 or billing@statewater.com.au

Business Hours

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Blowering Dam.

